

LITHOQUEST DIAMONDS INC.

199 Norton Road,
Salt Spring Island, BC V8K 2P5

DIRECTOR AND NAMED EXECUTIVE OFFICER COMPENSATION

The following information is presented in accordance with National Instrument Form 51-102F6V – *Statement of Executive Compensation - Venture Issuers*. For the purposes of this form:

“CEO” of the Company means each individual who acted as Chief Executive Officer of the Company, or acted in a similar capacity, for any part of the most recently completed financial year.

“CFO” of the Company means each individual who acted as Chief Financial Officer of the Company, or acted in a similar capacity, for any part of the most recently completed financial year.

“NEO” or “named executive officer” means each of the following individuals:

- (a) a CEO;
- (b) a CFO;
- (c) each of the three most highly compensated executive officers of the Company, including any of its subsidiaries, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000, as determined in accordance with subsection 1.3(6) of Form 51-102F6 - *Statement of Executive Compensation*, for that financial year; and
- (d) each individual who would be a NEO under paragraph (c) but for the fact that the individual was neither an executive officer of the Company or its subsidiaries, nor acting in a similar capacity, at the end of that financial year.

As at March 31, 2020, the Company had two NEOs, being Bruce Counts, the President and CEO and Dwight Walker, the CFO and Corporate Secretary and three directors, being Bruce Counts, Angela Austman, and Lon Shaver.

Director and NEO Compensation, Excluding Compensation Securities

The following table sets out all compensation paid, payable, awarded, granted, given, or otherwise provided, directly or indirectly, by the Company and its subsidiaries, excluding compensation securities, to each NEO and director, in any capacity, for the years ended March 31, 2020, 2019 and 2018.

<u>Table of Compensation Excluding Compensation Securities</u>							
<u>Name and Position</u>	<u>Year</u>	<u>Salary, Consulting Fee, Retainer or Commission</u> <u>(\$)</u>	<u>Bonus</u> <u>(\$)</u>	<u>Committee or Meeting Fees</u> <u>(\$)</u>	<u>Value of Perquisites</u> <u>(1)</u> <u>(\$)</u>	<u>Value of all Other Compensation</u> <u>(\$)</u>	<u>Total Compensation</u> <u>(\$)</u>
Bruce Counts <i>President, CEO and Director</i> ⁽²⁾⁽³⁾	2020	\$153,000	Nil	Nil	Nil	Nil	\$153,000
	2019	\$180,000	Nil	Nil	Nil	Nil	\$180,000
	2018	\$162,000 ⁽⁴⁾	Nil	Nil	Nil	Nil	\$162,000
Dwight Walker <i>CFO and Corporate Secretary</i> ⁽²⁾	2020	\$64,500	Nil	Nil	Nil	Nil	\$64,500
	2019	\$72,000	Nil	Nil	Nil	Nil	\$72,000
	2018	\$44,000	Nil	Nil	Nil	Nil	\$44,000
Angela Austman <i>Director</i> ⁽²⁾	2020	Nil	Nil	Nil	Nil	Nil	Nil
	2019	Nil	Nil	Nil	Nil	Nil	Nil
	2018	Nil	Nil	Nil	Nil	Nil	Nil
Lon Shaver <i>Director</i> ⁽²⁾	2020	Nil	Nil	Nil	Nil	Nil	Nil
	2019	Nil	Nil	Nil	Nil	Nil	Nil
	2018	Nil	Nil	Nil	Nil	Nil	Nil
Gerald Prosalendis <i>Director</i> ⁽²⁾⁽⁵⁾	2020	Nil	Nil	Nil	Nil	Nil	Nil
	2019	Nil	Nil	Nil	Nil	Nil	Nil
	2018	Nil	Nil	Nil	Nil	Nil	Nil
Richard Silas <i>Former Interim President, Interim CEO, Corporate Secretary and Director</i> ⁽⁶⁾	2020	N/A	N/A	N/A	N/A	N/A	N/A
	2019	N/A	N/A	N/A	N/A	N/A	N/A
	2018	\$25,000	Nil	Nil	Nil	Nil	\$25,000
Michael Waldkirch <i>Former CFO</i> ⁽⁷⁾	2020	N/A	N/A	N/A	N/A	N/A	N/A
	2019	N/A	N/A	N/A	N/A	N/A	N/A
	2018	\$18,900	Nil	Nil	Nil	Nil	\$18,900

Notes:

- (1) Includes, if applicable, housing allowances, education, utilities, wellness subsidies and cash pension benefits.
- (2) Appointed on November 23, 2017.
- (3) The compensation stated is for Mr. Counts' services as President and CEO. No separate compensation was paid for his role as a Director.
- (4) Includes amounts paid to Mr. Counts by Holdings prior to completion of the Reverse Take-Over Transaction on November 23, 2017.
- (5) Resigned on October 31, 2019.
- (6) Mr. Silas was appointed President and CEO of the Company on October 11, 2016 and Mr. Silas resigned as President and CEO of the Company on October 21, 2016. Mr. Silas was appointed Interim President and Interim CEO of the Company on November 11, 2016. Mr. Silas resigned as Interim President, Interim CEO, Chairman and Corporate Secretary on November 23, 2017.
- (7) Resigned on November 23, 2017.

Stock Option and Other Compensation Securities

The following table sets out all compensation securities granted or issued to each NEO and director by the Company and its subsidiaries for services provided or to be provided, directly or indirectly, to the Company during the Company's most recently completed financial year ended March 31, 2020.

Compensation Securities							
Name and Position	Type of Compensation Security	Number of Compensation Securities, Number of Underlying Securities, and Percentage of Class ⁽¹⁾	Date of Issue or Grant	Issue, Conversion or Exercise Price (\$)	Closing Price of Security or Underlying Security on Date of Grant (\$)	Closing Price of Security or Underlying Security at Year End (\$)	Expiry Date
Bruce Counts ⁽²⁾ <i>President, CEO and Director</i>	Stock Options	Nil	N/A	N/A	N/A	N/A	N/A
Dwight Walker ⁽³⁾ <i>CFO and Corporate Secretary</i>	Stock Options	Nil	N/A	N/A	N/A	N/A	N/A
Angela Austman ⁽⁴⁾ <i>Director</i>	Stock Options	Nil	N/A	N/A	N/A	N/A	N/A
Lon Shaver ⁽⁵⁾ <i>Director</i>	Stock Options	Nil	N/A	N/A	N/A	N/A	N/A
Gerald Prosalendis ⁽⁶⁾ <i>Director</i>	Stock Options	Nil	N/A	N/A	N/A	N/A	N/A

Notes:

- (1) No stock options were granted during the most recently completed financial year end.
- (2) As of the last day of the most recently completed financial year end, Mr. Counts held 545,000 options, representing an equal number of underlying Common Shares. These options vested on the date of grant.
- (3) As of the last day of the most recently completed financial year end, Mr. Walker held 400,000 options, representing an equal number of underlying Common Shares. These options vest on the date of grant.
- (4) As of the last day of the most recently completed financial year end, Ms. Austman held 495,000 options, representing an equal number of underlying Common Shares. These options vest on the date of grant.
- (5) As of the last day of the most recently completed financial year end, Mr. Shaver held 495,000 options, representing an equal number of underlying Common Shares. These options vest on the date of grant.
- (6) Mr. Prosalendis resigned as a director on October 31, 2019 and as of the last day of the most recently completed financial year end, Mr. Prosalendis held no options.

Exercise of Compensation Securities by NEOs and Directors

No director or NEO exercised any compensation securities, being solely comprised of stock options, during the year ended March 31, 2020.

Stock Option Plans and Other Incentive Plans

The Company has in place a “rolling” stock option plan (the “**Plan**”) that allows the Company to issue up to a maximum of 10% of the Company’s issued and outstanding Common Shares at any given time. The shareholders of the Company approved the Plan on January 9, 2020. In accordance with TSX Venture Exchange (the “**Exchange**”) policies, a plan with a rolling 10% maximum must be confirmed by shareholders of the Company at each annual general meeting.

The purpose of the Plan is to provide an incentive to the directors, officers, employees, and consultants to continue their involvement with the Company and to increase their efforts on the Company’s behalf by allowing the Company to grant options to directors, officers, employees and consultants as additional compensation and as an opportunity to participate in the growth of the Company. The granting of such options is intended to align the interests of such persons with that of the Company and is common industry practice.

Options will be exercisable over periods of up to five years as determined by the Board and are required to have an exercise price which, as determined by the Board in its sole discretion, shall not be less than the closing price of the Company’s Common Shares traded through the facilities of the Exchange on the date preceding the date of grant, or if the Common Shares are no longer listed for trading on the Exchange, then such other exchange or quotation system on which the Common Shares are listed or quoted for trading. The maximum number of Common Shares which may be issued pursuant to options previously granted and those granted under the Plan will be 10% of the issued and outstanding Common Shares of the Company at the time of grant. In addition, the number of Common Shares which may be reserved for issuance to any one individual may not exceed 5% of the issued Common Shares on a yearly basis or not more than 2% of the issued Common Shares on a yearly basis if granted to any one consultant or to persons employed or engaged in investor relations activities.

Upon expiry of an option, or in the event an option is otherwise terminated for any reason, the number of Common Shares in respect of the expired or terminated option shall again be available for the purposes of the Plan.

Options shall be subject to vesting at the discretion of the Board. The Plan provides that if a change of control, as defined therein, occurs, all Common Shares subject to options shall immediately become vested and may thereupon be exercised in whole or in part by the option holder.

Any options granted pursuant to the Plan will terminate within 90 days of the option holder ceasing to act as a director, officer, employee or consultant of the Company unless such cessation is on account of death. If such cessation is on account of death, the options terminate on the earlier of one year of the option holder’s death and the expiration date of the options. Upon retirement, stock options will become fully vested and will terminate on the expiration date of the options. Any options granted to option holders performing investor relations services will terminate within 30 days of termination.

The NEOs and directors are, under the terms of the Company’s Corporate Disclosure Policy and Securities Trading Policy, prohibited from engaging in short term or speculative transactions involving the Company’s securities, including short sales or transactions involving derivatives in securities of the Company.

The Board proposes to seek annual approval of shareholders, at its upcoming Annual General Meeting, for the continuation of the Plan, subject to regulatory approval.

Employment, Consulting and Management Agreements

Pursuant to an employment agreement between Bruce Counts and the Company dated May 29, 2018 (the “**Counts Employment Agreement**”), Mr. Counts agreed to be employed as the President and Chief Executive Officer of the Company in exchange for a base salary of \$180,000 (the “**Base Salary**”), and is eligible to participate in any bonus plans offered by the Company to its executives. Effective January 1, 2020, Mr. Counts moved from a fixed salary to billing the Company for services as rendered.

Pursuant to a consulting agreement between Dwight Walker and the Company dated May 29, 2018 (the “**Walker Consulting Agreement**”), Mr. Walker agreed to be employed as the Corporate Secretary and Chief Financial Officer of the Company in exchange for a base fee of \$6,000 per month (the “**Base Fee**”), exclusive of GST, and is eligible to participate in any bonus plans offered by the Company to its executives. Effective January 1, 2020, Mr. Walker reduced his monthly billing amount to \$3,500 and on April 1, 2020 reduced his monthly billing amount to \$2,000.

The following table outlines the benefits Messrs. Counts and Walker were entitled to in the event of termination or resignation, per their services agreements in the year ended March 31, 2020:

Name and Principal Position	Termination and Termination or Resignation within 12 Months of Change of Control.
Bruce Counts ⁽¹⁾ <i>President, CEO and a Director</i>	Should the Company terminate Mr. Counts for any reason other than for just cause, the Company will pay to Mr. Counts an amount equal to two times the Base Salary, plus any incentive stock options then owed and health and insurance benefits for a period of 12 months from the date of termination. Should Mr. Counts elect to terminate the Counts Employment Agreement within 120 days of a Change of Control (as such term is defined in the Counts Employment Agreement), the Company will pay to Mr. Counts an amount equal to two times the Base Salary, plus any incentive stock options then owed and health and insurance benefits for a period of 12 months from the date of termination.
Dwight Walker ⁽¹⁾ <i>CFO and Corporate Secretary</i>	Should the Company terminate Mr. Walker for any reason other than for just cause, the Company will pay to Mr. Walker the Base Fee multiplied by the number of months remaining in the term of the Walker Consulting Agreement, plus any incentive stock options then owed. Should Mr. Walker elect to terminate the Walker Consulting Agreement within 30 days of a Change of Control (as such term is defined in the Walker Consulting Agreement), the Company will pay to Mr. Walker an amount equal to 12 times the Base Fee.

Notes:

- (1) Entitled to exercise any vested incentive stock options as at the date of termination for a period of 90 days following that date. Any unvested options will automatically vest on the date of termination.

Other than as set forth elsewhere in this Circular, the Company has not entered into any other agreement or arrangement under which compensation was provided during the most recently completed financial year or is payable in respect of services provided to the Company or any of its subsidiaries, that were performed by a director or NEO, or performed by any other party, but are services typically performed by a director or NEO.

Oversight and Description of Director and NEO Compensation

The Board has a compensation and nominating committee (the “**Compensation and Nominating Committee**”) which is responsible for determining the overall compensation strategy of the Company, administering the Company’s executive compensation program, making recommendations to the Board regarding compensation including incentive and equity-based compensation, reviewing and approving corporate goals and objectives relevant to the CEO, for proposals for the compensation of the executive officers, management and directors, for evaluations of performance to determine compensation, for employee benefit and retirement plans and all other matters related to compensation. The Compensation and Nominating Committee is also responsible for reviewing the Company’s compensation policies and guidelines generally.

During the year ended March 31, 2020, the Compensation and Nominating Committee was composed of three members, being Angela Austman (Chair), Lon Shaver and Gerald Prosalendis.

Objectives of Compensation Program

It is the objective of the executive compensation program to attract and retain highly qualified and experienced individuals to serve as executive officers and to align incentive compensation to performance and shareholder value. It is the goal of the Compensation and Nominating Committee to endeavour to ensure that the compensation of executive officers is sufficiently competitive to achieve the objectives of the executive compensation program. The Compensation and Nominating Committee gives consideration to the Company’s long-term interests and quantitative financial objectives, as well to the qualitative aspects of the individual’s performance and achievements.

Role of Executive Officers in Compensation Decisions

The Compensation and Nominating Committee receives and reviews recommendations of the CEO relating to the general compensation structure and policies and programs for the Company and the salary and benefit levels for the executive officers.

Elements of Compensation

The executive compensation program is comprised of three principal components: base salaries, cash bonuses and incentive stock options which are designed to provide a combination of cash and equity-based compensation to effectively retain and motivate the executive officers to achieve the corporate goals and objectives. These elements contain both short-term incentives comprised of cash payments by way of base salaries and bonuses and long-term incentives by way of equity-based compensation. Other components of the executive compensation program include perquisites and other personal benefits. Each component of the executive compensation program is addressed separately below.

The amount for each element of the Company’s executive compensation program is determined based upon compensation levels provided by the Company’s competitors as well as upon the discretion of the Board, as described below. Each element of the Company’s executive compensation program contributes to an overall compensation package, which is designed to provide both short-term and long-term financial incentives to the executive officers and to thereby assist the Company to successfully implement its strategic plans. The Board annually assesses how each element fits into the overall compensation package.

Base Salaries

Salaries for executive officers are reviewed annually based on corporate and personal performance and on individual levels of responsibility and are set to be competitive with industry levels. Salaries of the executive officers are not determined based on benchmarks or a specific formula. Consideration is given to compensation packages that may be available to such executive officers from other employment opportunities and commercially available data on salaries disclosed by competitors and peers. The Compensation and Nominating Committee submits its recommendation to the Board as to salary of the CEO. The Compensation and Nominating Committee considers, and, if thought appropriate, also submits to the Board recommendations for salaries for the other executive officers based on those salaries recommended by the CEO. As stated above, base salaries are established to be competitive in order to attract and retain highly qualified and experienced individuals.

Performance Pay and Goals

The Board exercises its discretion, upon recommendations received from the Compensation and Nominating Committee, regarding the payment of performance pay based upon employee merit and the payment thereof, if any, is determined by the Board. In making these decisions and in exercising this discretion, the Board recognizes extraordinary efforts made to enhance the value of the Company's asset base and any extraordinary success that has been achieved in implementing the Company's business plans as a result of such efforts, including significant production and reserve additions. The Company's compensation program provides for the payment of performance pay based on a specific formula. No performance pay amounts were paid in the 12 months ended March 31, 2020.

Stock Option Plan

The Compensation and Nominating Committee also administers the Company's Plan that is designed to provide a long-term incentive that is aligned with shareholder value. The Compensation and Nominating Committee makes recommendations to the Board regarding the number of the stock options to be granted to each executive officer, based on the level of responsibility and experience of the individual, the performance of the individual and the number of the stock options previously granted to the individual. The Compensation and Nominating Committee regularly reviews and where appropriate, adjusts the number of the options granted to executive officers. The Compensation and Nominating Committee sets the number of options, as appropriate, designed to attract and retain qualified and talented executive officers.

Perquisites and Other Components

Other components of compensation include perquisites and personal benefits as determined by the Compensation and Nominating Committee and recommended to the Board that are consistent with the overall compensation strategy. There is no specific formula or benchmarks for assessing how perquisites or personal benefits are utilized in the total compensation package.

Risks of Compensation Policies and Practices

The Board and the Compensation and Nominating Committee have not formally considered the implications of the risks associated with the Company's compensation policies and practices. However, the Company does not believe that the Company's executive compensation program encourages its executive officers to take inappropriate or excessive risks. This assessment is based on a number of considerations including, without limitation, the following: (i) the Company's compensation policies and practices are uniform throughout the Company and there are no significant differences in compensation structure among the executive officers; (ii) the overall compensation program is market-based and aligned with the Company's business plan and long-term strategies; (iii) the compensation package for NEOs consists of fixed (base salary and benefits and perquisites) and variable elements (bonuses and options) which are designed to balance short term goals and the long-term interests of the Company and are aimed at creating sustainable value for the Company's Shareholders. The performance elements are linked to the achievement of the Company's business goals and are reviewed annually by the Compensation and Nominating Committee; and (iv) in exercising its discretion under option grants, the Compensation and Nominating Committee reviews individual and corporate performance, taking into account the long-term interests of the Company.