

**OPTION AGREEMENT
BETWEEN
BIG RED DIAMOND CORP.
AND
ARCTIC STAR DIAMOND CORP.**

NATHALIE PROPERTY

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PROPERTY OPTION AGREEMENT

THIS AGREEMENT is made as of the 26th day of August, 2010.

BETWEEN:

BIG RED DIAMOND CORP., company duly incorporated under the laws of the Province of Quebec and having offices at 1002 Sherbrooke Street W, Suite 2800, Montreal, Quebec H3A 3L6

("BIG RED")

OF THE FIRST PART

AND:

ARCTIC STAR DIAMOND CORP., a company duly incorporated under the laws of the Province of British Columbia and having offices at Suite 1818 - 701 West Georgia Street, Vancouver, British Columbia, V7Y 1C6

("Arctic")

OF THE SECOND PART

WHEREAS:

- A. BIG RED has represented to Arctic that it is the legal and beneficial owner of an undivided one hundred percent (100%) interest in and to those mineral claims, more particularly described in Schedule "A" attached to and made a part of this Agreement (the "Property"); and
- B. BIG RED wishes to grant, and Arctic wish to acquire, the right to earn an undivided fifty percent (50%) interest in and to the Property on the terms and subject to the conditions set out in this Agreement.

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the premises and of the mutual promises, covenants, conditions, representations and warranties herein set out, the parties agree as follows:

ARTICLE 1 - DEFINITIONS

- 1.1 For the purposes of this Agreement the following words and phrases shall have the following meanings, namely:
- (a) **"Affiliate"** shall have the meaning attributed to such term in the Business Corporations Act (British Columbia);
 - (b) **"After Acquired Properties"** means any and all interests in land or mineral interests staked, located, granted or acquired by or on behalf of any of the parties to this Agreement during the currency of this Agreement located within ten (10) kilometres of the outer perimeter of the Property;
 - (c) **"Agreement"** means this Agreement, as amended from time to time;
 - (d) **"Agreement Date"** means the date of this Agreement, as first set out above;

- (e) **"Business Day"** means a day other than a Saturday, Sunday or any day on which chartered banks in the City of Vancouver, British Columbia are not open for business during normal banking hours;
- (f) **"Closing"** means the closing of the Transaction on the Closing Date;
- (g) **"Closing Date"** means the date designated by the parties, provided that such date shall be no later than five Business Days after receipt by Arctic from the Exchange of acceptance of the Transaction;
- (h) **"Commercial Production"** means the first day of the month following the month in which Minerals from a mine within the Property have been extracted and processed to yield product for sixty (60) consecutive days at a rate, averaged over such sixty (60) day period, of not less than seventy percent (70%) of the average daily rate projected by the feasibility study pursuant to which a mine is developed. The processing or shipping of bulk samples for testing purposes shall not be considered for the purpose of establishing the commencement of Commercial Production;
- (i) **"Environmental Claims"** means any and all administrative, regulatory, or judicial actions, suits, demands, claims, liens, notices of non-compliance or violation, investigations, or proceedings relating in any way to any Environmental Law or any permit issued under any Environmental Law, including:
 - (i) any and all claims by government or regulatory authorities for enforcement, clean-up, removal, response, remedial, or other actions or damages under any applicable Environmental Law; and
 - (ii) any and all claims by any third party seeking damages, contribution, indemnification, cost recovery, compensation, or injunctive or other relief resulting from hazardous materials, including any release of those claims, or arising from alleged injury or threat of injury to human health or safety (arising from environmental matters) or the environment;
- (j) **"Environmental Laws"** means all requirements of the common law or environmental, health, or safety statutes of any agency, board, or governmental authority, including those relating to: (i) noise; (ii) pollution or protection of the air, surface water, ground water, or land; (iii) solid, gaseous, or liquid waste generation, handling, treatment, storage, disposal, or transportation; (iv) exposure to hazardous or toxic substances; or (v) the closure, decommissioning, dismantling, or abandonment of any facilities, mines, or workings and the reclamation or restoration of the Property;
- (k) **"Exchange"** means the TSX Venture Exchange;
- (l) **"Expenditures"** means any amounts spent by a party, all within generally acceptable industry standards, directly or indirectly, on or in connection with the Property for the purposes of ascertaining the existence, location, quality, quantity or commercial value of deposits of Minerals on the Property, including:
 - (i) prospecting, exploration, evaluation, and development of the Property;
 - (ii) payments of fees, duties, or other charges or deductions to acquire, maintain or as required by any license, permit, or other documents issued by governmental bodies or other persons granting the right to use mineral resources and surface lands in respect of the Property; and

- (iii) all other expenses incurred in connection with the Property, prospecting licenses, mining leases, or this Agreement, including expenses for all permits and documents issued by any government or its authorized agent, environmental and other studies, charges incurred for site preparation, engineering, surveying, permits, equipment rental, third-party contractor services, construction of roads, costs of equipment and supplies, labour costs, legal fees, all fees under any consulting agreement, and all direct salary and field expenses of exploration personnel, transportation costs;
- (m) **Joint Venture**” means that commercial relationship between BIG RED and Arctic established under the Joint Venture Agreement;
- (n) **“Joint Venture Agreement”** means a joint venture agreement entered into between BIG RED and Arctic pursuant to Article 5 hereof;
- (o) **“Management Fee”** means a fee to be paid to the Operator in accordance with Section 6.4 hereof;
- (p) **“Minerals”** means all base metals and minerals, all precious metals and minerals, all rare earth, non-metallic minerals including diamonds, all industrial minerals and all ores, concentrates, precipitates, beneficiated products, and solutions containing any of the afore mentioned metals or minerals, and all forms in which such minerals may occur, be found, extracted or produced on, in or under the Property;
- (q) **“Operations”** means all activities carried out in connection with the prospecting, exploring, evaluation, development, and mining of Minerals, including prospecting, exploration, the development of a mine, the mining, extraction, treatment, storage and processing of Minerals, distribution of Product, the acquisition and relinquishment of properties or the construction of any improvements, fixtures or equipment reasonably necessary therefore, and any other activities or operations related to or necessary for exploration, development, and mining of Minerals on, in or under the Property;
- (r) **“Operator”** means Arctic until the Option has been exercised or the parties mutually agree otherwise;
- (s) **“Option”** means the sole, exclusive and irrevocable right and option granted by BIG RED to Arctic to acquire up to an undivided fifty percent (50%) legal and beneficial interest in and to the Property, as more particularly set out in Section 3.1 hereof;
- (t) **“Option Period”** means the period commencing on the Agreement Date and ending one day after Arctic fulfills its obligations set out in Section 3.1 hereof;
- (u) **“Product” or “Products”** means all Minerals and materials of commercial value produced or derived from the Property under this Agreement;
- (v) **“Property”** shall have the meaning attributed to such term in recital A hereto, together with the surface rights, mineral rights, personal property and permits associated therewith, and shall include any renewal thereof and any form of successor or substitute title thereto;
- (w) **“Program and Budget”** means an exploration or development program and budget, as contemplated in Section 6.3 hereof; and
- (x) **“Transaction”** means the grant of the Option by BIG RED to Arctic in consideration for common shares and Arctic’s agreement to expend Expenditures set out herein.

1.2 **Entire Agreement**

This Agreement, together with any and all agreements, documents and other instruments to be delivered pursuant to this Agreement or simultaneously herewith constitutes the entire agreement between BIG RED and Arctic pertaining to the subject matter of this Agreement and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of and between the parties to this Agreement relating to the Property and there are no representations, warranties, covenants or other agreements among the parties to this Agreement in connection with the subject matter of this Agreement except as specifically set forth in this Agreement. No supplement, modification, waiver or termination of this Agreement shall be binding unless executed in writing by the party to be bound thereby. No waiver of any of the provisions of this Agreement shall be deemed to or shall constitute a waiver of any other provisions (whether or not similar) nor shall such waiver constitute a continuing waiver unless otherwise expressly provided.

1.3 **Headings**

The Articles, Sections, subsections and other headings contained herein are included solely for convenience, are not intended to be full or accurate descriptions of the content of this Agreement and shall not be considered part of this Agreement.

1.4 **Currency**

Unless otherwise indicated, all dollar amounts contained in this Agreement are and shall be construed to be in dollars in the lawful currency of Canada.

1.5 **Schedules**

The following Schedules attached to this Agreement are an integral part of this Agreement:

- Schedule "A" - The Property
- Schedule "B" - Summary of Joint Venture Agreement

ARTICLE 2 - REPRESENTATIONS AND WARRANTIES

2.1 Each of the parties represents and warrants to the other, as of the Agreement Date and as of the Closing Date that:

- (a) it is a company duly incorporated, validly subsisting and in good standing with respect to filing of annual reports under the laws of the jurisdiction of its incorporation or organization and is or will be at Closing qualified to do business in Quebec and to hold an interest in the Property; and
- (b) other than approval of the Exchange, it has duly obtained all authorizations for the execution, delivery, and performance of this Agreement, and such execution, delivery and performance and the consummation of the transactions herein contemplated will not conflict with, or accelerate the performance required by or result in any breach of any covenants or agreements contained in or constitute a default under, or result in the creation of any encumbrance, lien or charge under the provisions of its constating or initiating documents or any indenture, agreement or other instrument whatsoever to which it is a party or by which it is bound or to which it may be subject and will not contravene any applicable laws.

BIG RED represents and warrants to Arctic, as of the Agreement Date and as of the Closing Date that:

- (a) to the best of its knowledge and belief after reasonable enquiry, the Property has been properly staked, located and recorded pursuant to the applicable laws and regulations of Quebec and all mining claims comprising the Property are in good standing;
- (b) it holds all permits, licenses, consents and authorities issued by any governmental or government authority, which are necessary in connection with the ownership of the Property;
- (c) all fees, taxes, assessments, rentals, levies or other payments required to be made relating to the Property have been made;
- (d) other than this Agreement, there are no outstanding agreements or options to acquire or purchase the Property or any portion thereof or any interest therein;
- (e) there is no adverse claim or challenge against or to the ownership of or title to any part of the Property, and no party other than BIG RED or Arctic, pursuant to the provisions hereof, has any right, title, claim or other interest in the Property;
- (f) all property rights or interests of BIG RED in the Property are legally and beneficially owned or held by BIG RED, are in good standing, are valid and enforceable, are free and clear of any liens, charges or encumbrances and no royalty is payable in respect of any part of the Property, except a 1% net smelter royalty payable to Jens Hansen;
- (g) there are no actions, claims, investigations, suits, proceedings or inquiries (judicial or otherwise) pending or, to the best of its knowledge, threatened against or relating to BIG RED or the Property before or by any governmental or regulatory agency or board, which may, in any way, have a materially adverse effect on BIG RED's ability to perform its obligations hereunder;
- (h) the Property does not contain any hazardous or toxic material, pollution or other adverse environmental conditions that may give rise to any environmental liability under any applicable Environmental Laws, regulations, rules or by-laws, and BIG RED has not received, nor is it aware of any pending or threatened, notice of non-compliance with any Environmental Laws, regulations, rules or by-laws;
- (i) the Property has been operated in accordance with all applicable Environmental Laws and there are no environmental conditions existing in the Property to which any remedial action is required or any liability has or may be imposed under applicable Environmental Laws;
- (j) it has not received from any governmental or regulatory agency or board, any notice of or communication relating to any actual or alleged Environmental Claims, and there are no outstanding work orders or actions required to be taken relating to environmental matters respecting the Property or any operations carried out on the Property;
- (k) it has provided to Arctic all data, maps, interpretive data, samples and other materials relevant to the Property for evaluation and on Closing will transfer to Arctic the said materials and information to be held in Arctic's possession while Arctic remains the Operator; and

- (i) it has advised Arctic of all the material information relating to the Property, including economic mineralization, that if known to Arctic, could reasonably be expected to cause Arctic to decide not to enter into this Agreement or not to exercise the Option.

2.3 Arctic represents and warrants to BIG RED as of the Agreement Date and as of the Closing Date that:

- (a) subject to Exchange approval of the Transaction, it has full power and authority to carry on its business and to enter into this Agreement and any agreement or instrument referred to in or contemplated by this Agreement and to carry out and perform all of its obligations and duties hereunder; and
- (b) it will observe the terms and the conditions of this Agreement, including the requirement for any royalties payable under the Agreement.

2.4 The representations and warranties hereinbefore set out are conditions on which the parties have relied in entering into this Agreement, and shall, regardless of any investigation which may have been made by or on behalf of any party as to the accuracy of such representations and warranties, survive the closing of the Transaction and the acquisition of any interest in the Property by Arctic. Each of the parties shall indemnify and save the other harmless from all losses, damages, costs (including reasonable legal expenses), actions and suits arising out of or in connection with any breach of any representation or warranty contained in this Agreement, and each party shall be entitled, in addition to any other remedy to which it may be entitled, to set off any such loss, damage or costs suffered by it as a result of any such breach against any payment required to be made by it to any other party hereunder.

ARTICLE 3 – GRANTING AND EXERCISE OF OPTION

3.1 BIG RED hereby grants to Arctic the Option, free and clear of all liens, charges, encumbrances, claims, rights or interest of any person, which Option is exercisable by Arctic:

- (a) incurring Expenditures of not less than, in aggregate, \$500,000 CDN as follows:

- (i) \$75,000 on or before December 31, 2010;

- (ii) an additional \$425,000 on or before December 31, 2011; and

- (b) issuing to BIG RED, in aggregate, 1,000,000 Arctic common shares (the “**Consideration Shares**”) at Closing.

3.2 In the event that Arctic incurs Expenditures in any year in excess of the amount required under Section 3.1 hereof, such excess Expenditures shall be credited to Arctic and applied against future Expenditure requirements in subsequent years.

3.3 BIG RED acknowledges that the Consideration Shares will be subject to such resale restrictions and hold periods as may be imposed by applicable securities legislation, including National Instrument 45-102 of the Canadian Securities Administrators, and the rules and policies of the Exchange.

3.4 Upon Arctic having performed all the requirements of Section 3.1 hereof, and therefore having exercised the Option in full, Arctic will have a fifty percent (50%) legal and beneficial interest in the Property.

- 3.5 BIG RED shall forthwith upon the exercise of the Option by Arctic, deliver to Arctic or such person as Arctic directs, duly executed instruments of transfer with respect to the Property in the form required under the laws of Quebec to transfer the interest in the Property acquired by Arctic, with applicable fees and costs to be borne by Arctic.

ARTICLE 4 - CONDITIONS PRECEDENT

- 4.1 The obligation of Arctic to consummate the transaction contemplated hereby is subject to the following conditions, which are for Arctic's sole benefit and which may be waived in writing by Arctic:
- (a) Arctic will be satisfied as to the title to the Property held by BIG RED;
 - (b) the Exchange will have accepted the Transaction; and
 - (c) the representations and warranties of BIG RED contained herein will have been true and correct as of the Agreement Date and will be true and correct as of the Closing Date with the same force and effect as if made on and as of such Closing Date.
- 4.2 If the condition precedents set out in Section 4.1 hereof have not been satisfied or waived on or before October 8, 2010, either party may, by notice in writing to the other party, terminate this Agreement.

ARTICLE 5 – FORMATION OF JOINT VENTURE

- 5.1 Unless otherwise agreed to in writing, the parties shall be deemed to have entered into the Joint Venture to pursue the exploration, development, construction and mining of the Property as joint venturers upon Arctic exercising the Option by fulfilling its obligations set out in Section 3.1 hereof.
- 5.2 On or before August 31, 2011, the parties shall negotiate and enter into a joint venture agreement (the "**Joint Venture Agreement**") to be effective the date that Arctic exercises the Option. The Joint Venture Agreement shall include substantially similar terms to those set out in Schedule "B" to this Agreement and contain the usual representations, warranties, conditions, covenants, indemnities and such other terms as are customary in transactions creating similar arrangements between mining companies.

ARTICLE 6 - ACTIVITIES OF OPERATOR

- 6.1 During the Option Period the Operator shall have full right, power and authority to do everything necessary or desirable to determine the manner of exploration and development of the Property, including the right, power and authority to:
- (a) regulate access to a Property subject only to the right of the representatives of BIG RED and Arctic to have access to the Property at all reasonable times and on reasonable notice, for the purpose of inspecting work being done thereon but at their own risk and expense;
 - (b) employ and engage such employees, agents and independent contractors as the Operator may consider necessary or advisable to carry out its duties and obligations

hereunder and in this connection to delegate any of its powers and rights to perform its duties and obligations hereunder;

- (c) execute all documents, deeds and instruments, do or cause to be done all such acts and things and give all such assurances as may be necessary to maintain good and valid title to the Property and each party hereby irrevocably appoints the Operator its true and lawful attorney to give effect to the foregoing and hereby agrees to indemnify and hold the Operator harmless from any and all costs, losses or damage sustained or incurred by the Operator directly or indirectly as a result of its exercise of its powers except where those powers have been exercised by the Operator in bad faith or with gross negligence; and
- (d) conduct such title examination and cure such title defects as may be advisable in the reasonable judgment of the Operator.

6.2 Unless otherwise agreed by the parties, during the Option Period, the Operator shall deliver to BIG RED and Arctic, on a monthly basis or as otherwise agreed to by the parties, a report, including up-to-date maps, if any, describing the status of title of the Property, together with the results of any Program and Budget then completed on the Property and reasonable details of Expenditures made or to be made during such programs. Where practicable all data shall be supplied on paper and in a widely recognized digital form on such media as all parties may reasonably be able to access.

6.3 The Operator shall, prior to proceeding with any exploration or development program on the Property, deliver to BIG RED, a program and budget for such program (the "**Program and Budget**"). BIG RED shall have ten (10) Business Days from delivery of any Program and Budget to review and comment upon such Program and Budget. Prior to the exercise or termination of the Option, Arctic shall have absolute discretion in all matters related to Programs and Budgets for such programs. Arctic may, but shall not be required to address any comments or modifications to a Program and Budget submitted or requested by BIG RED.

6.4 Unless otherwise agreed by the parties, the Operator shall be entitled to receive a management fee equal to ten percent (10%) of all future Expenditures (the "**Management Fee**") after Arctic has earned its 50% interest. Such Management Fee shall be paid to the Operator on a quarterly basis as the Expenditures are incurred.

ARTICLE 7 - OBLIGATIONS OF THE OPERATOR

7.1 During the Option Period, the Operator shall, in regard to the Property:

- (a) maintain in good standing those licenses, mineral claims, concessions or other interests comprising the Property by the doing and filing of assessment work or the making of payments in lieu thereof and the performance of all other actions which may be necessary in that regard and in order to keep such mineral claims, concessions or other interests free and clear of all liens and other charges arising from the Operator's activities thereon except those at the time contested in good faith by the Operator;
- (b) indemnify the non-operating party or parties hereto against and save such party or parties harmless from any loss, liability, claim, demand, damage, expense, injury or death (including reasonable legal fees) resulting from or attributable to the gross negligence or wilful misconduct of the Operator in respect of any of the Operator's direct or indirect activities related to the Property;

- (c) permit the parties to this Agreement, at their own expense, reasonable and timely access to the results of the work done on the Property;
- (d) keep the Property free and clear of all liens, charges and encumbrances of every character arising from its operation hereunder (except for liens for taxes not then due, other inchoate liens and liens contested in good faith by the Operator), and proceed with all reasonable diligence to contest or discharge any lien that is filed;
- (e) pay, when due and payable, all wages or salaries for services rendered in connection with any and the Property and all accounts for materials supplied on or in respect of any work or operation performed on the Property;
- (f) obtain and maintain, and cause any contractor or subcontractor to obtain and maintain adequate comprehensive general liability insurance during any period in which active work is carried out on the Property; and
- (g) do or cause to be done all work on any and all Property in a good and workmanlike fashion and in accordance with all applicable laws, regulations, orders and ordinances of any applicable governmental authority.

ARTICLE 8 – TERMINATION

- 8.1 Arctic may, at any time prior to its exercise of the Option, terminate this Agreement in its entirety on thirty (30) days written notice to BIG RED and except for the obligations set out in Section 8.3(b) hereof, shall thereafter have no liability to BIG RED as a result of such termination.
- 8.2 Upon termination pursuant to Section 8.1 hereof, Arctic shall have no legal or beneficial interests in or to the Property. The Option is an option only in respect of the Property and except as specifically provided otherwise, nothing in this Agreement shall be construed as obligating Arctic to do any acts or make any payments hereunder and any act or acts or payment or payments as shall be made hereunder shall not be construed as obligating Arctic to do any further act or make any further payment.
- 8.3 Notwithstanding any other provisions of this Agreement, in the event of termination of this Agreement, Arctic shall:
 - (a) provide BIG RED with copies of all data and information related to the Property that was not provided to BIG RED prior to the termination of this Agreement;
 - (b) have the right and obligation to remove from the Property within 180 days of the effective date of such termination all equipment erected, installed or brought upon the Property by or at the instance of Arctic; and
 - (c) perform all reclamation work on the Property required under applicable mining, exploration and environmental laws in Quebec, as a result of Operations carried out by or on behalf of Arctic.
- 8.4 Notwithstanding any other provisions of this Agreement, Section 16.3 hereof shall survive the termination of this Agreement for a period of six (6) months from the date of termination.

ARTICLE 9 - TRANSFERS

- 9.1 Except as provided for in Section 9.5 hereof, if a party at any time wishes to and can transfer all or part of its respective rights under this Agreement to a third party, the party wishing to transfer (the "**Transferor**") shall first offer, by written notice, such interest to the other party (the "**Non-transferor**") on the terms to be offered to or accepted from the third party, with all such terms fully described and including the financial value of any non-cash consideration specified.
- 9.2 Within twenty-one (21) days after receipt of such notice, the Non-transferor may object in writing to the Transferor's assessment of the cash value of that portion of the proposed consideration which is not to be cash. If such an objection is provided to the Transferor, the parties must seek to agree upon the cash equivalent value of that portion of the consideration which is not in cash. If the parties cannot reach such an agreement within fourteen (14) days after the date of objection, then the cash equivalent value must be independently valued by a suitably qualified and experienced valuator appointed by agreement of the parties (acting reasonably) or in default thereof, by an expert.
- 9.3 If the Non-transferor does not elect within sixty (60) days of receiving such offer to accept the same, the Transferor shall be entitled for the next six (6) months to transfer the offered interest to a third party on the same terms without further obligation to the Non-transferor, and if such interest is not transferred within said six (6) month period, the obligation to offer such interest to the Non-transferor shall again be applicable.
- 9.4 The right of first refusal shall not apply to transfers to facilitate the granting of security by a party to a recognized financial institution in connection with its financing of its share of Expenditures.
- 9.5 The right of first refusal shall not apply to:
- (a) a corporate merger, consolidation, amalgamation, or reorganization of a party, provided the surviving entity will assume the rights, obligations, and liabilities of the affected party to this Agreement; or
 - (b) any transfer of interest to an Affiliate provided that the transferring party shall provide written notice thereof to the non-transferring party.

ARTICLE 10 - FORCE MAJEURE

- 10.1 If any party to this Agreement is at any time prevented or delayed in complying with any provisions of this Agreement by reason of strikes, lock-outs, labour shortages, power shortages, fuel shortages, fires, wars, insurrection, terrorist activities, inability to gain or maintain surface access not related to the misconduct of such party, acts of God, governmental regulations restricting normal operations, shipping delays or any other extraordinary reason or reasons beyond the control of such party, other than lack of funds, the effect of which would be to halt work on any or all of the Property, the time limited for the performance by such party of its obligations hereunder shall be extended by a period of time equal in length to the period of each such prevention or delay, but nothing herein shall discharge such party from its obligations hereunder to maintain any and all Property in respect of which it is the Operator in good standing.
- 10.2 Each party shall give prompt notice to the other of each event of force majeure under Section 10.1 hereof and upon cessation of such event shall furnish to the other party notice to that effect together with particulars of the number of days by which the obligations of the notifying party hereunder have been extended by virtue of such event of force majeure and all preceding events of force majeure.

ARTICLE 11 - CONFIDENTIAL INFORMATION

11.1 The parties to this Agreement shall keep confidential all books, records, files and other information supplied by any party to the other party or its employees, agents or representatives in connection with this Agreement or in respect of the activities carried out on the Property by any party, or related to the sale of minerals, or other products derived from any Property, including all analyses, reports, studies or other documents prepared by any party or its employees, agents or representatives, which contain information from, or otherwise reflects such books, records, files or other information. The parties shall use their reasonable efforts to ensure that their employees, agents or representatives do not disclose, divulge, publish, transcribe, or transfer such information, in whole or in part, other than to an Affiliate where such disclosure is for routine corporate purposes, without the prior written consent of the other party, which consent may not be arbitrarily or unreasonably withheld and which shall not apply to such information or any part thereof to the extent that:

- (a) it is required to be publicly disclosed pursuant to applicable securities or corporate laws or rules or requirements of any stock exchange, in which event the party seeking to make such disclosure shall provide to the non-disclosing party at least two (2) Business Days prior to making such disclosure, a written copy of such proposed disclosure, unless mutually agreed otherwise, and shall in good faith consider any comments the non-disclosing party may have on such proposed disclosure;
- (b) the disclosure is reasonably required to be made to a taxation authority in connection with the taxation affairs of the disclosing party; or
- (c) such information becomes generally disclosed to the public, other than as a consequence of a breach of this Agreement by one of the parties to this Agreement.

Consent required under this Section 11.1 shall not be unreasonably withheld or delayed by the non-disclosing party.

11.2 Notwithstanding any other provision hereof each party to this Agreement agrees to provide to the other party to this Agreement the text of any proposed news release or information update with respect to this Agreement or any and all Property at least two (2) Business Days prior to release of such information to third parties. The party receiving such proposed news release or information update shall review and comment on the text thereof within one (1) Business Day of receipt. The party proposing the new release or information update shall in good faith review the comments provided and shall take reasonable steps to modify the release or update according to the concerns raised.

ARTICLE 12 – DISPUTE RESOLUTION

12.1 All disputes arising out of or in connection with this Agreement, or in respect of any defined legal relationship associated with or derived therefrom, shall be referred to and finally resolved by arbitration under the rules of the British Columbia International Commercial Arbitration Centre.

12.2 The appointing authority shall be the British Columbia International Commercial Arbitration Centre and the case shall be administered at Vancouver, British Columbia, by the British Columbia International Commercial Arbitration Centre in accordance with its “Procedures for Cases under the BCICAC Rules”.

ARTICLE 13 - DEFAULT

13.1 If at any time:

- (a) a party fails to perform any obligation required to be performed by it hereunder, or a party is in breach of a warranty given by it hereunder, which failure or breach materially interferes with the implementation and operation of this Agreement; or
- (b) Arctic does not incur the required Expenditures, make cash payment or issue common shares in accordance with Section 3.1 hereof,

the other party may terminate this Agreement, but only if the non-defaulting party shall have first given written notice of default to the defaulting party and the defaulting party has not, within thirty (30) Business Days following delivery of such notice of default:

- (i) cured such default;
- (ii) commenced proceedings to cure such default by appropriate payment or performance, the defaulting party hereby agreeing that should it so commence to cure any default it will prosecute the same to completion without undue delay; or
- (iii) delivered to the non-defaulting party a notice contesting the notice of default and invoking the provisions of Article 12 herein, in which case the provisions of this Article 13 will be suspended pending resolution of such dispute in accordance with Article 12 hereof.

13.2 Should the defaulting party fail to comply with the provisions of Section 13.1 hereof, the non-defaulting party may thereafter terminate this Agreement, provided however any such termination is made by notice in writing given in accordance with Article 15 hereof.

ARTICLE 14 - COVENANT TO REGISTER AGREEMENT

14.1 Forthwith upon the acquisition of an interest in any land or minerals rights pursuant to this Agreement, either party to this Agreement shall, if requested by the other by notice in writing cooperate with such other party in taking such steps as are necessary for the registration of the interests of the parties to this Agreement with the appropriate authorities, governmental agencies or registry offices to properly evidence this Agreement in the jurisdiction in which the Property is located and protect to the extent possible, the rights and interests of the parties acquired hereunder from time to time from adverse claims by third parties.

ARTICLE 15 - NOTICES

15.1 Any notice or other writing required or permitted to be given hereunder or for the purposes of this Agreement to either BIG RED or Arctic shall be sufficiently given if delivered personally, or if sent by prepaid registered mail or if transmitted by facsimile or other form of recorded communication tested prior to transmission to such party:

- (a) In the case of a notice to BIG RED, at:

Big Red Diamond Corp.

1002 Sherbrooke St W Suite 2800
Montreal, Quebec
H3A 3L6

Attention: J Francois Perrault, President and CEO

Facsimile No. (514) 904-1788

(b) In case of a notice to Arctic, at:

Arctic Star Diamond Corp.
Suite 1818 - 701 West Georgia Street
Vancouver BC V7Y 1C6 Canada,

Attention: Patrick Power, President

Facsimile No. (604) 689-8199

with a copy to:

Clark Wilson LLP
800-885 West Georgia Street
Vancouver, British Columbia
Canada, V6C 3H1

Attention: Bernard Pinsky

Facsimile No. (604) 687-6314

or at such other address or addresses as the parties to whom such writing is to be given shall have last notified the party giving the same in the manner provided in this Section 15.1. Any notice delivered to the party to whom it is addressed as provided in this Agreement shall be deemed to have been given and received on the day it is so delivered at such address, provided that if such day is not a Business Day, then the notice shall be deemed to have been given and received on the Business Day next following such day. Any notice mailed as aforesaid shall be deemed to have been given and received on the seventh Business Day next following the date of its mailing. Any notice transmitted by facsimile or other form of recorded communication shall be deemed to be given and received on the first Business Day after its transmission.

ARTICLE 16 – REMOVAL OF PROPERTIES AND AFTER ACQUIRED PROPERTIES

- 16.1 Upon agreement by BIG RED and Arctic and in accordance with applicable laws in Quebec, any part of the Property may be allowed to lapse, expire or otherwise be excluded from those lands comprising the Property (the “**Abandoned Area**”).
- 16.2 Except for Section 16.3 hereof, upon abandonment, the terms and conditions of this Agreement shall not longer apply to an Abandoned Area.
- 16.3 The parties shall hold no residual legal or beneficial interest in an Abandoned Area and neither party nor any Affiliate of a party shall acquire any legal or beneficial interest in lands forming all or any part of such Abandoned Area for a period of one (1) year from the date of abandonment of such Abandoned Area. If either party or any Affiliate of a party acquires any legal or beneficial interest in all or a part of any Abandoned Area within the said one (1) year

period referred to in this Section 16.3, the After Acquired Property provisions of this Agreement shall apply to such interest.

- 16.4 The provisions of Section 16.3 hereof shall survive the termination of this Agreement for a period of one (1) year from the date of termination.
- 16.5 Any and all After Acquired Properties shall be added to and deemed, for all purposes of this Agreement, to be included in the Property and shall be subject to the terms and conditions of this Agreement. The interest each party shall hold in any After Acquired Properties included in the Property shall be in proportion to each party's interest in the Property immediately prior to the inclusion of the After Acquired Properties.
- 16.6 All costs incurred in staking, locating, recording, or otherwise acquiring any After Acquired Properties shall be credited to the acquiring party and applied against that party's future Expenditure obligations under this Agreement or the Joint Venture Agreement, as applicable.

ARTICLE 17 - GENERAL

- 17.1 No consent or waiver expressed or implied by any party in respect of any breach or default by any other party in the performance by such other of its obligations hereunder shall be deemed or construed to be a consent to or a waiver of any other breach or default.
- 17.2 No investigation made by or on behalf of BIG RED or Arctic or any of their respective advisors or agents at any time shall have the effect of waiving, diminishing the scope of or otherwise affecting any representation or warranty made or incorporated by reference herein by the other party to this Agreement or made pursuant thereto. No waiver by BIG RED or Arctic of any condition, in whole or in part, shall operate as a waiver of any other condition.
- 17.3 Notwithstanding the right of any party to this Agreement fully to investigate the affairs of the others, and notwithstanding any knowledge of facts determined or determinable by any other party to this Agreement pursuant to such investigation or right of investigation, each of BIG RED and Arctic has the right to rely fully upon the representations, warranties, covenants and agreements of the other contained or otherwise incorporated by reference in this Agreement and of such other party's Affiliates, officers and agents delivered pursuant to this Agreement.
- 17.4 All statements contained in any certificate or other instrument delivered by or on behalf of any party pursuant to this Agreement or in connection with the transactions contemplated by this Agreement shall be deemed to be made by such party hereunder.
- 17.5 The parties shall promptly execute or cause to be executed all documents, deeds, conveyances and other instruments of further assurance and do such further and other acts which may be reasonably necessary or advisable to carry out fully and effectively the intent and purpose of this Agreement or to record wherever appropriate the respective interests from time to time of the parties in the Property.
- 17.6 This Agreement shall enure to the benefit of and be binding upon the parties and their respective successors and permitted assigns.
- 17.7 This Agreement shall be governed by and construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein.
- 17.8 Time shall be of the essence in this Agreement.

- 17.9 The preamble and Schedules attached to this Agreement shall be deemed to be incorporated in, and to form part of, this Agreement.
- 17.10 Wherever the neuter and singular is used in this Agreement it shall be deemed to include the plural, masculine and feminine, as the case may be.
- 17.11 The word "or" shall not be exclusive and the word "including" shall not be limiting (whether or not non-limiting language such as "without limitation" or "but not limited to" or other words of similar import is used with reference thereto).
- 17.12 Nothing contained in this Agreement shall be deemed to constitute either party to this Agreement the partner of the other, nor, except as otherwise herein expressly provided, to constitute either BIG RED or Arctic as the agent or legal representative of the other, nor to create any fiduciary relationship between them. It is not the intention of the parties to this Agreement to create, nor shall this Agreement be construed to create, any mining, commercial or other partnership. Neither of BIG RED or Arctic shall have any authority to act for or to assume any obligation or responsibility on behalf of the other party, except as otherwise expressly provided herein.
- 17.13 This Agreement may be signed by the parties in counterparts and may be delivered by facsimile, each of which when delivered will be deemed to be an original and all of which together will constitute one instrument.

IN WITNESS WHEREOF the parties to this Agreement have executed this Agreement as of the day and year first above written.

BIG RED DIAMOND CORP.

By:



J. Francois Perrault , President and CEO

ARCTIC STAR DIAMOND CORP.

By:



Patrick Power, President

SCHEDULE "A"

to that Property Option Agreement dated August 26, 2010
between Big Red Diamond Corp. and
Arctic Star Diamond Corp.

THE PROPERTY

All claims comprising the Property are registered in the name of Nathalie Hansen and are held in trust for BIG RED, the beneficial owner of the Property. Title to the property is in the process of being transferred to Big Red. All claims are located in Quebec, Canada.

NTS Sheet	Township	Row / Column	Range / Lot	Section No.	Area (ha)	Registration Fees
22J06		0021 / 0053		2	53,48	260,00 \$
22J06		0021 / 0054		0	54,88	52,00 \$
22J06		0022 / 0049		0	54,87	52,00 \$
22J06		0022 / 0050		0	54,87	52,00 \$
22J06		0022 / 0051		0	54,87	52,00 \$
22J06		0022 / 0052		0	54,87	52,00 \$
22J06		0022 / 0053		0	54,87	52,00 \$
22J06		0022 / 0054		0	54,87	52,00 \$
22J06		0022 / 0054		1	16,72	0,00 \$
22J06		0022 / 0054		2	38,15	0,00 \$
22J06		0022 / 0055		0	54,87	52,00 \$
22J06		0022 / 0055		1	19,52	0,00 \$
22J06		0022 / 0055		2	35,35	0,00 \$
22J06		0022 / 0059		0	54,87	52,00 \$
22J06		0022 / 0060		0	54,87	52,00 \$
22J06		0023 / 0043		0	54,86	52,00 \$
22J06		0023 / 0044		0	54,86	52,00 \$
22J06		0023 / 0048		0	54,86	52,00 \$
22J06		0023 / 0049		0	54,86	52,00 \$
22J06		0023 / 0050		0	54,86	52,00 \$
22J06		0023 / ..0051.		0	54,86	52,00 \$
22J06		0023 / 0052		0	54,86	52,00 \$
22J06		0023 / 0053		0	54,86	52,00 \$
22J06		0023 / 0054		0	54,86	52,00 \$
22J06		0023 / 0055		0	54,86	52,00 \$
22J06		0023 / 0059		0	54,86	52,00 \$
22J06		0023 / 0060		0	54,86	52,00 \$
22J06		0024 / 0043		0	54,85	52,00 \$
22J06		0024 / 0044		0	54,85	52,00 \$
22J06		0024 / 0045		0	54,85	52,00 \$
22J06		0024 / 0046		0	54,85	52,00 \$
22J06		0024 / 0047		0	54,85	52,00 \$
22J06		0024 / 0048		0	54,85	52,00 \$
22J06		0024 / 0049		0	54,85	52,00 \$

NTS Sheet	Township	Row / Column	Range / Lot	Section No.	Area (ha)	Registration Fees
22J06		0024 / 0050		0	54,85	52,00 \$
22J06		0024 / 0051		0	54,85	52,00 \$
22J06		0024 / 0052		0	54,85	52,00 \$
22J06		0024 / 0053		0	54,85	52,00 \$
22J06		0024 / 0054		0	54,85	52,00 \$
22J06		0024 / 0055		0	54,85	52,00 \$
22J06		0024 / 0056		0	54,85	52,00 \$
22J06		0024 / 0057		0	54,85	52,00 \$
22J06		0024 / 0058		0	54,85	52,00 \$
22J06		0024 / 0059		0	54,85	52,00 \$
22J06		0024 / 0060		0	54,85	52,00 \$
22J06		0025 / 0043		0	54,84	52,00 \$
22J06		0025 / 0044		0	54,84	52,00 \$
22J06		0025 / 0048		0	54,84	260,00 \$
22J06		0025 / 0049		0	54,84	260,00 \$
22J06		0025 / 0050		0	54,84	260,00 \$
22J06		0025 / 0051		0	54,84	260,00 \$
22J06		0025 / 0052		0	54,84	260,00 \$
22J06		0025 / 0053		0	54,84	260,00 \$
22J06		0025 / 0054		0	54,84	260,00 \$
22J06		0025 / 0055		0	54,84	260,00 \$
22J06		0025 / 0056		0	54,84	260,00 \$
22J06		0025 / 0057		0	54,84	260,00 \$
22J06		0025 / 0058		0	54,84	260,00 \$
22J06		0025 / 0059		0	54,84	260,00 \$
22J06		0025 / 0060		0	54,84	260,00 \$
22J06		0026 / 0042		0	54,83	260,00 \$
22J06		0026 / 0043		0	54,83	260,00 \$
22J06		0026 / 0044		0	54,83	260,00 \$
22J06		0026 / 0049		0	54,83	260,00 \$
22J06		0026 / 0050		0	54,83	260,00 \$
22J06		0026 / 0051		0	54,83	260,00 \$
22J06		0026 / 0052		0	54,83	260,00 \$
22J06		0026 / 0053		0	54,83	260,00 \$
22J06		0026 / 0054		0	54,83	260,00 \$
22J06		0026 / 0055		0	54,83	260,00 \$
22J06		0026 / 0056		0	54,83	260,00 \$
22J06		0026 / 0057		0	54,83	260,00 \$
22J06		0026 / 0058		0	54,83	260,00 \$
22J06		0026 / 0059		0	54,83	260,00 \$
22J06		0026 / 0060		0	54,83	260,00 \$
22J06		0027 / 0050		0	54,82	260,00 \$
22J06		0027 / 0051		0	54,82	260,00 \$
22J06		0027 / 0052		0	54,82	260,00 \$
22J06		0027 / 0053		0	54,82	260,00 \$
22J06		0027 / 0054		0	54,82	260,00 \$

NTS Sheet	Township	Row / Column	Range / Lot	Section No.	Area (ha)	Registration Fees
22J06		0027 / 0055		0	54,82	260,00 \$
22J06		0027 / 0056		0	54,82	260,00 \$
22J06		0027 / 0057		0	54,82	260,00 \$
22J06		0027 / 0058		0	54,82	260,00 \$
22J06		0027 / 0059		0	54,82	260,00 \$
22J06		0027 / 0060		0	54,82	260,00 \$
22J06		0028 / 0052		0	54,81	260,00 \$
22J06		0028 / 0053		0	54,81	260,00 \$
22J06		0028 / 0054		0	54,81	260,00 \$
22J06		0028 / 0055		0	54,81	260,00 \$
						13,624,00
						\$

(continued on next page)

SCHEDULE "B"

to that Property Option Agreement dated August 26, 2010
between Big Red Diamond Corp. and
Arctic Star Diamond Corp.

SUMMARY OF JOINT VENTURE AGREEMENT

1. The words and terms as defined in the Agreement to which this Schedule "B" is attached shall have the same meaning for the purposes of this Schedule "B" unless otherwise specifically indicated.
2. Each party, once Arctic will have earned its 50% interest, shall contribute to all costs and take its share of Products in proportion to its undivided percentage interest (the "**Interest**") in a Property from time to time.
3. Initial Expenditures under the Joint Venture shall be agreed to in writing by the parties (the "**Joint Venture Expenditures**"). Each party will contribute its share of the Joint Venture Expenditures in proportion to its interest in the Joint Venture as determined in accordance with Sections 9 and 10 below. The Joint Venture Expenditures shall be advanced to the Operator by each party in accordance with staged work program budgets as approved by the Management Committee.
4. All operations on and in connection with a Property shall be managed by a committee (the "**Management Committee**") consisting of one (1) representative of each of the parties. A party's representative on the Management Committee shall have such number of votes equal to such party's Interest at the time of the vote. All decisions of the Management Committee shall be made by a simple majority of the votes cast. In the case of a tied vote, no party shall have a casting vote.
5. All disputes between the parties, including tied votes of the Management Committee, that remain unresolved after a period of thirty (30) days shall be referred to and finally resolved by arbitration under the rules of the British Columbia International Commercial Arbitration Centre.
6. Arctic shall be the initial joint venture operator and shall remain as the operator for as long as its Interest is equal to or exceeds fifty percent (50%) (the "**Operator**"). If the Interest of Arctic becomes less than fifty percent (50%), the party with the greatest Interest shall become the Operator, unless otherwise unanimously agreed by the parties.
7. All operations on and in connection with a Property shall be carried out exclusively by the Operator and the Operator shall have the right to retain such subcontractors as it sees fit. The Operator shall be entitled to charge a management fee, once Arctic will have earned its 50% interest, equal to ten percent (10%) on all future general exploration expenditures and ten percent (10%) on future helicopter, drilling and airborne survey expenditures. The Operator shall only be entitled to charge a management fee of five percent (5%) on actual costs incurred by contractors. No management fee shall be paid in regard to profit or mark-up charged by contractors. Any management fee payable upon the commencement of Commercial Production from a Property shall be determined in accordance with accepted mining industry standards.
8. All Joint Venture operations shall be carried out by each and all Operators in accordance with health, safety, environment and community relations standards as approved in advance by the Management Committee.
9. The respective Interests of each party shall be determined at the time the Joint Venture Agreement is entered into and the deemed exploration expenditures of each Party shall be calculated on the basis of actual Expenditures incurred by Arctic and the retained carried Interest in the Property of BIG RED.

10. A party shall elect whether or not to contribute to each annual work program and budget. If a party elects not to contribute to a budget, its Interest shall be reduced, such that a party's Interest at any time shall be calculated by dividing the subject party's deemed and actual Expenditures by the deemed and actual Expenditures of all of the parties, and multiplying the resulting fraction by 100 (standard straight line dilution provision).
11. If a party elects to contribute to a work program and budget and then fails to pay an invoice in a timely manner, that party (the "**Defaulting Party**") shall be deemed to have elected not to contribute to the budget pursuant to the provisions contained in paragraph 11 of this Agreement. The non-defaulting party shall be entitled to complete the original work program or a revised work program and the Defaulting Party's Interest shall be reduced accordingly.
12. The Operator shall be entitled to include in each budget, in addition the amounts to be actually expended, the reasonably estimated cost of satisfying continuing obligations relating to environmental protection, rehabilitation, reclamation and decommissioning.
13. If at any time a party's Interest is reduced to below ten percent (10%), it shall be deemed to have conveyed its interest proportionately to the other party in consideration of the right to receive a two percent (2%) net smelter royalty on Commercial Production of metallic Products.
14. One-half (1/2) of the net smelter royalty (being 1%) may be purchased at any time for \$2,000,000 by the party holding the majority Interest in the Property.
15. In the event that the Management Committee elects not to carry out a work program in any given year, each party shall be obligated to contribute its proportionate share of the funds required to keep a Property in good standing under any applicable laws in force at that time ("**Maintenance Funds**"). If a party fails to provide Maintenance Funds within sixty (60) days of receipt of notice from the Operator that Maintenance Funds are required (the "**Non-Contributing Party**"), it shall be deemed to have conveyed its Interest proportionately to the other party in consideration of the payment of \$10. Upon such deemed conveyance, the conveying party ceases to hold any interest in the Property. Within sixty (60) days of such deemed conveyance, the Non-Contributing Party shall deliver applicable title documentation to the other parties.