

Bonanza Blue Corp.
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CONFIDENTIAL

April 13, 2015

Churchill Diamond Corporation
133 Richmond Street West
Suite 501
Toronto, Ontario
M5H 2L3

Attention: Paul Sobie, Chief Executive Officer

Dear Sirs:

Re: Acquisition of issued and outstanding shares of Churchill Diamond Corporation

This letter of intent (“**Letter of Intent**”) is intended to set out our mutual understanding of the basic terms and conditions upon which Bonanza Blue Corp. (“**Bonanza**”) will acquire all of the issued and outstanding shares of Churchill Diamond Corporation (“**Churchill**”).

The acceptance of this Letter of Intent will be followed by the negotiation of definitive documentation (the “**Transaction Documents**”), including a definitive agreement (the “**Definitive Agreement**”) setting forth the detailed terms of the Transaction and containing the terms and conditions set out in this Letter of Intent and such other terms and conditions as are customary for transactions of the nature and magnitude contemplated herein. All documentation shall be in form and content satisfactory to each of Bonanza and Churchill, each acting reasonably.

Subject to the conditions set forth herein, the terms of this Letter of Intent are intended to create binding obligations on Bonanza and Churchill.

Terms of Transaction and Related Matters

1. Subject to the terms hereof, Bonanza and Churchill will enter into a business combination by way of an amalgamation, arrangement, takeover bid, share purchase or other similar form of transaction (the “**Transaction**”). It is currently anticipated that the Transaction will be by way of three-cornered amalgamation involving Bonanza, a wholly-owned subsidiary thereof and Churchill; however, the parties agree that the final structure of the business combination is subject to receipt of final tax, corporate and securities law advice for both Bonanza and Churchill.
2. It is understood that the authorized share capital of Churchill consists of an unlimited number of common shares of which, as of the date hereof, approximately 10,500,000 common shares (collectively the “**Churchill Shares**”) are outstanding. A further 1,050,000 Churchill Shares are currently reserved for issuance under outstanding stock options as of the date hereof. Churchill is

currently undertaking a private placement (the “**Current Private Placement**”) expected to raise gross proceeds of up to \$675,000 at a price of \$0.30 per Churchill Share issued on a “flow-through” basis and \$0.25 per Churchill Share issued on a non-“flow-through” basis.

3. It is understood that the authorized share capital of Bonanza consists of an unlimited number of common shares (the “**Bonanza Shares**”) and 2,000,000 special preference shares of which, as of the date hereof, 8,055,009 Bonanza Shares and no other shares are outstanding. A further 450,000 Bonanza Shares are reserved for issuance under outstanding stock options of Bonanza (“**Bonanza Options**”) as of the date hereof.
4. Based on the assumptions and basis of Consolidation (as defined below) set forth in Section 7, pursuant to the Transaction, the holders of the issued and outstanding Churchill Shares (after giving effect to the Current Private Placement but prior to giving effect to the Pre-Closing Private Placement described below) will receive in the aggregate, that number of Bonanza Post-Consolidation Shares (as defined below) for their Churchill Shares held immediately prior to the Transaction that will result in such shareholders holding 80% of the number of issued and outstanding Bonanza Post-Consolidation Shares.
5. Prior to the completion of the Transaction, Churchill will complete a private placement (the “**Pre-Closing Private Placement**”) of securities (the “**Offered Securities**”) on terms acceptable to Bonanza, acting reasonably. Immediately prior to the completion of the Transaction, the Offered Securities, if convertible, will be automatically converted, for no additional consideration, into Churchill Shares or units of Churchill consisting of Churchill Shares and warrants, as the case may be (or such other securities of Churchill as may be agreed among Churchill, Bonanza and the agent for the Pre-Closing Private Placement, if any). Upon closing of the Transaction, all securities of Churchill issued in connection with the Pre-Closing Private Placement will automatically be exchanged for post-Consolidation securities of Bonanza on a basis consistent with the exchange ratio implied in the conversion of Churchill Shares held by the shareholders of Churchill prior to giving effect to the Pre-Closing Private Placement into Bonanza Post-Consolidation Shares.
6. Churchill and Bonanza acknowledge and agree that application will be made to list the Bonanza Post-Consolidation Shares on the Canadian Securities Exchange (“**CSE**”) on completion of the Transaction.
7. Prior to the completion of the Transaction, Bonanza shall call a meeting of its shareholders for the purpose of approving, among other matters (i) a consolidation, of the issued and outstanding Bonanza Shares (the “**Consolidation**”) on a basis that will result in the Bonanza shareholders holding 20% of the issued and outstanding common shares of Bonanza after giving effect to the Consolidation (“**Bonanza Post-Consolidation Shares**”) and the Churchill shareholders, after giving effect to the Current Private Placement but prior to giving effect to the Pre-Closing Private Placement, receiving pursuant to the Transaction that number of Bonanza Post-Consolidation Shares that results in them holding 80% of the Bonanza Post-Consolidation Shares; (ii) a change of name of Bonanza to such name that is determined by Churchill (the “**Name Change**”); (iii) the election of four or more individuals to the board of directors of Bonanza chosen by Churchill; and (iv) if required by the CSE, the approval of the Transaction. It is the parties’ intention that upon closing of the Transaction, the board of Bonanza shall be reconstituted in a manner that complies with the requirements of the CSE and applicable securities laws.

Conditions Precedent

8. The implementation of this letter of intent and the completion of the Transaction shall be subject to the following conditions precedent being satisfied prior to the date of closing of the Transaction (the “**Closing Date**”):
- (a) Conditions precedent for the benefit of Bonanza:
 - (i) Churchill entering into the Transaction Documents which shall contain, among other things, the terms and conditions set forth herein and warranties, representations, covenants, agreements, terms and conditions customarily found in such agreements and acceptable to Bonanza and its counsel;
 - (ii) receipt of all required approvals and consents for the Transaction and all related matters and the Transaction Documents, including without limitation:
 - A. the approval of the board of directors of Bonanza;
 - B. the approval of Bonanza’s and Churchill’s shareholders, if required by the CSE or applicable corporate or securities laws;
 - C. the approval of CSE; and
 - D. the approval of any third parties from whom Churchill must obtain consent;
 - (iii) no material adverse change shall have occurred in business, results of operations, assets, liabilities, financial condition or affairs of Churchill, financial or otherwise, between the date of signing this Letter of Intent and the completion of the Transaction;
 - (iv) the representations and warranties of Churchill contained in the Transaction Documents shall be deemed to have been made again on the Closing Date, other than as a result of any change in the issued and outstanding securities of Churchill on the exercise of any stock options of Churchill or as expressly contemplated hereby;
 - (v) the completion of the Current Private Placement at prices for Churchill Shares as presently constituted of not less than \$0.30 per Churchill Share issued on a “flow-through” basis and \$0.25 per Churchill Share issued on a non-“flow-through” basis;
 - (vi) the completion of the Pre-Closing Private Placement;
 - (vii) arrangements shall have been made satisfactory to Bonanza for the survival of the Bonanza Options to their expiry date of June 24, 2016;
 - (viii) there being no debts or amounts owing to Churchill by any of its officers, former officers, directors, former directors, shareholders, employees or former employees or any family member thereof, or any person with whom Churchill

does not deal at arm's length, except for any amounts advanced to such person for expenses incurred on behalf of Churchill in the ordinary course;

- (ix) there being no legal proceeding or regulatory actions or proceedings against Churchill at the Closing Date which may, if determined against the interest of Churchill, have a material adverse effect on Churchill;
 - (x) there being no prohibition at law against the Transaction;
 - (xi) no inquiry or investigation (whether formal or informal) in relation to Churchill or its directors or officers, shall have been commenced or threatened by any relevant securities commission or similar regulatory body having jurisdiction, such that the outcome of such inquiry or investigation could have a material adverse effect on Bonanza after giving effect to the Transaction;
 - (xii) Churchill shall be in compliance in all material respects with the terms of this Letter of Intent;
 - (xiii) Bonanza shall be satisfied, acting reasonably, with its due diligence investigations of Churchill; and
 - (xiv) there shall be no material breach of the representations, warranties, covenants of Churchill contained herein or in the Transaction Documents.
- (b) Conditions precedent for the benefit of Churchill:
- (i) Bonanza entering into the Transaction Documents which shall contain, among other things, the terms and conditions set forth herein and warranties, representations, covenants, agreements, terms and conditions customarily found in such agreements and acceptable to Churchill and its counsel;
 - (ii) receipt of all required approvals and consents to both the Transaction and all related matters and the Transaction Documents, including without limitation,
 - A. the approval of the board of directors of Churchill;
 - B. the approval of Bonanza's and Churchill's shareholders, if required by the CSE or applicable corporate or securities laws;
 - C. the approval of CSE; and
 - D. the approval of any third parties from whom Bonanza must obtain consent;
 - (iii) the Bonanza Post-Consolidation Shares issued in consideration for the Churchill Shares shall be issued as fully paid and non-assessable common shares in the capital of Bonanza, free and clear of any and all encumbrances, liens, charges, demands of whatsoever nature, except those imposed pursuant to "hold periods" and escrow restrictions of the CSE and applicable securities regulatory authorities;

- (iv) the \$61,930 of shareholders advances currently reflected in the books and records of Bonanza shall have been written off or otherwise satisfied in a manner acceptable to Churchill in its sole discretion;
- (v) the nominees of Churchill shall have been duly appointed as the management and board of directors of Bonanza;
- (vi) the Name Change and Consolidation shall have been completed;
- (vii) no material adverse change shall have occurred in business, results of operations, assets, liabilities, financial condition or affairs of Bonanza, financial or otherwise, between the date of signing this Letter of Intent and the completion of the Transaction;
- (viii) the representations and warranties of Bonanza contained in the Transaction Documents shall be deemed to have been made again on the Closing Date, other than as a result of any change in the issued and outstanding securities of Bonanza on the exercise of Bonanza Options or as expressly contemplated hereby;
- (ix) there being no debts or amounts owing to Bonanza by any of its officers, former officers, directors, former directors, shareholders, employees or former employees or any family member thereof, or any person with whom Bonanza does not deal at arm's length, except for any amounts advanced to such person for expenses incurred on behalf of Bonanza in the ordinary course;
- (x) there being no legal proceeding or regulatory actions or proceedings against Bonanza at the Closing Date which may, if determined against the interest of Bonanza, have a material adverse effect on Bonanza;
- (xi) there being no prohibition at law against consummation of the Transaction or, if applicable, acquiring the Churchill Shares or against the shareholders of Churchill accepting the offer;
- (xii) no inquiry or investigation (whether formal or informal) in relation to Bonanza or its directors or officers, shall have been commenced or threatened by any securities commission, or similar regulatory body having jurisdiction such that the outcome of such inquiry or investigation could have a material adverse effect on Bonanza after giving effect to the Transaction;
- (xiii) Bonanza shall be in compliance in all material respects with the terms of this Letter of Intent;
- (xiv) all management contracts to which Bonanza is a party shall have been terminated, all officers and members of management of Bonanza shall have executed and delivered resignations in form and substance acceptable to Churchill, acting reasonably, and no termination or other fees shall be payable to any such officers or members of management of Bonanza in connection with such resignations;
- (xv) the completion of the Current Private Placement and Pre-Closing Private Placement;

- (xvi) Churchill shall be satisfied, acting reasonably, with its due diligence investigations of Bonanza; and
 - (xvii) there shall be no material breach of the representations, warranties, covenants of Bonanza contained herein or in the Transaction Documents.
- (c) Conditions Precedent and Right of Waiver:
- (i) The conditions precedent set out in Sections 8(a) are inserted for the sole benefit of Bonanza and the conditions precedent set out in Section 8(b) are inserted for the sole benefit of Churchill. Any of the parties may refuse to proceed with the closing of the Transaction if the conditions precedent inserted for its or their benefit are not fulfilled to its or their reasonable satisfaction prior to the Closing Date, and, it or they shall incur no liability to any other party by reason of such refusal.
 - (ii) The said conditions precedent, where not otherwise required by law, may be waived in whole or in part by the party or parties for whose benefit they are inserted in that party's or those parties' absolute discretion. No such waiver shall be of any effect unless it is in writing signed by the party or parties granting the waiver.

Standstill and Agreement to Support Transactions

9. Churchill hereby agrees from the date hereof until the Termination Date (as hereinafter defined):
- (a) not to initiate, propose, assist or participate in any activities or solicitations in opposition to or in competition with the Transaction and, without limiting the generality of the foregoing, not to induce or attempt to induce any other person to initiate any shareholder proposal, acquisition of Churchill Shares or any other form of transaction inconsistent with completion of the Transaction and not to take actions of any kind which may reduce the likelihood of success of the Transaction, except as required by statutory law or as required by the directors of Churchill to exercise their fiduciary duties;
 - (b) to use its reasonable commercial efforts to cause all Churchill shareholders to vote their Churchill Shares in favour of the Transaction, convey to Bonanza such Churchill Shares pursuant to the Transaction, and otherwise take all reasonable actions to complete the Transaction and to not take any action contrary to or in opposition to the Transaction;
 - (c) to use its reasonable commercial efforts to cause all directors and officers of Churchill (subject to "superior proposal" carve-outs), and all shareholders holding 10% or more of all issued and outstanding Churchill Shares, to enter into customary lock-up agreements in form and substance acceptable to Bonanza (acting reasonably) pursuant to which they shall agree (i) to vote all Churchill Shares held by them in favour of the Transaction; (ii) not to solicit other transactions and will otherwise support the Transaction; and (iii) not to sell or dispose of any Churchill Shares which they hold, each until the earlier of (i) the Closing Date; and (ii) the Termination Date;
 - (d) not to issue any debt or equity or other securities, without the prior written consent of Bonanza except pursuant to the Current Private Placement or the Pre-Closing Private

Placement or options to its directors, officers or other service providers to acquire, in the aggregate, up to 10% of the number of Churchill Shares outstanding from time to time;

- (e) not to borrow any material money or incur any material indebtedness (except for trade payables incurred in the ordinary course), without prior written consent of Bonanza;
 - (f) not to make loans, advances or other similar payments to any party, excluding routine advances to employees of Churchill for expenses incurred in the ordinary course or as is agreed to by Bonanza in writing;
 - (g) not to declare or pay any dividends or distribute any of Churchill's properties or assets to shareholders;
 - (h) not to alter or amend Churchill's articles or by-laws in any manner which may adversely affect the success of the Transaction nor split, combine or reclassify any of its capital stock, except as is agreed to by Bonanza in writing or as strictly required to give effect to the matters contemplated herein;
 - (i) not to enter into any transaction or material contract not in the ordinary course of business and not to engage in any business enterprise or activity different from that carried on as of the date hereof, without the prior written consent of Bonanza, acting reasonably;
 - (j) to use its reasonable commercial efforts to obtain any third parties approvals required in respect of the Transaction; and
 - (k) to cooperate fully with Bonanza and to use all reasonable commercial efforts to assist Bonanza in its efforts to acquire all of the Churchill Shares, unless such cooperation and efforts would subject Churchill to liability or would be in breach of applicable statutory and regulatory requirements.
10. Bonanza hereby agrees from the date hereof until the Termination Date (as hereinafter defined):
- (a) not to initiate, propose, assist or participate in any activities or solicitations in opposition to or in competition with the Transaction and, without limiting the generality of the foregoing, not to induce or attempt to induce any other person to initiate any shareholder proposal, acquisition of Bonanza Shares or any other form of transaction inconsistent with completion of the Transaction and not to take actions of any kind which may reduce the likelihood of success of the Transaction, except as required by statutory law or as required by the directors of Bonanza to exercise their fiduciary duties;
 - (b) to use its reasonable commercial efforts to cause all Bonanza shareholders to vote their Bonanza Shares in favour of the Transaction, and otherwise approve the Transaction, take all reasonable actions to complete the Transaction and to not take any action contrary to or in opposition to the Transaction;
 - (c) to use its reasonable commercial efforts to cause all directors and officers of Bonanza (subject to "superior proposal" carve-outs), and all shareholders holding 10% or more of all issued and outstanding Bonanza Shares, to enter into customary lock-up agreements in form and substance acceptable to Churchill (acting reasonably) pursuant to which they shall agree (i) to vote all Bonanza Shares held by them in favour of the Transaction; (ii)

not to solicit other transactions and will otherwise support the Transaction; and (iii) not to sell or dispose of any Bonanza Shares which they hold, each until the earlier of (i) the Closing Date; and (ii) the Termination Date;

- (d) not to issue any debt or equity or other securities without the prior written consent of Churchill, except for the issuance of Bonanza Shares upon the exercise of existing convertible securities;
- (e) not to borrow any money or incur any indebtedness (except for trade payables incurred in the ordinary course);
- (f) not to make loans, advances or other similar payments to any party, excluding advances to officers or directors of Bonanza or third parties for expenses reasonably necessary to carry out the terms of this Letter of Intent;
- (g) not to make any expenditures except those that are reasonably necessary to carry out the terms of this Letter of Intent, that are necessary to fulfil Bonanza's obligations as a "public company" or that are incurred to reimburse directors or officers for reasonable expenses incurred for the foregoing purposes;
- (h) not to declare or pay any dividends or distribute any of Bonanza's properties or assets to shareholders;
- (i) not to alter or amend Bonanza's articles or by-laws in any manner which may adversely affect the success of the Transaction nor split, combine or reclassify any of its capital stock, except as strictly required to give effect to the matters contemplated herein;
- (j) not to enter into any transaction or material contract, except as reasonably necessary to give effect to the matters contemplated herein; and
- (k) to cooperate fully with Churchill and to use all reasonable commercial efforts to otherwise complete the Transaction, unless such cooperation and efforts would subject Bonanza to liability or would be in breach of applicable statutory and regulatory requirements.

Escrow

11. The parties acknowledge that a portion of the Bonanza Post-Consolidation Shares to be issued as part of the Transaction may be subject to escrow provisions imposed by the policies of the CSE. The parties further acknowledge that these escrowed Bonanza Post-Consolidation Shares shall be held in escrow and released, over time, as determined by the CSE. The parties agree that the terms of the escrow shall be negotiated by counsel for Bonanza, in consultation with counsel for Churchill, and the CSE, and the parties hereto agree to accept such terms of escrow imposed by the CSE and use its commercially reasonable efforts to cause their related parties subject to escrow to accept such terms provided such escrow is in compliance with the published policies of the CSE. All parties agree to use their reasonable commercial efforts to obtain the most advantageous escrow terms for Churchill shareholders.

Access to Information

12. Upon acceptance of this Letter of Intent and until the earlier of the completion of the transactions contemplated by this Letter of Intent or the Termination Date, each party will allow the other and its respective authorized representatives, including legal counsel and consultants, access to all information, books or records relevant for the purpose of the transactions contemplated herein. Each party hereto agrees that all information and documents so obtained will be kept confidential and the contents thereof will not be disclosed to any person without the prior written consent of the disclosing party.

Conduct of Business

13. From the date of the acceptance of this Letter of Intent until the earlier of the completion of the transactions contemplated herein or the Termination Date, Bonanza and Churchill will each operate its business in a prudent and business-like manner in the ordinary course and in a manner consistent with past practice.

Expenses

14. Each party shall be responsible for its own costs and expenses incurred with respect to the transactions contemplated herein.

Closing and Good Faith Negotiations

15. Bonanza and Churchill agree to proceed diligently and in good faith to: (a) negotiate and settle the terms of the Transaction Documents for execution on or before April 30, 2015 (the “**Transaction Documents Deadline**”) or such other date as may be mutually agreed to in writing between the parties hereto; and (b) complete all transactions contemplated herein as soon as possible but, in any event, not later than June 30, 2015 (the “**Transaction Completion Deadline**”) or such other date as may be mutually agreed to in writing between the parties hereto.

Confidentiality

16. Churchill acknowledges that Bonanza is required to issue a press release announcing the Transaction on execution of this Letter of Intent and file a copy of that press release and this Letter of Intent on SEDAR. Bonanza will consult with Churchill regarding the content of the press release prior to its issue. No other disclosure or announcement, public or otherwise, in respect of this Letter of Intent or the transactions contemplated herein or therein will be made by any party without the prior agreement of the other party as to timing, content and method, hereto, provided that the obligations herein will not prevent any party from making, after consultation with the other party, such disclosure as its counsel advises is required by applicable law.
17. Unless and until the transactions contemplated in this Letter of Intent have been completed, except with the prior written consent of the other party, each of the parties hereto and their respective employees, officers, directors, shareholders, agents, advisors and other representatives will hold all information received from the other party in strictest confidence, except such information and documents available to the public or as are required to be disclosed by applicable law.

18. All such information in written form and documents will be returned to the party originally delivering them in the event that the transactions provided for in this Letter of Intent are not consummated.

Termination

19. This Letter of Intent shall terminate with the parties having no obligations to each other, other than the confidentiality provisions contained in Sections 12 and 16 to 18, on the day (the “**Termination Date**”) on which the earliest of the following events occurs:
 - (a) written agreement of the parties to terminate the Letter of Intent;
 - (b) any applicable regulatory authority having notified in writing either Bonanza or Churchill that it will not permit the Transaction to proceed;
 - (c) shareholders of Bonanza or, if required, Churchill, not approving the Transaction or related matters contemplated herein in accordance with all applicable law and the regulations of the CSE at a duly constituted meeting of shareholders (which shall include without limitation, “majority of the minority” approval with respect to Churchill);
 - (d) the Transaction Documents are not entered into on or before the Transaction Documents Deadline; or
 - (e) the Transaction is not completed on or before the Transaction Completion Deadline.

Miscellaneous

20. This Letter of Intent, the Transaction Documents and other agreements contemplated herein and therein, if entered into, shall be governed in all respects, including validity, interpretation and effect, by laws of Ontario and the undersigned hereby irrevocably attorn to the jurisdiction of the Courts of the Province of Ontario in respect of any matter arising hereunder or in connection herewith.
21. All dollar amounts expressed herein are in Canadian currency, unless otherwise specified.
22. This Letter of Intent will be binding upon, and will enure to the benefit of and be enforceable by the parties hereto and their respective successors, executors and administrators. No assignment of this Letter of Intent will be permitted without the consent of the other party.
23. This Letter of Intent may be executed and evidenced by a facsimile copy thereof and all such counterparts or facsimile counterparts shall constitute one document.

If the terms of this Letter of Intent are acceptable, please communicate your acceptance by executing the duplicate copy hereof in the appropriate space below and returning such executed copy to us by facsimile to the attention of the undersigned, prior to 4:00 p.m. (Toronto time) on April 14, 2015.

Yours very truly

Bonanza Blue Corp.

Per: (signed) "Eric Klein"
Eric R. Klein
President and Chief Executive Officer

THE TERMS OF THIS LETTER OF INTENT are hereby accepted as of the 13th day of April, 2015.

Churchill Diamond Corporation

Per: (signed) "Paul Sobie"
Paul Sobie
Chief Executive Officer