

HARRY WINSTON

HARRY WINSTON DIAMOND CORPORATION

INSIDER TRADING POLICY

1.0 POLICY STATEMENT

This Policy provides guidelines to officers, directors and employees of Harry Winston Diamond Corporation Inc. (the “Company”) and other “insiders” of the Company with respect to (i) the treatment of material non-public information concerning the Company and (ii) transactions in the Company’s securities.

These guidelines have been developed to protect the Company and those to whom this Policy applies, and are in addition to securities laws and regulations in Canada and other applicable jurisdictions governing the trading of the Company’s securities by insiders.

2.0 PERSONS AND SECURITIES COVERED BY THIS POLICY

2.1 *Persons Covered by this Policy*

This Policy applies to all individuals in the categories described below, together with their immediate family members:

- (a) all directors and officers of the Company;
- (b) all directors and officers of any subsidiary of the Company;
- (c) all employees of the Company or any subsidiary of the Company; and
- (d) any consultants or contractors or others doing business with the Company, including, if same are corporations, their respective directors, officers and employees, who receive or have access to material non-public information regarding the Company.

For greater certainty, immediate family members shall mean the spouse, common law spouse, children and other relatives residing in the same home as the person referred to in clauses (a) to (d) above.

2.2 *Company Securities*

This Policy applies to transactions in any of the Company’s securities, including its common shares and options to purchase common shares granted under the Company’s Stock Option Plan. In addition, this Policy applies to securities of the Company’s business counterparties as described in Section 7.0.

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3.0 MATERIAL NON-PUBLIC INFORMATION

It is not possible to define all categories of material information; however, information should be regarded as material if there is a reasonable likelihood that it would be considered important to an investor in making an investment decision regarding the purchase or sale of the Company's securities, or if the information, if known to the public, could reasonably be expected to have a significant effect on the market price or value of the Company's securities. Either positive or negative information may be material.

4.0 PROHIBITION AGAINST TIPPING AND INSIDER TRADING

4.1 *Confidentiality of Non-public Information*

Non-public information relating to the Company is the property of the Company and the unauthorized disclosure of such information is forbidden.

4.2 *Persons in a Special Relationship*

Anyone in a "special relationship" with the Company is caught by the prohibitions against insider trading and tipping. A person or company is in a special relationship with a company if:

- (a) the person or company is an insider, affiliate or associate of,
 - (i) the company;
 - (ii) a person or company that is proposing to make a take-over bid, as defined under applicable securities laws, for the securities of the company; or
 - (iii) a person or company that is proposing to become a party to a reorganization, amalgamation, merger or arrangement or similar business combination with the company or to acquire a substantial portion of its property;
- (b) the person or company is engaging in or proposes to engage in any business or professional activity with or on behalf of the company or with or on behalf of a person described in subclause (a) (ii) or (iii);
- (c) the person is a director, officer or employee of the company or of a person described in subclause (a) (ii) or (iii) or clause (b);
- (d) the person learned of a material fact or material change with respect to the company while the person was a person described in clause (a), (b) or (c); or

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- (e) the person learned of a material fact or material change with respect to the company from any other person described above, including a person described in this clause, and knows or ought reasonably to have known that the other person is a person in such a relationship.

The definition is very broad and captures all directors, officers and employees of the Company and others in a special relationship with the Company. It also captures a potentially infinite chain of tippees.

4.3 *Tipping*

No person who is subject to this Policy shall communicate (or “tip”) material non-public information to any other person, including family members, (other than in the necessary course of business), nor shall any such person make recommendations or express opinions on the basis of material non-public information for the purpose of or in the context of trading in the Company’s securities.

4.4 *Trading on Material Non-public Information*

No person who is subject to this Policy shall engage in any transaction involving a purchase or sale of the Company’s securities (including the exercise of options pursuant to the Company’s Stock Option Plan) with knowledge of any material non-public information concerning the Company.

This restriction applies during any period commencing with the date that the person first possesses material non-public information concerning the Company, and ending at the close of business on the **second full trading day** following the date of public disclosure of that information, or at such time as such non-public information is no longer material. The term “trading day” means a day on which the stock exchanges on which the Company’s securities are traded (currently the Toronto Stock Exchange and the New York Stock Exchange) are open for trading. If such public disclosure occurs on a trading day before the markets close, then such date of disclosure shall be considered the first trading day following such public disclosure.

4.5 *Short Selling and Other Speculative Trading*

No person who is subject to this Policy shall engage in short-term, speculative transactions involving the Company’s securities. This would include short sales and buying or selling put or call options or other derivative securities relating to the Company’s shares. Certain of such activities, such as short sales, are specifically prohibited by the *Canada Business Corporation Act*. All of these transactions share a common characteristic – they involve short-term speculation on significant share price movements and are thus open to abuse. In the Company’s view, such trading is an activity more normally associated with “professional” traders and is, therefore, inconsistent with an insider’s role with and duties to the Company.

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5.0 TRADING BLACKOUTS

5.1 *General*

In addition to the foregoing, as it may be difficult from time to time to determine if and when material non-public information exists, particularly relating to financial results, the Company has established certain periods (“Blackout Periods”) during which persons subject to this Policy are prohibited from trading in securities (including exercising stock options) of the Company, subject to a person not being in possession of material non-public information about the Company.

The purpose behind the establishment of Blackout Periods is, to the extent possible, to place all holders of the Company’s securities in an equal informational position when making acquisition or disposition decisions related to such securities.

Persons subject to this Policy should not disclose to others the fact of any Blackout Period being imposed.

5.2 *Scheduled Blackout Periods*

Generally, consolidated financial results for any particular quarterly period are available by the end of the last month of that quarter. In addition, the Company is required to publicly release its financial results for a particular quarter within forty-five (45) days following the end of the first, second and third quarter. With respect to the consolidated year-end financial results, the Company is required to release such statements within ninety (90) days following the end of its financial year.

Due to the fact that officers, directors and employees may, as any quarter progresses, be increasingly likely to possess non-public information about the expected financial results for the quarter or financial year end, as the case may be, the Company prohibits trading in its securities by all persons subject to this Policy, during the following Blackout Periods in each year:

| | |
|------------------------|---|
| Starting on April 30 | Ending after there has been two full trading days following the day of the public release of the first quarter results |
| Starting on July 31 | Ending after there has been two full trading days following the day of the public release of the second quarter results |
| Starting on October 31 | Ending after there has been two full trading days following the day of the public release of the third quarter results |

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Starting on January 31

Ending after there has been two full trading days following the day of the public release of annual financial results.

5.3 *Additional Trading Blackouts*

Persons subject to this Policy are reminded that in addition to the Blackout Periods related to financial disclosure, the Company may from time to time impose Blackout Periods for certain persons in a special relationship with the Company who become aware of material developments relating to the Company that have not yet been disclosed to the public. In such event, the Corporate Secretary shall advise such persons not to engage in any trades of the Company's securities during such period.

5.4 *Resumption of Trading*

Persons subject to a Blackout Period should not engage in any trades of the Company's securities until there has been **two full trading days** following the day of a broadly disseminated news release of any material information.

5.5 *Exceptions During Blackout Periods*

Notwithstanding the Blackout Periods, a person (other than the Chief Executive Officer) may purchase or sell securities during a Blackout Period with the prior written consent of the Chief Executive Officer. The Chief Executive Officer will grant permission to purchase or sell securities during a Blackout Period only (i) if the Chief Executive Officer is satisfied that the person is not in possession of material non-public information, and (ii) solely to address unusual or exceptional circumstances. Unusual, exceptional circumstances may include the sale of securities in the case of severe financial hardship or where the timing of the sale is critical for significant tax planning purposes. This exception is available to the Chief Executive Officer if the Board of Directors gives its permission using the guidelines set out above in subparagraph (i) and (ii) are met.

5.6 *Exercise of Stock Options*

Somewhat different considerations apply to the exercise of Company stock options during Blackout Periods since this involves a trade between the Company and the insider. Normally this is not permitted but if stock options would otherwise expire during a Blackout Period, optionholders may request the prior written consent of the Chief Executive Officer to permit their exercise (**but not the subsequent sale of the optioned securities**). In the case of the Chief Executive Officer, such consent must be sought from the Board of Directors.

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5.7 *Individual Responsibility*

Each person subject to this Policy has the individual responsibility to comply with this Policy and applicable securities laws, regardless of whether the Company has established a Blackout Period. Appropriate judgment should be exercised in connection with any trade in the Company's securities.

A person subject to this Policy may, from time to time, have to forego a proposed transaction in the Company's securities even if he or she planned to make the transaction before learning of the material non-public information and even though the person believes he or she may suffer an economic loss or forego anticipated profit by waiting.

6.0 POTENTIAL CRIMINAL AND CIVIL LIABILITY AND/OR DISCIPLINARY ACTION

6.1 *Insiders*

The seriousness of insider trading and tipping is reflected in the penalties imposed for trading or tipping by insiders in violation of applicable securities laws. "Insiders" for purposes of the *Securities Act* (Ontario) include all directors and officers of the Company, all directors and officers of a subsidiary of the Company or of a company that is itself an insider (owning more than 10% of the company) of the Company and persons or companies who hold more than 10% of the voting shares of the Company. "Officer" means the chair, vice-chair, the chief executive officer, the chief operating officer, the chief financial officer, president, a vice-president, the secretary, the assistant secretary, the treasurer, the assistant treasurer, the general manager, every individual who is designated as an officer under a by-law or similar authority of the Company, or other individual who performs functions for the Company similar to those normally carried out by an individual accompanying any such office.

6.2 *Liability for Insider Trading and Tipping under Securities Laws*

Under applicable securities laws, insiders who violate "insider trading" prohibitions may be subject to criminal liability, including substantial fines (for example, under the *Securities Act* (Ontario), fines up to the greater of \$5 million and triple the amount of the profit made or the loss avoided by the person by reason of the violation) and imprisonment (for example, under the *Securities Act* (Ontario), imprisonment to a maximum term of not more than five years less a day).

Insiders are subject to the same penalties, jail sentences and civil liabilities if they improperly inform (or "tip") another person of material non-public information, regardless of whether the insider trades in securities with knowledge of such information or otherwise directly profits from such disclosure. This liability may also apply where an insider merely makes a recommendation or expresses an opinion on the basis of such information as to trading in the Company's securities. Insiders can also be liable for stock market profits made by an outside party to whom

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a friendly “tip” on an important unannounced development has been made. Securities regulators use sophisticated electronic surveillance techniques to uncover insider trading.

Because of the severe penalties associated with insider trading, it is generally not considered wise to actively trade in the securities of the Company. It is recommended that purchases of Company stock be made for long-term investment purposes and not for short-term “flips”.

Failure to observe this Policy could lead to legal problems as well as termination of employment.

7.0 APPLICABILITY OF POLICY TO INSIDE INFORMATION REGARDING OTHER COMPANIES

This Policy and the guidelines described herein also apply to material non-public information relating to other companies or issuers, including but not limited to (a) the Company’s suppliers, joint-venture partners or service providers, (b) a company or other issuer proposing to make a take-over bid for the Company or for which the Company is proposing to make a take-over bid or (c) a company or other issuer with which the Company is proposing to become a party to a reorganization, amalgamation, merger or arrangement or similar business combination or an asset acquisition or disposition (collectively, “business counterparties”), when that information is obtained in the course of employment with, or other services performed on behalf of, the Company.

Civil and criminal penalties, and termination of employment, may result from trading securities with material non-public information regarding the Company’s business counterparties. All persons should treat material non-public information about the Company’s business counterparties with the same care as is required with respect to information relating directly to the Company.

8.0 INSIDER TRADING REPORTS

8.1. Insider Reports

Within ten (10) days after any transaction involving securities of the Company (including a grant, exercise or expiry of stock options), an insider (as defined under securities laws) (other than those who are exempt as described below) must file an Insider Report electronically through the “System for Electronic Disclosure by Insiders” (“SEDI”) at www.sedi.ca. It is the responsibility of such insider to file an Insider Report within the prescribed time period.

8.2. Exemption from Insider Reports

Subject to the following paragraph and in accordance with National Instrument 55-101 - *Insider Reporting*, the requirement to file Insider Reports does not apply to an officer in respect of securities of the Company if the officer (i) does not in the ordinary course receive or have access to information as to material facts or material changes concerning the Company before the material facts or material changes are generally disclosed and (ii) is not an “ineligible insider” in

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relation to the Company. The term “ineligible insider” means (a) an individual performing the functions of the chief executive officer, the chief operating officer or the chief financial officer of the Company; (b) a director of the Company; (c) a director of a major subsidiary of the Company; (d) an officer in charge of the principal business unit, division or function of the Company or a major subsidiary of the Company; or (e) a person that has direct or indirect beneficial ownership of, control or direction over, or a combination of direct or indirect beneficial ownership of, and control or direction over, securities of the Company carrying more than 10% of the voting rights attached to all of the Company’s outstanding voting securities.

Insiders of the Company who qualify for the foregoing exemption may do so by advising the Corporate Secretary of the Company that the insider intends to rely on the exemption. The Corporate Secretary will maintain (i) a list of insiders who are exempted from the requirement to file Insider Reports and (ii) a list of insiders of the Company who are not exempted from the requirement to file Insider Reports.

9.0 INQUIRIES

Please direct your questions as to any of the matters discussed in this Policy to the Company’s Chief Executive Officer.

APPROVED by the Board of Directors of Harry Winston Diamond Corporation on the 14th day of January, 2009.