

WARRANT INDENTURE

Dated as of April 11, 2007

STORNOWAY DIAMOND CORPORATION

AND

PACIFIC CORPORATE TRUST COMPANY

DuMoulin Black LLP
Barristers & Solicitors
10th Floor 595 Howe Street
Vancouver, British Columbia, V6C 2T5

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THIS WARRANT INDENTURE is made as of the 11th day of April, 2007

BETWEEN:

STORNOWAY DIAMOND CORPORATION, a company organized under the laws of the Province of British Columbia, Canada, having its registered and records office at Suite 860 – 625 Howe Street, Vancouver, British Columbia, V6C 2T6 (hereinafter referred to as the “**Corporation**”)

OF THE FIRST PART

AND:

PACIFIC CORPORATE TRUST COMPANY, a trust company incorporated under the laws of British Columbia and authorized to carry on business in the Province of British Columbia (hereinafter referred to as the “**Warrant Agent**”)

OF THE SECOND PART

WHEREAS:

- A. The Corporation proposes to issue up to 7,187,500 Warrants in connection with the issue of up to 14,375,000 Units pursuant to the Offering (as defined herein).
- B. Each Warrant shall, subject to adjustment as herein provided, entitle the holder thereof to acquire one Common Share at a price of \$1.50 per Common Share upon the terms and conditions herein set forth.
- C. For such purpose, the Corporation is duly authorized to create and issue the Warrants constituted and issued in the manner hereinafter provided.
- D. The Corporation has reserved up to 7,187,500 Common Shares for issuance upon the exercise of the Warrants.
- E. All acts and deeds necessary have been done and performed to make the Warrants, when countersigned by the Warrant Agent and issued as provided in this Indenture, legal, valid and binding upon the Corporation with the benefits and subject to the terms of this Indenture.

The foregoing recitals are made as representations and statements of fact by the Corporation and not by the Warrant Agent.

- F. The Warrant Agent has agreed to enter into this Indenture and to hold all rights, interests and benefits contained herein for and on the benefit of the persons who become Warrant holders.

NOW THEREFORE THIS INDENTURE WITNESSETH that the parties hereto agree as follows:

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this Indenture, including the recitals and schedules hereto, and in all agreements supplemental hereto:

“**Applicable Legislation**” means at any time the provisions of the *Business Corporations Act* (British Columbia), as from time to time amended, and all laws of Canada applicable therein, and the regulations under all such named or other statutes, relating to warrant indentures or to the rights, duties and obligations of warrant indentures and of corporations under warrant indentures, to the extent that such provisions are at such time in force and applicable to this Indenture;

“**Beneficial Owner**” means a person that has a beneficial interest in a Warrant that is represented by a Global Certificate;

“**Business Day**” means a day which is not Saturday, Sunday, a legal holiday in Vancouver, British Columbia, or any other day when either of the principal office of the Warrant Agent in Vancouver, British Columbia is not open to the public for the transaction of business;

“**Closing Date**” means the date, or in the case of more than one date, the dates on which Warrants are issued by the Corporation pursuant to the Offering;

“**Common Shares**” means fully paid and non-assessable common shares without par value of the Corporation, as presently constituted, provided that, in the event of any adjustment pursuant to Section 4.1, “**Common Shares**” will thereafter mean the securities or property resulting from such adjustment;

“**Corporation’s Auditors**” means the chartered accountant or firm of chartered accountants duly appointed as auditors of the Corporation from time to time;

“**Counsel**” means a barrister or solicitor or a firm of barristers and solicitors retained by the Warrant Agent or retained by the Corporation and acceptable to the Warrant Agent, acting reasonably;

“**Current Market Price**” means, with respect to the Common Shares at any date, the price per Common Share equal to the Weighted Average Price at which the Common Shares have traded on a stock exchange during a period of 20 consecutive trading days ending on the fifth trading day preceding such date; for the purpose of this paragraph, “**stock exchange**” means the stock exchange where the greatest volume of trading in Common Shares shall have been registered during the relevant period;

“**Depository**” means The Canadian Depository for Securities Limited (“**CDS**”), or its successor, or any other depository offering a book based securities registration and transfer system similar to that administered by CDS which the Corporation, with the consent of the Warrant Agent, acting reasonably, may designate;

“**Director**” means a director of the Corporation for the time being and, unless otherwise specified herein, reference to “**action by the directors**” means action by the directors of the Corporation as a board or, whenever duly empowered, action by any committee of such board, in each case by a duly passed resolution;

“**Exchange**” means The Toronto Stock Exchange, or such other exchange or quotation system on which the Common Shares and the Warrants are then listed or quoted;

“**Exercise Date**” means, with respect to a Warrant, the date on which the Warrant Certificate evidencing such Warrant (with a duly completed and executed Exercise Form) is surrendered for exercise in accordance with Section 3.1;

“**Exercise Form**” has the meaning given in Subsection 3.1.1;

“**Exercise Price**” means the sum of \$1.50 per Warrant exercised, subject to adjustment as provided herein;

“**Expiry Date**” means April 11, 2009;

“**extraordinary resolution**” has the meaning set forth in Section 7.11;

“**Global Certificate**” means a Warrant Certificate that is registered in the name of the Depository, or its nominee, pursuant to Section 2.8 for the purpose of being held by or on behalf of the Depository as custodian for Participants;

“**Liabilities**” has the meaning given in Section 10.4;

“**majority**” means more than 50%;

“**Offering**” means the offering of 6,670,000 flow-through common shares of the Corporation and up to 14,375,000 Units at a price of \$1.20 per Unit, which Units were originally qualified for distribution pursuant to a (final) short form prospectus of the Corporation dated April 2, 2007;

“**Offering of Rights**” has the meaning given in Subsection 4.1.3;

“**Participant**” means a person recognized by the Depository as a participant in the book entry only securities registration and transfer system administered by the Depository;

“**Privacy Laws**” has the meaning given in Section 10.9;

“**Regulation D**” means Regulation D of the SEC under the U.S. Securities Act;

“**Regulation S**” means Regulation S of the SEC under the U.S. Securities Act;

“**Rights Offering**” has the meaning given in Subsection 4.1.4;

“**Rights Period**” has the meaning given in Subsection 4.1.4;

“**SEC**” means the United States Securities and Exchange Commission;

“**Shareholder**” means a holder of record of one or more Common Shares;

“**Selling Jurisdictions**” means, collectively, each of the provinces of Canada and the United States, and such other jurisdictions as the Corporation may advise;

“**Subsidiary of the Corporation**” or “**Subsidiary**” means any corporation of which a majority of the outstanding Voting Shares are owned, directly or indirectly, by or for the Corporation, provided that the ownership of such shares confers the right to elect at least a majority of the directors of such corporation and includes any corporation in like relation to a Subsidiary;

“**successor corporation**” has the meaning given in Section 8.2;

“**This Warrant Indenture**”, “**this Indenture**”, “**herein**”, “**hereby**”, “**hereof**”, “**hereunder**” and similar expressions mean and refer to this Indenture and any indenture, deed or instrument supplemental hereto; and the expressions “**Article**”, “**Section**” and “**Subsection**” followed by a number, letter or both mean and refer to the specified article, section or subsection of this Indenture;

“**Time of Expiry**” means 4:00 p.m. (Vancouver time) on the Expiry Date;

“**Trading Day**” means a day on which the Exchange is open for the transaction of business;

“**Unit**” means a unit of the Corporation consisting of:

- (a) one Common Share; and
- (b) one-half of one Warrant;

“**United States**” means the United States of America, its territories and possessions, any State of the United States, and the District of Columbia;

“**U.S. Person**” means “U.S. person” as that term is defined in Regulation S;

“**U.S. Securities Act**” means the United States Securities Act of 1933, as amended;

“**Voting Shares**” means, with respect to a corporation, shares of the capital stock of any class of such corporation carrying voting rights under all circumstances; provided that, for greater certainty, shares which only carry the right to vote conditionally on the happening of an event shall not be considered “**Voting Shares**” if such event shall not have occurred, nor shall any shares be deemed to cease to be “**Voting Shares**” solely by reason of a right to vote accruing to shares of another class or classes by reason of the happening of any such event;

“**Warrant**” means each common share purchase warrant to be issued and countersigned hereunder entitling the holder thereof to purchase one Common Share (subject to adjustment as herein provided) at the Exercise Price prior to the Time of Expiry;

“**Warrant Agency**” means the office of the Warrant Agent in Vancouver, British Columbia or such other place(s) as may be designated in accordance with Section 3.8;

“**Warrant Certificate**” means a certificate substantially in the form attached as Schedule “A” hereto or such other form as may be approved under Section 2.2, countersigned by the Warrant Agent and issued under this Indenture to evidence one or more Warrants;

“**Warrantholder**”, or “**holder**” without reference to Common Shares, means the person who is the registered owner of one or more Warrants;

“**Warrantholders’ Request**” means an instrument signed in one or more counterparts by Warrantholders entitled to acquire in the aggregate not less than 25% of the aggregate number of Common Shares that could be acquired pursuant to all of the then outstanding Warrants under this Indenture, requesting the Warrant Agent to take some action or proceeding specified therein;

“**Weighted Average Price**” means with respect to the Common Shares, for any period, the amount obtained by dividing the aggregate sale price of all Common Shares sold on the relevant exchange or market during the period in question by the total number of Common Shares so sold, provided however, that if the sale price of such Common Shares on such exchange is denominated in a currency other than Canadian dollars, the amount so obtained shall be multiplied by the exchange rate to determine the Weighted Average Price in Canadian dollars; and

“**written order of the Corporation**”, “**written request of the Corporation**”, “**written consent of the Corporation**”, “**certificate of the Corporation**” or other document required to be signed by the Corporation mean, respectively, a written order, request, consent, certificate or other document signed in the name of the Corporation by its President, Chief Financial Officer, Corporate Secretary or any Vice-President or Director, and may consist of one or more instruments so executed.

1.2 Gender and Number

Unless herein otherwise expressly provided or unless the context otherwise requires, words importing the singular include the plural and vice versa and words importing gender include all genders.

1.3 Interpretation not Affected by Headings, etc.

The division of this Indenture into Articles, Sections and Subsections, the provision of a table of contents and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Indenture.

1.4 Day not a Business Day

In the event that any day on or before which any action is required or permitted to be taken hereunder is not a Business Day, then such action shall be required or permitted to be taken on or before the requisite time on the next succeeding day that is a Business Day.

1.5 Time of the Essence

Time shall be of the essence of this Indenture and the Warrants.

1.6 Currency

Except as otherwise stated, all dollar amounts herein are expressed in Canadian dollars.

1.7 Applicable Law

This Indenture, the Warrants and the Warrant Certificates shall be governed by and construed in accordance with the laws of the Province of British Columbia and the federal laws applicable therein and shall be treated in all respects as British Columbia contracts.

1.8 Language

The parties hereto have declared that they have required that these presents and all other documents and certificates related hereto be in only the English language. Il est de la volonté expresse du souscripteur que la convention de souscription ainsi que tout documents connexes soient rédigés dans la langue anglaise.

1.9 Meaning of Outstanding

Every Warrant represented by a Warrant Certificate countersigned and delivered by the Warrant Agent hereunder shall be deemed to be outstanding until it shall be cancelled or delivered to the Warrant Agent for cancellation or until the Time of Expiry; provided that where a new Warrant Certificate has been issued pursuant to Section 2.7 to replace one which is lost, mutilated, stolen or destroyed, the Warrants represented by only one of such Warrant Certificate shall be counted for the purpose of determining the aggregate number of Warrants outstanding, and a Warrant Certificate that has been partially exercised or exchanged shall be deemed to be outstanding only to the extent of the unexercised or unexchanged part of such Warrants.

ARTICLE 2 ISSUE OF WARRANTS

2.1 Issue of Warrants

Up to 7,187,500 Warrants are hereby created and authorized to be countersigned and issued hereunder, upon and subject to the terms and conditions of this Indenture. Subject to compliance with the terms and conditions of this Indenture, the Warrant Certificates representing such Warrants shall be countersigned by the Warrant Agent upon receipt by the Warrant Agent of a written request of the Corporation to such effect.

2.2 Form and Terms of Warrants

- 2.2.1 The Warrant Certificates for the Warrants shall be issuable in registered form only and substantially in the form attached as Schedule "A" hereto, subject to the provisions of this Indenture, with such additions, variations and changes as may be required in order to comply with the requirements applicable to forms of certificates representing securities issued on the Exchange, and such other additions, variations or changes as may be required or permitted by the terms of this Indenture and which may from time to time be agreed upon by the Warrant Agent and the Corporation. All Warrant Certificates shall be dated the date of issue and shall have such legends, distinguishing letters and numbers as the Corporation may, with the approval of the Warrant Agent, prescribe. Except as hereinafter provided in this Article 2, all Warrants shall, save as to denominations, be of like tenor and effect. The Warrant Certificates may be engraved, printed, lithographed, photocopied or be partially in one form or another, as the

Corporation may determine. No change in the form of the Warrant Certificate shall be required by reason of any adjustment made pursuant to this Article 2 in the number and/or class of securities or type of securities which may be acquired pursuant to the Warrants.

- 2.2.2 The Warrant Agent understands and acknowledges that the Warrants and the Common Shares issuable upon exercise of the Warrants have not been registered under the U.S. Securities Act and that the Corporation has no present intention to effect such registration. Each Warrant Certificate initially issued to or for the account or benefit of a U.S. Person or a person in the United States and each Warrant Certificate issued in exchange therefor or in substitution thereof and all certificates representing Common Shares issuable upon exercise of such Warrants and all certificates issued in exchange therefor or in substitution thereof shall bear the following legends, until such time as the legends are no longer required under applicable requirements of the U.S. Securities Act or the applicable state securities laws:

THE SECURITIES REPRESENTED HEREBY [for Warrants include – AND THE SECURITIES ISSUED UPON EXERCISE OF THE SECURITIES] HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”) OR UNDER ANY STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING SUCH SECURITIES, AGREES FOR THE BENEFIT OF THE CORPORATION THAT SUCH SECURITIES MAY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED ONLY (A) TO THE CORPORATION, (B) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, OR (C) INSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 144A UNDER THE U.S. SECURITIES ACT, (D) PURSUANT TO ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, OR (E) UNDER AN EFFECTIVE REGISTRATION STATEMENT UNDER THE U.S. SECURITIES ACT, IN THE CASE OF (D) SUBJECT TO THE RIGHT OF THE CORPORATION TO REQUIRE DELIVERY OF AN OPINION OF COUNSEL OR CERTIFICATE ACCEPTABLE TO IT IN FORM AND SUBSTANCE, AND IN EACH CASE IN COMPLIANCE WITH APPLICABLE STATE SECURITIES LAWS. DELIVERY OF THIS CERTIFICATE MAY NOT CONSTITUTE “GOOD DELIVERY” IN SETTLEMENT OF TRANSACTIONS ON STOCK EXCHANGES IN CANADA. A NEW CERTIFICATE BEARING NO LEGEND, DELIVERY OF WHICH WILL CONSTITUTE “GOOD DELIVERY” MAY BE OBTAINED FROM THE CORPORATION’S TRANSFER AGENT UPON DELIVERY

OF THIS CERTIFICATE AND A DULY EXECUTED DECLARATION, IN A FORM SATISFACTORY TO THE CORPORATION'S TRANSFER AGENT AND THE CORPORATION, TO THE EFFECT THAT THE SALE OF THE SECURITIES REPRESENTED HEREBY IS BEING MADE IN COMPLIANCE WITH RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT;

provided, that if any such securities are being sold under Rule 904 of Regulation S under the U.S. Securities Act, and provided that the Corporation is a "foreign issuer" within the meaning of Regulation S at the time of sale, the legends may be removed by providing a declaration to the Warrant Agent in the form attached as Schedule "B" hereto (or as the Corporation may prescribe from time to time) and a broker's letter in the form attached hereto as Schedule "C" hereto (or as the Corporation may prescribe from time to time) and, if required by the Warrant Agent, subject to applicable law, the Corporation will use its reasonable best efforts to obtain an opinion or memorandum of U.S. counsel (as required by the Warrant Agent), addressed to the Warrant Agent to the effect that the legend may be removed to permit resales of such securities by investors in the United States through the facilities of the Exchange in reliance upon Rule 904 of Regulation S under the U.S. Securities Act; and provided, further, that if any such securities are being sold pursuant to Rule 144 under the U.S. Securities Act, the legend may be removed by delivery to the Warrant Agent of an opinion of counsel, of recognized standing reasonably satisfactory to the Corporation that such legends are no longer required under applicable requirements of the U.S. Securities Act or state securities laws.

The Warrant Agent further understands and acknowledges that, except as otherwise provided in Section 3.9, the Warrants may not be exercised in the United States or by or on behalf of a U.S. Person unless the Warrants and the Common Shares issuable upon exercise of the Warrants have been registered under the U.S. Securities Act and the applicable securities legislation of any state of the United States or an exemption from such registration requirements is available.

2.2.3 Subject to the provisions of Articles 4 herein, each Warrant authorized to be issued hereunder shall entitle the registered holder thereof to acquire upon due exercise and upon the due execution of the Exercise Form endorsed on the reverse side of or attached to the Warrant Certificate or other instrument of exercise in such form as the Warrant Agent and/or the Corporation may from time to time prescribe and upon payment of the Exercise Price, one Common Share or such other kind and amount of shares or securities or property, calculated pursuant to the provisions of Sections 4.2 and 4.3, as the case may be, at any time after the date of issuance of such Warrants and prior to the Time of Expiry, in accordance with the provisions of this Indenture.

2.2.4 Fractional Warrants shall not be issued or otherwise provided for.

2.3 Warrantholder not a Shareholder

Nothing in this Indenture or in a Warrant or Warrant Certificate or in the holding of a Warrant or Warrant Certificate or otherwise, shall, in itself, confer or be construed as conferring upon a Warrantholder any right or interest whatsoever as a Shareholder or as any other shareholder of the Corporation, including, but not limited to, the right to vote at, to receive notice of, or to attend, meetings of Shareholders or any other proceedings of the Corporation, or the right to receive dividends and other distributions, and shall only have the rights or interests as expressly provided herein and in the Warrant Certificates.

2.4 Warrants to Rank Pari Passu

All Warrants shall rank *pari passu*, whatever may be the actual date of issue of such Warrants or of the Warrant Certificates by which they are evidenced.

2.5 Signing of Warrant Certificates

The Warrant Certificates shall be signed by any one director or officer of the Corporation and may, but need not be, under the corporate seal of the Corporation. The signatures of any such directors and/or officers may be mechanically reproduced in facsimile and Warrant Certificates bearing such facsimile signatures shall be binding upon the Corporation as if they had been manually signed by such directors and/or officers. Notwithstanding that any person whose manual or facsimile signature appears on any Warrant Certificate as a director or officer may no longer hold office at the date of issue of such Warrant Certificate or at the date of certification or delivery thereof, any Warrant Certificate signed as aforesaid shall, subject to Section 2.6, be valid and binding upon the Corporation and the holder thereof shall be entitled to the benefits of this Indenture.

2.6 Countersignature by the Warrant Agent

2.6.1 No Warrant Certificate shall be issued or, if issued, shall be valid for any purpose or entitle the holder to the benefit hereof or thereof until it has been countersigned by manual signature by or on behalf of the Warrant Agent and such countersignature by the Warrant Agent upon any Warrant Certificate shall be conclusive evidence as against the Corporation that the Warrant Certificate so countersigned has been duly issued hereunder and that the holder is entitled to the benefits hereof.

2.6.2 The countersignature of the Warrant Agent on Warrant Certificates issued hereunder shall not be construed as a representation or warranty by the Warrant Agent as to the validity of this Indenture, the Warrants or the Warrant Certificates (except the due countersigning thereof) and the Warrant Agent shall in no respect be liable or answerable for the use made of the Warrants or the Warrant Certificates or any of them or of the consideration therefor except as otherwise specified herein.

2.7 Issue in Substitution for Warrant Certificates Lost etc.

2.7.1 If any Warrant Certificate becomes mutilated or is lost, destroyed or stolen, the Corporation shall, subject to applicable law and Subsection 2.7.2, issue, and

thereupon the Warrant Agent shall countersign and deliver, a new Warrant Certificate of like date and tenor as the one mutilated, lost, destroyed or stolen in exchange for and in place of and upon cancellation of such mutilated Warrant Certificate, or in lieu of and in substitution for such lost, destroyed or stolen Warrant Certificate, and the substituted Warrant Certificate shall be in a form approved by the Warrant Agent and the Warrants evidenced thereby shall be entitled to the benefits hereof and shall rank *pari passu* with all other Warrants issued or to be issued hereunder.

- 2.7.2 The applicant for the issue of a new Warrant Certificate pursuant to this Section 2.7 shall bear the cost of the issue thereof and in case of mutilation shall, as a condition precedent to the issue thereof, deliver to the Warrant Agent the mutilated Warrant Certificate, and in case of loss, destruction or theft shall, as a condition precedent to the issue thereof, furnish to the Corporation and to the Warrant Agent such evidence of ownership and of the loss, destruction or theft of the Warrant Certificate so lost, destroyed or stolen as shall be satisfactory to the Corporation and to the Warrant Agent, in their sole discretion, and such applicant may also be required to furnish an indemnity and surety bond in amount and form satisfactory to the Corporation and the Warrant Agent, in their sole discretion, and shall pay the reasonable charges of the Corporation and the Warrant Agent in connection therewith.

2.8 Issue of Global Certificates

- 2.8.1 The Corporation may, at its sole option, specify, in a written order of the Corporation delivered to the Warrant Agent, that some or all of the Warrants (other than Warrants issued under the exemption under Regulation D to or for the account or benefit of a U.S. Person or person in the United States) are to be represented by one or more Global Certificates registered in the name of the Depository or its nominee, and in such event the Corporation shall execute and the Warrant Agent shall countersign and deliver one or more Global Certificates that shall:

- 2.8.1.1 represent the aggregate number of outstanding Warrants to be represented by such Global Certificate(s);
- 2.8.1.2 be delivered by the Warrant Agent to the Depository or pursuant to the Depository's instructions; and
- 2.8.1.3 bear a legend substantially to the following effect, if requested by the Depository:

"UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF CDS CLEARING AND DEPOSITORY SERVICES INC. ("CDS") TO STORNOWAY DIAMOND CORPORATION (THE "CORPORATION") OR THE CORPORATION'S TRANSFER AGENT, AND ANY CERTIFICATE ISSUED IN RESPECT THEREOF IS REGISTERED IN THE NAME OF CDS & CO. OR IN SUCH

OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF CDS (AND ANY PAYMENT IS MADE TO CDS & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF CDS), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL, SINCE THE REGISTERED HOLDER HEREOF, CDS & CO., HAS AN INTEREST HEREIN. THIS CERTIFICATE IS SUBJECT TO A MASTER LETTER OF REPRESENTATION OF THE CORPORATION TO CDS, AS SUCH LETTER MAY BE REPLACED OR AMENDED FROM TIME TO TIME."

- 2.8.2 Transfers of beneficial ownership in any Warrant represented by a Global Certificate will be effected only (i) with respect to the interest of a Participant, through records maintained by the Depository or its nominee for such Global Certificate, and (ii) with respect to the interest of any person other than a Participant, through records maintained by Participants. Beneficial Owners who are not Participants but who desire to sell or otherwise transfer ownership of or any other interest in Warrants represented by such Global Certificate may do so only through a Participant.
- 2.8.3 The rights of Beneficial Owners shall be limited to those established by applicable law and agreements between the Depository and the Participants and between such Participants and Beneficial Owners and must be exercised through a Participant in accordance with the rules and procedures of the Depository.
- 2.8.4 Subject to Subsections 2.8.5 and 2.8.6, neither the Corporation nor the Warrant Agent shall be under any obligation to deliver to any Participant or Beneficial Owner, nor shall any Participant or Beneficial Owner have any right to require the delivery of, a certificate or other instrument evidencing any interest in Warrants.
- 2.8.5 If any Warrant is represented by a Global Certificate and any of the following events occurs:
 - 2.8.5.1 the Depository or the Corporation has notified the Warrant Agent that (a) the Depository is unwilling or unable to continue as Depository or (b) the Depository ceases to be a clearing agency in good standing under applicable laws and, in either case, the Corporation is unable to locate a qualified successor Depository within 90 days of delivery of such notice;
 - 2.8.5.2 the Corporation has determined, in its sole discretion, with the consent of the Warrant Agent, to terminate the book entry only system in respect of such Global Certificate and has communicated such determination to the Warrant Agent in writing;
 - 2.8.5.3 the Corporation or the Depository is required by applicable law to take the action contemplated in this Subsection 2.8.5; or

2.8.5.4 the book entry only system administered by the Depository ceases to exist;

then one or more definitive fully registered Warrant Certificates shall be executed by the Corporation and countersigned and delivered by the Warrant Agent to the Depository in exchange for the Global Certificate(s) held by the Depository.

2.8.6 Fully registered Warrant Certificates issued and exchanged pursuant to Subsection 2.8.5 shall be registered in such names and in such denominations as the Depository shall instruct the Warrant Agent, provided that the aggregate number of Warrants represented by such Warrant Certificates shall be equal to the aggregate number of Warrants represented by the Global Certificate(s) so exchanged. Upon exchange of a Global Certificate for one or more Warrant Certificates in definitive form, such Global Certificate shall be cancelled by the Warrant Agent.

2.8.7 Notwithstanding anything herein or in the terms of the Warrant Certificates to the contrary, neither the Corporation nor the Warrant Agent nor any agent thereof shall have any responsibility or liability for (i) the records maintained by the Depository relating to any ownership interests or any other interests in the Warrants or the depository system maintained by the Depository, or payments made on account of any ownership interest or any other interest of any person in any Warrant represented by any Global Certificate (other than the applicable Depository or its nominee), (ii) for maintaining, supervising or reviewing any records of the Depository or any Participant relating to any such interest, or (iii) any advice or representation made or given by the Depository or those contained herein that relate to the rules and regulations of the Depository or any action to be taken by the Depository on its own direction or at the direction of any Participant.

2.8.8 The provisions of Section 2.10 with respect to the transfer of Warrants are subject to the provisions of Section 2.8.

2.9 Exchange of Warrant Certificates

2.9.1 Any one or more Warrant Certificates evidencing any number of Warrants may, upon compliance with the reasonable requirements of the Warrant Agent, be exchanged for one or more other Warrant Certificates evidencing the same aggregate number of Warrants as evidenced by the Warrant Certificate or Warrant Certificates so exchanged. The Corporation shall sign and the Warrant Agent shall countersign, in accordance with Sections 2.5 and 2.6, all Warrant Certificates necessary to carry out the exchanges contemplated hereby.

2.9.2 Warrant Certificates may be exchanged only at the Warrant Agency or at any other place that is designated by the Corporation with the approval of the Warrant Agent. Any Warrant Certificate tendered for exchange shall be surrendered to the Warrant Agent and cancelled.

2.10 Transfer of Warrants

- 2.10.1 A Warrantholder may transfer his Warrants in the manner and subject to the terms set out in this Indenture. Each Warrantholder, by its acceptance of the Warrants, will be deemed to have acknowledged and agreed to the restrictions on the transfer of Warrants set out therein.
- 2.10.2 Subject to Subsection 2.10.3 and 2.10.6, title to the Warrants shall be transferable by delivery of the Warrant Certificates, and the duly completed and executed Transfer Form, together with all necessary endorsements or proper instruments of transfer; provided that registration of the transfer by the Warrant Agent shall be necessary to become a registered holder of the Warrant Certificate and to enjoy the rights and benefits of registration set out in this Indenture.
- 2.10.3 Warrants may only be transferred on the register of the Corporation kept at the Warrant Agent's principal office in Vancouver, British Columbia by the registered holder or its legal representatives or its attorney duly appointed by an instrument in writing in form and execution satisfactory to the Warrant Agent, upon surrendering to the Warrant Agent for cancellation the Warrant Certificate evidencing such Warrants and upon compliance with:
- 2.10.3.1 the conditions herein;
 - 2.10.3.2 such reasonable requirements as the Warrant Agent may prescribe, including, without limitation, the payment of all stamp taxes or governmental or other charges arising by reason of such transfer; and
 - 2.10.3.3 all applicable securities legislation and requirements of regulatory authorities.

Upon satisfaction of all such requirements, the Warrant Agent shall, subject to Subsection 2.10.4, record such transfer in such register and issue to the transferee a Warrant Certificate evidencing the Warrants transferred.

- 2.10.4 Notwithstanding any provision to the contrary contained in this Indenture, the Corporation will, on the advice of Counsel, acting reasonably, be entitled, and may direct the Warrant Agent, and the Warrant Agent will, at the direction of the Corporation, acting reasonably, or otherwise on the advice of Counsel, be entitled to refuse to recognize and transfer, or enter the name of any transferee of any Warrant on the register if such transfer would constitute a violation of the securities laws of any jurisdiction.
- 2.10.5 The holder of Warrants evidenced by a Warrant Certificate may transfer a number of Warrants less than the total number of Warrants evidenced by such Warrant Certificate. In the event of a transfer by a holder of a number of Warrants of less than the total number evidenced by a surrendered Warrant Certificate, the holder shall be entitled to receive a new Warrant Certificate evidencing the balance of the Warrants which are not being transferred.

2.10.6 If a Warrant Certificate is tendered for transfer and bears the legends set forth in Subsection 2.2.2 hereof or a certificate representing Warrant Shares is tendered for transfer and bears the legend set forth in Subsection 2.2.2 hereof, the Warrant Agent shall not register such transfer unless (a) the transfer is being made (i) to the Corporation, (ii) outside the United States in compliance with the requirements of Regulation S and in compliance with applicable local laws and regulations, (iii) pursuant to registration under the U.S. Securities Act, (iv) in compliance with the exemption from registration under the U.S. Securities Act provided by Rule 144A thereunder, if available, or (v) in a transaction that does not require registration under the U.S. Securities Act or any applicable state securities laws, and (b) with respect to transfers under subparagraph (v) hereof, only if the holder thereof has furnished to the Corporation and the Warrant Agent an opinion of counsel in form and substance satisfactory to the Corporation and the Warrant Agent, or such other documentation as may be satisfactory to the Corporation and the Warrant Agent, to such effect.

2.11 Charges for Exchange or Transfer

The Warrant Agent may charge reasonable fees to the Corporation in respect of the transfer or the exchange of any Warrant Certificate or the issue of a new Warrant Certificate pursuant hereto provided that the reimbursement of the Warrant Agent or the Corporation for any and all transfer, stamp or similar taxes or other governmental charges required to be paid shall be made by the holder requesting such transfer or exchange as a condition precedent to such transfer or exchange.

2.12 Cancellation of Surrendered Warrants

All Warrant Certificates surrendered to the Warrant Agent pursuant to Sections 2.7, 2.9, 2.10, 3.1, 3.2, or 5.1 shall be cancelled by the Warrant Agent and, after the expiry of any period of retention prescribed by law, destroyed by the Warrant Agent. Upon request by the Corporation, the Warrant Agent shall furnish to the Corporation a destruction certificate identifying the Warrant Certificates so destroyed, the number of Warrants evidenced thereby, the number of Common Shares, if any, issued pursuant to such Warrants and the details of any Warrant Certificates issued in substitution or exchange for such Warrant Certificates destroyed.

2.13 Registers for Warrants

The Warrants to be issued hereunder shall be in registered form. The Corporation shall cause to be kept by the Warrant Agent at its principal office in Vancouver, British Columbia a register of holders in which shall be entered the names and addresses of the holders of the Warrants and of the number of Warrants held by each of them.

2.14 Registers Open for Inspection

The register referred to in Section 2.13 shall be open at all reasonable times for inspection by the Corporation, the Warrant Agent or any Warrantholder. The Warrant Agent shall, from time to time when requested to do so by the Corporation, furnish the Corporation with a list of the names and addresses of the holders of Warrants entered in the register of holders kept by the Warrant Agent and showing the number of Common Shares which might then be acquired upon the exercise of the Warrants held by each such holder. Any

Warrantholder exercising such right of inspection shall first provide its affidavit in form satisfactory to the Corporation and the Warrant Agent stating the name and address of the Warrantholder and agreeing not to use the list of information therein except in connection with an effort to call a meeting of Warrantholders or to influence the voting of Warrantholders at any meeting of Warrantholders.

2.15 Ownership of Warrants

The Corporation and the Warrant Agent shall treat the registered holder of any Warrant Certificate as the absolute owner of the Warrant represented thereby for all purposes and the Corporation and the Warrant Agent shall not be affected by any notice or knowledge to the contrary.

2.16 Transferee Entitled to Registration

The transferee of a Warrant shall, after the transfer form attached to the Warrant Certificate or any other form of transfer acceptable to the Warrant Agent is duly completed and the Warrant Certificate is lodged with the Warrant Agent and upon compliance with all other conditions in that regard required by this Indenture or by law, be entitled to have his name entered on the register of holders as the owner of such Warrant free from all equities or rights of set-off or counterclaim between the Corporation and the transferor or any previous holder of such Warrant, save in respect of equities of which the Corporation or the transferee is required to take notice by statute or by order of a court of competent jurisdiction.

ARTICLE 3 EXERCISE OF WARRANTS

3.1 Method of Exercise of Warrants

3.1.1 The registered holder of Warrants may exercise the right thereby conferred on such holder to purchase Common Shares by surrendering to the Warrant Agent at the Warrant Agency as hereinafter provided, at any time prior to the Time of Expiry, the Warrant Certificate evidencing such Warrants, together with a duly completed and executed exercise form (the “**Exercise Form**”) of the registered holder, or his executors, or administrators or other legal representative or his attorney duly appointed by an instrument in writing in a form and manner satisfactory to the Warrant Agent, substantially in the form set out as part of Schedule “A” attached hereto, specifying the number of Common Shares subscribed for together with (i) a certified cheque, bank draft or money order in lawful money of Canada payable to or to the order of the Corporation at par in Vancouver, British Columbia where such Warrant Certificate is surrendered for exercise in an amount equal to the Exercise Price multiplied by the number of Common Shares being purchased, and (ii) any opinion of counsel required by the Exercise Form.

A Warrant Certificate, together with the duly completed and executed Exercise Form and payment of the Exercise Price of the Common Shares being purchased thereunder, shall be deemed to be surrendered only upon personal delivery thereof to, or, if sent by mail or other means of transmission, upon actual receipt thereof by, the Warrant Agent at, in each case, the Warrant Agency.

- 3.1.2 Each Exercise Form referred to in Subsection 3.1.1 shall be signed by the Warrantholder or the Warrantholder's executors or administrators or other legal representatives or an attorney of the Warrantholder duly appointed by an instrument in writing satisfactory to the Warrant Agent and the Corporation, and shall specify:
- 3.1.2.1 the number of Common Shares which the holder wishes to acquire (being not more than those which the holder is entitled to acquire pursuant to the Warrant Certificate(s) surrendered);
 - 3.1.2.2 the person or persons in whose name or names such Common Shares are to be registered shall be issued;
 - 3.1.2.3 the address or addresses of such persons; and
 - 3.1.2.4 the number of Common Shares to be registered in the name of each such person if more than one is so specified.
- 3.1.3 If any of the Common Shares subscribed for are to be issued to a person(s) other than the Warrantholder, the signatures set out in the Exercise Form referred to in Subsection 3.1.1 shall be guaranteed by a Canadian chartered bank or eligible guarantor institution with membership in an approved medallion signature guarantee program and the Warrantholder shall pay to the Corporation or the Warrant Agent on behalf of the Corporation all applicable transfer or similar taxes and the Corporation shall not be required to issue or deliver certificates evidencing Common Shares unless or until such Warrantholder shall have paid to the Corporation or the Warrant Agent on behalf of the Corporation the amount of such tax or shall have established to the satisfaction of the Corporation that such tax has been paid or that no tax is due.

3.2 Partial Exercise of Warrants

The holder of Warrants evidenced by a duly surrendered Warrant Certificate may exercise a number of Warrants less than the total number which the holder is entitled to exercise pursuant to such Warrant Certificate. In the event of an exercise by such holder of a number of Warrants less than the total number which the holder is entitled to exercise, the holder shall be entitled to receive, without charge therefor, a new Warrant Certificate evidencing the balance of the Warrants which are not being exercised.

3.3 Effect of Exercise of Warrants

Upon the exercise of Warrants in accordance with Section 3.1.1, and subject to Section 3.5:

- 3.3.1 the Common Shares purchased pursuant to the Warrants so exercised shall be deemed to have been issued and sold and the person or persons in whose name or names such Common Shares are to be registered shall be deemed to have become the holder or holders of record of such Common Shares on the Exercise Date for such Warrants, unless the transfer registers of the Corporation shall be closed on such date, in which case such Common Shares shall be deemed to have been

issued and sold, and such person or persons deemed to have become the holder or holders of record of such Common Shares, on the date on which such transfer registers are reopened, but such Common Shares shall nonetheless be sold at the Exercise Price in effect on the Exercise Date; and

- 3.3.2 the Warrants so exercised will be void and of no value or effect and the Warrantholder shall have no further right under this Indenture or the Warrant Certificate (other than the right to receive Common Shares in respect of the Warrants duly exercised in accordance with the terms herein).

3.4 Delivery of Share Certificates

Subject to Subsection 3.1.3 and Section 3.9, within five Business Days after the Exercise Date with respect to Warrants evidenced by a Warrant Certificate, the Corporation shall cause to be mailed to the person or persons in whose name or names Common Shares have been registered pursuant to Section 3.3 in respect of such Warrants, as specified in the Exercise Form for such Warrant Certificate, at the address specified in such Exercise Form or, if so specified in such Exercise Form, cause to be delivered to such person or persons at the Warrant Agency where such Warrant Certificate was surrendered, a share certificate or certificates for such Common Shares and, if applicable, a Warrant Certificate representing any Warrants not then exercised.

3.5 No Fractions of Common Shares

Notwithstanding anything herein contained, including any adjustment provided for in Article 4, the Corporation shall not be required, upon the exercise of any Warrants, to issue fractions of Common Shares, or to distribute certificates which evidence fractional Common Shares. In lieu of fractional Common Shares, the Corporation shall pay to the holder who would otherwise be entitled to receive a fractional Common Share upon an exercise of Warrants, within ten Business Days after the date upon which the fractional Common Share would otherwise have been deemed to have been issued pursuant to Section 3.3, an amount in lawful money of Canada equal to the Current Market Price of the Common Shares on such date multiplied by an amount equal to the fractional interest of Common Shares such holder would otherwise be entitled to receive upon such exercise, provided that the Corporation shall not be required to make any payment, calculated as aforesaid, that is less than \$5.00.

3.6 Expiration of Warrants

Immediately after the Time of Expiry, all rights under any Warrant evidenced by a Warrant Certificate in respect of which the right of purchase herein and therein provided for shall not have been exercised shall cease and terminate and such Warrant and Warrant Certificate shall be void and of no further force or effect.

3.7 Accounting and Recording

- 3.7.1 The Warrant Agent shall promptly account to the Corporation with respect to all Warrants exercised, in whole or in part, and shall promptly forward to the Corporation (or into an account or accounts of the Corporation with the bank or trust company designated by the Corporation for that purpose) all monies received by the Warrant Agent on the purchase of Common Shares through the exercise of

Warrants. All such monies and any securities or other instruments from time to time received by the Warrant Agent shall be received in trust for, and shall be segregated and kept apart by the Warrant Agent from the assets of the Warrant Agent in trust for, the Corporation.

- 3.7.2 The Warrant Agent shall record the particulars of all Warrants exercised, which shall include the names and addresses of the persons who become holders of Common Shares on such exercise, the Exercise Date, the Exercise Price and the number of Common Shares delivered from the Common Shares reserved for that purpose by the Corporation. The Warrant Agent shall provide such particulars in writing to the Corporation within five Business Days after each Exercise Date.

3.8 Warrant Agency

In connection with the exchange and transfer of Warrant Certificates, the exercise of Warrants and compliance with such other terms and conditions hereof as may be required, the Corporation hereby appoints the Warrant Agent as the registrar and transfer agent of the Warrants and the office of the Warrant Agent in Vancouver, British Columbia as the Warrant Agency at which Warrant Certificates may be surrendered for exchange or transfer or at which Warrants may be exercised. The Corporation, with the approval of the Warrant Agent, may from time to time designate alternate or additional places as the Warrant Agency and shall give notice to the Warrant Agent of any change of the Warrant Agency.

3.9 Securities Restrictions

Notwithstanding anything herein contained, Common Shares will only be issued and sold pursuant to the exercise of any Warrant in compliance with the securities laws of any applicable jurisdiction, and without limiting the generality of the foregoing:

- 3.9.1 save as anywhere hereinafter specifically detailed, the Corporation shall have no obligation to issue, sell or deliver Common Shares upon the exercise of any Warrant to a person who is a resident of a country or political subdivision thereof in which the Corporation is not qualified under securities or other applicable legislation to distribute the Common Shares;
- 3.9.2 in the event that the Warrants are exercised pursuant to Section 3.1, the certificates evidencing the Common Shares thereby issued will bear such legend as may, in the opinion of Counsel to the Corporation, acting reasonably, be necessary in order to avoid a violation of applicable securities laws or to comply with the requirements of the Exchange, provided that if, at any time, in the opinion of Counsel to the Corporation, such legends are no longer necessary in order to avoid a violation of any such laws, or the holder of any such legended certificate, at the holder's expense, provides the Corporation with evidence satisfactory in form and substance to the Corporation (which may include an opinion of Counsel satisfactory to the Corporation) and the Warrant Agent to the effect that such holder is entitled to sell or otherwise transfer such Common Shares in a transaction in which such legends are not required, such legended certificate may thereafter be surrendered to the Corporation in exchange for a certificate which does not bear such legend; and

- 3.9.3 prior to the exercise of any Warrants in the United States or by a U.S. Person, the holder will be required to deliver to the Corporation an opinion of counsel in form and substance satisfactory to the Corporation and the Warrant Agent identifying the exemption from registration available under the U.S. Securities Act and any applicable state securities laws for such exercise; *provided that* if the holder is the original subscriber in the Corporation's private placement of the Units under which the Warrants were issued, then the holder will not be required to deliver an opinion of counsel in connection with the exercise of Warrants that are part of those Units if the holder provides a written certification that the representations and warranties made to the Corporation in connection with the acquisition of the Units remain true and correct on the Exercise Date.

The Corporation or the Warrant Agent may require any person to provide proof of residence satisfactory to the Corporation and the Warrant Agent before the Common Shares are issued or delivered pursuant to the exercise of any Warrant.

ARTICLE 4 ADJUSTMENT OF PURCHASE RIGHTS

4.1 Adjustment of Number of Common Shares Purchasable Upon Exercise

The acquisition rights in effect at any date attaching to the Warrants shall be subject to adjustment from time to time as follows:

- 4.1.1 if and whenever at any time from the date hereof and prior to the Time of Expiry, the Corporation shall:
- (i) issue Common Shares or other securities exchangeable or convertible into Common Shares (other than a Rights Offering as defined under Subsection 4.1.4) to all or substantially all of the holders of the Common Shares, by way of a stock dividend or distribution;
 - (ii) subdivide, redivide or change its outstanding Common Shares into a greater number of shares; or
 - (iii) reduce, combine or consolidate its outstanding Common Shares into a smaller number of shares;

the number of Common Shares obtainable under each Warrant then outstanding shall be adjusted immediately after the effective date of such distribution, dividend, subdivision, redivision, change, reduction, combination or consolidation, by multiplying the number of Common Shares theretofore obtainable on the exercise thereof by a fraction of which the numerator shall be the total number of Common Shares outstanding immediately after such date and the denominator shall be the total number of Common Shares outstanding immediately prior to such date, and the Exercise Price will be contemporaneously adjusted accordingly, so that the total price to be paid for the aggregate number of Common Shares obtainable on exercise of the Warrant following such effective date remains unchanged. Such adjustments shall be made successively whenever any event referred to in this Subsection shall occur;

- 4.1.2 if and whenever at any time from the date hereof and prior to the Time of Expiry, there is a reclassification of the Common Shares or a capital reorganization of the Corporation other than as described in Subsection 4.1.1 or a consolidation, amalgamation, arrangement or merger of the Corporation with or into any other body corporate, trust, partnership or other entity, any Warrantholder who has not exercised its Warrants prior to the effective date of such reclassification, capital reorganization, consolidation, amalgamation, merger, sale or conveyance, upon the exercise of such right thereafter, shall be entitled to receive and shall accept, in lieu of the number of Common Shares such Warrantholder would otherwise be entitled to acquire, the number of shares or other securities or property of the Corporation or of the body corporate, trust, partnership or other entity resulting from such merger, amalgamation or consolidation, or to which such sale or conveyance may be made, as the case may be, that such Warrantholder would have been entitled to receive on such reclassification, capital reorganization, consolidation, amalgamation, merger, sale or conveyance, if, on the record date or the effective date thereof, as the case may be, the Warrantholder had been the registered holder of the number of Common Shares to be acquired by it if all Warrants then held by such Warrantholder had been exercised immediately prior to such record date or effective date. If determined appropriate by the Warrant Agent to give effect to or to evidence the provisions of this Subsection 4.1.2, the Corporation, its successor, or such purchasing body corporate, partnership, trust or other entity, as the case may be, shall, prior to or contemporaneously with any such reclassification, capital reorganization, consolidation, amalgamation, merger, sale or conveyance, enter into an indenture which shall provide, to the extent possible, for the application of the provisions set forth in this Indenture with respect to the rights and interests thereafter of the Warrantholders to the end that the provisions set forth in this Indenture shall thereafter correspondingly be made applicable, as nearly as may reasonably be possible, with respect to any shares, other securities or property to which a Warrantholder is entitled on the exercise of its acquisition rights thereafter. Any indenture entered into between the Corporation and the Warrant Agent pursuant to the provisions of this Subsection 4.1.2 shall be a supplemental indenture entered into pursuant to the provisions of Article 8 hereof. Any indenture entered into between the Corporation, any successor to the Corporation or such purchasing body corporate, partnership, trust or other entity and the Warrant Agent shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided in this Section 4.1 and which shall apply to successive reclassifications, reorganizations, amalgamations, consolidations, mergers, sales or conveyances;
- 4.1.3 subject to compliance by the Corporation with all applicable securities laws and the requirements of the Exchange, if and whenever at any time from the date hereof and prior to the Time of Expiry the Corporation issues securities, including rights, options or warrants (other than the Warrants) to purchase Common Shares or securities exchangeable for or convertible into shares of the Corporation or property or assets of the Corporation (including evidences of indebtedness) to all or substantially all the holders of its outstanding Common Shares (other than as a dividend paid in the ordinary course (including a stock dividend or distribution referred to in Subsection 4.1.1) or a Rights Offering as defined under Subsection 4.1.4)) (hereinafter referred to as an “**Offering of Rights**”), then any

Warrantholder who has not exercised its Warrants prior to the record date of the Offering of Rights, upon the exercise prior to the Time of Expiry of such Warrants thereafter, shall be entitled to receive (upon compliance with the same terms and conditions as imposed upon all other recipient Shareholders), in addition to the number of Common Shares such Warrantholder is entitled to acquire upon exercise of the Warrants held thereby, the number of rights, options, warrants or other securities (as issued in connection with the Offering of Rights), as the case may be, that such Warrantholder would have been entitled to receive in connection with the Offering of Rights, if, on the record date or the effective date thereof, as the case may be, the Warrantholder had been the registered holder of the number of Common Shares to be acquired by it if all Warrants then held by such Warrantholder had been exercised immediately prior to such record date of the Offering of Rights; and

4.1.4 if and whenever at any time from the date hereof and prior to the Time of Expiry, the Corporation fixes a record date for the distribution to all or substantially all of the holders of Common Shares of rights, options or warrants entitling them for a period expiring not more than 90 days after such record date (the “**Rights Period**”), to subscribe for or purchase Common Shares, or securities exchangeable for or convertible into Common Shares, at a price per share to the holder (or at an exchange or conversion price per share) of less than 95% of the Current Market Price for the Common Shares on such record date (any of such events being called a “**Rights Offering**”), then the Exercise Price shall be adjusted effective immediately after such record date for the Rights Offering by multiplying the Exercise Price in effect immediately prior to such record date by a fraction:

(i) the numerator of which shall be:

(A) the total number of Common Shares outstanding on such record date; plus

(B) the number of Common Shares equal to the number arrived at by dividing:

(1) the amount equal to the aggregate consideration payable on the exercise of all of the rights, warrants and options under the Rights Offering plus the aggregate consideration, if any, payable on the exchange or conversion of the exchangeable or convertible securities issued upon exercise of such rights, warrants or options (assuming the exercise of all rights, warrants and options under the Rights Offering and assuming the exchange or conversion of all exchangeable or convertible securities issued upon exercise of such rights, warrants and options);

by

- (2) the Current Market Price of the Common Shares as of the record date for the Rights Offering, and
- (ii) the denominator of which shall be the total number of Common Shares outstanding on such record date plus the total number of additional Common Shares so offered for subscription or purchase (or into or for which the convertible or exchangeable securities so offered are convertible or exchangeable).

The resulting product, adjusted to the nearest 1/100th, shall thereafter be the Exercise Price until further adjusted in accordance with this Article 4 (provided however that no adjustment shall be made if the cumulative effect of such adjustment or adjustments would change the Exercise Price by less than one percent, in which case such adjustment shall be carried forward and taken into account in a subsequent adjustment.) Any Common Shares owned by or held for the account of the Corporation or any of its subsidiaries or a partnership in which the Corporation is directly or indirectly a party will be deemed not to be outstanding for the purpose of any computation. If, at the date of expiry of the rights, options or warrants subject to the Rights Offering, less than all the rights, options or warrants have been exercised, then the Exercise Price for any unexercised Warrants shall be readjusted effective immediately after the date of expiry to the Exercise Price which would have been in effect on the date of expiry if only the rights, options or warrants issued had been those exercised. If at the date of expiry of the rights of exchange or conversion of any securities issued pursuant to the Rights Offering less than all of such securities have been exchanged or converted into Common Shares, then the Exercise Price for any unexercised Warrants shall be readjusted effective immediately after the date of expiry to the Exercise Price which would have been in effect on the date of expiry if only the exchangeable or convertible securities issued had been those securities actually exchanged for or converted into Common Shares.

- 4.1.5 The adjustments provided for in Section 4.1 in the number of Common Shares and types of securities or other property which are to be received on the exercise of Warrants are cumulative. After any adjustment pursuant to this Section 4.1, the term "Common Shares" where used in this Indenture shall be interpreted to mean securities of any type or types of securities or other property which, as a result of such adjustment and all prior adjustments pursuant to this Section 4.1, the Warrantholder is entitled to receive upon the exercise of its Warrant, and the number of Common Shares indicated by any exercise made pursuant to a Warrant shall be interpreted to mean the number of Common Shares or other property or securities a Warrantholder is entitled to receive, as a result of such adjustment and all prior adjustments pursuant to this Section, upon the full exercise of a Warrant.

4.2 Rules Regarding Calculation of Adjustment of Number of Common Shares Purchasable Upon Exercise

- 4.2.1 Notwithstanding anything in this Article 4, no adjustment shall be made:

- 4.2.1.1 in the acquisition rights attached to the Warrants if the issue of Common Shares, rights, options, warrants or securities exchangeable or convertible into Common Shares, is being made pursuant to this Indenture or pursuant to any stock option, stock purchase plan or stock compensation plan in force from time to time for the Directors, officers, employees or consultants of the Corporation or of its affiliates, or being made to satisfy existing instruments issued and outstanding as of the date of this Indenture, or
- 4.2.1.2 in the number of Common Shares which may be subscribed for on the exercise of a Warrant unless it would result in a change of at least one-hundredth of a Common Share (provided, however, that any adjustments which by reason of this Subsection 4.2.1.2 are not required to be made shall be carried forward and taken into account in any subsequent adjustment).
- 4.2.2 If a dispute shall at any time arise with respect to adjustments provided for in Section 4.1, such adjustments shall be determined by the Corporation's Auditors, or if they are unable or unwilling to act, by such other firm of independent chartered accountants as may be selected by action by the directors and any such determination shall be final and conclusive and binding upon the Corporation, the Warrant Agent, the Warrantholders and the Shareholders of the Corporation.
- 4.2.3 If the Corporation shall set a record date to determine the holders of the Common Shares for the purpose of entitling them to receive any dividend or distribution or any subscription or purchase rights and shall, thereafter and before the distribution to such Shareholders of any such dividend, distribution or subscription or purchase rights, legally abandon its plan to pay or deliver such dividend, distribution or subscription or purchase rights, then no adjustment in the number of Common Shares purchasable upon exercise of any Warrant shall be required by reason of the setting of such record date.
- 4.2.4 In the absence of a resolution of the Directors fixing a record date for an event described in Section 4.1, the Corporation shall be deemed to have fixed as the record date therefor the date on which such event is effected.
- 4.2.5 As a condition precedent to the taking of any action which would require any adjustment in any of the purchase rights pursuant to any of the Warrants, including the number or class of shares or other securities which are to be received upon the exercise thereof, the Corporation shall take any corporate action which may in the opinion of Counsel, be necessary in order that the Corporation shall have unissued and reserved in its authorized share capital and may validly and legally issue as fully paid and non-assessable all the shares or other securities which all the holders of such Warrants are entitled to receive on the total exercise thereof in accordance with the provisions thereof.
- 4.2.6 If the Corporation, after the date hereof, shall take any action affecting any Common Shares, other than action otherwise described in this Article 4, which, in the opinion of the Directors, would materially affect the rights of Warrantholders,

the number of Common Shares purchasable upon exercise of a Warrant shall be adjusted in such manner, if any, and at such time, as the Directors, in their sole discretion, may determine to be equitable in the circumstances, subject to Exchange approval. The failure of the Directors to take any action to provide for such an adjustment prior to the effective date of any action by the Corporation affecting such Common Shares shall be conclusive evidence that the Directors have determined that it is equitable to make no adjustment in the circumstances.

4.3 Notice of Adjustment of Number of Common Shares Purchasable Upon Exercise

4.3.1 At least 14 calendar days prior to the effective date or record date, as the case may be, of any event which requires or might require an adjustment in any of the purchase rights pursuant to any of the then outstanding Warrants, including the number of Common Shares which are purchasable upon the exercise thereof, the Corporation shall from the date hereof and prior to the Time of Expiry:

4.3.1.1 file with the Warrant Agent a certificate of the Corporation specifying the particulars of such event and, if determinable, the required adjustment and the computation of such adjustment; and

4.3.1.2 give notice to the Warrantholders of the particulars of such event and, if determinable, the required adjustment.

4.3.2 In case any adjustment for which a notice in Subsection 4.3.1 has been given is not then determinable, the Corporation shall promptly after such adjustment is determinable:

4.3.2.1 file with the Warrant Agent a computation of such adjustment; and

4.3.2.2 give notice to the Warrantholders of the adjustment.

4.4 Entitlement to Shares on Exercise of Warrant

All shares of any class or other securities which a Warrantholder is at the time in question entitled to receive on the exercise of its Warrant, whether or not as a result of adjustments made pursuant to this Section, shall, for the purposes of the interpretation of this Indenture, be deemed to be shares which such Warrantholder is entitled to acquire pursuant to such Warrant.

4.5 No Action after Notice

The Corporation covenants with the Warrant Agent that it will not close its transfer books or take any other corporate action which might deprive the holder of a Warrant of the opportunity to exercise its right of acquisition pursuant thereto during the period of 14 days after the giving of the notice required by Section 4.3.

4.6 Protection of Warrant Agent

Except as provided in Article 9, the Warrant Agent:

- 4.6.1 shall not at any time be under any duty or responsibility to any Warrantholder to determine whether any facts exist which may require any adjustment contemplated by Section 4.1, or with respect to the nature or extent of any such adjustment when made, or with respect to the method employed in making the same;
- 4.6.2 shall not be accountable with respect to the validity, value, kind or amount of any Common Shares, or of any shares or other securities or property, which may at any time be issued or delivered upon the exercise of the rights attaching to any Warrant;
- 4.6.3 shall not be responsible for any failure of the Corporation to make any cash payment or to issue, transfer or deliver Common Shares or certificates for the same upon the surrender of any Warrants for the purpose of the exercise of such rights; and
- 4.6.4 shall not incur any liability or responsibility whatsoever or be in any way responsible for the consequences of any breach on the part of the Corporation of any of the representations, warranties or covenants herein contained or of any acts of the Directors or the officers, employees, agents or servants of the Corporation.

ARTICLE 5 RIGHTS OF THE CORPORATION AND COVENANTS

5.1 Optional Purchases by the Corporation

The Corporation may from time to time purchase in the open market, by private contract, or otherwise, any of the Warrants. Any such purchase shall be made at the lowest price or prices at which, in the opinion of the Directors, such Warrants are then obtainable, plus reasonable costs of purchase, and may be made in such manner, from such persons and on such other terms as the Corporation, in its sole discretion, may determine. Any Warrant Certificates evidencing the Warrants purchased pursuant to this Section 5.1 shall forthwith be surrendered to and cancelled by the Warrant Agent. No Warrants shall be issued in replacement thereof.

5.2 General Covenants

The Corporation covenants with the Warrant Agent, for the benefit of the Warrant Agent and the Warrantholders, that so long as any Warrants remain outstanding:

- 5.2.1 it will reserve and keep available a sufficient number of Common Shares for the purpose of enabling it to satisfy its obligations to issue Common Shares upon the exercise of Warrants;
- 5.2.2 it will use its commercially reasonable best efforts to maintain the listing of the Common Shares on the Exchange and to have the Common Shares issued pursuant to the exercise of the Warrants listed and posted for trading on the Exchange as expeditiously as possible;
- 5.2.3 it will cause the Common Shares and the certificates evidencing the same from time to time purchased pursuant to the exercise of Warrants, upon payment of the

Exercise Price provided for herein, to be duly issued and delivered in accordance with the Warrant Certificates and the terms hereof;

- 5.2.4 all Common Shares which shall be issued upon exercise of Warrants shall, upon payment of the Exercise Price provided for herein, be issued as fully paid and non-assessable Common Shares, and the holders thereof shall not, provided that they have complied and continue to comply with the terms of this Indenture, the Warrant Certificates and of any agreement under which they acquired Units, be liable to the Corporation or its creditors in respect thereof;
- 5.2.5 it will maintain its corporate existence; and
- 5.2.6 it will duly and punctually perform and carry out all of the acts or things to be done by it as provided in this Indenture.

5.3 Warrant Agent's Remuneration and Expenses

The Corporation covenants that it will pay to the Warrant Agent from time to time reasonable remuneration for its services hereunder and will pay or reimburse the Warrant Agent upon its request for all reasonable expenses, disbursements and advances incurred or made by the Warrant Agent in the administration or execution of the trusts hereby created (including the reasonable compensation and the disbursements of its Counsel and all other advisers and assistants not regularly in its employ) both before any default hereunder and thereafter until all duties of the Warrant Agent hereunder shall be finally and fully performed, except any such expense, disbursement or advance as may arise out of or result from the Warrant Agent's gross negligence, wilful misconduct or bad faith or failure to act in accordance with Subsection 9.2.1 and save as provided in Subsection 9.2.2.

5.4 Performance of Covenants by Warrant Agent

If the Corporation shall fail to perform any of its covenants contained in this Indenture, the Warrant Agent may notify the Warranholders of such failure on the part of the Corporation or may itself perform any of the covenants capable of being performed by it but, subject to Section 9.2, shall be under no obligation to perform said covenants or to notify the Warranholders of such performance by it. All sums expended or advanced by the Warrant Agent in so doing shall be repayable as provided in Section 5.3. No such performance, expenditure or advance by the Warrant Agent shall relieve the Corporation of any default hereunder or of its continuing obligations under the covenants herein contained.

ARTICLE 6 ENFORCEMENT

6.1 Suits by Warranholders

All or any of the rights conferred upon any Warranholder by any of the terms of the Warrant Certificates or of this Indenture, or of both, may be enforced by the Warranholder by appropriate proceedings in accordance with and subject to the provisions of this Indenture but without prejudice to the right which is conferred upon the Warrant Agent in Article 9 to proceed in its own name to enforce each and all of the provisions herein contained for the benefit of the Warranholders in accordance with and subject to the provisions of this Indenture.

6.2 Immunity of Shareholders, etc.

Each of the Warrant Agent and, by his acceptance of the Warrant Certificates and as part of the consideration for the issue of the Warrants, each Warrantholder, hereby waives and releases any right, cause of action or remedy now or hereafter existing in any jurisdiction against any incorporator or any past, present or future shareholder, director, officer, employee or agent of the Corporation or any successor corporation on any covenant, agreement, representation or warranty by the Corporation herein or in the Warrant Certificates contained.

6.3 Limitation of Liability

The obligations hereunder and under the Warrant Certificates are not personally binding upon, nor shall resort hereunder be had to, the private property of any of the past, present or future directors or shareholders of the Corporation or any successor corporation or any of the past, present or future officers, employees or agents of the Corporation or any successor corporation, but only the property of the Corporation or any successor corporation shall be bound in respect hereof.

6.4 Waiver of Default

Upon the happening of any default hereunder:

- 6.4.1 the holders of not less than 51% of the Warrants then outstanding shall have power (in addition to the powers exercisable by extraordinary resolution) by requisition in writing to instruct the Warrant Agent to waive any default hereunder and the Warrant Agent shall thereupon waive the default upon such terms and conditions as shall be prescribed in such requisition; or
- 6.4.2 the Warrant Agent shall have power to waive any default hereunder upon such terms and conditions as the Warrant Agent may deem advisable, if, in the Warrant Agent's opinion, the same shall have been cured or adequate provision made therefor;

provided that no delay or omission of the Warrant Agent or of the Warrantholders to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein and provided further that no act or omission either of the Warrant Agent or of the Warrantholders in the premises shall extend to or be taken in any manner whatsoever to affect any subsequent default hereunder of the rights resulting therefrom.

ARTICLE 7 MEETINGS OF WARRANTHOLDERS

7.1 Right to Convene Meetings

The Warrant Agent may at any time and from time to time, and shall on receipt of a written request of the Corporation or of a Warrantholders' Request and upon being indemnified and funded to its reasonable satisfaction by the Corporation or by the Warrantholders signing such Warrantholders' Request against the cost which may be incurred in connection with the calling and holding of such meeting, convene a meeting of the Warrantholders. In the event of

the Warrant Agent failing to so convene a meeting within seven days after receipt of such written request of the Corporation or such Warranholders' Request and indemnity and funding given as aforesaid, the Corporation or such Warranholders, as the case may be, may convene such meeting. Every such meeting shall be held in Vancouver, British Columbia, or at such other place as may be approved or determined by the Warrant Agent.

7.2 Notice

At least 21 calendar days' prior notice of any meeting of Warranholders shall be given to the Warranholders in the manner provided for in Section 10.2 and a copy of such notice shall be delivered to the Warrant Agent (unless the meeting has been called by the Warrant Agent) and to the Corporation (unless the meeting has been called by the Corporation). Such notice shall state the time when and the place where the meeting is to be held, shall state briefly the general nature of the business to be transacted thereat and shall contain such information as is reasonably necessary to enable the Warranholders to make a reasoned decision on the matter, but it shall not be necessary for any such notice to set out the terms of any resolution to be proposed or any of the provisions of this Article 7. The notice convening any such meeting may be signed by an appropriate officer of the Warrant Agent or of the Corporation, or by the person or persons designated by such Warranholders, as the case may be.

7.3 Chairman

An individual (who need not be a Warranholder) designated in writing by the Warrant Agent shall be chairman of the meeting and if no individual is so designated, or if the individual so designated is not present within 15 minutes from the time fixed for the holding of the meeting, the Warranholders present in person or by proxy shall choose an individual present to be chairman. The chairman of the meeting need not be a Warranholder.

7.4 Quorum

Subject to the provisions of Section 7.11, at any meeting of the Warranholders a quorum shall consist of Warranholders present in person or represented by proxy and entitled to acquire at least 10% of the aggregate number of Common Shares which could be acquired pursuant to all of the then outstanding Warrants, provided that at least two persons entitled to vote thereat are personally present. If a quorum of the Warranholders shall not be present within 30 minutes from the time fixed for holding any meeting, the meeting, if summoned by Warranholders or on a Warranholders' Request, shall be dissolved; but in any other case the meeting shall be adjourned to the same day in the next week (unless such day is not a Business Day, in which case it shall be adjourned to the next following Business Day) at the same time and place and, subject to Section 7.11, no notice of the adjournment need be given. Any business may be brought before or dealt with at an adjourned meeting which might have been dealt with at the original meeting in accordance with the notice calling the same. At the adjourned meeting the Warranholders present in person or represented by proxy shall form a quorum and may transact the business for which the meeting was originally convened, notwithstanding that they may not be entitled to acquire at least 10% of the aggregate number of Common Shares which could be acquired pursuant to all of the then outstanding Warrants. No business shall be transacted at any meeting unless a quorum be present at the commencement of business.

7.5 Power to Adjourn

The chairman of any meeting at which a quorum of the Warrantholders is present may adjourn any such meeting, and no notice of such adjournment need be given except such notice, if any, as the meeting may prescribe.

7.6 Show of Hands

Every question submitted to a meeting shall be decided in the first place by a majority of the votes given on a show of hands, except that votes on an extraordinary resolution shall be given in the manner hereinafter provided. At any such meeting, unless a poll is duly demanded as herein provided, a declaration by the chairman that a resolution has been carried or carried unanimously or by a particular majority or lost or not carried by a particular majority shall be conclusive evidence of the fact.

7.7 Poll and Voting

On every extraordinary resolution, and on any other question submitted to a meeting and after a vote by show of hands, when demanded by the chairman or by one or more of the Warrantholders acting in person or by proxy, a poll shall be taken in such manner as the chairman shall direct. Questions other than those required to be determined by extraordinary resolution shall be decided by a majority of the votes cast on the poll.

On a show of hands, every person who is present and entitled to vote, whether as a Warrantholder or as proxy for one or more absent Warrantholders, or both, shall have one vote. On a poll, each Warrantholder present in person or represented by a proxy duly appointed by instrument in writing shall be entitled to one vote in respect of each Common Share which he (or the Warrantholder appointing him as proxy) is entitled to acquire pursuant to the Warrant or Warrants then held or represented by it. A proxy need not be a Warrantholder. The chairman of any meeting shall be entitled, both on a show of hands and on a poll, to vote in respect of the Warrants, if any, held or represented by him.

7.8 Regulations

Subject to the provisions of this Indenture, the Warrant Agent, or the Corporation with the approval of the Warrant Agent, may from time to time make and from time to time vary such regulations as it shall think fit for:

- 7.8.1 the setting of the record date for a meeting for the purpose of determining Warrantholders entitled to receive notice of and to vote at the meeting;
- 7.8.2 the issue of voting certificates by any bank, trust company or other depository satisfactory to the Warrant Agent stating that the Warrant Certificates specified therein have been deposited with it by a named person and will remain on deposit until after the meeting, which voting certificate shall entitle the persons named therein to be present and vote at any such meeting and at any adjournment thereof or to appoint a proxy or proxies to represent them and vote for them at any such meeting and at any adjournment thereof in the same manner and with the same effect as though the persons so named in such voting certificates were the actual bearers of the Warrant Certificates specified therein;

- 7.8.3 the deposit of voting certificates and instruments appointing proxies at such place and time as the Warrant Agent, the Corporation or the Warranholders convening the meeting, as the case may be, may in the notice convening the meeting direct;
- 7.8.4 the deposit of voting certificates and instruments appointing proxies at some approved place or places other than the place at which the meeting is to be held and enabling particulars of such instruments appointing proxies to be mailed or sent by facsimile before the meeting to the Corporation or to the Warrant Agent at the place where the same is to be held and for the voting of proxies so deposited as though the instruments themselves were produced at the meeting;
- 7.8.5 the form of the instrument of proxy; and
- 7.8.6 generally for the calling of meetings of Warranholders and the conduct of business thereat.

Any regulations so made shall be binding and effective and the votes given in accordance therewith shall be valid and shall be counted. Save as such regulations may provide, the only persons who shall be recognized at any meeting as a Warranholder, or be entitled to vote or be present at the meeting in respect thereof (subject to Section 7.9), shall be Warranholders or their counsel, or persons holding proxies of Warranholders.

7.9 Corporation and Warrant Agent May be Represented

The Corporation and the Warrant Agent, by their respective directors and officers, and the Counsel for the Corporation, the Warranholders and the Warrant Agent, may attend and speak at any meeting of the Warranholders, but shall not have the right to vote as such thereat.

7.10 Powers Exercisable by Extraordinary Resolution

In addition to all other powers conferred upon them by any other provisions of this Indenture or by law, the Warranholders at a meeting shall, subject to the provisions of Section 7.11 and Section 7.15, have the power, exercisable from time to time by extraordinary resolution:

- 7.10.1 to agree to any modification, abrogation, alteration, compromise or arrangement of the rights of Warranholders or the Warrant Agent in its capacity as warrant agent hereunder or on behalf of the Warranholders against the Corporation whether such rights arise under this Indenture or the Warrant Certificates or otherwise;
- 7.10.2 to amend, alter or repeal any extraordinary resolution previously passed or sanctioned by the Warranholders;
- 7.10.3 to direct or to authorize the Warrant Agent to enforce any of the covenants on the part of the Corporation contained in this Indenture or the Warrant Certificates or to enforce any of the rights of the Warranholders in any manner specified in such extraordinary resolution or to refrain from enforcing any such covenant or right;

- 7.10.4 to waive, and to direct the Warrant Agent to waive, any default on the part of the Corporation in complying with any provisions of this Indenture or the Warrant Certificates either unconditionally or upon any conditions specified in such extraordinary resolution;
- 7.10.5 to restrain any Warrantholder from taking or instituting any suit, action or proceeding against the Corporation for the enforcement of any of the covenants on the part of the Corporation in this Indenture or the Warrant Certificates or to enforce any of the rights of the Warranholders;
- 7.10.6 to direct any Warrantholder who, as such, has brought any suit, action or proceeding to stay or to discontinue or otherwise to deal with the same upon payment of the costs, charges and expenses reasonably and properly incurred by such Warrantholder in connection therewith;
- 7.10.7 to assent to any change in or omission from the provisions contained in the Warrant Certificates and this Indenture or any ancillary or supplemental instrument which may be agreed to by the Corporation, and to authorize the Warrant Agent to concur in and execute any ancillary or supplemental indenture embodying the change or omission;
- 7.10.8 with the consent of the Corporation, such consent not to be unreasonably withheld, to remove the Warrant Agent or its successor in office and to appoint a new Warrant Agent or Warrant Agents to take the place of the Warrant Agent so removed; and
- 7.10.9 to assent to any compromise or arrangement with any creditor or creditors or any class or classes of creditors, whether secured or otherwise, and with holders of any shares or other securities of the Corporation.

7.11 Meaning of Extraordinary Resolution

- 7.11.1 The expression “**extraordinary resolution**” when used in this Indenture means, subject as hereinafter provided in this Section 7.11 and in Section 7.14, a resolution proposed at a meeting of Warranholders duly convened for that purpose and held in accordance with the provisions of this Article 7 at which there are present in person or by proxy Warranholders entitled to acquire at least 25% of the aggregate number of Common Shares which could be acquired pursuant to all of the then outstanding Warrants and passed by the affirmative votes of Warranholders entitled to acquire not less than 66 2/3% of the aggregate number of Common Shares which could be acquired pursuant to all of the then outstanding Warrants represented at the meeting and voted on the poll upon such resolution.
- 7.11.2 If, at the meeting at which an extraordinary resolution is to be considered, Warranholders entitled to acquire at least 25% of the aggregate number of Common Shares which could be acquired pursuant to all of the then outstanding Warrants are not present in person or by proxy within 30 minutes after the time appointed for the meeting, then the meeting, if convened by Warranholders or on a Warranholders’ Request, shall be dissolved; but in any other case it shall stand

adjourned to such day, being not less than 15 or more than 60 days later, and to such place and time as may be appointed by the chairman. Not less than 10 days' prior notice shall be given of the time and place of such adjourned meeting in the manner provided for in Section 10.2. Such notice shall state that at the adjourned meeting the Warranholders present in person or by proxy shall form a quorum but it shall not be necessary to set forth the purposes for which the meeting was originally called or any other particulars. At the adjourned meeting the Warranholders present in person or by proxy shall form a quorum and may transact the business for which the meeting was originally convened and a resolution proposed at such adjourned meeting and passed by the requisite vote as provided in Subsection 7.11.1 shall be an extraordinary resolution within the meaning of this Indenture notwithstanding that Warranholders entitled to acquire at least 25% of the aggregate number of Common Shares which could be acquired pursuant to all of the then outstanding Warrants are not present in person or by proxy at such adjourned meeting.

7.11.3 Votes on an extraordinary resolution shall always be given on a poll and no demand for a poll on an extraordinary resolution shall be necessary.

7.12 Powers Cumulative

Any one or more of the powers or any combination of the powers in this Indenture stated to be exercisable by the Warranholders by extraordinary resolution or otherwise may be exercised from time to time and the exercise of any one or more of such powers or any combination of powers from time to time shall not be deemed to exhaust the right of the Warranholders to exercise such power or powers or combination of powers then or thereafter from time to time.

7.13 Minutes

Minutes of all resolutions and proceedings at every meeting of Warranholders shall be made and duly entered in books to be provided from time to time for that purpose by the Warrant Agent at the expense of the Corporation, and any such minutes as aforesaid, if signed by the chairman or the secretary of the meeting at which such resolutions were passed or proceedings had shall be prima facie evidence of the matters therein stated and, until the contrary is proved, every such meeting in respect of the proceedings of which minutes shall have been made shall be deemed to have been duly convened and held, and all resolutions passed thereat or proceedings taken shall be deemed to have been duly passed and taken.

7.14 Instruments in Writing

All actions which may be taken and all powers that may be exercised by the Warranholders at a meeting held as provided in this Article 7 may also be taken and exercised by Warranholders entitled to acquire at least, in the case of all resolutions except extraordinary resolutions, 50.1% of the aggregate number of Common Shares which could be acquired pursuant to all of the then outstanding Warrants or, in the case of extraordinary resolutions, 66 2/3% of the aggregate number of Common Shares which could be acquired pursuant to all of the then outstanding Warrants by an instrument in writing signed in one or more counterparts by such Warranholders in person or by attorney duly appointed in writing where notice of the

existence of such instrument has been given to all Warranholders, and the expression “resolution” or “extraordinary resolution”, as applicable, when used in this Indenture shall include an instrument so signed.

7.15 Binding Effect of Resolutions

Every resolution and every extraordinary resolution passed in accordance with the provisions of this Article 7 at a meeting of Warranholders shall be binding upon all the Warranholders, whether present at or absent from such meeting, and every instrument in writing signed by Warranholders in accordance with Section 7.14 shall be binding upon all the Warranholders, whether signatories thereto or not, and each and every Warranholder and the Warrant Agent (subject to the provisions for indemnity herein contained) shall be bound to give effect accordingly to every such resolution and instrument in writing. In the case of an instrument in writing, the Warrant Agent shall give notice of the effect of the instrument in writing to all Warranholders and the Corporation as soon as reasonably practicable. For greater certainty, a resolution or extraordinary resolution amending the terms of this Indenture or of a Warrant Certificate shall not be binding upon the Corporation unless the Corporation agrees in writing to such amendment.

7.16 Holdings by Corporation and its Subsidiaries Disregarded

In determining whether Warranholders holding Warrant Certificates evidencing the entitlement to acquire the required number of Common Shares are present at a meeting of Warranholders for the purpose of determining a quorum or have concurred in any consent, waiver, extraordinary resolution, Warranholders’ Request or other action under this Indenture, Warrants owned legally or beneficially by the Corporation or any Subsidiary of the Corporation and not cancelled pursuant to Section 5.1 shall be disregarded.

ARTICLE 8 SUPPLEMENTAL INDENTURES

8.1 Provision for Supplemental Indentures for Certain Purposes

From time to time the Corporation (when authorized by action by the directors) and the Warrant Agent may, without obtaining any approval of or consent from the holders of Warrants then outstanding, but subject to the provisions of this Indenture, and they shall, when so directed in accordance with the provisions hereof, execute and deliver by their proper officers, indentures or instruments supplemental hereto, which thereafter shall form part hereof, for any one or more or all of the following purposes:

- 8.1.1 setting forth any adjustments resulting from the application of the provisions of Article 4;
- 8.1.2 providing for the issuance of additional Warrants hereunder or an increase in the maximum number of Warrants issuable under this Indenture;
- 8.1.3 adding to the provisions hereof such additional covenants and enforcement provisions as, in the opinion of Counsel, are necessary or advisable, provided that the same are not in the opinion of the Warrant Agent based on an opinion of Counsel prejudicial to the interests of the Warranholders;

- 8.1.4 giving effect to any extraordinary resolution passed as provided in Article 7;
- 8.1.5 making such provisions not inconsistent with this Indenture as may be necessary or desirable with respect to matters or questions arising hereunder, provided that such provisions are not, in the opinion of the Warrant Agent based on an opinion of Counsel, prejudicial to the interests of the Warrantholders;
- 8.1.6 adding to or altering the provisions hereof in respect of the transfer of Warrants, making provision for the exchange of Warrant Certificates, and making any modification in the form of the Warrant Certificates which does not affect the substance thereof;
- 8.1.7 modifying any of the provisions of this Indenture, including relieving the Corporation from any of the obligations, conditions or restrictions herein contained, provided that such modification or relief shall be or become operative or effective only if, in the opinion of the Warrant Agent based on an opinion of Counsel, such modification or relief in no way prejudices any of the rights of the Warrantholders or of the Warrant Agent, and provided further that the Warrant Agent may in its sole discretion decline to enter into any such supplemental indenture which in its opinion may not afford adequate protection to the Warrant Agent when the same shall become operative; and
- 8.1.8 for any other purpose not inconsistent with the terms of this Indenture, including the correction or rectification of any ambiguities, defective or inconsistent provisions, errors, mistakes or omissions herein, provided that in the opinion of the Warrant Agent based on an opinion of Counsel, the rights of the Warrant Agent and of the Warrantholders are in no way prejudiced thereby.

8.2 Successor Corporations

In the case of the consolidation, amalgamation, arrangement, merger or transfer of the undertaking or assets of the Corporation as an entirety or substantially as an entirety to another Corporation (“**successor corporation**”), in addition to any other requirements of this Indenture, the successor corporation resulting from such consolidation, amalgamation, merger or transfer (if not the Corporation) shall, as soon as reasonably practicable following such event, expressly assume, by supplemental indenture satisfactory in form to the Warrant Agent and executed and delivered to the Warrant Agent, the due and punctual performance and observance of each and every covenant and condition of this Indenture to be performed and observed by the Corporation.

ARTICLE 9 CONCERNING THE WARRANT AGENT

9.1 Warrant Indenture Legislation

- 9.1.1 If and to the extent that any provision of this Indenture limits, qualifies or conflicts with a mandatory requirement of Applicable Legislation, such mandatory requirement shall prevail.

- 9.1.2 The Corporation and the Warrant Agent agree that each will, at all times in relation to this Indenture and any action to be taken hereunder, observe and comply with and be entitled to the benefits of Applicable Legislation.

9.2 Rights and Duties of Warrant Agent

- 9.2.1 In the exercise of the rights and duties prescribed or conferred by the terms of this Indenture, the Warrant Agent shall act honestly and in good faith with a view to the best interests of the Warranholders and shall exercise that degree of care, diligence and skill that a reasonably prudent warrant agent would exercise in comparable circumstances. No provision of this Indenture shall be construed to relieve the Warrant Agent from liability for its own grossly negligent action, or its own wilful misconduct or bad faith.
- 9.2.2 Subject to Subsection 9.2.1, the obligation of the Warrant Agent to commence or continue any act, action or proceeding for the purpose of enforcing any obligations of the Corporation or any rights of the Warrant Agent or the Warranholders hereunder shall be conditional upon the Warranholders furnishing, when required by notice by the Warrant Agent, sufficient funds to commence or to continue such act, action or proceeding and an indemnity and funding reasonably satisfactory to the Warrant Agent to protect and to hold harmless the Warrant Agent against the costs, charges and expenses and liabilities to be incurred thereby and any loss and damage it may suffer by reason thereof. None of the provisions contained in this Indenture shall require the Warrant Agent to expend or to risk its own funds or otherwise to incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers unless indemnified as aforesaid.
- 9.2.3 The Warrant Agent may, before commencing or at any time during the continuance of any such act, action or proceeding, require the Warranholders, at whose instance it is acting to deposit with the Warrant Agent the Warrants held by them, for which Warrants the Warrant Agent shall issue receipts.
- 9.2.4 Every provision of this Indenture that by its terms relieves the Warrant Agent of liability or entitles it to rely upon any evidence submitted to it is subject to the provisions of Sections 9.2 and 9.3 and Applicable Legislation.

9.3 Evidence, Experts and Advisers

- 9.3.1 In addition to the reports, certificates, opinions and other evidence required by this Indenture, the Corporation shall furnish to the Warrant Agent such additional evidence of compliance with any provision hereof, and in such form, as may be prescribed by Applicable Legislation or as the Warrant Agent may reasonably require by written notice to the Corporation.
- 9.3.2 In the exercise of its rights and duties hereunder, the Warrant Agent may, if it is acting in good faith, rely as to the truth of the statements and the accuracy of the opinions expressed in statutory declarations, opinions, reports, written requests, consents, or orders of the Corporation, certificates of the Corporation or other

evidence furnished to the Warrant Agent pursuant to a request of the Warrant Agent.

- 9.3.3 Whenever it is provided in this Indenture or under Applicable Legislation that the Corporation shall deposit with the Warrant Agent resolutions, certificates, reports, opinions, requests, orders or other documents, it is intended that the truth, accuracy and good faith on the effective date thereof and the facts and opinions stated in all such documents so deposited shall, in each and every such case, be conditions precedent to the right of the Corporation to have the Warrant Agent take the action to be based thereon.
- 9.3.4 Proof of the execution of an instrument in writing, including a Warranholders' Request, by any Warranholder may be made by the certificate of a notary public, or other officer with similar powers, that the person signing such instrument acknowledged to it the execution thereof, or by an affidavit of a witness to such execution or in any other manner which the Warrant Agent may consider adequate.
- 9.3.5 The Warrant Agent may employ or retain such Counsel, accountants, appraisers or other experts or advisers as it may reasonably require for the purpose of discharging its duties hereunder and may pay reasonable remuneration for all services so performed by any of them, payable by the Corporation in accordance with Section 5.3, without taxation of costs of any Counsel, and shall not be responsible for any misconduct or negligence on the part of any such experts or advisers who have been appointed with due care by the Warrant Agent.

9.4 Documents, Monies, etc. Held by Warrant Agent

Any monies, securities, documents of title or other instruments that may at any time be held by the Warrant Agent subject to the trusts hereof may be placed in the deposit vaults of the Warrant Agent or of any Canadian chartered bank listed in Schedule 1 of the *Bank Act* (Canada) or deposited for safekeeping with any such bank. Any monies so held pending the application or withdrawal thereof under any provisions of this Indenture, upon the direction of the Corporation, shall be or, with the consent of the Corporation, may be invested in securities issued or guaranteed by the Government of Canada or a province thereof, any Canadian chartered bank listed in Schedule 1 of the *Bank Act* (Canada), or the Warrant Agent, provided that the securities shall not have a maturity date of more than sixty (60) days from the date of investment. Unless otherwise specifically provided herein, all interest or other income received by the Warrant Agent in respect of such deposits and investments shall belong to the Corporation.

9.5 Actions by Warrant Agent to Protect Interest

Subject to the provisions of this Indenture and Applicable Legislation, the Warrant Agent shall have power to institute and to maintain such actions and proceedings as it may consider necessary or expedient to preserve, protect or enforce its interests and the interests of the Warranholders.

9.6 Warrant Agent Not Required to Give Security

The Warrant Agent shall not be required to give any bond or security in respect of the execution of the rights and obligations of this Indenture or otherwise in respect of this Indenture.

9.7 Protection of Warrant Agent

By way of supplement to the provisions of any law for the time being relating to warrant agents it is expressly declared and agreed as follows:

- 9.7.1 the Warrant Agent shall not be liable for or by reason of any statements of fact or recitals in this Indenture or in the Warrant Certificates (except the representation contained in Section 9.9 or in the certificate of the Warrant Agent on the Warrant Certificates) or be required to verify the same, but all such statements or recitals are and shall be deemed to be made by the Corporation;
- 9.7.2 nothing herein contained shall impose any obligation on the Warrant Agent to see to or to require evidence of the registration or filing (or renewal thereof) of this Indenture or any instrument ancillary or supplemental hereto; and
- 9.7.3 the Warrant Agent shall not be bound to give notice to any person or persons of the execution hereof.

9.8 Replacement of Warrant Agent; Successor by Merger

- 9.8.1 The Warrant Agent may resign and be discharged from all further duties and liabilities hereunder, subject to this Section 9.8, by giving to the Corporation not less than 90 days' prior notice in writing or such shorter prior notice as the Corporation may accept as sufficient. The Corporation may by giving the Warrant Agent not less than 90 days' prior notice in writing or such shorter prior notice as the Warrant Agent may accept as sufficient, remove the existing Warrant Agent and appoint a new Warrant Agent. The Warranholders by extraordinary resolution shall have power at any time to remove the existing Warrant Agent and to appoint a new Warrant Agent. In the event of the Warrant Agent resigning or being removed as aforesaid or being dissolved, becoming bankrupt, going into liquidation or otherwise becoming incapable of acting hereunder, the Corporation shall forthwith appoint a new Warrant Agent unless a new Warrant Agent has already been appointed by the Warranholders; failing such appointment by the Corporation, the retiring Warrant Agent or any Warranholder may apply to a justice of the Supreme Court of the Province of British Columbia on such notice as such justice may direct, for the appointment of a new Warrant Agent; but any new Warrant Agent so appointed by the Corporation or by the Court shall be subject to removal as aforesaid by the Warranholders or the Corporation. Any new Warrant Agent appointed under any provision of this Section 9.8 shall be a corporation authorized to carry on the business of a trust company in the province of British Columbia and, if required by the Applicable Legislation for any other provinces, in such other provinces. On any such appointment the new Warrant Agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named herein

as Warrant Agent hereunder; but there shall be immediately executed, at the expense of the Corporation, all such conveyances or other instruments as may, in the opinion of Counsel, be necessary or advisable for the purpose of assuring the same to the new Warrant Agent, provided that any resignation or removal of the Warrant Agent and appointment of a successor Warrant Agent shall not become effective until the successor Warrant Agent shall have executed an appropriate instrument accepting such appointment and, at the request of the Corporation, the predecessor Warrant Agent, upon payment of its outstanding remuneration and expenses, shall execute and deliver to the successor Warrant Agent an appropriate instrument transferring to such successor Warrant Agent all rights and powers of the Warrant Agent hereunder and all securities, documents of title and other instruments and all monies and properties held by the Warrant Agent hereunder.

- 9.8.2 Upon the appointment of a successor Warrant Agent, the Corporation shall promptly notify the Warrantholders thereof in the manner provided for in Section 10.2 hereof.
- 9.8.3 Any corporation into or with which the Warrant Agent may be merged or consolidated or amalgamated, or any corporation resulting therefrom to which the Warrant Agent shall be a party, or any corporation succeeding to the business of the Warrant Agent shall be the successor to the Warrant Agent hereunder without any further act on its part or any of the parties hereto, provided that such corporation would be eligible for appointment as a successor Warrant Agent under Subsection 9.8.1.
- 9.8.4 Any Warrant Certificates countersigned but not delivered by a predecessor Warrant Agent may be countersigned by the successor Warrant Agent in the name of the predecessor or successor Warrant Agent.

9.9 Conflict of Interest

- 9.9.1 The Warrant Agent represents to the Corporation that at the time of execution and delivery hereof no material conflict of interest exists between its role as a Warrant Agent hereunder and its role in any other capacity and agrees that in the event of a material conflict of interest arising hereafter it will, within 60 days after ascertaining that it has such material conflict of interest, either eliminate the same or assign its rights and obligations hereunder to a successor Warrant Agent approved by the Corporation and meeting the requirements set forth in Subsection 9.8.1. Notwithstanding the foregoing provisions of this Subsection 9.9.1, if any such material conflict of interest exists or hereafter shall exist, the validity and enforceability of this Indenture and the Warrant Certificate shall not be affected in any manner whatsoever by reason thereof.
- 9.9.2 Subject to Subsection 9.9.1, the Warrant Agent, in its personal or any other capacity, may buy, lend upon and deal in securities of the Corporation and generally may contract and enter into financial transactions with the Corporation or any Subsidiary of the Corporation without being liable to account for any profit made thereby.

9.10 Acceptance of Trust

The Warrant Agent is appointed as warrant agent hereunder and hereby accepts the duties and obligations in this Indenture declared and provided for and agrees to perform the same upon the terms and conditions herein set forth.

9.11 Warrant Agent Not to be Appointed Receiver

The Warrant Agent and any person related to the Warrant Agent shall not be appointed a receiver, a receiver and manager or liquidator of all or any part of the assets or undertaking of the Corporation.

9.12 Authorization to Carry on Business

The Warrant Agent represents to the Corporation that it is duly authorized and qualified to carry on the business of a trust company in the province of British Columbia.

ARTICLE 10 GENERAL

10.1 Notice to the Corporation and the Warrant Agent

10.1.1 Unless herein otherwise expressly provided, any notice to be given hereunder to the Corporation or the Warrant Agent shall be deemed to be validly given if delivered, sent by registered letter, postage prepaid or sent by facsimile:

If to the Corporation:

Stornoway Diamond Corporation
Suite 860 – 625 Howe Street
Vancouver, British Columbia, V6C 2T6

Attention: Brenda Nowak, Corporate Secretary
Fax: 604-689-5041

with a copy for informational purposes only to:

DuMoulin Black LLP
10th Floor, 595 Howe Street
Vancouver, British Columbia, V6C 2T5

Attention: Bruce Scott
Fax: 604-687-8772

If to the Warrant Agent:

Pacific Corporate Trust Company
2nd Floor, 510 Burrard Street
Vancouver, British Columbia, V6C 3B9

Attention: Manager, Client Services
Fax: 604-689-8144

and any such notice delivered in accordance with the foregoing shall be deemed to have been received on the date of delivery or, if sent by facsimile, on the next Business Day following the date of transmission provided that its contents are transmitted and received completely and accurately, or, if mailed, on the fifth Business Day following the date of the postmark on such notice.

- 10.1.2 The Corporation or the Warrant Agent, as the case may be, may from time to time notify the others in the manner provided in Subsection 10.1.1 of a change of address which, from the effective date of such notice and until changed by like notice, shall be the address of the Corporation or the Warrant Agent, as the case may be, for all purposes of this Indenture.
- 10.1.3 If, by reason of a strike, lockout or other work stoppage, actual or threatened, involving postal employees, any notice to be given to the Warrant Agent or to the Corporation hereunder could reasonably be considered unlikely to reach its destination, such notice shall be valid and effective only if it is delivered to the named officer of the party to which it is addressed or, if it is delivered to such party at the appropriate address provided in Subsection 10.1.1, or sent by facsimile or other means of prepaid, transmitted and recorded communication.

10.2 Notice to Warrantholders

- 10.2.1 Any notice to the Warrantholders under the provisions of this Indenture shall be valid and effective if delivered or sent by facsimile or by ordinary post addressed to such holders at their post office addresses appearing on the register hereinbefore mentioned and shall be deemed to have been effectively given on the date of delivery or, if sent by facsimile, on the next Business Day following the date of transmission provided that its contents are transmitted and received completely and accurately, or, if mailed, on the fifth Business Day following the date of the postmark on such notice. Accidental error or omission in giving notice, or accidental failure to give notice to any Warrantholder, shall not invalidate any action or proceeding founded thereon.
- 10.2.2 If, by reason of strike, lockout or other work stoppage, actual or threatened, involving postal employees, any notice to be given to the Warrantholders could reasonably be considered unlikely to reach its destination, the notice may be published or distributed once in the Report on Business section of the national edition of The Globe and Mail newspaper or, in the event of a disruption in the circulation of that newspaper, once in a daily newspaper in the English language of general circulation in Vancouver, British Columbia; provided that, in the case of a notice convening a meeting of the Warrantholders, the Warrant Agent may require such additional publications of that notice, in the same or in other cities or both, as it may deem necessary for the reasonable protection of the Warrantholders or to comply with any applicable requirement of law or any stock exchange. Any notice so given shall be deemed to have been given on the day on

which it has been published in all of the cities in which publication was required (or first published in a city if more than one publication in that city is required).

In determining under any provision hereof, the date when notice of any meeting or other event must be given, the date of giving notice shall be included and the date of the meeting or other event shall be excluded.

10.3 Ownership of Warrants

The Corporation and the Warrant Agent may deem and treat the registered owner of any Warrants as the absolute owner thereof for all purposes, and the Corporation and the Warrant Agent shall not be affected by any notice or knowledge to the contrary except where the Corporation or the Warrant Agent is required to take notice by statute or by order of a court of competent jurisdiction. A Warrantholder shall be entitled to the Warrants evidenced by its Warrant Certificate free from all equities or rights of set off or counterclaim between the Corporation and the original or any intermediate holder of such Warrants and all persons may act accordingly. The receipt of any such Warrantholder for the Common Shares which may be acquired pursuant thereto shall be a good discharge to the Corporation and the Warrant Agent for the same and neither the Corporation nor the Warrant Agent shall be bound to inquire into the title of any such holder except where the Corporation or the Warrant Agent is required to take notice by statute or by order of a court of competent jurisdiction.

10.4 Indemnity

In addition to and without limiting any other protection hereunder or otherwise by law of the Warrant Agent and its respective officers, directors, employees, agents, representatives, successors and assigns (collectively, “**Representatives**”), the Corporation indemnifies, defends and saves harmless the Warrant Agent and its Representatives from and against any and all liabilities, losses, claims, damages, penalties, fines, actions, suits, demands, levies, assessments, costs, charges, expenses and disbursements (including, without limitation, any and all legal and advisor fees and disbursements) (collectively, “**Liabilities**”) of whatever kind or nature which may at any time be suffered by, imposed upon, incurred by or asserted against the Warrant Agent and its Representatives, whether groundless or otherwise, howsoever arising from or out of any act, omission or error of the Warrant Agent made in connection with its acting as Warrant Agent hereunder provided the Warrant Agent complies with Subsection 9.2.1. Notwithstanding any other provision hereof, the obligations provided for in this Section 10.4 shall survive any termination of the trust created hereby, whether by reason or removal or resignation of the Warrant Agent, termination or discharge of this Indenture or otherwise.

10.5 Satisfaction and Discharge of Indenture

If:

10.5.1 all Warrant Certificates countersigned hereunder have been surrendered to the Warrant Agent for exercise or destruction or the Time of Expiry has occurred; and

10.5.2 all certificates evidencing Common Shares required to be issued in compliance with the provisions hereof have been issued and delivered hereunder or to the Warrant Agent in accordance with such provisions;

this Indenture shall cease to be of further effect and the Warrant Agent, on demand of and at the cost and expense of the Corporation and upon delivery to the Warrant Agent of a certificate of the Corporation stating that all conditions precedent to the satisfaction and discharge of this Indenture have been complied with, and upon payment to the Warrant Agent of the fees and other remunerations payable to the Warrant Agent hereunder, shall execute proper instruments acknowledging satisfaction of and discharging this Indenture. Notwithstanding the foregoing, the indemnities provided to the Warrant Agent by the Corporation hereunder shall remain in full force and effect and survive the termination of this Indenture. If the Warrant Agent has not then performed any of its obligations hereunder, any such satisfaction and discharge of the Corporation's obligations hereunder shall not affect or diminish the rights of any Warrantholder or the Corporation against the Warrant Agent.

10.6 Provisions of Indenture and Warrants for the Sole Benefit of Parties and Warrantholders

Nothing in this Indenture or in the Warrant Certificates, expressed or implied, shall give or be construed to give to any person other than the parties hereto and the Warrantholders, as the case may be, any legal or equitable right, remedy or claim under this Indenture, or under any covenant or provision herein or therein contained, all such covenants and provisions being for the sole benefit of the parties hereto and the Warrantholders.

10.7 Warrants Owned by the Corporation or its Subsidiaries - Certificate to be Provided

For the purpose of disregarding any Warrants owned legally or beneficially by the Corporation or any Subsidiary of the Corporation in Section 7.16, the Corporation shall provide to the Warrant Agent, from time to time, a certificate of the Corporation setting forth as at the date of such certificate:

- 10.7.1 the names (other than the name of the Corporation) of the registered holders of Warrants which, to the knowledge of the Corporation, are owned by or held for the account of the Corporation or any Subsidiary of the Corporation; and
- 10.7.2 the number of Warrants owned legally or beneficially by the Corporation or any Subsidiary of the Corporation which have not been cancelled pursuant to Section 5.1;

and the Warrant Agent, in making the computations in Section 7.16, shall be entitled to rely on such certificate without any additional evidence.

10.8 Anti-Money Laundering and Terrorist Financing

Each party to this Agreement hereby represents to the Warrant Agent that any account to be opened by, or interest to held by, the Warrant Agent in connection with this Agreement, for or to the credit of such party, either (i) is not intended to be used by or on behalf of any third party; or (ii) is intended to be used by or on behalf of a third party, in which case such party hereto agrees to complete and execute forthwith a declaration in the Warrant Agent's prescribed form as to the particulars of such third party.

The Warrant Agent shall retain the right not to act and shall not be liable for refusing to act if, due to a lack of information or for any other reason whatsoever, the Warrant

Agent, in its sole judgment, determines that such act might cause it to be in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline. Further, should the Warrant Agent, in its sole judgment, determine at any time that its acting under this Agreement has resulted in it being in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline, then it shall have the right to resign on 10 days' written notice to the Corporation, provided (i) that the Warrant Agent's written notice shall describe the circumstances of such non-compliance; and (ii) that if such circumstances are rectified to the Warrant Agent's satisfaction within such 10 day period, then such resignation shall not be effective.

10.9 Privacy

The parties acknowledge that federal and/or provincial legislation that addresses the protection of individuals' personal information (collectively, "**Privacy Laws**") applies to obligations and activities under this Indenture. Despite any other provision of this Indenture, neither party shall take or direct any action that would contravene, or cause the other to contravene, applicable Privacy Laws. The Corporation shall, prior to transferring or causing to be transferred personal information to the Warrant Agent, obtain and retain required consents of the relevant individuals to the collection, use and disclosure of their personal information, or shall have determined that such consents either have previously been given upon which the parties can rely or are not required under the Privacy Laws. The Warrant Agent shall use commercially reasonable efforts to ensure that its services hereunder comply with Privacy Laws. Specifically, the Warrant Agent agrees: (a) to have a designated chief privacy officer; (b) to maintain policies and procedures to protect personal information and to receive and respond to any privacy complaint or inquiry; (c) to use personal information solely for the purposes of providing its services under or ancillary to this Indenture and not to use it for any other purpose except with the consent of or direction from the corporation or the individual involved; (d) not to sell or otherwise improperly disclose personal information to any third party; and (e) to employ administrative, physical and technological safeguards to reasonably secure and protect personal information against loss, theft, or unauthorized access, use or modification.

10.10 Assignment, Successors and Assigns

Neither of the parties hereto may assign its rights or interest under this Indenture, except as provided in Section 9.8 in the case of the Warrant Agent, or as provided in Section 8.2 in the case of the Corporation. Subject thereto, this Indenture shall enure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns.

SCHEDULE "A"

THIS IS SCHEDULE "A" to the Warrant Indenture made as of April 11, 2007 between Stornoway Diamond Corporation and Pacific Corporate Trust Company, as Warrant Agent.

FORM OF WARRANT CERTIFICATE

[For U.S. Persons, persons in the United States or persons holding Warrants for the account of or benefit of a U.S. Person or a person within the United States, the following legend is applied]: THE SECURITIES REPRESENTED HEREBY [for Warrants include – AND THE SECURITIES ISSUED UPON EXERCISE OF THE SECURITIES] HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT") OR UNDER ANY STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING SUCH SECURITIES, AGREES FOR THE BENEFIT OF THE CORPORATION THAT SUCH SECURITIES MAY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED ONLY (A) TO THE CORPORATION, (B) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, OR (C) INSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 144A UNDER THE U.S. SECURITIES ACT, (D) PURSUANT TO ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, OR (E) UNDER AN EFFECTIVE REGISTRATION STATEMENT UNDER THE U.S. SECURITIES ACT, IN THE CASE OF (D) SUBJECT TO THE RIGHT OF THE CORPORATION TO REQUIRE DELIVERY OF AN OPINION OF COUNSEL OR CERTIFICATE ACCEPTABLE TO IT IN FORM AND SUBSTANCE, AND IN EACH CASE IN COMPLIANCE WITH APPLICABLE STATE SECURITIES LAWS. DELIVERY OF THIS CERTIFICATE MAY NOT CONSTITUTE "GOOD DELIVERY" IN SETTLEMENT OF TRANSACTIONS ON STOCK EXCHANGES IN CANADA. A NEW CERTIFICATE BEARING NO LEGEND, DELIVERY OF WHICH WILL CONSTITUTE "GOOD DELIVERY" MAY BE OBTAINED FROM THE CORPORATION'S TRANSFER AGENT UPON DELIVERY OF THIS CERTIFICATE AND A DULY EXECUTED DECLARATION, IN A FORM SATISFACTORY TO THE CORPORATION'S TRANSFER AGENT AND THE CORPORATION, TO THE EFFECT THAT THE SALE OF THE SECURITIES REPRESENTED HEREBY IS BEING MADE IN COMPLIANCE WITH RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT.

[Legend for all Warrant Certificates]: THESE WARRANTS ARE TRANSFERABLE ONLY IN ACCORDANCE WITH APPLICABLE SECURITIES LAWS, THE TERMS OF THE INDENTURE UNDER WHICH THEY WERE ISSUED AND UPON THE DUE COMPLETION, EXECUTION AND DELIVERY OF THE TRANSFER FORM ATTACHED HERETO.

[Legend for all Warrant Certificates]: THE WARRANTS REPRESENTED BY THIS CERTIFICATE WILL BE VOID AND OF NO VALUE UNLESS EXERCISED ON OR BEFORE 4:00 P.M. (VANCOUVER TIME) ON THE EXPIRY DATE AS DEFINED HEREIN.

WARRANT CERTIFICATE

Warrant Certificate
Number -«cert»

«warrants» WARRANTS ("Warrants") each entitling the holder to acquire, subject to adjustment, one common share of Stornoway Diamond Corporation

STORNOWAY DIAMOND CORPORATION

Organized under the Laws of British Columbia

THIS IS TO CERTIFY THAT, for value received, «Name» «Address» «City» «Province» «Postal» (hereinafter referred to as the "**holder**") is the registered holder of the number of Warrants to purchase common shares ("**Common Shares**") in the capital of Stornoway Diamond Corporation (the "**Corporation**") as set forth in this Warrant certificate ("**Warrant Certificate**"). Each Warrant represented hereby entitles the holder thereof to acquire one fully paid and non-assessable common share in the capital of the Corporation (a "**Warrant Share**"), as such shares were constituted on April 11, 2007, in the manner and subject to the restrictions and adjustments set forth herein, at the Exercise Price at any time prior to the Time of Expiry.

In this Warrant Certificate:

"**Exercise Price**" means the purchase price payable for each Common Share issuable upon exercise of each Warrant, such price to be Cdn\$1.50 for each Common Share, subject to adjustment in accordance with the provisions of the Indenture;

"**Time of Expiry**" means, in respect of a Warrant, 4:00 p.m. (Vancouver time) on the Expiry Date; and

"**Expiry Date**" means April 11, 2009.

The Warrants represented by this Warrant Certificate are issued under and pursuant to a Warrant indenture (which indenture, together with all other instruments supplemental or ancillary thereto, is herein referred to as the "**Indenture**") made as of April 11, 2007 between the Corporation and Pacific Corporate Trust Company (the "**Warrant Agent**"). Reference is made to the Indenture for a full description of the rights of the holders of the Warrants and the terms and conditions upon which the Warrants are, or are to be issued and held, including provisions for adjustments upon the happening of certain events and provisions regarding the transfer of Warrants and regarding meetings of holders of Warrants, with the same effect as if the provisions of the Indenture and all instruments supplemental thereto were set forth in this Warrant Certificate. By acceptance hereof, the holder assents to all provisions of the Indenture. In the event of a conflict between the terms and conditions of the Warrant Certificate and the Indenture, the provisions of the Indenture shall govern. Capitalized terms used in the Indenture have the same meaning herein as therein unless otherwise defined.

The right to acquire Warrant Shares hereunder may only be exercised by the holder within the time set forth above by surrendering this Warrant Certificate to the Warrant Agent at the office of the Warrant Agent in Vancouver, British Columbia specified in the Exercise Form attached to this Warrant Certificate, together with:

- a) a duly completed and executed Exercise Form attached to this Warrant Certificate;

- b) a certified cheque, bank draft or money order in lawful money of Canada payable to the order of the Corporation for the aggregate purchase price of the Warrant Shares so subscribed for; and
- c) any opinion or other document required by the Exercise Form.

This Warrant Certificate will be deemed to be surrendered only upon personal delivery of all of the foregoing or, if sent by mail or other means of transmission, upon actual receipt thereof by the Warrant Agent at one of the offices referred to above.

The Warrants and the Common Shares issuable upon exercise thereof have not been registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or the securities laws of any state of the United States, and the Warrants may not be transferred to or exercised by, or for the account or benefit of, a U.S. Person or person in the United States unless registered under the U.S. Securities Act and the securities laws of all applicable states of the United States or pursuant to an exemption from such registration requirements. The U.S. legend required pursuant to Subsection 2.2.2 of the Indenture shall be added to the Common Shares issuable upon exercise of this Warrant Certificate, if applicable, provided that such legend may be removed under the circumstances described in the Indenture.

This Warrant Certificate shall not be valid for any purpose whatsoever unless and until it has been countersigned by or on behalf of the Warrant Agent.

This Warrant Certificate shall be governed by and construed in accordance with the laws of the Province of British Columbia and the federal laws applicable therein and shall be treated in all respects as a British Columbia contract.

IN WITNESS WHEREOF the Corporation has caused this Warrant Certificate to be signed by its duly authorized officer as of April 11, 2007.

STORNOWAY DIAMOND CORPORATION

Countersigned on ● by
PACIFIC CORPORATE TRUST COMPANY

Per: _____
Authorized Signatory

Per: _____
Authorized Signatory

EXERCISE FORM FOR WARRANTS

TO: Stornoway Diamond Corporation

AND: Pacific Corporate Trust Company
2nd Floor, 510 Burrard Street
Vancouver, British Columbia, V6C 3B9
Attention: Stock Transfer

1. The undersigned hereby irrevocably subscribes for and exercises the right to acquire Common Shares of Stornoway Diamond Corporation (or such number of other securities or property to which such Warrants entitle the undersigned in lieu thereof or in addition thereto under the provisions of the Indenture referred to in the accompanying Warrant Certificate in accordance with and subject to the provisions of such Indenture) and encloses a bank draft, certified cheque or money order in lawful money of Canada payable to Stornoway Diamond Corporation

2. The Common Shares (or other securities or property) are to be issued as follows:
Name: _____
Address in full: _____
(print clearly)
Social Insurance or Social Security Number: _____
Number of Common Shares: _____

Note: If further nominees intended, please attach (and initial) schedules giving these particulars.

Such Common Shares and, if the number of Warrants exercised is less than the number of Warrants represented hereby, also such new Warrant Certificate registered in the name of the undersigned (please check one):

(a)* _____ should be sent by first class mail to the following address:

OR

(b)* _____ should be held for pick up at the office of the Warrant Agent at which this Warrant Certificate is deposited.

3. The undersigned represents, warrants and certifies as follows (one of the following must be checked):

(a) * _____ the undersigned holder at the time of exercise of the Warrant is not in the United States, is not a "U.S. person" as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") and is not exercising the Warrant on behalf of, or for the account or benefit of a U.S. person or person in the United States and did not execute or deliver this Exercise Form in the United States; OR

(b) * _____ the undersigned holder has delivered to the Corporation and the Corporation's transfer agent an opinion of counsel (which will not be sufficient unless it is in form and substance satisfactory to the Corporation) or such other evidence satisfactory to the Corporation to the effect that with respect to the securities to be delivered upon exercise of this Warrant, the issuance of such securities has been

registered under the U.S. Securities Act and applicable state securities laws or an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws is available; OR

- (c) * _____ is the original subscriber of the Warrants and (i) is an institutional "accredited investor" that satisfies the criteria set forth in Rule 501(a)(1)(2)(3) or (7) of Regulation D under the U.S. Securities Act (an "IAI") or is a qualified institutional buyer as defined in Rule 144A under the U.S. Securities Act (a "QIB"), exercising the Warrant for its own account or the account of an IAI or a QIB, over which it exercises sole investment discretion, (ii) has had access to such current public information concerning the Corporation as it considered necessary in connection with its investment decision, (iii) understands that the Common Shares have not been registered under the U.S. Securities Act, (iv) agrees to the restrictions on transfer and resale more fully described in the Indenture, and (v) the representations and warranties made to the Corporation in connection with the acquisition of the Units remain true and correct as of the date hereof.

"United States" and "U.S. person" are as defined in Regulation S under the U.S. Securities Act.

The undersigned holder understands that, unless Box 3(a) above is checked, the certificate representing the Common Shares issued upon exercise of the Warrant will, unless the issuance of such securities has been registered under the U.S. Securities Act and applicable state securities laws, bear a legend, as set forth in Section 2.2.2 of the Indenture, restricting transfer without registration under the U.S. Securities Act and applicable state securities laws unless an exemption from registration is available. A share certificate bearing such a legend is not considered to be good delivery under the Rules and Policies of The Toronto Stock Exchange.

Note: Certificates representing Common Shares will not be registered or delivered to an address in the United States unless Box 3(b) or 3(c) above is checked.

In the absence of instructions to the contrary, the securities or other property will be issued in the name of or to the holder hereof and will be sent by first class mail to the last address of the holder appearing on the register maintained for the Warrants.

DATED the * _____ day of * _____, * _____

Signature Guaranteed

(Signature of Warrantholder)

Print full name

Print full address

1. The registered holder may exercise its right to receive Common Shares by completing this form and surrendering this form and the Warrant Certificate representing the Warrants being exercised to Pacific Corporate Trust Company at the address noted above.

Certificates for Common Shares will be delivered or mailed within five Business Days after the exercise of the Warrants.

2. The signature of the registered holder of the Certificate on the Exercise Form must be guaranteed by a Canadian chartered bank or eligible guarantor institution with membership in an approved medallion signature guarantee program.
3. If the Exercise Form is signed by a trustee, executor, administrator, curator, guardian, attorney, officer of a corporation or any person acting in a fiduciary or representative capacity, the certificate must be accompanied by evidence of authority to sign satisfactory to the Warrant Agent and the Corporation.
4. If Box 3(b) is checked, any opinion tendered must be from counsel of recognized standing in form and substance satisfactory to the Corporation. Holders planning to deliver an opinion of counsel in connection with the exercise of the Warrants should contact the Corporation in advance to determine whether any opinions tendered will be acceptable to the Corporation.

TRANSFER OF WARRANTS

THE WARRANTS REPRESENTED BY THIS CERTIFICATE MAY NOT BE TRANSFERRED TO A U.S. PERSON OR TO ANY PERSON IN THE UNITED STATES (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT OF 1933, AS AMENDED) OR TO ANY PERSON FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON OR A PERSON IN THE UNITED STATES, EXCEPT IN LIMITED CIRCUMSTANCES SPECIFIED IN THE WARRANT INDENTURE.

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto:

(name)

(address)

_____ (insert number of warrants to be transferred) of the Warrants registered in the name of the undersigned represented by the within certificate.

_____ does hereby irrevocably constitute and appoint _____ the attorney of the undersigned to transfer the said Warrant(s) on the register of Warrants maintained by the Warrant Agent with full power of substitution hereunder.

The undersigned hereby certifies that the transfer of these securities is not being made to, or, for the account or benefit of, and the offer of these securities was not made to, or, for the account or benefit of, and the person named above is not, and is not acting for the account or benefit of, a person in the "United States" or a "U.S. person" (as such terms are defined in Regulation S under the United States Securities Act of 1933, as amended (the "U.S. Securities Act")), unless such transfer is exempt from registration under the U.S. Securities Act.

DATED the ____ day of _____, _____.

Signature of Warrantholder

(Signature of Warrantholder)

Guaranteed by:

* Authorized Signature Number

(The following to be completed by the transferee)

_____ The undersigned transferee hereby certifies that (i) he is not a "U.S. person" (as defined in Regulation S under the U.S. Securities Act (a "U.S. Person")), (ii) at the time of transfer he is not within the United States, and (iii) he is not acquiring any of the Warrants represented by this Certificate by or on behalf of any U.S. Person or person within the United States. **OR**

_____ The undersigned transferee acknowledges that the Warrants and the Common Shares issuable upon exercise hereof are "restricted securities" within the meaning of Rule 144 under the U.S. Securities Act and may not be offered, sold, transferred or exercised

absent registration under the U.S. Securities Act or an exemption therefrom AND the undersigned transferee is delivering herewith, if so requested by the Corporation, an opinion of U.S. counsel to the effect that this transfer of the Warrants has been registered under the U.S. Securities Act or is exempt from registration thereunder.

DATED the ____ day of _____, ____.

Signature of Transferee

(Signature of Transferee)

Guaranteed by:

* Authorized Signature Number

- NOTE: (1) The signature to this transfer must correspond with the name as recorded on the Warrants in every particular without alteration or enlargement or any change whatever. The signature of the person executing this transfer must be guaranteed by a Canadian chartered bank/eligible guarantor institution with membership in an approved medallion signature guarantee program.
- (2) If the transfer is to, or for the account or benefit of, a U.S. Person, special restrictions apply as set out in the Warrant Indenture governing these Warrants.

If by hand, courier or mail:

c/o:
Pacific Corporate Trust Company
2nd Floor, 510 Burrard Street
Vancouver, British Columbia, V6C 3B9

Attention: Stock Transfer

SCHEDULE "B"

THIS IS SCHEDULE "B" to the Warrant Indenture made as of April 11, 2007 between Stornoway Diamond Corporation and Pacific Corporate Trust Company, as Warrant Agent.

FORM OF DECLARATION FOR REMOVAL OF LEGEND

[If for the removal of a legend on the Common Shares:]

TO: Pacific Corporate Trust Company
as registrar and transfer agent
for Common Shares of
Stornoway Diamond Corporation
c/o Pacific Corporate Trust Company
2nd Floor, 510 Burrard Street
Vancouver, British Columbia, V6C 3B9

[If for the removal of a legend on the Warrants:]

TO: Pacific Corporate Trust Company
as warrant agent for the Warrants of
Stornoway Diamond Corporation
c/o Pacific Corporate Trust Company
2nd Floor, 510 Burrard Street
Vancouver, British Columbia, V6C 3B9

AND TO: Stornoway Diamond Corporation

The undersigned (a) acknowledges that the sale of the securities of Stornoway Diamond Corporation (the "**Corporation**") to which this declaration relates is being made in reliance on Rule 904 of Regulation S ("**Regulation S**") under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**") and (b) certifies that (1) it is not an "affiliate" of the Corporation (as defined in Rule 405 under the U.S. Securities Act), (2) the offer of such securities was not made to a person in the United States or a "U.S. person" and either (A) at the time the buy order was originated, the buyer was outside the United States, or the seller and any person acting on its behalf reasonably believed that the buyer was outside the United States, or (B) the transaction was executed in, on or through the facilities of The Toronto Stock Exchange and neither the seller nor any person acting on its behalf reasonably believes that the transaction has been prearranged with a buyer in the United States, (3) neither the seller nor any affiliate of the seller nor any person acting on any of their behalf has engaged or will engage in any "directed selling efforts" in the United States in connection with the offer and sale of such securities, (4) the sale is bona fide and not for the purpose of "washing off" the resale restrictions imposed because the securities are "restricted securities" (as such term is defined in Rule 144(a)(3) under the U.S. Securities Act), (5) the seller does not have a short position in the securities sold in reliance on Rule 904 of Regulation S and does not intend to replace such securities with fungible unrestricted securities, and (6) the contemplated sale is not a transaction, or part of a series of transactions which, although in technical compliance with Regulation S, is part of a plan or scheme to evade the registration provisions of the U.S. Securities Act. Terms used herein have the meanings given to them by Regulation S.

Dated: _____

Name of Seller

By: _____

Name:

Title:

SCHEDULE "C"

THIS IS SCHEDULE "C" to the Warrant Indenture made as of April 11, 2007 between Stornoway Diamond Corporation and Pacific Corporate Trust Company, as Warrant Agent.

FORM OF BROKER'S LETTER

[Broker's letterhead]

Date: ■

Dear Sir/Madam:

Re: Sale of Shares Pursuant to Rule 904

We have read the representation letter of ■ (the "Seller") dated ■, 20■, pursuant to which the Seller has requested that we sell, for the Seller's account, ■ represented by certificate number ■ (the "Securities") of Stornoway Diamond Corporation (the "Company"). We have executed sales of the Securities pursuant to Rule 904 of Regulation S under the United States Securities Act of 1933, as amended, on behalf of the Seller. In that connection, we hereby represent to you as follows:

- (1) no offer to sell the Securities was made to a person in the United States;
- (2) the sale of the Securities was executed in, on or through the facilities of the Toronto Stock Exchange on ■, 20■, and, to the best of our knowledge, the sale was not be pre-arranged with a buyer in the United States;
- (3) no "directed selling efforts" were made in the United States by the undersigned, any affiliate of the undersigned, or any person acting on behalf of the undersigned; and
- (4) we have done no more than execute the order or orders to sell the Securities as agent for the Seller and will receive no more than the usual and customary broker's commission that would be received by a person executing such transaction as agent.

For purposes of these representations, "affiliate" means a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the undersigned. "Directed selling efforts" means any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for the Securities. This would include, but not be limited to, the solicitation of offers to purchase the Shares from persons in the United States. "United States" means the United States of America, its territories or possessions, any State of the United States, and the District of Columbia.

Legal counsel to the Company shall be entitled to rely upon the representations, warranties and covenants contained in this letter to the same extent as if this letter had been addressed to them.

If you have any questions regarding this transaction, please telephone the undersigned at ■.

Yours truly,

By: _____

Title: _____