

**Annual Report
NIRB File No.: 07EN024
The Aviat Project
January 31, 2012**

As per the terms and conditions attached to the Screening Decision Report for NIRB File #07EN024 an annual report detailing the exploration activities undertaken during the previous year for the Aviat Project located on the Melville Peninsula, Nunavut, and operated by Stornoway Diamond Corporation ("Stornoway") is required to be submitted on or before January 31 of the following year.

No exploration activities were conducted on the Aviat Project during 2011 and the camp location remains in a winterized state as per the Abandonment and Restoration Plan associated with this project.

As there are no activities to report for 2011 this submission will only address the current status of the regulatory authorizations associated with the operation of this project and respond to items 7 a) and 7 f) of the Screening Decision's project specific NIRB terms which request a summary of the work plan for the upcoming year and a summary of land use inspections conducted during the period being reported, respectively.

Regulatory Authorizations

The Aviat Project currently operates under the authority of the following licenses and permits;

Issuer	License/Permit Number	Expiry Date
INAC	N2007C0003	April 15, 2012
Nunavut Water Board	2BE-SNN0813	September 30, 2013

The current Class "A" land use permit (N2007C003) holds an expiry date of April 15, 2012. A request for a one year extension to this permit will be submitted to the requisite authority in the coming days.

Qikiqtani Inuit Association Land Use Permit Q09L3C09 expired on October 31, 2011. No work was conducted on the mineral claims situated on the Inuit Owned Land Parcels during the term of this license. A final land use report is currently being prepared and will be submitted to the Lands Department of the Qikiqtani Inuit Association.

Land Use Inspections Conducted During 2011

As at the date of this report Stornoway Diamond Corporation has not received any reports advising of land use inspections conducted on the Aviat Project during 2011.

Work Plan for 2012

The main land use activities planned for the Aviat Property in 2012 are the surveying of a select group of mineral claims by professional contractors, the deconstruction and reclamation of the Aviat camp facility and the completion of final abandonment and reclamation activities on the land use area.

The Aviat camp location is currently in a winterized/storage state and plans are being put into place to deconstruct the facility, remove all camp related structures, equipment and fuel currently stored on the land use area, and complete the final reclamation activities as per the Abandonment and Restoration Plan for the Aviat Project.

The surveyors and the reclamation crew will be working concurrently and both teams will be accessing their respective work areas via helicopter.

The camp facility will not be utilized to house personnel conducting these activities as all personnel (including the surveyors) will be housed at Stornoway's logistics base in Igloodik.

The activities described above will take place at some point during July and/or August of 2012. As per the terms and conditions of the regulatory authorizations a notification of land use will be provided to the inspector in advance of the onset of work.

Once the abandonment and reclamation activities have been completed a final land use report and official requests to close INAC Land Use Permit N2007C0003 and Nunavut Water Board License 2BE-SNN0813 will be submitted to each of the respective authorities.

Please note that the work plan and schedule as presented is tentative and is subject to change due to weather, logistics, a change in financial markets or any other unforeseen circumstances.

Please also note that the deconstruction of the camp facility and the pursuit of closure for the current regulatory authorizations associated with the Aviat Project does not mean that the partners will not conduct further exploration activities on the property at a later date.

The current Aviat camp location was chosen several years ago when the land package associated with the project covered a significantly larger area than it does at the present time. Now that a narrower area of interest has been identified it is evident that any future exploration work conducted on the project would be better supported by a camp facility located closer to this region.

Once the land use area associated with the Aviat Project has been reclaimed new regulatory authorizations would be obtained to reflect any work that may be conducted on the property going forward, prior to its commencement.

If you have any questions regarding the Aviat Project please contact Nicole Westcott, Land Administrator. She can be reached directly by phone at 604-983-7764, via fax at 604-987-7107 and by email at nwestcott@stornowaydiamonds.com.