

CODE OF BUSINESS CONDUCT AND ETHICS

The Code of Business Conduct and Ethics (the “Code of Ethics”) embodies the commitment of Stornoway Diamond Corporation (the “Corporation”) and its subsidiaries to conduct our business in accordance with all applicable laws, rules and regulations and the highest ethical standards. All directors, officers and employees are expected to adhere to those principles and procedures of the Code of Ethics that apply to them. All suppliers, contractors and consultants with whom we do business are expected to be aware of and adhere to those principles and procedures of the Code of Ethics that apply to them.

COMPLIANCE AND REPORTING

Any director, officer or employee who becomes aware of any existing or potential violation of the Code of Ethics should notify the Primary Contact, Secondary Contact or the Chair of the Audit and Risk Management Committee in accordance with the procedures set out in the Corporation’s Whistleblower Policy (the “Whistleblower Policy”) for guidance and direction on the topic. All reports will be treated confidentially and it is the Corporation’s policy not to allow retaliation

against anyone for reports of misconduct made in good faith.

All directors, officers and employees of the Corporation are required to certify on an annual basis that they have reviewed, understood and respected the Code of Ethics, which outlines the business conduct expected of directors, officers and employees in the performance of their corporate responsibilities.



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▼ CONFLICTS OF INTEREST

A “conflict of interest” occurs when an individual’s personal interest improperly interferes with the interests of the Corporation. Conflicts of interest are prohibited as a matter of policy, unless they have been approved by the Corporation. In particular, no director, officer or employee may use or attempt to use his or her position at the Corporation to obtain any improper personal benefit for himself or herself, for his or her family members or for any other person.

Any director, officer or employee who is aware of any situation that is or could reasonably be expected to give rise to a conflict of interest must discuss the matter promptly with the Primary or Secondary Contact listed at the end of this Code of Ethics.

▼ OFFICERS AND EMPLOYEES’ OTHER INTERESTS

While the Corporation recognizes and respects an individual’s right to take part in financial, business and other activities outside his or her job, these activities must be free of conflict with his or her responsibilities as an officer or employee of the Corporation. Officers and employees must avoid acquiring any interests or participating in any activities that might reasonably be regarded as:

- ▶ creating an obligation or distraction which would affect their judgement or ability to act solely in the Corporation’s best interests; or
- ▶ depriving the Corporation of the time or attention required to perform their duties properly.

Officers and employees must disclose to their supervisor, in writing, all business, commercial or financial interests or activities which might reasonably be regarded as creating an actual or potential conflict with their duties of employment.

Each employee of the Corporation who has executive or supervisory responsibility is required to see that actions taken and decisions made within his or her jurisdiction

are free from the influence of any interests that might reasonably be regarded as conflicting with those of the Corporation.

▼ PUBLIC DISCLOSURE

Information in the Corporation’s public communications, including securities commission filings and communications with shareholders, must be full, fair, accurate, timely and understandable. All directors, officers and employees who are involved in the Corporation’s disclosure process are expected to act in furtherance of this policy. In particular, these individuals are required to be familiar with the disclosure requirements for the Corporation and are prohibited from knowingly misrepresenting, omitting, or causing others to misrepresent or omit, material facts about the Corporation to others, whether within or outside the Corporation, including the Corporation’s independent auditors. Additionally, any director, officer or employee with a supervisory role in the Corporation’s disclosure process is required to discharge his or her responsibilities diligently. For further guidance, directors, officers and employees should refer to the Corporation’s Corporate Disclosure Policy.

▼ COMPLIANCE WITH LAWS, RULES AND REGULATIONS

Compliance with all applicable governmental laws, rules and regulations is essential to conducting our business. Each director, officer and employee is expected to adhere to the standards and restrictions imposed by those laws, rules and regulations.

▼ ACCOUNTABILITY

Directors, officers and employees will be held accountable for their adherence to the Code of Ethics. Failure to observe the terms of the Code of Ethics may result in disciplinary action, including termination of employment or removal from the Board of Directors. Violations of the Code of Ethics may also constitute violations of law and may result in civil or criminal penalties for directors, officers and employees, and the Corporation.

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▼ CORPORATE OPPORTUNITIES

Directors, officers and employees are expected to advance the Corporation's legitimate business interests when the opportunity to do so arises. Directors, officers and employees may not take for themselves (or direct to a third party) a business opportunity that is discovered through the use of the Corporation's property, information or position, unless the Corporation has already been offered the opportunity and turned it down. More generally, directors, officers and employees are prohibited from using corporate property, information or position to compete with the Corporation.

The line between personal benefits and those of the Corporation is often difficult to draw and sometimes both personal benefits and benefits to the Corporation may be derived from certain activities. If any director, officer or employee has any questions that a personal use of the Corporation's property or services may not solely be for the benefit of the Corporation, he or she should discuss the matter with the Primary or Secondary Contact.

▼ CONFIDENTIALITY

In carrying out the Corporation's business, directors, officers and employees often learn confidential or proprietary information about the Corporation, its customers, suppliers, business partners, or other third parties. Directors, officers and employees must respect and support the confidentiality of such information, except when disclosure is authorized or legally mandated. Confidential or proprietary information includes, among other things: information regarding (i) current or future exploration plans and results, (ii) forecasts or projections, (iii) mergers, acquisitions, tender offers, joint ventures or changes in assets, (iv) changes in control, (v) significant new property acquisitions or dispositions, (vi) significant developments regarding projects, (vii) bankruptcies or receiverships (viii) changes in the Board, executive management or other senior personnel, (ix) changes of auditors or to the auditors' report to the shareholders, (x) significant events regarding Stornoway's securities

(such as repurchase plans, stock splits, changes in rights of security holders, public or private sales of additional securities, and the like), (xi) changes to accounting policies, (xii) changes in rating agency decisions, (xiii) exceptions to corporate ethics or conduct practices that are put in place for key employees, which have not previously been disclosed to the public and (xiv) information regarding the Corporation's data collection, processing, enhancement and storage techniques and methods.

In addition, any non-public information provided by a third party with the expectation that the information will be kept confidential and must be used solely for the business purpose for which it was conveyed. Directors, officers and employees should refer to the policies set forth in the Corporation's Corporate Disclosure Policy for more detailed guidance on this topic.

▼ PUBLIC RELATIONS

The Corporation's Chief Executive Officer, Chief Operating Officer, Vice President, Public Affairs and the Director, Investor Relations are responsible for all public relations, including all contact with the media, shareholders, analysts and other members of the investment community. For further guidance on this topic, please refer to the Corporation's Corporate Disclosure Policy.

▼ CORRUPTION AND BRIBERY

Corruption poses serious legal, commercial and reputational risks to the Corporation's business. Corruption is the abuse of entrusted power for personal or commercial gain. The Corporation takes a zero-tolerance approach to corruption and is committed to carrying out business fairly, honestly and openly, without improper influence. Bribery and other acts of corruption are prohibited. No employee, director or officer, either directly or indirectly, with the intention of obtaining any advantage in the course of business, shall solicit, receive, offer, promise or provide anything of value (i.e., in the form of money, gift, loan, reward, advantage or

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benefit of any kind) to or for the benefit of a public official or entrusted private sector employee as consideration for an act or omission by the official or entrusted private sector employee in connection with the performance of their official duties or functions.

A public official, whether domestic or foreign, includes:

- a) A politician, judge or employee of a Canadian federal, provincial or municipal government or of a foreign government;
- b) An employee of a government entity (such as a crown corporation, state-owned enterprise or sovereign wealth fund) that performs duties or functions on behalf of a Canadian federal, provincial or municipal government or of a foreign government; and
- c) An employee or agent of a public international organization (such as the United Nations or World Bank).

Facilitation payments are also prohibited. A facilitation payment is a payment made to expedite or secure the performance of an act of a routine nature that is part of the duties or functions of a public official or private sector employee, including issuance of a permit, licence or other document to qualify a person to do business; the processing of official documents, such as visas and work permits; the provision of services normally offered to the public (e.g., mail pick-up and delivery, water supply, etc.); and the provision of services normally provided as required, such as police protection or the loading and unloading of cargo. An “act of a routine nature” does not include a decision to award new business or to continue business with a particular party, including a decision on the terms of that business, or encouraging another person to make any such decision.

The Corporation recognizes that there may be circumstances in which the personal safety or security of an employee, director or officer is threatened or compromised in order to procure the payment. In such situations, any payment must be reported to the senior officer within the Asset Protection department.

The engagement of third parties raises special concerns for compliance with the Code of Ethics. The Corporation has less control over the conduct of third parties than it does over the conduct of its own personnel, whom it can train and discipline. Therefore, the Corporation must exercise due diligence to ensure that it has formed relationships with reputable and qualified third parties.

Third parties include consultants, agents, contractors or suppliers, representatives and other third parties acting on behalf of the Corporation.

▼ GIFTS AND ENTERTAINMENT

The Corporation recognizes that fostering good relationships with business partners, suppliers and customers is important to its continued success and that offering and accepting gifts and entertainment (hospitality) may form part of fostering such relationships. However, the laws in many jurisdictions, including Canada, often limit and, in certain situations, prohibit gift giving and hospitality.

Gifts can take many forms but are generally considered to be anything of value given to or received from, voluntarily or without recompense, an existing or prospective business partner, supplier or customer. Business entertainment includes offering to or accepting from an existing or prospective business relationship any of the following:

- ▶ Social, hospitality, charitable, sporting, investor or leisure events, conference, seminars, site visits, or other events of similar nature or purpose;
- ▶ Meals; or
- ▶ Any transportation and/or lodging related to such activity or events.

In order to qualify as business entertainment, someone representing the providing party must be present at the event or activity, irrespective of whether any business is conducted. Otherwise, entertainment events and activities will be considered gifts.

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The offering or acceptance of gifts and business entertainment must not violate any laws or regulations. No gift or entertainment may be offered or accepted for illegal or improper purposes, such as to confer a bribe, to compromise or to create the perception that it is intended to compromise the recipient's honest performance of his or her employment duties or functions, or to create a sense of obligation or the perception of a sense of obligation. Gifts or entertainment received or given on behalf of the Corporation should be of a nature and value that avoid embarrassment and would not reflect unfavourably on the Corporation or the recipient if subjected to public scrutiny. Gifts and entertainment should not be accepted or offered if the timing of the gift or entertainment coincides with an important business decision.

Directors, officers and employees must not use their position to obtain personal gain or benefit from those doing or seeking to do business with the Corporation. The Corporation's business decisions and those of its partners, suppliers and customers must be made (and be seen to be made) objectively and without influence by gifts or favours. Directors, officers and employees are required to select and deal with partners, suppliers, customers and others doing or seeking to do business with the Corporation in a transparent and completely impartial manner and be perceived to be acting transparently and in an impartial manner, without favour or preference based upon any considerations other than the best interests of the Corporation.

Modest gifts and reasonable business entertainment may be offered and accepted for legitimate business purposes by appropriate employees, officers or directors, where legally permitted and consistent with local business practices, provided that it is consistent with this Code of Ethics.

Examples of permissible gifts include:

- Gifts of modest value to commemorate holiday or religious celebrations (e.g., gift baskets during the local festive season)

- Tickets to local events of a modest value (e.g., local arts or sports events)
- Advertising or promotional material with a token value (e.g., pens, notepads, hats, golf umbrellas)
- Non-monetary awards of recognition for service or accomplishment from civic, charitable, educational or religious organizations.

Examples of prohibited gifts include:

- Cash or cash value vouchers in any amount
- Gifts to or from public officials unless the gifts are of a nominal value (a maximum of \$50) and of an infrequent nature (annually or semi-annually)
- Travel arrangements, meals, refreshments or lodging unrelated to business discussions or development or which Stornoway would not reimburse as a reasonable business expense
- Discounts or rebates on merchandise or services not available to the public or to customers of the offering party
- Solicited gifts from customers, suppliers or business partners for personal use or benefit
- Unsolicited gifts from customers, suppliers or business partners for personal use or benefit exceeding a cumulative value of CAD\$500 (or the jurisdictional equivalent) over a twelve month period. Any gifts in excess of the CAD\$500 cumulative annual threshold must be disclosed in writing to either the Primary or Secondary Contact.

Occasionally there are exceptions or special circumstances that may apply and, in such cases, approval must be obtained from the Primary or Secondary Contact before a gift or business entertainment that is not otherwise permitted by the Code of Ethics is offered or accepted.

▼ POLITICAL CONTRIBUTIONS

The Corporation does not participate directly or indirectly in party politics. Payments to political parties, party officials and political candidates on behalf of the Corporation are prohibited.

Matt Manson

President,
Chief Executive Officer

Orin Baranowsky
Interim CFO

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The Corporation's employees are able to make donations to political parties of their choosing, but under no circumstances will the Corporation reimburse an employee for a political donation, nor should a political donation be made personally by an employee on the Corporation's behalf. Employees are expected to be aware of limits on personal donations to political parties.

FAIR DEALING

We seek to outperform our competition fairly and honestly. We seek competitive advantages through superior performance, never through illegal or unethical business practices. Stealing proprietary information, possessing or using trade secrets obtained without the owner's consent, or inducing such disclosures by past or present employees of other companies is prohibited. Each director, officer and employee is expected to deal fairly with the Corporation's service providers, suppliers, competitors and employees. No director, officer or employee should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other unfair dealing practice.

EQUAL EMPLOYMENT OPPORTUNITY AND HARASSMENT

Our personnel decisions are made on the basis of merit and contribution to the Corporation's success. Concern for the personal dignity and individual worth of every person is an indispensable element in our standard of conduct. The Corporation affords equal employment opportunity to all qualified persons without regard to any impermissible criterion or circumstance. This means equal opportunity in regard to each individual's terms and conditions of employment and in regard to any other matter that affects in any way the working environment of the employee. We do not tolerate or condone any type of discrimination prohibited by law, including harassment. Employees who experience or observe work-related discrimination, harassment or similar problems are urged to report them to the Primary or Secondary Contact.

INSIDER TRADING

Securities legislation in Canada requires the Corporation to disclose material information in a timely manner. It also seeks to protect the public from abuse of material information by insiders of the Corporation before it is generally disclosed by imposing sanctions for such abuse. These sanctions may be imposed on directors and senior officers of the Corporation and other persons who have access to undisclosed material information about the Corporation as a result of that person's relationship with the Corporation (or an insider of the Corporation). They could, for example, be imposed on employees, family members of the Corporation's employees and on other persons who learn of undisclosed material information through the Corporation's employees.

It is both illegal and against policy for any director, officer or employee who is aware of material non-public information relating to the Corporation, any of its customers, suppliers, service providers or other business partners, or any other company to buy or sell any securities of those issuers or to pass on the information to anyone else except in the necessary course of business. Accordingly, insiders and employees with knowledge of confidential or material information about the Corporation, or counter-parties in negotiations of material potential transactions, are prohibited from trading shares in the Corporation or any counter-party until the confidential or material information has been fully disclosed and a reasonable period of time has passed for such information to be widely disseminated.

Information respecting Stornoway is considered material information if it is information that significantly affects, or may be reasonably expected to have a significant effect on, the market price or value of Stornoway's securities ("Material Information"). Determination of the materiality of an event or information will be made by the Disclosure Committee. In determining materiality, a number of factors will be taken into consideration, including the nature of the information itself, the volatility of the price

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of the Corporation's securities and the prevailing market conditions. See "Confidentiality" above for examples of confidential or Material Information.

To prevent insider trading violations and avoid embarrassing situations both for the Corporation and its directors, officers and employees, all directors, officers and employees of the Corporation are prohibited from selling or buying securities of the Corporation at frequent intervals or selling such securities short at any time. Purchases of the Corporation's securities should be made for long term investment, rather than for speculative purposes. It is the responsibility of each individual to ensure that he or she is not in possession of any Material Information prior to executing a trade in the Corporation's securities. Blackout periods may be prescribed from time to time by the Disclosure Committee as a result of special circumstances relating to the Corporation pursuant to which insiders of the Corporation would be precluded from trading in securities of the Corporation. All parties with knowledge of such special circumstances should be covered by the blackout. Such parties may include external advisors such as legal counsel, investment bankers, auditors and counter-parties in negotiations of material potential transactions.

Transactions that may be necessary or justifiable for independent reasons, including emergency expenditures and transactions planned before the employee or director learned the material information, are not exceptions to the foregoing trading restrictions. Even the appearance of an improper transaction must be avoided to prevent any potential risk to the Corporation or the individual. Violations of insider trading laws may be punishable by fines or imprisonment.

Certain "insiders" are obliged to file reports for all trades made by them in the Corporation's securities. The persons subject to this obligation include:

- directors and senior officers of the Corporation;
- directors and senior officers of the Corporation's subsidiaries; and

- beneficial owners of more than 10% of the votes attached to the voting securities of the Corporation as well as the directors and senior officers of such shareholders. These insiders must file reports with various securities commissions in Canada. It is the responsibility of each insider to ensure that the required filings are made within the prescribed period.

▼ FINANCIAL CONTROLS AND RECORDS

Accounting and financial records must be maintained which accurately reflect all of the Corporation's transactions. Each operating unit is responsible for the design, implementation and maintenance of adequate systems of internal accounting and administrative controls.

The Corporation's accounting and financial records must reflect, in an accurate, complete and timely manner, all transactions affecting the Corporation in order to meet statutory requirements and to ensure proper preparation of the Corporation's financial statements in accordance with the applicable generally accepted accounting principles. Transactions must be properly authorized and approved and recorded in accordance with both the applicable generally accepted accounting principles and the highest standards of integrity. Accounting and financial records must be adequately protected from destruction or tampering.

While the management style adopted by the Corporation gives officers and employees considerable discretion in their duties, all officers and employees are responsible for establishing and maintaining an effective system of accounting and administrative controls in their area of responsibility. The objective of these controls is to provide assurance that all assets are adequately protected, properly used and the financial records accurately reflect the assets and liabilities of the Corporation. Individuals with management-level responsibilities are responsible for knowing what can go wrong in their area of responsibility, and to be alert for symptoms of wrongdoing, loss or errors.

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No person may conceal information from management, the Corporation's external auditors or legal counsel.

Internal control provides the Corporation with a system of "checks and balances" to assist in ensuring that accounting and administrative policies are complied with throughout the Corporation. This is not only a good business practice, but also ensures compliance with the various securities and tax laws to which the Corporation is subject.

▼ WAIVERS OF THE CODE OF ETHICS

The Corporation may waive certain provisions of the Code of Ethics when deemed absolutely appropriate under the circumstances. Any director, officer or employee who believes that a waiver may be called for should discuss the matter with the Primary or Secondary Contact. Waivers for executive officers (including Senior Financial Officers) or directors of the Corporation may be made only by the Board of Directors or a committee of the Board. Waivers will be disclosed as required under applicable securities commission and stock exchange rules.

▼ PRIMARY AND SECONDARY CONTACTS (will be updated as applicable)

Primary Contact

Matthew Manson

CEO, President

Phone Number: (416) 304-1026

e-mail: mmanson@stornowaydiamonds.com

Secondary Contact

Orin Baranowsky

Interim CFO

Phone Number: (416) 304-1026 ext. 2103

E-mail: obaranowsky@stornowaydiamonds.com

Effective Date: July 8, 2013

ACKNOWLEDGEMENT

I, (insert name)

.....
hereby acknowledge that I have reviewed the Stornoway Diamond Corporation Code of Business Conduct and Ethics, that I understand its provisions and I agree to respect and abide by this Code of Business Conduct and Ethics and its intent at all times.

.....
Signature

.....
Date