

HUMAN RESOURCES AND COMPENSATION COMMITTEE MANDATE
STORNOWAY DIAMOND CORPORATION
(the “Corporation”)

Purpose

To assist the Board of Directors (the “Board”) in discharging its oversight responsibilities in regard to fairly rewarding the Corporation’s directors and key senior executive employees through compensation and appropriate performance incentives;

To develop the Corporation’s philosophy and guidelines on executive compensation; to review the Chief Executive Officer’s (“CEO”) goals and objectives relevant to compensation and to evaluate the CEO’s performance relative to those goals and objectives;

To assist the Board and the CEO in attracting and retaining key senior executives and other employees and in evaluating the performance and overseeing succession planning for key senior executives;

To review and administer the Corporation’s equity-based incentive plans;

To produce an annual report on director and executive compensation for inclusion in the Corporation’s information circular or other disclosure documents published in accordance with applicable rules and regulations.

Composition

The Human Resources and Compensation Committee (the “Committee”) will consist of at least three members of the Board. The Board will appoint the Committee members and the Committee Chairperson.

The Committee shall ensure that the Chairperson and its members shall be independent directors as defined by the Toronto Stock Exchange, the Ontario Securities Commission or any other regulator to which the Corporation reports or may report in the future.

Procedures, Powers and Duties

The Committee will meet at least two times a year, with authority to convene additional meetings, as circumstances require. All Committee members are expected to attend each meeting. At least one meeting of the Committee annually shall be with the Corporation’s CEO; however, the Committee shall also regularly meet without management present.

The quorum necessary for the transaction of business at Committee meetings will be a majority of the members of the Committee, present in person or by telephone or video conference. A quorum once established is maintained even if members of the Committee leave the meeting prior to conclusion.

The Committee may engage outside consultants to advise it in matters relating to this mandate at the Corporation’s expense, without the prior approval of the directors of the Corporation. At the invitation of the Committee, the outside consultants may attend meetings of the Committee, including in-camera sessions.

The Committee’s business will be recorded in minutes of the Committee, which shall be submitted to the Board.

The Committee will annually review and recommend to the Board for its approval:

- a) the Corporation's compensation philosophy and guidelines for executive officers and any material changes thereto;
- b) the job descriptions for the CEO and Chairman of the Board;
- c) the compensation of the Corporation's directors and the Committees of the Board, based on work performed, responsibility assigned and liability incurred, as well as considering industry norms where appropriate and contextually relevant;
- d) the performance goals and criteria for the CEO; the Committee will also review actual performance relative to such performance goals and criteria and, based on such reviews, recommend to the Board the CEO's compensation;
- e) any proposed establishment of and material changes to, incentive compensation plans and employee benefit plans for senior executive officers and all equity-based incentive plans, including guidelines and policies relating to such plans, and present its recommendations to the Board for approval;
- f) the proposed appointment of any person as an executive officer of the Corporation.

The Committee will review on an annual basis and approve the performance goals and criteria for the senior executives of the Corporation and the Committee will review and approve the CEO's evaluation of these executives based on actual performance relative to such performance goals and criteria and approve the compensation for these executives.

In recommending compensation packages for the Corporation's directors, and the CEO and in reviewing the CEO's recommendations for compensation of the Corporation's senior executive employees, the Committee shall take into account the competitiveness and appropriateness of such compensation, as well as any other factors that the Committee, in its judgment and based on industry comparison and outside advice, feels it is prudent to consider. In seeking the proper balance of compensation of the Corporation's directors, the CEO and the Corporation's senior executive employees, the Committee shall consider all forms of compensation, including salary, benefits and performance incentives such as the right to participate in stock option plans or deferred share unit plans.

The Committee shall, on an ongoing basis, assess the need for planning the succession of the CEO and the Corporation's senior executive employees and, when required, initiate appropriate succession planning. However, planning for the succession of the Corporation's directors is explicitly the responsibility of the Corporate Governance & Nominating Committee.

The Committee shall, on an ongoing basis, review and approve all agreements dealing with retirement, termination or other special circumstances, between the Corporation and any senior executive employee. With respect to any agreement with the CEO, the Committee will recommend its approval to the Board. The Chairman of the Board will review and approve the CEO's expense reports; the Committee will review a summary of the expenses of the CEO on an annual basis.

In fulfilling its mandate with respect to human resources, the Committee shall oversee measures to ensure that appropriate human resources policies, programs and compensation framework are in place so that the Corporation can employ, motivate and retain employees having the qualities required to reach its business goals and recommend to the Board appropriate incentive programs.

The Committee shall, at least annually, review and approve the annual work plan, budget and fees of any outside consultants engaged by the Committee and will, at least annually, conduct a performance assessment of the consultants.

The Committee shall annually prepare, for inclusion in the Corporation's information circular or other disclosure documents in accordance with applicable rules and regulations, a report on the compensation of the Corporation's directors, the CEO and its senior executive employees. In its review and determinations respecting the Corporation's compensation philosophy, guidelines, programs, practices, plans and specific arrangements for senior executive employees, the Committee will also assess their impact on risk-taking for consistency with the Corporation's longer-term goals and prudent risk-taking and to avoid promoting excessive risk-taking in light of the Corporation's risk tolerance.

The Committee shall report on its activities and deliberations to the Board as soon as practicable, and report to the Board at its next regular meeting all such actions which the Committee has taken since the previous report.

Following the approval of and establishment by the Board of any stock option or other equity-based incentive plans of the Corporation and within any guidelines established by the Board and subject to any authority otherwise reserved or delegated by the Board with respect to such plans, the Committee will:

- a) review management's recommendations for and recommend to the Board for approval, the granting of stock options or other securities under such plans to eligible participants; and
- b) administer such plans.

Save and except for those boards of directors that a senior executive employee is asked by the Corporation to join as part of that individual's employment duties, the Committee, with respect to boards of directors of unrelated corporations or entities, whether they are for profit or not-for-profit:

- a) may establish a limit on the number of boards on which individual senior executive employees may participate;
- b) will receive notice of proposed membership from the senior executive employee and, upon consultation with the CEO, have the right to approve or object to such membership; and
- c) will unless determined otherwise by the Committee, confirm in writing, through the CEO, to such senior executive employee that the Corporation will not indemnify the member nor be exposed to liability with respect to the member's participation on such board.

The Committee shall perform any other related activities as requested by the Board and will also have such other powers and duties as are delegated to it from time to time by the Board.

Mandate Reviews

The Committee shall annually review its performance relative to this Mandate.

The Committee shall annually review the adequacy of this Mandate and recommend changes to the Board.