

***Excerpt from ‘Other Property Interests’ section of Stornoway’s 3rd Quarter MD&A, filed March 11, 2011:***

**Form 51-102F1  
Interim Management Discussion and Analysis<sup>1</sup>  
For  
Stornoway Diamond Corporation  
 (“Stornoway” or the “Company”)  
Containing Information up to and including March 11, 2011**

**MICRODIAMOND RESULTS From THE AVIAT PROJECT, NUNAVUT**

On March 7, 2011, new microdiamond results from the AV9 kimberlite and the related Eastern Sheet Complex at the Aviat Project, located on the Melville Peninsula of Nunavut, were announced (Stornoway press release dated March 7, 2011). These results are consistent with previous high diamond recoveries from the project, which incorporates an extensive system of kimberlite pipes and near surface kimberlite sheets with significant tonnage and grade potential.

The 90% owned Aviat Project is the Company’s key pipeline project after the bankable feasibility stage Renard Diamond Project. The eastern arctic continues to be a focus for diamond exploration in Canada, where significant discoveries have been identified in several kimberlite fields throughout the region over the past ten years.

The new results represent micro-diamond data for over one tonne of kimberlite recovered by drilling in 2008 but not processed until recently. This work comprises part of the Company’s ongoing assessment of the grade potential at Aviat ahead of future, larger scale sampling. In total, 677 diamonds (stones retained on a 0.106mm square mesh sieve) were recovered from 927 kilograms of drill core from the AV9 kimberlite pipe and a total of 226 diamonds were recovered from 220 kilograms of drill core from the Eastern Sheet Complex (“ESC”). The largest diamonds recovered were 0.156 carats and 0.083carats from AV9, and 0.092 carats from the ESC. The results of this work are summarized in the table below.

		NUMBER OF DIAMONDS PER SIEVE SIZE (MM SQUARE MESH SIEVE)										
Sample	Sample weight (dry; kg)	0.10 6 to 0.15 0	0.15 0 to 0.21 2	0.21 2 to 0.30 0	0.30 0 to 0.42 5	0.42 5 to 0.60 0	0.60 0 to 0.85 0	0.85 to 1.18	1.18 to 1.70	1.70 to 2.36	Total Stones	Total Carats +0.85 mm
AV9	926.50	221	183	109	73	48	28	7	6	2	677	0.515
ESC	219.84	70	53	40	32	22	4	0	4	1	226	0.227

<sup>1</sup> Note to Reader

The following management discussion and analysis of the Company’s financial condition and results of operations should be read in conjunction with the audited consolidated financial statements for the years ended April 30, 2010 and 2009 together with the notes thereto and the unaudited, interim consolidated financial statements for the nine months ended January 31, 2011 and 2010. These financial statements have been prepared in Canadian funds in accordance with Canadian generally accepted accounting principles.

## ***AV9***

The AV9 kimberlite was discovered in 2007 (see Stornoway press release dated August 23, 2007) and was the third kimberlite pipe discovered with the prospective Tremblay Corridor, host to the AV1 and AV4 kimberlite pipes. In 2008, a total of 1,144 meters of drilling in nine holes was completed at AV9 to better determine the internal geology and geometry. The pipe measures approximately 45 by 135 meters and kimberlite has been confirmed to a depth of 175 meters. Previous microdiamond results from the discovery phase of drilling returned 236 diamonds from 307 kilograms of drill core (see Stornoway Press Release dated December 12, 2007). The new microdiamond results expand the inventory of diamond data available for assessment at AV9, and show the pipe to have similar diamond content characteristics to the AV1 kimberlite pipe, which returned a mini-bulk sample diamond content of 89 carats per hundred tonnes (“cpht”) in 2008 (see Stornoway press release dated March 13, 2008).

## ***Eastern Sheet Complex (ESC)***

The ESC comprises a series of stacked, shallowly dipping kimberlite sheets covering a minimum 260 hectare area adjacent to the AV9 kimberlite pipe. Sheets vary in thickness between 0.9 meters and 1.7 meters average true thickness, and extend from surface to a minimum of 100 meters below surface. A 2008 conceptual geological model developed by SRK Consulting (Canada) Inc. ("SRK"), (see Stornoway press release dated October 7, 2008) included an estimate of total kimberlite in four separate bodies of between 12.4 and 16.0 million tonnes. An estimate of total diamond content, determined using both micro and macro diamond data, was 235 +/- 30 cpht (undiluted) at a bottom cut-off of +1.0mm. The conceptual range of kimberlite and the estimate of total diamond content imply a Potential Mineral Deposit in the ESC of between 24.1 and 40.3 million carats of diamonds, after an allowance for approximately 5% internal dilution within the model. The study assumed 100% recovery of stones of all size fractions, and no corrections were applied for breakage and/or loss of smaller diamonds that would typically occur during recovery of diamonds in a commercial plant. Such losses can be expected to comprise 15-20% when compared to the total diamond content model. The reader is cautioned that the potential quantity and grade of any potential mineral deposit is conceptual in nature, and it is uncertain if further exploration will result in the target being delineated as a mineral resource.

In 2009, 148 tonne and 43 tonne samples collected from surface exposures of the ES-1 sheet within the ESC returned diamond contents of 144 cpht and 210 cpht respectively, and included the recovery of a 3.99 carat diamond (see Stornoway press release dated May 5, 2009). Previous microdiamond results from the 2007 drilling campaign comprised 518 diamonds from 358.7kg of drill core (see Stornoway press release dated January 28, 2008). The new microdiamond data is consistent with the previous sampling,

and the previous estimates of total diamond content, and demonstrate the lateral consistency of diamond content over the breadth of the 260 ha ESC.

A graphical illustration of the Aviat Project and the kimberlite bodies discussed herein can be found on Stornoway's website at: [http://www.stornowaydiamonds.com/resources/Aviat Kimberlite Pipes.pdf](http://www.stornowaydiamonds.com/resources/Aviat_Kimberlite_Pipes.pdf)

### ***Scientific and Technical Data***

The press release of March 07, 2011 mentions the recovery of a 0.545 carat stone from AV9. Stornoway's ongoing QA/QC programs subsequently identified a laboratory reporting error whereby that stone is actually 0.0545 carats in weight. The two largest stones from AV9 are therefore 0.156 and 0.083 carats. This change has no material impact on the overall diamond results from the Aviat kimberlites, or on management's assessment of the project's value.

### ***Management's Assessment***

Management believes that the new microdiamond results reported above confirm the high diamond contents and competitive size distribution characteristics typical of the Aviat Project, one of the most significant diamond occurrences to have been discovered in the eastern Arctic. Of particular significance are the large diamonds recovered from AV9, the kimberlite pipe located at the heart of Aviat's complex of diamondiferous kimberlite sheets. Aviat represents a credible internal growth opportunity for the Company with a substantial inventory of diamonds. As the Renard Diamond Project progresses, management's intention is to continue to advance the Company's pipeline of projects, with particular emphasis on discovery and the establishment of new resources.