

BC FORM 45-103F4
Securities Act

REPORT OF EXEMPT DISTRIBUTION

Issuer Information

1. State the full name, address and telephone number of the issuer of the security distributed. Include former name if name has changed since last report. If this report is filed by a vendor, other than the issuer, also state the full name and address of the vendor.

Arctic Star Diamond Corp.
Suite 2833, 595 Burrard Street
Vancouver, BC V7X 1C4
Phone: (604) 689-1799

2. State whether the issuer is or is not a reporting issuer and, if so, the jurisdictions in which it is reporting.

The Issuer is a reporting issuer in the jurisdictions of British Columbia, Alberta and Ontario.

Details of Distribution

3. State the distribution date. If the report is being filed for securities distributed on more than one distribution date, state all distribution dates.

September 15, 2004.

4. For each security distributed:

- (a) describe the type of security, and
- (b) state the total number of securities distributed. If the security is convertible or exchangeable, describe the type of underlying security, the terms of exercise or conversion and any expiry date.

4,470,000 flow-through common shares at a price of Cdn. \$0.40 per share.

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(See Filer's letter dated Sep 22/04)
4,195,000 UT (Required to be reported)

5. Provide details of the distribution by completing the attached schedule.

See attached.

6. Complete the following table for each Canadian and foreign jurisdiction where purchasers of the securities reside. Provide a total dollar value of all securities distributed in all jurisdictions. Do not include in this table, securities issued as payment for commissions or finders fees disclosed under item 7, below.

Each jurisdiction where purchasers reside	Price per security (Canadian \$)	Total dollar value raised from purchasers in the jurisdiction (Canadian\$)

British Columbia	\$0.40	\$743,000
Ontario	\$0.40	\$1,045,000
Total dollar value of distribution in all jurisdictions (Canadian \$)		\$1,788,000

Commissions and Finder's Fees

*(BC = \$633,000)
* Required to be reported.*

7. Provide the following information for each person who is being compensated in connection with the distribution(s). When disclosing compensation paid or to be paid, include discounts, commissions or other fees or payments of a similar nature directly related to the distribution. Do not include payments for services incidental to the trade, such as clerical, printing, legal or accounting services.

Full Name and Address of person being compensated	Compensation paid (in Canadian \$ and, if applicable, number and type of securities)	Exemption relied on and date of distribution (if applicable)	Price per share (Canadian \$)
Dundee Securities Corporation, Suite 3424, 1055 Dunsmuir Street, Vancouver, BC	178,800 Agent's Warrants ⁽¹⁾⁽²⁾	Section 74(2)(23) of the Securities Act September 15, 2004	\$0.40
Canaccord Capital Corporation, Suite 2200, 609 Granville Street, Vancouver, BC	178,800 Agent's Warrants ⁽¹⁾⁽²⁾ <i>T = 357,600 WTS</i>	Section 74(2)(23) of the Securities Act September 15, 2004	\$0.40

2/1/04

- (1) Each Agent's Warrant is exercisable into one common share of the Issuer at a price of \$0.40 per share until September 15, 2006.
- (2) The Agents were also paid a cash commission equal to 8% of the proceeds of the private placement for a total of \$143,040

Certificate

On behalf of the issuer (or vendor), I certify that the statements made in this report and in each schedule to this report are true.

DATED at Vancouver, BC, this ^{*21st*} day of September, 2004.

Arctic Star Diamond Corp.

Name of Issuer or vendor *(please print)*

PATRICK TOWER, PRESIDENT

Print name and position of person signing

[Handwritten Signature]

Signature