

S 151783-2  
March 17/08  
\$3,012,050.75

**Form 45-106F1  
Report of Exempt Distribution**

This is the form required under section 6.1 of National Instrument 45-106 for a report of exempt distribution.

**Issuer information**

**Item 1:** State the full name of the issuer of the security distributed and the address and telephone number of its head office. If the issuer of the security distributed is an investment fund, state the name of the fund as the issuer, and provide the full name of the manager of the investment fund and the address and telephone number of the head office of the manager. Include the former name of the issuer if its name has changed since last report.

**ARCTIC STAR DIAMOND CORP. (the "Issuer")**  
Suite 2833 - 595 Burrard Street  
P.O. Box 49057  
Vancouver, British Columbia  
V7X 1C4

**Telephone: (604) 689-1799**

**Item 2:** State whether the issuer is or is not a reporting issuer and, if reporting, each of the jurisdictions in which it is reporting.

**The Issuer is a reporting issuer in British Columbia, Alberta and Ontario.**

**Item 3:** Indicate the industry of the issuer by checking the appropriate box next to one of the industries listed below.

- |   |   |
|---|---|
| <input type="checkbox"/> Bio-tech                       | Mining  |
| Financial Services                                      | <input checked="" type="checkbox"/> exploration/development |
| <input type="checkbox"/> investment companies and funds | <input type="checkbox"/> production                         |
| <input type="checkbox"/> mortgage investment companies  | <input type="checkbox"/> Oil and gas                        |
| <input type="checkbox"/> Forestry                       | <input type="checkbox"/> Real estate                        |
| <input type="checkbox"/> Hi-tech                        | <input type="checkbox"/> Utilities                          |
| <input type="checkbox"/> Industrial                     | <input type="checkbox"/> Other (describe)                   |

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S.C. Securities  
Commission

**Details of distribution**

**Item 4:** Complete Schedule I to this report. Schedule I is designed to assist in completing the remainder of this report.

**See Schedule I attached**

**Item 5:** State the distribution date. If the report is being filed for securities distributed on more than one distribution date, state all distribution dates.

**March 17, 2008**

**Item 6:** For each security distributed:

- (a) describe the type of security,

**21,998,175 units consisting of:**

- **7,614,400 flow-through units ("FT Units"); and**
- **14,383,775 non-flow-through units ("NFT Units")**

- (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; and

**Each Flow-Through Unit consists of one flow-through common share and one-half of one common share purchase warrant (each whole common share purchase warrant, a "Warrant").**

**Each Non-Flow-Through Unit consists of one common share and one Warrant.**

**The Warrants will be exercisable into common shares of the Company at a price of \$0.15 per share for a period of 18 months from closing.**

**40,189,151 common shares will be issued pursuant to this private placement if all warrants are exercised.**

- (c) state the exemption(s) relied on.

**Section 2.3 of NI 45-106**

**Item 7:** Complete the following table for each Canadian and foreign jurisdiction where purchasers of the securities reside. Do not include in this table, securities issued as payment for commissions or finder's fees disclosed under item 8, below.

Each jurisdiction where purchasers reside	Number of purchasers	Price per security (Canadian \$) <sup>1</sup>	Total dollar value raised from purchasers in the jurisdiction (Canadian \$)
<b>British Columbia</b>	<b>16</b>	<b>\$0.15 and \$0.13</b>	<b>\$724,899.95</b>
<b>Alberta</b>	<b>34</b>	<b>\$0.15 and \$0.13</b>	<b>\$1,326,898.83</b>
<b>Manitoba</b>	<b>1</b>	<b>\$0.15 and \$0.13</b>	<b>\$30,000.00</b>
<b>Ontario</b>	<b>8</b>	<b>\$0.15 and \$0.13</b>	<b>\$685,490.05</b>
<b>Other</b>	<b>2</b>	<b>\$0.15 and \$0.13</b>	<b>\$244,761.92</b>
<b>Total number of Purchasers</b>	<b>61</b>		
<b>Total dollar value of distribution in all jurisdictions (Canadian \$)</b>			<b>\$3,012,050.75</b>

Note 1: If securities are issued at different prices list the highest and lowest price the securities were sold for.

**Commissions and finder's fees**

**Item 8:** Complete the following table by providing information for each person who has received or will receive compensation in connection with the distribution(s). Compensation includes commissions, discounts or other fees or payments of a similar nature. Do not include payments for services incidental to the distribution, such as clerical, printing, legal or accounting services.

If the securities being issued as compensation are or include convertible securities, such as warrants or options, please add a footnote describing the terms of the convertible securities, including the term and exercise price. Do not include the exercise price of any convertible security in the total dollar value of the compensation unless the securities have been converted.

Full name and address of the person being compensated	Compensation paid or to be paid (cash and/or securities)				
	Cash (Canadian \$)	Securities			Total dollar value of compensation (Canadian \$)
		Number and type of securities issued	Price per security	Exemption relied on and date of distribution	
J.F. Mackie & Company Ltd. 1550, 335 – 8 th Avenue S.W. Calgary, AB T2P 1C9 Canada	\$240,964.06	1,759,854 Warrants <sup>1</sup>	\$0.13	Section 2.3 of NI 45-106	\$240,964.06

<sup>1</sup> A total of 1,759,854 warrants were issued entitling J.F Mackie & Company Ltd. to purchase one common share for each warrant held at a price of \$0.13 per share for a period of two years from closing. The warrants expire March 17, 2010.

**Item 9:** If a distribution is made in Ontario, please include the attached “Authorization of Indirect Collection of Personal Information for Distributions in Ontario”. The “Authorization of Indirect Collection of Personal Information for Distributions in Ontario” is only required to be filed with the Ontario Securities Commission.

**Certificate**

On behalf of the issuer, I certify that the statements made in this report are true.

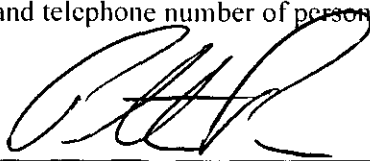
Date: March 26, 2008

Arctic Star Diamond Corp.

Name of issuer (please print)

Patrick Power, President, (604) 689-1799

Print name, title and telephone number of person signing



Signature

**Item 10:** State the name, title and telephone number of the person who may be contacted with respect to any questions regarding the contents of this report, if different than the person signing the certificate.

**PATRICK POWER, PRESIDENT  
ARCTIC STAR DIAMOND CORP.**  
Suite 2833, Three Bentall Centre  
P.O. Box 49057, 595 Burrard Street  
Vancouver, British Columbia  
V7X 1C4

Tel. (604) 689-1799  
Fax (604) 689-8199

**IT IS AN OFFENCE TO MAKE A MISREPRESENTATION IN THIS REPORT.**