FIVE STAR DIAMONDS LIMITED

(Formerly Turquoise Capital Corp.)

MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

The following Management Discussion and Analysis ("MD&A") of Five Star Diamonds Limited (the "Company" or "Five Star") has been prepared by management, in accordance with the requirements of National Instrument 51-102 as of October 30, 2017, and should be read in conjunction with the condensed consolidated financial statements for the years ended June 30, 2016 and 2015 and the related notes contained therein which have been prepared under International Financial Reporting Standards ("IFRS"). The information contained herein is not a substitute for detailed investigation or analysis on any particular issue. The information provided in this document is not intended to be a comprehensive review of all matters and developments concerning the Company.

All financial information in this MD&A relates to 2017, 2016 and 2015 has been prepared in accordance with IFRS and all dollar amounts are quoted in Canadian dollars, the reporting and functional currency of the Company, unless specifically noted.

Forward Looking Statements

Certain information included in this discussion may constitute forward-looking statements. Readers are cautioned not to put undue reliance on forward-looking statements. These statements relate to future events or the Company's future performance, business prospects or opportunities. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements contained into this report should not be unduly relied upon. These statements speak only as of the date of this report. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this report. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about general business and economic conditions; the availability of financing for the Company's operations; and the ability to attract and retain skilled staff.

These forward-looking statements are subject to certain factors, including risks and uncertainties, which could cause actual results to differ materially from what we currently expect. Actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, the risk factors hereinafter. **Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur. The Company cautions that the following list of important factors is not exhaustive. Investors and others who base themselves on the Company's forward-looking statements should carefully consider the factors below as well as the uncertainties they represent and the risk they entail. The forward-looking statements contained in this report are expressly qualified by this cautionary statement.** The Company intends to discuss in its quarterly and annual reports referred to as the Company's management's discussion and analysis documents, any events and circumstances that occurred during the period to which such document relates that are reasonably likely to cause actual events or circumstances to differ materially from those disclosed in this management discussion and analysis.

Description of Business

The Company was incorporated on November 14, 2012 under the Business Corporations Act (British Columbia).

The head office of the Company is located at Suite 806, 390 Bay Street, Toronto, Ontario. The records and registered office of the Company is located at Suite 806, 390 Bay Street, Toronto, Ontario. The Company has four subsidiaries; FSD Holdings Limited (incorporated in the British Virgin Islands), FSD Brazil Limited (incorporated in the British Virgin Islands), Five Star Mineração Ltda. (incorporated in Brazil) and 1030301 BC Ltd (incorporated in Canada).

On September 9, 2016 the Company signed a definitive merger agreement (the "Merger Agreement") with FSD Holdings Limited (formerly Five Star Diamonds Ltd.), a corporation existing under the laws of the British Virgin Islands ("FSD BVI"), which sets out the terms and conditions pursuant to which the Company and FSD BVI were to complete a transaction that will result in a reverse takeover of the Company by the shareholders of FSD BVI (the "Transaction") and constitute the Company's Qualifying Transaction under the TSX Venture Exchange (the "TSXV") Policy 2.4 – Capital Pool Companies. Upon completion of the Transaction, it is the intention of the parties that the resulting issuer company will focus on the exploration and development of FSD BVI's diamond projects located in Brazil.

FSD BVI was incorporated on May 15, 2014 under the laws of the British Virgin Islands with focus on the business of mining, mineral and resource exploration and development in Brazil. Currently, the FSD BVI has one material project, the Catalão Diamond Project, located in the State of Goiãs, Brazil. The Catalão Diamond Project is comprised of one exploration licence of 1,999.42 hectares. FSD BVI holds its interest in the Catalão Diamond Project through its Brazilian subsidiary.

Along with the Catalão Diamond Project, FSD BVI has several other projects a total area of approximately 80,000 hectares. All of FSD BVI's projects are 100% owned. A total of 15 diamond bearing kimberlite pipes have already been identified and sampled and a further 87 kimberlite pipes are to be tested across the FSD BVI's projects. On September 14, 2017, the Company relinquished 13 mineral rights covering approximately 20,000 hectares. No exploration activities had been conducted in the areas covered by these mineral rights and they did not form a part of any of the Company's advanced projects.

On March 3, 2017, the Company received conditional approval from the TSX Venture Exchange for the Qualifying Transaction. Following which the Company submitted its filing statement for the Merger Agreement to the TSX Venture Exchange on March 29, 2017.

On April 20, 2017, the Company, FSD BVI and FSD Holdings Limited (a wholly owned subsidiary of FSD BVI) finalised the Merger Agreement. To complete the merger, FSD Holdings Limited and FSD BVI merged to form a single entity and the separate corporate existence of FSD BVI. FSD Holdings Limited became the owner of all rights and property of the two merged entities and subject to all liabilities, obligations and penalties of the two entities. All of the ordinary shares of FSD BVI outstanding immediately prior to the merger were cancelled and in exchange the holders of the cancelled ordinary shares received one common share in the capital of the Company for every share previously held. An aggregate of 101,287,345 common shares were issued to the former shareholders of FSD BVI. The resulting merged entity of FSD Holdings Limited became a wholly-owned subsidiary of the Company. As a result of the merger, FSD BVI was subsequently struck off.

In connection with the completion of the Transaction, the Company completed a private placement (the "Offering") of 17,815,480 common shares at a price of $0.30 per share for aggregate gross proceeds of C$5,344,644. In connection with the Offering, the Company provided compensation to registered brokers, registered dealers and other finders comprised of an aggregate of $403,185 in cash and an aggregate of 1,343,950 non-transferable common share purchase warrants, with each whole warrant entitling holder to acquire one Common Share at a price of $0.30 per share for a period of two years from the date of issuance. Following completion of the Transaction and the Offering, the Company has 128,777,096 Common Shares issued and outstanding and securities convertible into an aggregate of 1,543,950 additional Common Shares.

On closing of the Transaction, the Company changed its name from Turquoise Capital Corp. to Five Star Diamonds Limited and all of the prior directors and officers of the Company resigned and were replaced.

On April 25, 2017 the common shares commenced trading on the TSX-V under the new ticker symbol "STAR".

Share Capital

Since its incorporation on May 15, 2014 to June 30, 2017, the Company has issued an aggregate of 128,777,096 Shares pursuant to private placements, as consideration for acquisitions or in satisfaction of option payments under acquisition agreements, working capital and as consideration to its directors, officers, employees and consultants for services rendered.

During the 12-month period ended June 30, 2017, the following equity transactions occurred:

- July 29, 2016 – Issued 1,000,000 ordinary shares at USD$0.228 per share to raise USD$228,205;
- August 24, 2016 – Issued 50,000 ordinary shares at USD$0.228 per share as payment for consulting services provided;
- January 27, 2017 - Issued 220,000 ordinary shares at USD$0.224 per share to raise USD$49,280;
- January 27, 2017 - Issued 1,000,000 ordinary shares at USD$0.216 per share to raise USD$216,000;
- February 10, 2017 - Issued 997,078 ordinary shares at USD$0.228 per share as settlement of outstanding director and consulting service fees;
- April 13, 2017 – Issued 1,408,087 ordinary shares at USD$0.181 per share as anti-dilution shares;
- April 13, 2017 – Issued 2,992,599 ordinary shares at CAD$0.300 per share as payment for consulting services provided;
- April 20, 2017 – Issued 141,898 ordinary shares at CAD$0.300 per share as payment for consulting services provided;
- April 20, 2017 – Issued 17,815,480 ordinary shares at CAD$0.109 per share to vendors to complete the RTO; and
- June 28, 2017 – Issued 50,000 at CAD$0.10 per share on exercise of options.

During the 12-month period ended June 30, 2016, the following equity financing transactions occurred:

- December 9, 2015 – Issued 6,250,000 ordinary shares at USD$0.242 per share to raise USD$1,513,546;
- January 4, 2016 – Issued 214,251 ordinary shares at USD$0.234 per share to raise USD$50,082;
- June 6, 2016 – Issued 6,250,000 ordinary shares at USD$0.234 per share to raise USD$1,465,350.
- June 6, 2016 – Issued 86,429 ordinary shares at USD$0.229 per share to raise USD$19,807.

Selected Consolidated Annual Information

The Company is providing the following selected information with respect to the Company's financial statements for the fiscal years ended June 30, 2017, 2016 and 2015. The financial statements for these fiscal years were prepared in accordance with International Financial Reporting Standards and are expressed in United States dollars.

	Year Ended June, 30		
	2017	**2016**	**2015**
	Audited	**Audited**	**Audited**
Total Revenue	-	-	-
Operating Expenses	(7,305,503)	(2,738,819)	(827,629)
Other Income	37,409	6,643	2,423
Net Loss	(7,268,094)	(2,732,176)	(825,206)
Net Loss per share (basic and fully diluted)	(0.070)	(0.031)	(0.016)

	Year Ended June, 30		
	2017	**2016**	**2015**
	Audited	**Audited**	**Audited**
Current Assets	3,213,029	1,375,426	2,368,540
Total Assets	9,407,308	6,091,373	3,751,050
Total Liabilities	664,504	257,027	295,329
Working Capital	2,548,525	1,118,399	2,073,211
Shareholders' Equity	8,522,716	5,834,346	3,455,721

For the year ended June 30, 2017, the Company incurred a net loss of $7,268,094 (2016: $2,732,176). The increase in losses incurred is primarily associated with reverse takeover transaction costs and share based payments in relation to the Transaction.

At June 30, 2017, the Company had cash and cash equivalents of $3,029,431 (2016 - $1,328,172). Working capital at June 30, 2017 was $2,548,525 (2016 – $1,118,399). To date, the Company's sole main source of financing has been derived from the issuance of common shares and the Company's wholly owned subsidiary FSD Brazil Limited entering in to a loan agreement in March 2017 with a third party for an amount of US$210,000. The funds were repaid in May 2017.

To date, the Company has not earned any revenues from its mining properties, and is considered to be in the exploration and development stage. The ability to ensure continuing operations is dependent on the discovery of economically recoverable reserves, confirmation of its interest in the underlying mineral claims, and its ability to obtain necessary financing to complete the exploration activities, development and advance to production.

Annual Results of Operations

During the 12 months ended June 30, 2017 and 2016, the Company incurred a net loss before income taxes of $7,268,094 (2016 - $2,732,176). The expenses for the 12 months ended June 30, 2017, include the following material items:

- Reverse takeover transaction costs of $2,027,997 (2016 - nil);
- Share based payments of $2,542,867 (2016 - nil);
- Consultant and director fees of $1,123,437 (2016 - $1,013,172);
- Travel expenses of $427,376 (2016 - $629,659); and
- Other expenses of $448,627 (2016 - $510,194).

Overall increase in expenses from 2016 to 2017 due to costs associated with completing the Transaction.

Fourth Quarter Results of Operations

During the quarter ended June 30, 2017, the Company incurred a net comprehensive loss before income taxes interest and other income of $5,515,373 (2016 - $875,667). The expenses for the quarter ended June 30, 2017, include the following material items:

- Reverse takeover transaction costs of $2,027,997 (2016 - nil);
- Share based payments of $2,542,867 (2016 - nil);
- Consultant and director fees of $333,723 (2016 - $257,517); and
- Legal fees of $197,915 (2016 - $51,647).

Overall increase in expenses from 2016 to 2017 due to costs associated with completing the Transaction.

Summary of Quarterly Results

	Three-Months Ended Jun 30, 2017	**Three-Months Ended Mar 31, 2017**	**Three-Months Ended Dec 31, 2016**	**Three-Months Ended Sept 30, 2016**
	Unaudited	**Unaudited**	**Unaudited**	**Unaudited**
Total Revenue	-	-	-	-
Operating Expenses	(5,535,835)	(501,423)	(618,293)	(649,953)
Other Income	20,462	358	14,081	2,508
Net Loss	(5,515,373)	(501,065)	(604,212)	(647,445)
Net Loss per share (basic and fully diluted)	(0.055)	(0.005)	(0.006)	(0.007)

	Three-Months Ended Jun 30, 2017	Three-Months Ended Mar 31, 2017	Three-Months Ended Dec 31, 2016	Three-Months Ended Sept 30, 2016
	Audited	Unaudited	Unaudited	Unaudited
Current Assets	3,213,029	179,881	534,792	728,542
Total Assets	9,407,308	5,828,015	5,980,106	5,866,469
Total Liabilities	664,504	771,964	977,333	354,175
Working Capital	2,548,525	(592,083)	(442,542)	374,367
Shareholders' Equity	8,522,716	5,235,932	5,002,772	5,512,293

Liquidity and Capital Resources

To date, the Company has not yet realised profitable operations. The Company has relied on equity financings and borrowings to fund the losses. The Company has sufficient funds to satisfy its expenditure plans for the current fiscal year.

These condensed consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and the ability of the Company to continue as a going-concern depends upon its ability to raise adequate financing. Management is actively targeting sources of additional financing which would assure continuation of the Company's operations. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate such financing.

	June 30, 2017	June 30, 2016
Working capital	$ 2,548,525	$ 1,118,399

Net cash used in operating activities during the 12 months ended June 30, 2017, was $2,405,460 (2016 – $2,417,662). The cash used in operating activities for the period consists primarily of the operating costs and are offset by the increased balances in trade payable, accrued liabilities and borrowings.

Net cash used in investing activities during the 12 months ended June 30, 2017, was $1,328,600 (2016 - $3,646,154).

Net cash generated from financing activities during the 12 months ended June 30, 2017, was $5,433,131 (2016 - $3,798,723).

There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. If adequate financing is not available when required, the Company may be unable to continue operating. The Company may seek such additional financing by way of debt or equity, however there can be no assurance that such financing will be available on terms acceptable to the Company or at all.

The Company has sufficient funds to cover anticipated administrative expenses throughout the current fiscal year.

Related Party Transactions

Related party transactions conducted in the normal course of operations are measured at the exchange value (the amount established and agreed to by the related parties). The terms and conditions of the transactions with key management personnel and their related parties were no more favorable than those available, or which might reasonably be expected to be available, to similar transactions to non-key management personnel related entitles on an arm's length basis.

Related parties include members of the board of directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

On February 10, 2017, the Company issued 818,225 shares in total to executives Mr. Matthew Wood, Mr. Brian McMaster and Mr. Luis Azevedo and 60,592 shares to non-executive director Mr. Simon Rothschild. The shares have a value of $0.30 per share and were issued in full and final satisfaction of amounts owed for executive and director fees.

During the 12-month period ended June 30, 2017, the Company incurred the following amounts for executive compensation arrangements described below:

- Matthew Wood as Chief Executive Officer and Director - $273,949 of which $85,238 was settled in shares;
- Brian McMaster, Chief Financial Officer and Director - $158,565 of which $53,273 was settled in shares;
- Luis Azevedo, Chief Operating Officer - $147,745 of which $73,923 was settled in shares; and
- Joseph Burke, General Manager Marketing - $158,640 of which $19,817 was settled in shares.

During the 12-month period ended June 30, 2016, the Company incurred the following amounts for executive compensation arrangements described below:

- Matthew Wood as Chief Executive Officer and Director - $238,472;
- Brian McMaster, Chief Financial Officer and Director - $159,154;
- Luis Azevedo, Chief Operating Officer - $85,330; and
- Joseph Burke, General Manager Marketing - $93,492.

Other transactions with Key Management Personnel

Gemstar Investments Limited, a company in which Mr McMaster is a director, is a personal services company into which Mr McMaster's Director fees are paid. Gemstar Investments Limited had $26,455 (2016: $13,005) outstanding at year end.

Capital M Consultants Limited, a company in which Mr Rothschild is a director, is a personal services company into which Mr Rothschild's Director fees are paid. Capital M Consultants Limited had $26,233 (2016: $nil) outstanding at year end.

FFA Legal Ltda, a company in which Mr Azevedo is a director, provided the Company with legal and accounting services in Brazil totalling $299,515 (2016: $22,768). No balance (2016: $176,900) was outstanding at year end.

Luis Azevedo has $31,160 (2016: $10,404) outstanding in Director fees at year end.

Matthew Wood had $106,047 (2016: $37,109) outstanding in Director fees at year end.

Harvest Minerals Limited, a company in which Mr McMaster is a director, provided the Company with rental services in London totalling $39,932 (2016: $nil). $36,239 (2016: $nil) was outstanding at year end.

Garrison Capital Limited, a company in which Mr McMaster and Mr Wood are directors, charged the Company for reimbursement of expenses at cost totalling $1,958 (2016: $36,921). No balance (2016: $400) was outstanding at year end.

ATMACorp Ltd, a company in which Mr Waraich is a director, was issued 984,497 fully paid ordinary shares in satisfaction of corporate advisory services provided.

Changes in Accounting Policies

During the 12-months ended June 30, 2017, there were no changes in accounting policy.

New standards not yet adopted

New and amended standards adopted by the Group

None of the new standards and amendments to standards that are mandatory for the first time for the financial period beginning July 1, 2016 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

Standards and Interpretations issued but not yet effective

None of the new standards and interpretations issued but not yet effective for the current reporting period have a material impact on the Group.

Early adoption of standards

The Directors have not elected to apply any pronouncements before their operative date in the reporting period beginning July 1, 2016.

Financial Instruments

Fair Values

All financial instruments measured at fair value are categorized into one of three hierarchy levels, described below, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

- Level 1 – Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities;
- Level 2 – Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability; and
- Level 3 – Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the over fair value measurement.

The carrying value of amounts receivable, and other accounts payable and accrued liabilities approximate their fair values because of short period to maturity of these instruments.

Cash and cash equivalents are classified as held for trading and are therefore recorded at fair value. At June 30, 2017 and 2016, the Company's cash and cash equivalents are classified as Level 1 within the fair value hierarchy.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Five Star's exposure to credit risk is on its cash held with financial institutions and amounts receivable.

The carrying amount of cash represents the maximum credit exposure.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Group currently has no operational revenue streams. Operational cash flow represents the ongoing appraisal and testing of the group's projects, assessing exploration progress and administration costs. The Group manages its liquidity requirements by the use of both short-term and long-term cash flow forecasts. The Group's policy to ensure facilities are available as required is to issue equity share capital and form strategic alliances in accordance with long-term cash flow forecasts. The Group currently has no undrawn committed facilities as at 30 June 2017.

The Group actively manages its working finance to ensure the Group has sufficient funds for operations and planned expansion.

The Group's financial liabilities are primarily trade payables and operational costs. All amounts are due for payment in accordance with agreed settlement terms with suppliers or statutory deadlines and all within one year.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk.

Foreign exchange risk

Foreign exchange risk is the risk that fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company has exposure to US dollars, Australian dollars, Great British Pounds, Canadian dollars and Brazilian Reais that are subject to fluctuations as a result of exchange rate variations to the extent that transactions are made in this currency. The Company does not hedge its foreign exchange risk.

The Company's financial instruments held in foreign currencies were:

	BRL in CAD	AUD in CAD	GBP in CAD	USD in CAD	CAD
Cash and cash equivalents	46,478	2,239	-	346,986	2,633,728
Accounts payable & accrued liabilities	107,584	32,134	95,095	307,844	121,847

Based on the net exposures as of June 30, 2017, and assuming that all other variables remain constant, a 10% fluctuation on the Canadian dollar against the Brazilian Real, the Australian dollar, Great British Pound and the United States dollar would result in the Company's foreign exchange gain/loss recorded being approximately $14,758 higher (or lower).

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements as at June 30, 2017.

Outstanding Share Data

The following table summarizes the outstanding share capital as of the date of the MD&A:

	Number of shares issued or issuable
Common shares	128,877,096
Stock options (exercisable until July 2, 2018 at $0.10 per share)	50,000
Stock options (exercisable until May 5, 2019 at $0.36 per share)	5,000,000
Agent warrants outstanding	nil

Escrow Shares

65,909,835 of the common shares issued and outstanding were held in escrow as of the date of this Management Discussion and Analysis. As a result of moving to a Tier 1 mining issuer on the TSX, 35% of the common shares were released from escrow on completion of the Qualifying Transaction with Five Star, and a certain percentage of the common shares will be released every six months thereafter.

Internal Controls over Financial Reporting

Management has designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of condensed consolidated interim financial statements for external purposes in accordance with IFRS. Lack of optimal segregation of duties has been observed due to the relatively small size of the Company, but management believes that these weaknesses have been adequately mitigated through management and director oversight.

Management's Responsibility for condensed consolidated financial statements

The information provided in this report, including the condensed consolidated interim financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the condensed consolidated condensed consolidated interim financial statements.

Additional Information

Further information about the Company and its operations can be obtained from the offices of the Company at Suite 806, 390 Bay Street, Toronto, Ontario or from the Company's website at www.fivestardiamonds.net.

Refer also to the filing statement for the Merger Agreement submitted to the TSX-V by the Company on March 29, 2017 which can be found on SEDAR at www.sedar.com.