

FORM 51-102F3

MATERIAL CHANGE REPORT

Item 1 Name and Address of Company

Star Diamond Corporation (the "**Corporation**" or "**Star Diamond**")
600, 224 – 4th Avenue South
Saskatoon, SK
S7K 5M5

Item 2 Date of Material Change

December 9, 2021

Item 3 News Release

A news release disclosing in detail the material summarized in this material change report was disseminated through the facilities of Cision Canada on December 9, 2021 and filed on the System for Electronic Document Analysis and Retrieval ("SEDAR").

Item 4 Summary of Material Change

On December 9, 2021, the Corporation announced it has entered into a resolution agreement and a joint venture agreement with Rio Tinto Exploration Canada Inc. ("RTEC"). The agreements comprehensively resolve all disputes between the Corporation and RTEC and best position the joint venture to advance the development of a diamond mining operation on the Fort à la Corne property in Saskatchewan, Canada.

Item 5 Full Description of Material Change

5.1 Full Description of Material Change

On December 9, 2021, the Corporation announced it has entered into a resolution agreement and a joint venture agreement with RTEC. The agreements comprehensively resolve all disputes between the Corporation and RTEC and best position the joint venture to advance the development of a diamond mining operation on the Fort à la Corne property in Saskatchewan, Canada.

Under the agreements, Star Diamond and RTEC have agreed that all expenditures incurred at the Fort à la Corne property between November 9, 2019 and December 31, 2021 are the sole responsibility of RTEC, which are expected to amount to approximately \$77.4 million (100% basis) and are in addition to the approximately \$103.6 million spent by RTEC at the property prior to giving notice on November 9, 2019 that it was exercising its options to joint venture.

Expenditures incurred at the property ("carried interest costs") from and after January 1, 2022 are to be 100% advanced by RTEC in first instance until, among other things: (a) the completion of a feasibility study demonstrating that extraction of diamonds is reasonably justified (economically mineable) and that contemplates the construction and operation of

a diamond mining operation having certain minimum requirements, (b) a positive decision has been made to develop such mine, (c) a development program and budget for the construction of such mine has been approved, and (d) public disclosure has been made of the decision to develop such mine.

Star Diamond will have no obligation to fund or contribute to carried interest costs until the commencement of commercial production, which will not occur until after the completion of construction of the diamond mine with it generally operating at certain specified thresholds for 90 days. Once commercial production has been achieved, Star Diamond will be required to reimburse RTEC for Star Diamond's share (based upon its participating interest in the joint venture) of carried interest costs by the retention by RTEC of a specified portion of the diamonds that Star Diamond would otherwise be entitled to receive if Star Diamond is taking its share of diamonds in kind, or by paying to RTEC a specified portion of the net sale proceeds that would otherwise be received by Star Diamond from the sale of diamonds produced at the mine, in each case until RTEC has been reimbursed for Star Diamond's share of carried interest costs. Such specified portion of Star Diamond's share of diamonds or net sale proceeds, as applicable, to be used to reimburse RTEC for carried interest costs is 50% during the first year following the commencement of commercial production, 65% during the second year, and 80% thereafter, in each case until RTEC has been reimbursed. Star Diamond may prepay these amounts at any time without penalty, and any carried interest costs that have not been reimbursed as of the first anniversary of commercial production will bear interest at prime plus 5%.

Once a decision to develop the mine has been made and publicly announced, Star Diamond will have six months before it is required to begin contributing to its share of capital costs and expenditures incurred for construction of the mine.

In exchange for the foregoing, the respective participating interests of RTEC and Star Diamond in the joint venture have been adjusted to 75% for RTEC and 25% for Star Diamond (from 60% and 40%, respectively).

Star Diamond has also agreed that, prior to it entering into any agreement that will result in the acquisition by any person of more than 50% of the shares of Star Diamond (or any other transaction the result of which allows any person to direct the management and policies of Star Diamond), RTEC will have a five-business day right to match such acquisition proposal.

As part of the resolution arrangements, Star Diamond and RTEC have agreed to end the litigation that has been ongoing between them and to release each other for prior events.

The arrangements were negotiated on behalf of Star Diamond under the supervision and direction of its special committee of non-management directors that was formed in early 2020. Upon the recommendation of that special committee, these arrangements were unanimously approved by Star Diamond's board of directors on December 9, 2021.

5.2 Disclosure for Restructuring Transactions

Not applicable.

Item 6 Reliance on Subsection 7.1(2) of National Instrument 51-102

Not applicable.

Item 7 Omitted Information

Not applicable.

Item 8 Executive Officer

For further information, please contact Mr. Kenneth E. MacNeill, President and Chief Executive Officer at (306) 664-2202.

Item 9 Date of Report

December 9, 2021.