

STAR DIAMOND CORPORATION AND RIO TINTO ANNOUNCE COMPREHENSIVE RESOLUTION OF ALL DISPUTES AND REVISED JOINT VENTURE ARRANGEMENTS

December 9, 2021

Star Diamond Corporation (“Star Diamond”) and Rio Tinto are pleased to announce that they have today entered into binding agreements that comprehensively resolve all disputes between them. As part of that resolution, Star Diamond and Rio Tinto have agreed to revised joint venture arrangements that 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 these new arrangements:

- All expenditures on the project prior to December 31, 2021 will be the sole responsibility of Rio Tinto’s subsidiary, Rio Tinto Exploration Canada Inc. (“RTEC”);
- All expenditures between January 1, 2022 and the public announcement of a decision to develop a diamond mining operation, based upon the completion of a positive feasibility study, will initially be advanced by RTEC. Star Diamond will not be required to begin reimbursing RTEC for Star Diamond’s share of these expenditures unless and until commercial production has been achieved. The effect of the foregoing is that Star Diamond will have no obligation to contribute additional investment to the project until a decision to develop the mine is made and publicly announced;
- Once the decision to develop the mine has been made and announced, Star Diamond will have six months to begin contributing to the joint venture Star Diamond’s share of the capital costs and expenditures required to build the mine; and
- In exchange for these amendments, the parties have agreed that the 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).

These arrangements de-risk the project for Star Diamond and ensure that key project milestones, and the certainty associated with them, will have been achieved before Star Diamond has to contribute any additional capital, while also providing Rio Tinto with a greater participating interest in the project. They also align the interests of Rio Tinto and Star Diamond in moving the project forward for the benefit of both companies and their respective shareholders.

“This is a major step forward for the Fort à la Corne project, Star Diamond and its shareholders. We are very pleased to have reached a constructive resolution with Rio Tinto that puts our differences in the past, fully aligns our interests and allows both of us to singularly focus on jointly and expeditiously moving forward with what Star Diamond believes is one of the most promising Diamond projects in the world,” stated Ewan Mason, Chair of the Board of Star Diamond.

Rio Tinto Head of Exploration, Dave Andrews said, “These new arrangements and our alignment with Star Diamond represent a major milestone in the continued development of the Fort à la Corne property. Building on the comprehensive studies and successful bulk sampling program on the Star Kimberlite, we are very pleased to now be working cooperatively with Star Diamond on a diamond project that we believe has the potential to be a significant contributor to both the local communities around the Fort à la Corne property and the broader Saskatchewan economy.”

Details of New Arrangements

Under the arrangements announced today, 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. These expenditures are expected to amount to approximately \$77.4 million (100% basis), which is 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 announced today 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 earlier today.

Copies of the Resolution Agreement and the Joint Venture Agreement that have been entered into between Star Diamond and RTEC to give effect to these arrangements are available under Star Diamond's profile on SEDAR at www.sedar.com and will also be posted in Star Diamond's website at www.stardiamondcorp.com. The summary of the new arrangements outlined above is qualified in its entirety by the full text of these agreements, and reference should be made to these agreements for their full terms and conditions.

About Star Diamond Corporation

Star Diamond is a Canadian-based corporation engaged in the acquisition, exploration and development of mineral properties. Shares of Star Diamond trade on the Toronto Stock Exchange under the trading symbol "DIAM". Star Diamond's most significant asset is its interest in the Fort à la Corne property in central Saskatchewan. These kimberlites are located in close proximity to established infrastructure, including paved highways and the electrical power grid, which provide significant advantages for future mine development.

Caution Regarding Forward-looking Statements

This press release contains "forward-looking statements" and/or "forward-looking information" (collectively, "forward-looking statements") within the meaning of applicable securities legislation. All statements, other than statements of historical fact, are forward-looking statements. Forward-looking statements in this press release include, but are not limited to, statements with respect to the Fort à la Corne project, expected expenditures to be incurred by RTEC between November 9, 2019 and December 31, 2021, and the project's potential to be a significant contributor to both the local communities and the broader Saskatchewan economy.

These forward-looking statements are based on Star Diamond's and Rio Tinto's current beliefs as well as assumptions made by and information currently available to each of them and involve inherent risks and uncertainties, both general and specific. Risks exist that forward-looking statements will not be achieved due to a number of factors including, but not limited to, developments in world diamond markets, changes in diamond prices, risks relating to fluctuations in the Canadian dollar and other currencies relative to the US dollar, changes in exploration, development or mining plans due to exploration results and changing budget priorities of RTEC or Star Diamond, the impact of changes in the laws and regulations regulating mining exploration, development, closure, judicial or regulatory judgments and legal proceedings, operational and infrastructure risks and the additional risks described in Star Diamond's most recently filed Annual Information Form, annual and interim MD&A.

Although management of Star Diamond and Rio Tinto consider the assumptions contained in forward-looking statements to be reasonable based on information currently available to them, those assumptions may prove to be incorrect. When making decisions with respect to Star Diamond, investors and others should not place undue reliance on these statements and should carefully consider the foregoing factors and other uncertainties and potential events.

Star Diamond is not affirming or adopting any statements attributed to Rio Tinto in this release or made by Rio Tinto outside of this release. Rio Tinto is not affirming or adopting any statements attributed to Star Diamond in this release or made by Star Diamond outside of this release. Star Diamond and Rio Tinto do not undertake any obligation to release publicly revisions to any forward-looking statement to reflect events or circumstances after the date of this release, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws. Investors should not assume that any lack of update to a previously issued forward-looking statement constitutes a reaffirmation of that statement. Continued reliance on forward-looking statements is at investors' own risk.

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