



Management's Discussion & Analysis

September 30, 2022

The following discussion and analysis is prepared by Management as of November 9, 2022 and should be read in conjunction with the unaudited condensed interim consolidated financial statements of Star Diamond Corporation ("Star Diamond", or the "Company") for the period ended September 30, 2022 ("financial statements for the period ended September 30, 2022"), as well as the audited consolidated financial statements of the Company for the year ended December 31, 2021, in each case available on SEDAR at www.sedar.com. The Company prepared its financial statements for the period ended September 30, 2022 in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). All currency amounts are in Canadian dollars, unless otherwise stated.

Overview

Star Diamond Corporation is a Canadian natural resource company focused on exploring and developing Saskatchewan's diamond resources. Star Diamond holds, through a joint venture arrangement with Rio Tinto Exploration Canada Inc. ("Rio Tinto Canada", a wholly-owned subsidiary of Rio Tinto plc, "Rio Tinto"), a 25% interest in certain Fort à la Corne kimberlite properties (which includes the Star – Orion South Diamond Project, or "Project"). These properties are located in central Saskatchewan, in close proximity to established infrastructure, including paved highways and the electrical power grid, which provide significant advantages for future mine development. Rio Tinto Canada refers to their Fort à la Corne mineral properties as "Project FalCon". During 2018, Star Diamond announced the positive results of an independent Preliminary Economic Assessment (the "PEA") on the Project. The PEA (on a 100% basis) estimated that 66 million carats of diamonds could be recovered in a surface mine over a 38-year Project life, with a Net Present Value ("NPV") (7%) of \$2.0 billion after tax, an Internal Rate of Return ("IRR") of 19% and an after-tax payback period of 3.4 years after the commencement of diamond production (see news release dated April 16, 2018).

During 2018, the Saskatchewan Ministry of Environment ("Ministry") approved the Star - Orion South Diamond Project (see News Release dated October 25, 2018). The Ministry indicated that it had conducted a thorough environmental assessment for the Project, including a detailed environmental impact statement, and carried out in-depth consultation prior to the decision to approve the Project. This included fulfilling the Province's duty to consult with local First Nations and Métis communities. The Canadian Environmental Assessment Agency previously announced a positive Environmental Assessment Decision for the proposed Project by the federal Environment Minister (see News Release dated December 3, 2014).

Fort à la Corne mineral properties

In December 2021, the Company entered into binding agreements with Rio Tinto Canada that comprehensively resolved all disputes between them (see News Release and related filings dated December 9, 2021). These arrangements were intended to ensure that key project milestones, and the certainty associated with them, will have been achieved before Star Diamond has to contribute any additional capital. As part of the December 2021 amended Fort à la Corne joint venture agreement, the participating interests were adjusted to 75% for Rio Tinto Canada and 25% for Star Diamond.

On June 28, 2022, Rio Tinto Canada exercised its voting power at a meeting of the Fort à la Corne joint venture management committee to place the Fort à la Corne properties on care and maintenance through December 31, 2022 (see News Release dated June 28, 2022). Rio Tinto Canada also advised that, subject to fulfilling its existing obligations, it does not intend to commit additional capital to the Fort à la Corne properties during 2022 beyond what is necessary for care and maintenance. Rio Tinto Canada also advised the Company that it intends to conduct a near-term review of its alternatives regarding the Fort à la Corne properties, including its

potential exit. During the June 2022 meeting, Rio Tinto Canada stated that it remains pleased with the results of the comprehensive studies and bulk sampling program that have been completed to date at the Project.

Star Diamond continues to work with Rio Tinto Canada in assessing alternatives regarding the Project. These discussions remain at an early stage and there is no certainty that any agreement will be reached between Star Diamond and Rio Tinto Canada regarding any such potential arrangements.

Activities relating to the Star - Orion South Diamond Project and Fort à la Corne mineral properties

During technical meetings concerning the FalCon Project held in March 2022, Rio Tinto Canada indicated to the Company that a number of desktop studies have been undertaken to evaluate the mineability and economic viability of the Project (see News Release dated February 17, 2022). Star Diamond received presentations from both Rio Tinto Canada and Rio Tinto personnel concerning data analysis and exploration activities that have been undertaken by Rio Tinto Canada over the last two years (see News Release dated March 9, 2022). Topics of interest covered during these technical meetings included: 1) Star Kimberlite trench cutter bulk sampling program results, 2) Diamond size and quality analysis, 3) 'Orbit' program update, 4) Mineability study, 5) Geological model and resource update, 6) Community and stakeholder engagement, 7) Environmental and permitting and, 8) Green energy and carbon mineralization.

During the nine months ended September 30, 2022, the Company announced the completion of an independent study into the abundance of Type Ila diamonds in the Trench Cutter diamond parcels recovered from the Early Joli Fou ("EJF") geological units at the Star Kimberlite, as defined by the Star Diamond geological model (See News Release dated May 31, 2022). During 2019, Rio Tinto Canada completed the drilling of ten bulk sample holes (trenches) on the Star Kimberlite using a Trench Cutter Sampling Rig. This study confirms that high proportions of Type Ila diamonds are present in the Star Kimberlite. Of particular note is the high proportion of Type Ila diamonds in the larger size fractions of the EJF of which 53 percent (8 of the 15) of the largest stones, 4 carats and above are Type Ila. This study also confirms and augments earlier studies conducted by Star Diamond of Type Ila diamonds at Star (26.5 percent, +11 DTC (0.32 carats) and above) (see News Releases dated June 09, 2010, March 4, 2019 and May 2, 2022). Type Ila diamonds are rare and account for less than 2 percent of all natural rough diamonds mined from kimberlites. Many high-value, top colour, large specials (greater than 10.8 carats) are Type Ila diamonds, which include all ten of the largest known rough diamonds recovered worldwide.

Rio Tinto Canada geologists of the FalCon 'Orbit' exploration team have, over the past few years, used a spectrum of evaluation techniques to review and prioritize Fort à la Corne kimberlites outside of the Star and Orion South Kimberlites (see News Release dated April 13, 2022). This program highlighted the kimberlites of Orion North (K120, K147, K148) as having significant potential to add to the FalCon Project. Orion Centre (K145), Taurus (K150, K118, K122) and K119 stand out in the field as having a number of the attributes sought but require further work to completely evaluate. The evaluation techniques used by the Orbit exploration team to prioritize these Orion North, Orion Centre and Taurus Kimberlites have included: componentry method of core logging; diamond inclusion studies; garnet colour studies; trace element geochemistry; thermobarometry; and microdiamond sampling. These studies highlighted the kimberlites of Orion North (K120, K147, K148) as satisfying Rio Tinto Canada's Ore Grade Width Intercept ("OGWI") requirements and that these kimberlites would require additional evaluation work. Orion Centre (K145), Taurus (K150, K118, K122) and K119 indicated the potential to deliver OGWIs.

During the nine months ended September 30, 2022, the Company also announced the completion of an independent study into the abundance of Type Ila diamonds in the diamond parcels recovered from the EJF Geological Units at the Orion North and Taurus Kimberlites (See News Release dated May 2, 2022). These

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diamonds were recovered by Star Diamond between 2006 and 2008 from 48-inch large diameter drilling ("LDD") programs. This study confirms that unusually high proportions of Type IIa diamonds are present in both the Orion North and Taurus Kimberlites. Of particular note is the high proportion of Type IIa diamonds in the Orion North 147/148 EJF (52%) of which 66% of the 24 stones, 3 grainer (0.66 carats) and above, are Type IIa.

Financial Highlights

Select financial information of the Company for the three and nine-month periods ended September 30, 2022 and 2021 is summarized as follows:

	Three months ended September 30, 2022 \$	Three months ended September 30, 2021 \$	Nine months ended September 30, 2022 \$	Nine months ended September 30, 2021 \$
Net loss (millions)	0.5	2.0	2.1	5.2
Net loss per share ⁽¹⁾	0.00	0.00	0.00	0.01
Total assets (millions)	70.0	70.2	70.0	70.2
Total non-current liabilities (millions) ⁽²⁾	0.9	1.1	0.9	1.1
Working capital (millions)	3.1	1.1	3.1	1.1

(1) Basic and diluted.

(2) Non-current liabilities are comprised of a contingent consideration of approximately \$0.9 million (September 30, 2021 - \$0.9 million); an environmental rehabilitation provision of \$0.0 million (September 30, 2021 - \$0.1 million); and a lease liability of \$0.0 million (September 30, 2021 - \$0.1 million). The Company had previously provided letters of credit relating the environmental reclamation provision, which were backed by short-term securities and recorded on the Company's financial statements as restricted cash.

Results of Operations

For the quarter ended September 30, 2022, the Company recorded a net loss of \$0.5 million or \$0.00 per share (basic and fully diluted) compared to a net loss of \$2.0 million or \$0.00 per share for the same period in 2021. The losses during these quarters were due to operating costs and exploration and evaluation expenditures incurred by the Company exceeding interest income earned on cash and cash equivalents.

Interest and other income

For the quarters ended September 30, 2022 and 2021 the Company reported interest and other income of \$16 thousand and \$22 thousand, respectively. The Company invests excess cash reserves in interest-bearing short-term deposits while ensuring funds would be available for cash outflow requirements associated with the Company's exploration and evaluation projects. Other revenue is measured at the fair value of the consideration received or receivable for goods and services in the normal course of business.

Expenses

Expenses incurred during the quarter ended September 30, 2022 were \$0.2 million compared to \$1.9 million for the same period in 2021. The decrease of \$1.7 million was primarily due to lower exploration and evaluation expenditures and lower consulting and professional expenditures incurred during the quarter ended September 30, 2022.

Exploration and evaluation expenditures were -\$0.1 million for the third quarter of 2022 compared to \$1.2 million for the quarter ended September 30, 2021. Exploration and evaluation expenditures incurred during the quarters ended September 30, 2022 and 2021 were primarily related to work on metallurgical investigations and test work as well as other costs associated with the Project. Exploration and evaluation

expenditures incurred were offset by adjustments to environmental reclamation provisions resulting from the Company being released during the quarter ended September 30, 2022 from decommissioning and rehabilitation obligations relating to the Fort à la Corne properties.

Administration, consulting and professional fees, and corporate development expenditures for the quarter ended September 30, 2022 were \$0.3 million, a decrease of \$0.4 million from the same period in 2021. This decrease was primarily due to lower corporate consulting and professional expenditures incurred.

Financing

No financing activities occurred during the quarters ended September 30, 2022 and September 30, 2021.

Year to Date***Results of operations***

For the nine months ended September 30, 2022, the Company recorded a net loss of \$2.1 million or \$0.00 per share compared to a net loss of \$5.2 million or \$0.01 per share for the same period in 2021. The loss during the nine month periods ended September 30, 2022 and 2021 were primarily due to ongoing operating costs and exploration and evaluation expenditures incurred by the Company exceeding interest and other income earned.

Interest and other income

For the nine months ended September 30, 2022 and 2021 the Company reported interest and other income of \$23 thousand and \$36 thousand, respectively. The Company invests excess cash reserves in interest-bearing short-term deposits while ensuring funds would be available for cash outflow requirements associated with the Company's exploration and evaluation projects. Other income is measured at the fair value of the consideration received or receivable for goods and services in the normal course of business.

Expenses

Total expenses for the nine months ended September 30, 2022 were \$1.7 million compared to \$5.2 million for the nine months ended September 30, 2021. The decrease between periods was primarily due to lower consulting and professional expenditures and exploration and evaluation expenditures incurred as well as lower share-based payments expensed during the nine months ended September 30, 2022. Share-based payments that were expensed during the nine months ended September 30, 2022 were \$71 thousand (2021 – \$451 thousand).

Exploration and evaluation expenditures for the nine months ended September 30, 2022 were \$0.5 million compared to \$2.3 million for the same period in 2021. Exploration and evaluation expenditures incurred during the nine months ended September 30, 2022 and 2021 primarily related to geological and metallurgical investigations and test work for the Project as well as other costs associated with the Project. Exploration and evaluation expenditures incurred during the nine months ended September 30, 2022 were offset by adjustments to environmental reclamation provisions resulting from the Company being released from decommissioning and rehabilitation obligations relating to the Fort à la Corne properties. Approximately 70 percent (2021 – 16 percent) of exploration and evaluation expenditures incurred during the nine months ended September 30, 2022 related to compensation costs and share-based payments incurred by the Company.

Administration, consulting and professional fees, and corporate development expenditures for the nine months ended September 30, 2022 were \$1.2 million compared to \$2.9 million for the same period in the prior year. The decrease between periods was primarily due to lower professional fees incurred and lower share-based payments expensed during the nine months ended September 30, 2022.

Use of flow-through proceeds

	<u>\$millions</u>
Flow-through proceeds raised during 2020 ⁽¹⁾	1.0
Flow-through eligible expenditures incurred to September 30, 2022	0.8
Flow-through eligible expenditures to be incurred by December 31, 2022 ⁽²⁾	<u>0.2</u>

(1) During 2020, the Company raised \$1.0 million from flow-through financing activities to be used on exploration and evaluation activities.

(2) Due to the global COVID-19 pandemic, the Government of Canada extended the expenditure period for incurring qualifying expenditures (to fulfill obligations under flow-through financing commitments) by one year. As a result, qualifying expenditures are to be incurred by December 31, 2022 (rather than by December 31, 2021).

The Company expects that exploration and evaluation expenditures to be incurred will fulfill its obligations under its flow-through commitments.

Investment in Wescan Goldfields Inc.

At September 30, 2022, the Company held 5.8 million shares or 12.9% (December 31, 2021 – 5.8 million shares or 12.9%) of Wescan Goldfields Inc. ("Wescan"), a publicly traded company on the TSX Venture Exchange. The fair value of this investment, based on the closing trading price at September 30, 2022, was \$232 thousand (December 31, 2021– \$668 thousand). As a result, during the nine months ended September 30, 2022, the Company recognized a \$436 thousand decrease in the carrying value of its investment in Wescan.

The Company considers certain judgments and assumptions when assessing whether significant influence exists over its investments. This includes an assessment of the Company's ability to participate in financial and operating policy decisions of the investee. The existence and effect of potential voting rights held by the investor or other entities were also considered.

Financing

During the nine months ended September 30, 2022, the Company completed a private placement whereby an aggregate of 16,666,667 Units were issued for gross proceeds of \$5.0 million. Each Unit was comprised of one common share and one warrant. Each warrant entitles the holder thereof to purchase one common share at a price of \$0.40, for a period of two years from the closing of the private placement. During the nine months ended September 30, 2022 the Company also issued common shares from treasury as a result of option, warrant and broker warrant exercises and restricted share unit redemptions.

During the nine months ended September 30, 2021, the Company completed a \$2.0 million private placement of 13.3 million Units. Each Unit was comprised of one common share and one warrant. Each warrant entitles the holder thereof to purchase one common share at a price of \$0.25, for a period of two years from the closing of the private placement.

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Summary of Quarterly Results

	2022			2021			2020	
	Qtr 3	Qtr 2	Qtr 1	Qtr 4	Qtr 3	Qtr 2	Qtr 1	Qtr 4
Income ⁽¹⁾ (\$millions)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net loss ⁽²⁾ (\$millions)	0.5	0.7	0.9	2.5	2.1	2.0	1.1	2.0
Net loss per share ⁽³⁾ (\$)	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00
Shares outstanding (millions) ⁽⁴⁾	476.0	471.8	455.5	452.8	452.8	452.8	452.8	438.7

(1) Income relates to revenue for services provided as well as interest earned on the Company's cash and cash equivalents.

(2) Net losses relate to expenditures incurred by the Company exceeding income earned.

(3) Basic and diluted.

(4) During the second quarter of 2022, the Company completed a private placement of 16.7 million common shares. In relation to this private placement, the Company also issued 0.5 million common shares relating to finder agreements. During the first quarter of 2021, the Company completed a private placement of 13.3 million common shares. In relation to this private placement, the Company also issued 0.8 million common shares relating to finder agreements. Other changes in shares outstanding were due to shares issued from treasury as a result of option, warrant and broker warrant exercises, and Restricted Share Unit (RSU) and Deferred Share Unit ("DSU") redemptions.

Related Party Transactions

At September 30, 2022, Mr. Kenneth E. MacNeill (President and Chief Executive Officer), through his consulting company, held a management and consulting contract with the Company. Mr. MacNeill's monthly fees during the quarter ended September 30, 2022 were \$20 thousand (2021 – \$20 thousand).

During the nine-month period ended September 30, 2022, total compensation paid or payable to officers (including amounts paid through a company controlled by Mr. MacNeill) and to directors of the Company was \$518 thousand (2021 – \$743 thousand). Of these amounts, \$518 thousand (2021 – \$743 thousand) was included in administration expense and \$0 was included in exploration and evaluation expense (2021 – \$0 thousand). Included in these amounts are share-based payment transactions of \$60 thousand (2021 – \$315 thousand).

The above transactions were in the normal course of operations and are measured at an amount agreed to by the related parties. The fair value of share-based payments in the form of options was determined using the Black-Scholes model. The fair value of share-based payments in the form of RSUs and DSUs was determined based on the five-day volume weighted average trading price of the Company's shares preceding the date of grant.

Liquidity

The Company does not currently operate any producing properties and, as such, is dependent upon the issuance of new equity to finance its ongoing obligations and advance its exploration and evaluation properties. Until the Company's cash is required to fund exploration, evaluation and/or development activities it is invested in a variety of highly rated instruments.

At September 30, 2022 the Company had \$3.1 million (December 31, 2021 – \$1.3 million) in cash and cash equivalents and working capital of \$3.1 million (December 31, 2021 – \$1.6 million working capital deficit). As at September 30, 2022, the Company is required to spend \$0.2 million on qualifying expenditures to fulfill its obligations under its flow-through commitments.

The Company does not include restricted cash in its working capital when analyzing its liquidity requirements. The Company had previously supplied \$0.6 million of irrevocable standby letters of credit issued by a Canadian chartered bank (December 31, 2021 – \$0.6 million). The Company backed these letters of credit with investments, which had been recorded on the financial statements as restricted cash. During the quarter ended

September 30, 2022 these letters of credit of \$0.6 million were cancelled by the Ministry and the amounts previously presented as restricted cash are now included in cash and cash equivalents and working capital as at September 30, 2022.

Capital Resources and Outstanding Share Data

At September 30, 2022 the Company had 475,996,620 common shares that were issued and outstanding, as well as 1,016,600 DSUs, 2,426,600 RSUs, 18,477,700 options (weighted average exercise price of \$0.21), 30,277,779 warrants (weighted average exercise price of \$0.33) and 467,811 broker warrants (weighted average exercise price of \$0.40) issued and outstanding.

As of November 9, 2022, the Company's issued and outstanding common shares, options, DSUs, RSUs, warrants and broker warrants remained unchanged from September 30, 2022.

Financial Instruments

As of September 30, 2022, the fair values of all of the Company's financial instruments approximates their carrying values. Certain financial instruments are exposed to the following financial risks:

Credit risk

Credit risk is the risk of an unexpected loss by the Company if a customer or third-party to a financial instrument fails to meet its contractual obligations. The Company considers this risk to be insignificant as the majority of the Company's cash and cash equivalents are held by financial institutions with a low risk credit rating or are invested in Government of Canada treasury bills which are backed by the Government of Canada. At September 30, 2022, the Company's credit risk relates to its cash and cash equivalents and receivables of \$3.1 million (December 31, 2021 – \$2.0 million, which included \$0.6 million of restricted cash).

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to forecast future cash flows to ensure that it will have sufficient liquidity to meet its obligations when due. To ensure the Company has sufficient cash on hand, the Company prepares annual capital and operating budgets which are monitored and updated as considered necessary. As of September 30, 2022 the Company had working capital of \$3.1 million compared to a \$1.6 million working capital deficit at December 31, 2021 (excluding \$0.6 of restricted cash at December 31, 2021) and is required to incur a further \$0.2 million of qualifying expenditures as a result of a flow-through share financing completed in 2020. The Company has also recorded a contingent consideration, as described in note 10 to the financial statements for the year ended December 31, 2021 for which the discounted present value was determined to be \$0.9 million (December 31, 2021 - \$0.9 million).

The Company had previously guaranteed certain liabilities by issuing irrevocable standby letters of credit (December 31, 2021 – \$0.6 million). These guarantees were related to environmental rehabilitation provisions. The Company backed the letters of credit with investments which were recorded on the financial statements as restricted cash. The Company does not include restricted cash in its working capital when analyzing its liquidity requirements. During the quarter ended September 30, 2022 these letters of credit of \$0.6 million were cancelled by the Ministry and the amounts previously presented as restricted cash are now included in cash and cash equivalents and working capital as at September 30, 2022.

The Company may pursue options to finance further exploration, evaluation and/or development as it currently does not have sufficient funds to bring any of its property interests into production from its own financial

resources. Financing options may include equity financing, debt financing or other means. Although the Company has been successful in the past in obtaining financing, 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 favorable. Failure to obtain additional financing could result in delay or indefinite postponement of further exploration, evaluation and/or development of its projects with the possible loss of such properties.

The Company is aware, in making its going concern assessment, of material uncertainties related to events and conditions that cast significant doubt upon the Company's ability to continue as a going concern. At September 30, 2022, the Company had working capital of \$3.1 million, of which \$0.2 million is committed to be spent on qualifying expenditures by December 31, 2022. The ability of the Company to continue as a going concern and fund general and administrative expenses in an orderly manner will require further equity issuances or other forms of financings beyond 2022. There is no assurance that the Company will be successful in obtaining required financing at an acceptable cost as and when needed or at all. Failure to obtain additional financing on a timely basis may cause the Company to postpone exploration and/or evaluation plans, forfeit rights in its properties or reduce or terminate its operations.

Market risk

Market risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of four types of risk: foreign currency risk, interest rate risk, commodity price risk and equity price risk. As of September 30, 2022, the Company does not have significant exposure to any of these market risks. Equity price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company is exposed to this risk through its equity holdings. The investment in the common shares of Wescan is monitored by management with decisions on sale taken to the Board level. A 10 percent decrease in the market price of Wescan would result in a \$23 thousand decrease in fair value.

Critical Accounting Estimates and Judgments

The financial statements for the period ended September 30, 2022 have been prepared in accordance with IFRS issued by the IASB. The Company's accounting policies are described in Note 4 to the financial statements for the year ended December 31, 2021. Certain of these policies involve critical accounting estimates as they require management to make particularly subjective or complex judgments about matters that are inherently uncertain and because of the likelihood that materially different amounts could be reported under different conditions or using different assumptions. The uncertainties related to these areas could significantly impact the Company's results of operations, financial condition and cash flows.

In preparing the financial statements for the period ended September 30, 2022, significant judgments and estimations have been made by management in applying the Company's accounting policies. In particular, the significant areas of judgment and estimation uncertainty considered by management in preparing the consolidated financial statements are: identification of cash generating units, exploration and evaluation expenditures, legal proceedings, reserve and resource estimation, asset valuations and impairment of exploration and evaluation assets, estimations for environmental rehabilitation provisions, share-based payment transactions and estimation of contingent consideration payable. These are discussed in more detail in Note 5 of the Company's financial statements for the year ended December 31, 2021.

A critical accounting estimate in determining the Company's financial results relates to the recoverability of the carried amounts of exploration and evaluation assets. Management monitors these assets for indications of impairment at each reporting date. Where impairment indicators exist, management will estimate the recoverable amount of these assets in comparison to the carrying values.

Accounting Changes

Accounting changes during the period

At the date of authorization of these consolidated financial statements, the following amendments became effective for the reporting period.

IAS 16 – Property, Plant and Equipment

On May 14, 2020, the IASB issued an amendment to IAS 16 Property, Plant and Equipment to prohibit deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling such items, and the cost of producing those items are to be recognized in profit and loss. The amendments are effective for annual periods beginning on or after January 1, 2022 with early adoption permitted. The amendment is to be applied retrospectively only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the earliest period presented in the financial statements in the year in which the amendments are first applied. The amendment did not have a material financial impact at the time of adoption.

IAS 37 – Provisions, Contingent Liabilities and Contingent Assets

On May 14, 2020, the IASB issued an amendment to IAS 37 Provisions, Contingent Liabilities and Contingent Assets to specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendment specifies that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to the contract can either be incremental costs of fulfilling the contract or an allocation of other costs that relate directly to fulfilling contracts. The amendments are effective for contracts for which the Company has not yet fulfilled all its obligations on or after January 1, 2022 with early adoption permitted. The amendment did not have a material financial impact at the time of adoption.

IFRS standards issued but not yet effective

There are no IFRSs or International Financial Reporting Interpretations Committee ("IFRIC") interpretations that are not yet effective that would be expected to have a material impact on the Company.

Disclosure Controls and Procedures

The Company has disclosure controls and procedures in place to provide reasonable assurance that any information required to be disclosed by the Company under securities legislation is recorded, processed, summarized and reported within the applicable time periods, and to ensure that required information is gathered and communicated to the Company's management so that decisions can be made about timely disclosure of that information. In accordance with the requirements of *National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings*, the Company's management, under the supervision and with the participation of the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), are responsible for establishing and maintaining disclosure controls and procedures and have caused these to be designed to provide reasonable assurance that material information is made known to management, particularly during the period in which these filings are being prepared; and information required to be disclosed is recorded, processed, summarized and reported within the time periods specified in securities legislation.

There have been no significant changes in the Company's disclosure controls during the quarter ended September 30, 2022.

Internal Controls over Financial Reporting Procedures

The Company's management is responsible for establishing and maintaining adequate internal controls over financial reporting. Any system of internal controls over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. In accordance with the requirements of *National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings*, the Company's management, under the supervision and with the participation of the Chief Executive Officer and the Chief Financial Officer and effected by the Company's board of directors, have designed the Company's internal controls over financial reporting as of the end of the period covered by these filings so that the internal controls over financial reporting provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS issued by the IASB and interpretations of the IFRIC.

There have been no significant changes to internal controls over financial reporting during the quarter ended September 30, 2022 that could have materially affected or are reasonably likely to materially affect the Company's internal controls over financial reporting.

Outlook

The provincial environmental approval of the Project received in 2018, alongside the previous positive federal decision, marked a major milestone for the Project. In addition, the positive results of the 2018 independent PEA show that the Project can be economically developed and operated while providing direct employment for hundreds of people throughout the construction phase and hundreds of people continuously over its estimated 38 year mine life.

Following the successful completion of the 2017 consolidation of the Fort à la Corne mineral properties, the arrangements announced in December 2021 were intended to ensure that key project milestones, and the certainty associated with them, will have been achieved before Star Diamond has to contribute any additional capital. Due to the June 2022 decision by Rio Tinto Canada to exercise its voting power to place the Fort à la Corne properties on care and maintenance through December 31, 2022 no additional exploration programs will occur on site in 2022. During the June 2022 meeting, Rio Tinto Canada also stated that it remains pleased with the results of the comprehensive studies and bulk sampling program that have been completed to date at the Project. Though the board of directors of Star Diamond is disappointed by these decisions, Star Diamond intends to work with Rio Tinto Canada in assessing alternatives regarding the Fort à la Corne properties.

As of November 9, 2022, the Company had approximately \$3.0 million in cash and cash equivalents. A portion of the Company's cash and cash equivalents will be used for programs (including remaining flow-through commitments) to further assess, evaluate and advance certain aspects of the Company's mineral properties, as well as for general corporate matters.

Risks and Uncertainties

The principal risks faced by the Company include, without limitation: the Company's ability to obtain financing to further the exploration, evaluation and/or development of mineral properties in which the Company holds interests; changes in exploration, development or mining plans due to exploration results and changing budget and other priorities of Rio Tinto Canada or the Company; maintaining title to property claims in which the

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Company holds interests; obtaining the required permits from various federal, provincial and local governmental authorities; the ultimate economic feasibility of any future development projects; reliance on Rio Tinto Canada to fund and/or develop the Fort à la Corne mineral properties (including the Project); the impact of the COVID-19 pandemic; and the effectiveness of the extraction and diamond methodologies used by Rio Tinto Canada.

The further exploration, evaluation and/or development of mineral properties in which the Company holds interests or which the Company acquires may depend upon the Company's ability to obtain financing through equity financing, debt financing or other means. The Company currently does not have sufficient funds to put any of its property interests into production from its own financial resources. There is no assurance that the Company will be successful in obtaining required financing as and when needed. Failure to obtain additional financing on a timely basis may cause the Company to postpone development plans, forfeit rights in its property interests, have its ownership interest in properties diluted or reduce or terminate its operations. Reduced liquidity or difficulty in obtaining future financing could have an adverse impact on the Company's future cash flows, results of operations and financial condition. The relative prices of diamonds and future expectations for such prices have a significant impact on the market sentiment for investment in diamond mining and exploration companies. To ensure that exploration and evaluation procedures are being performed effectively and those results are interpreted and reported in a proper manner, management ensures that qualified individuals, service providers and external consultants are utilized in the verification and quality assurance of analytical results.

Title disputes could have adverse consequences to the Company. Managing these issues is an integral part of exploration, development and mining in Canada and the Company is committed to managing these issues effectively. The Company has in the past diligently investigated title to its claims. However, no assurance can be given that title to these properties will not be challenged or impugned in the future by third parties or governments.

The current or future operations of the Company, including development activities and commencement of production on its properties, require permits from various federal, provincial and local governmental authorities. Failure to comply with applicable laws, regulations, and permitting requirements may result in permits not being granted or enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. In addition, application for permits will be required for the construction and operation of the proposed Project. While the majority of permits will be required from provincial authorities, permits required from the federal government include authorization from the Department of Fisheries and Oceans to allow anticipated changes to fish and fish habitat, permits from Natural Resources Canada for the explosives storage site and authorizations from Environment and Climate Change Canada and Transport Canada.

All of the Company's property interests are currently in the exploration stage. The exploration, development and production of precious metals and gems are capital-intensive, subject to the normal risks and capital expenditure requirements associated with mining operations. While the rewards can be substantial if commercial quantities of minerals or gems are found, there can be no assurance that the Company's past or future exploration efforts will be successful, that any production therefrom will be obtained or continued, or that any such production which is attempted will be profitable.

Notwithstanding the work that has been undertaken by Rio Tinto Canada in relation to the Fort à la Corne mineral properties (including the Project), and prior statements made by Rio Tinto and its affiliates in relation to the Fort à la Corne mineral properties (including the Project), there can be no assurance that Rio Tinto Canada will seek to further invest in the Fort à la Corne mineral properties (including the Project) or seek to

develop the Project into an operating mine, nor regarding what further studies, analyses, criteria or conditions Rio Tinto Canada may consider relevant to its assessment of whether to do so. In addition, Rio Tinto Canada has advised that it intends to limit its capital expenditures to the Fort à la Corne mineral properties during 2022 to what is necessary for care and maintenance and to conduct a near-term review of its alternatives regarding the Fort à la Corne mineral properties, including its potential exit. See "Fort à la Corne mineral properties" on page 1.

A local epidemic or a major global pandemic (e.g. COVID-19) could have a material adverse impact on the Company's ability to operate due to worker absences, supply chain disruptions, information technology system constraints, government interventions, market volatility and overall economic uncertainty. There can be no assurance that a local epidemic or a major global pandemic will not impact the Company's personnel and ultimately its operations. The Company's operations (including those of Rio Tinto Canada) depend on uninterrupted supply of key consumables, equipment and components, which may be impacted by matters outside of the Company's control or ability to mitigate. These conditions may include global events such as the COVID-19 pandemic which may impact operations.

For more information on these and other risks and uncertainties, see the risks described in the Company's most recently filed Annual Information Form, annual MD&A, news releases and technical reports.

Technical Information

All technical information in this report has been prepared under the supervision of George Read, Senior Technical Advisor, Professional Geoscientist in the Provinces of Saskatchewan and British Columbia and Mark Shimell, Project Manager, Professional Geoscientist in the Provinces of Saskatchewan and Alberta, who are the Company's "Qualified Persons" as defined in National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*.

Caution regarding Forward-looking Statements

This MD&A contains forward-looking statements as defined by certain securities laws, including the "safe harbour" provisions of Canadian securities legislation and the United States Private Securities Litigation Reform Act of 1995. Forward-looking information is often, but not always, identified by the use of words such as "anticipate", "believe", "expect", "plan", "intend", "forecast", "target", "project", "guidance", "may", "will", "should", "could", "estimate", "predict" or similar words suggesting future outcomes or language suggesting an outlook. In particular, statements regarding the Company's future operations, future exploration and development activities or other development plans constitute forward-looking statements. By their nature, statements referring to mineral reserves, mineral resources or the PEA constitute forward-looking statements. Forward-looking statements contained or implied in this MD&A include, but are not limited to, statements relating to the Company's ability to continue as a going concern; statements regarding programs performed by Rio Tinto Canada and its advice that it will not commit additional capital to the Fort à la Corne properties during 2022 beyond care and maintenance; statements regarding future capital commitments, programs and plans by Rio Tinto Canada, including its review of alternatives regarding the Fort à la Corne properties and potential exit (and Star Diamond's intention to work with Rio Tinto Canada in assessing such alternatives) and terms of any possible future agreement that may be reached between Star Diamond and Rio Tinto Canada regarding the Project; disclosure regarding the economics and project parameters presented in the PEA, including, without limitation, IRR, NPV and other costs and economic information, carats of diamonds to be recovered, after-tax payback period, tonnes of kimberlite to be mined, carats per tonne to be recovered (grade), diamond prices, project life, life of mine, capital costs, and length of pre-production period; statements related to mineral resources and/or reserves; statements related to the approval of the development of the Star - Orion South Diamond Project; statements relating to future development of the Star - Orion South Diamond Project and associated timelines; statements with respect to environmental permitting and approvals; statements with respect to the sufficiency of the Company's cash reserves to fund cash outflow requirements associated with its exploration and evaluation projects, the anticipated use of the Company's cash and cash equivalents, and that the Company's exploration and evaluation expenditures to be incurred will be sufficient to fulfill its flow-through commitments; statements regarding the Company's need for and intention to seek additional financing; statements with respect to metallurgical and diamond investigations, assessments and test work including diamond breakage studies; and statements with respect to the potential proportion of Type IIa diamonds in the Star, Orion South, Orion North and Taurus kimberlites and the potential for the recovery of large, high-quality diamonds.

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

For the three and nine months ended September 30, 2022

These forward-looking statements are based on the Company's current beliefs as well as assumptions made by and information currently available to it 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 valuations, 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 Rio Tinto Canada or the Company, the nature and outcome of studies, analyses, criteria or conditions that Rio Tinto Canada may consider relevant to its assessment of whether to seek to further invest in the Project or seek to develop the Project into an operating mine, the effects of competition in the markets in which the Company operates, the impact of the COVID-19 pandemic, risks related to diamond breakage from extraction and diamond recovery, risks related to the Company's need for additional financing and the Company's ability to raise that financing, the impact of changes in the laws and regulations regulating mining exploration and development, judicial or regulatory judgments and legal proceedings, operational and infrastructure risks and the additional risks described in the Company's most recently filed Annual Information Form, annual and interim MD&A, news releases and technical reports. The Company's anticipation of and success in managing the foregoing risks could cause actual results to differ materially from what is anticipated in such forward-looking statements.

Although the Company considers the assumptions contained in forward-looking statements to be reasonable based on information currently available to it, those assumptions may prove to be incorrect. When making decisions with respect to the Company, investors and others should not place undue reliance on these statements and should carefully consider the foregoing factors and other uncertainties and potential events. Unless required by applicable securities laws, the Company does not undertake to update any forward-looking statement that is made herein.

Additional Information

Additional information related to the Company, including the latest available Annual Information Form, is available on SEDAR at www.sedar.com.