

NEWS RELEASE

TSX: DIAM

May 7, 2020

Saskatoon, Saskatchewan

STAR DIAMOND CORPORATION ANNOUNCES FIRST QUARTER 2020 RESULTS

Star Diamond Corporation (the “Company”) reports that the unaudited results of its operations for the quarter ended March 31, 2020 will be filed today on SEDAR and may be viewed at www.sedar.com once posted. A summary of key financial and operating results for the three months ended March 31, 2020 is as follows:

Highlights

- Announced an update on the bulk sampling program being conducted by Rio Tinto Exploration Canada (“RTEC”) on the Company’s 100% held Star and Orion South Kimberlites (the “Star - Orion South Diamond Project”, or the “Project”)
- Announced that the Company had notified RTEC that its purported exercise in November 2019 of its four options under the Option to Joint Venture Agreement dated June 22, 2017 (the “Option Agreement”) did not comply with the terms of the Option Agreement, and that the Company had commenced legal proceedings against RTEC in relation to such purported option exercise
- Working capital of \$6.7 million at March 31, 2020
- Issued and outstanding shares of 429.1 million at March 31, 2020

Overview

Star Diamond Corporation is a Canadian natural resource company focused on exploring and developing Saskatchewan's diamond resources. In June 2017, the Company announced that it had acquired from Newmont Corporation all of its participating interest in the Fort à la Corne joint venture (the "FaC JV"), resulting in the Company owning 100% of the Fort à la Corne mineral properties (including the Project), and concurrently entered into the Option Agreement with RTEC, a wholly-owned subsidiary of Rio Tinto, pursuant to which the Company granted to RTEC an option to earn up to a 60% interest in the Company’s Fort à la Corne mineral properties (including the Project) on the terms and conditions contained in the Option Agreement (see News Release dated June 23, 2017).

In November 2019, Star Diamond received notice from RTEC advising that RTEC was purporting to exercise all four of its options under the Option Agreement (see News Release dated November 15, 2019). In February 2020, the Company notified RTEC that its purported exercise of its four options under the Option Agreement did not comply with the terms of the Option Agreement (see News Release dated February 18, 2020). In March 2020, the Company announced that it had commenced legal proceedings in the Court of Queen’s Bench for Saskatchewan against RTEC in relation to RTEC’s purported exercise of its options under the Option Agreement (see News Release dated March 5, 2020).

Activities relating to the Star - Orion South Diamond Project

During 2019, the Company announced that RTEC completed the drilling of ten bulk sample holes (trenches) on the Company’s Star Kimberlite using the Trench Cutter Sampling Rig (See News Release dated October 8, 2019). The ten holes completed on the Star Kimberlite included a total of 2,351 metres of trench cutter drilling and intersected a total of 1,215.5 metres of kimberlite. Kimberlite was pumped to the surface and recovered using a Kimberlite Separation Unit, with samples loaded and stored in cubic metre bulk bags, which total 6,848 in number (estimated by RTEC to be approximately 8,271 wet tonnes). As the on-site Bulk Sample Plant (the “BSP”) was not constructed or commissioned prior to the completion of the ten Star kimberlite trench cutter holes, the resulting 6,848 sample bags were stored by RTEC until the on-site BSP was fully constructed and commissioned.

The Company recently announced that RTEC had commenced the processing of bulk samples from RTEC's trench cutter program (See News Release dated April 23, 2020). The Company also announced that it had been advised by RTEC that it had completed commissioning of the BSP. As well, the Company announced that the mineral concentrates produced by the BSP were expected to be shipped, on an ongoing basis, to an off-site facility for final diamond recovery and reporting of such recovery to Star Diamond and RTEC.

Star Diamond currently expects that all or substantially all of the bulk samples collected during 2019 will be processed through to final diamond recovery and reported over the balance of calendar 2020, provided that there are not any unexpected material delays in this process including issues arising from COVID-19.

Results

For the quarter ended March 31, 2020, the Company recorded a net loss of \$1.0 million or \$0.00 per share (basic and fully diluted) compared to a net loss of \$0.9 million or \$0.00 per share for the same period in 2019. 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 and short-term investments.

Selected financial highlights include:

Condensed Consolidated Statements of Financial Position	As at March 31, 2020	As at December 31, 2019
Current assets	\$ 7.2 M	\$ 8.0 M
Exploration and evaluation, capital and other assets	67.8 M	67.7 M
Current liabilities	0.4 M	0.3 M
Non-current liabilities	1.6 M	1.6 M
Shareholders' equity	73.0 M	73.8 M

Consolidated Statements of Income (Loss)	Quarter Ended March 31, 2020	Quarter Ended March 31, 2019
Interest and other income	\$ 0.0 M	\$ 0.0 M
Expenses	1.1 M	0.9 M
Investment in Wescan Goldfields Inc.	0.1 M	0.0 M
Net loss for the period	1.0 M	0.9 M
Net loss per share for the period (basic and diluted)	0.00	0.00

Condensed Consolidated Statements of Cash Flows	Quarter Ended March 31, 2020	Quarter Ended March 31, 2019
Cash flows from operating activities	\$ (1.1) M	\$ (0.8) M
Cash flows from investing activities	0.0 M	0.0 M
Cash flows from financing activities	0.1 M	0.2 M
Net decrease in cash	(1.0) M	(0.6) M
Cash – beginning of period	8.0 M	2.8 M
Cash – end of period	7.0 M	2.2 M

Outlook

The provincial environmental approval of the Star - Orion South Diamond Project received in 2018, alongside the previous positive federal decision, marked a major milestone for the Project. In addition, the positive results of the independent Preliminary Economic Assessment (the "PEA") on the Project announced in 2018 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.

The successful completion of the 2017 consolidation of the Company's Fort à la Corne mineral properties (including the Star - Orion South Diamond Project) and the concurrent earn-in arrangement with RTEC defined the start of a new phase for the Company. There are some 60 other kimberlites within the Company's

Fort à la Corne diamond district, on mineral dispositions held 100 percent by the Company. The Company is also very pleased to continue to have Newmont Corporation as a significant shareholder.

As of May 7, 2020, the Company had approximately \$6.6 million in cash and cash equivalents (excluding \$0.6 million in restricted cash). A portion of the Company's cash and cash equivalents will be used for 2020 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.

About Star Diamond Corporation

Shares of the Company trade on the TSX Exchange under the trading symbol "DIAM". The Fort à la Corne kimberlites (including the Star - Orion South Diamond Project) 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.

During 2018, the Company announced the positive results of the PEA on the Project. The PEA estimates that 66 million carats of diamonds could be recovered in a surface mine over a 38-year Project life, with a Net Present Value (7%) of \$2.0 billion after tax, an Internal Rate of Return 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 approved the Company's Star - Orion South Diamond Project (See News Release dated October 25, 2018). 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).

Caution Regarding Forward-looking Statements

This news release 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, PEA or TFFE constitute forward-looking statements. Forward-looking statements contained or implied in this news release include, but are not limited to, changes in exploration, development or mining plans due to exploration results and changing budget priorities of RTEC or the Company; risks related to the legal proceedings commenced by the Company against RTEC; the effects of competition in the markets in which the Company operates; the impact of the COVID-19 pandemic; risks related to the operation of the BSP and the processing methods being used by RTEC and the effectiveness thereof; disclosure regarding the economics and project parameters presented in the PEA, including, without limitation, Internal Rate of Return, Net Present Value 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; the Company's intention to seek additional financing; statements with respect to metallurgical investigations, assessments and test work; the potential proportion of Type IIa diamonds in the Star and Orion South kimberlites and the potential for the recovery of large high quality diamonds.

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 RTEC or the Company, the effects of competition in the markets in which the Company operates, risks related to the legal proceedings commenced by the Company against RTEC, the impact of the COVID-19 pandemic, risks related to the operation of the BSP and the processing methods being used by RTEC and the effectiveness thereof, 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 management 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 law, the Company does not undertake to update any forward-looking statement that is made herein.

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