

Five Star Announces Completion of Debt Settlement

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TORONTO, Dec. 21, 2018 - [Five Star Diamonds Ltd.](#) (TSX-V:STAR) ("Five Star" or the "Company") announces that it has completed its debt settlement transaction as previously announced on August 2, 2018 (the "Debt Settlement").

The Company settled an aggregate amount of \$767,511 of debt owing to certain officers, directors and service providers to the Company through the issuance of 3,837,556 common shares of the Company (the "Common Shares") at a deemed issuance price of \$0.20 per Common Share. The amount settled includes \$479,842 in accrued directors' fees and accrued management and consulting fees owing to the Company's directors and officers, as the case may be.

The issuance of the Common Shares is subject to the receipt of all applicable regulatory approvals, including the approval of the TSX-V. The Company is choosing to settle the outstanding indebtedness through the issuance of the Common Shares as the Company will require cash for working capital and continuing operations.

The Common Shares are subject to a four month and one day statutory hold period from the date of issuance.

The Company may in due course seek disinterested shareholder approval to settle the balance of any amounts owing to its officers and directors, who have agreed to settle such amounts in Common Shares on the same terms as described herein, subject to TSX-V approval.

The participation by the insiders in the Debt Settlement is considered a "related party transaction" as defined under Multilateral Instrument 61-101 ("MI 61-101"). The transaction is exempt from the formal valuation and minority shareholder approval requirements under MI 61-101 on the basis that the Debt Settlement with related parties constitutes the distribution of securities of the Company for cash consideration of less than \$2.5 million. Neither the Company nor, to the knowledge of the Company after reasonable inquiry, the related parties, has knowledge of any material information concerning the Company or its securities that has not been generally disclosed. The debt settlement with each related party was unanimously approved by the Company's independent directors.

Early Warning Report

Luis Azevedo, a director of the Company, announces that he has acquired ownership or direction and control over 1,373,060 Common Shares issued in settlement for director fees and for services provided by an entity controlled by Mr. Azevedo. Immediately prior to the purchase, Mr. Azevedo owned or exercised control or direction over 12,295,282 Common Shares, or approximately 9.42% of the then issued and outstanding Common Shares on a partially diluted basis. Immediately after completion of the Debt Settlement, Mr. Azevedo owned or exercised control or direction over 13,668,342 Common Shares, representing approximately 10.17% of the issued and outstanding Common Shares on a partially diluted basis.

The Common Shares were acquired by Mr. Azevedo as settlement for outstanding debt, and depending on various factors including, without limitation, market and other conditions, Mr. Azevedo may increase or decrease his beneficial ownership, control or direction over Common Shares or other securities of Five Star, through market transactions, private agreements, treasury issuances, exercises of convertible securities or otherwise. Mr. Azevedo has also prepared an "early warning report" in accordance with the requirements of National Instrument 62-103 – The Early Warning System and Related Take-Over Bid and Insider Reporting Issues that will appear under Five Star's profile on www.sedar.com and a copy

of which may be obtained by contacting Mr. Azevedo at 1-647-951-9608.

ABOUT FIVE STAR DIAMONDS

Five Star Diamonds is listed on the TSX Venture Exchange under the ticker symbol STAR. The Company controls a dominant and highly enviable position in the Brazilian kimberlite diamond sector owning 23 diamond projects comprising an aggregate of 50 exploration licences and applications across 130,355 hectares.

To date, the Company has conducted exploration programs on seven projects with the Catalao, Maravilha, Riachao, Jaibaras and Verissimo Projects proven to contain diamond-bearing kimberlites.

Five Star Diamonds is focused on acquiring and developing advanced staged diamond projects in Brazil. Since it was established, it has pursued an accelerated growth strategy and aims to be one of the first producers of diamonds from kimberlite deposits in Brazil. The Company is focused on the development of sustainable kimberlite pipes and is not involved in alluvial diamond mining with its associated environmental issues. The Company works closely with local, state and federal authorities in Brazil to foster an open, transparent and legal diamond industry in Brazil.

On behalf of the Board

Five Star Diamonds Limited

Matthew Wood
Chairman of the Board

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Cautionary Note Regarding Forward-looking statements

Information set forth in this news release contains forward-looking statements. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future results or performance, and that actual results may differ materially from those in forward looking statements as a result of various factors, many of which are beyond the Company's control. Such factors include, among other things: variations in the nature, quality and quantity of any mineral deposits that may be located, significant downward variations in the market price of any minerals produced, the Company's inability to obtain any necessary permits, consents or authorizations required for its activities, to produce minerals from its properties successfully or profitably, to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies. Accordingly, actual and future events, conditions and results may differ materially from the estimates, beliefs, intentions and expectations expressed or implied in the forward-looking information. Except as required under applicable securities legislation, the Company undertakes no obligation to publicly update or revise forward-looking information.

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