

Star Diamond Provides Update Regarding Rio Tinto Litigation

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SASKATOON, Aug. 11, 2020 - [Star Diamond Corp.](#) ("Star Diamond" or the "Corporation") today provided an update in connection with its ongoing legal proceedings (the "Legal Proceedings") against Rio Tinto Exploration Canada Inc. ("RTEC") related to RTEC's purported exercise in November 2019 of its four options under the Option to Joint Venture Agreement dated June 22, 2017 (the "Option Agreement"). Yesterday, the Court of Queen's Bench for Saskatchewan (Judicial Centre of Saskatoon) released its decision (the "Decision") on the interim injunction application that had been brought by Star Diamond as one step in the Legal Proceedings.

In the Decision, the Court found that Star Diamond had successfully met its onus of establishing a serious issue to be tried in the Legal Proceedings with respect to each of the following key claims advanced by Star Diamond:

- that RTEC did not validly exercise the second, third or fourth option in accordance with the Option Agreement;
- that RTEC engaged in misrepresentation about both the costs associated with RTEC's work under the Option Agreement and about RTEC not exercising its options until results were available from the bulk sample cutter holes excavated by RTEC in 2019; and
- that RTEC breached its duties of good faith and honest dealing in that RTEC exercised its discretionary powers to deliberately undermine Star Diamond's contractual interests and dilute Star Diamond's interest in the joint venture, and that RTEC misled Star Diamond as to when it would exercise the options so as to form the joint venture.

While each of these claims will ultimately need to be assessed and determined by the Court at the hearing on the merits in the Legal Proceedings, Star Diamond is pleased that the Court recognized, at this preliminary stage, that these claims represent serious issues to be tried at the merits hearing. Star Diamond cautions that there can be no assurance that the Court will find in the Company's favour on these issues at the hearing on the merits. Star Diamond also cautions that, at this preliminary stage in the Legal Proceedings, none of these claims had yet reached the stage of constituting a strong prima facie case, as the Court noted in the Decision.

As the Court stated in the Decision, after the interim injunction application was brought by Star Diamond, RTEC agreed, as part of its response to the injunction application, that RTEC would not call and/or conduct any meeting of the management committee under the RTEC/Star Diamond joint venture agreement (the "JV Agreement") for a period of 120 days following RTEC completing the processing, diamond recovery and reporting of all diamond results on the samples previously taken from the 10 cutter holes completed on the Star Kimberlite by RTEC during 2019. Relying on RTEC's commitment during the hearing of the injunction application that this represented an undertaking of RTEC to the Court, the Court ultimately determined, after taking account of the balance of convenience between Star Diamond and RTEC, that an interim injunction would not be granted, which would have extended the prohibition on RTEC calling and/or conducting a meeting of the management committee until a further five cutter holes on the Orion South Kimberlite were drilled and fully reported on, as had been requested by Star Diamond.

In the result, RTEC will be prohibited from calling and/or conducting any meeting of the management committee under the JV Agreement for a period of 120 days following RTEC completing the processing, diamond recovery and reporting of all diamond results on the samples previously taken from the 10 cutter holes completed during 2019.

As previously disclosed, Star Diamond currently expects that all or substantially all of the bulk samples from the ten cutter holes collected during 2019 will be processed by RTEC during calendar 2020, provided that there are not any unexpected material delays in this process including issues arising from COVID19. However, even if the processing by RTEC of these samples is completed during calendar 2020, the timing for the completion of diamond recovery and reporting of all diamond results from these samples remains

uncertain and may take longer.

The Court has not yet established a timetable for the hearing on the merits in the Legal Proceedings or the various pre-trial steps that will precede it. Star Diamond will provide further updates on the Legal Proceedings as developments warrant.

About Star Diamond Corporation

[Star Diamond Corp.](#) is a Canadian based corporation engaged in the acquisition, exploration and development of mineral properties. Shares of the Corporation trade on the Toronto Stock Exchange under the trading symbol "DIAM". The Corporation's 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.

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 Corporation'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 PEA constitute forward-looking statements. Forward-looking statements contained or implied in this press release include, but are not limited to, the Corporation's expectations regarding the processing and analysis of, and reporting of results from, the bulk samples previously collected by RTEC and the timeline for doing so.

These forward-looking statements are based on the Corporation'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 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 the Corporation, risks related to the legal proceedings commenced by the Corporation against RTEC, the effects of competition in the markets in which Star Diamond 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, 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 the Corporation's most recently filed Annual Information Form, annual and interim MD&A, news releases and technical reports. The Corporation'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 Corporation, 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 Corporation does not undertake to update any forward-looking statement that is made herein.

SOURCE [Star Diamond Corp.](#)

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