

# Star Diamond Corp. Announces Second Quarter 2021 Results

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SASKATOON, Aug. 12, 2021 - [Star Diamond Corporation](#) ("Star Diamond" or the "Company") reports that the unaudited results of its operations for the three and six months ended June 30, 2021 will be filed today on SEDAR and may be viewed at [www.sedar.com](http://www.sedar.com) once posted. All currency amounts are in Canadian dollars. A summary of key financial and operating results for the three months ended June 30, 2021 is as follows:

## Highlights

- Continued pursuit of the legal proceedings commenced by Star Diamond against Rio Tinto Exploration Canada Inc. ("Rio Tinto") arising out of the purported exercise in November 2019 by Rio Tinto of its four options under the Option to Joint Venture Agreement dated June 22, 2017 (the "Option Agreement")
- Working capital of \$3.1 million at June 30, 2021
- Issued and outstanding shares of 452.8 million at June 30, 2021

## Overview

Star Diamond 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, resulting in the Company owning 100% of the Fort à la Corne mineral properties, including the Star - Orion South Diamond Project (the "Project"). The Company concurrently announced that it had entered into the Option Agreement with Rio Tinto pursuant to which the Company granted Rio Tinto 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 Rio Tinto advising that Rio Tinto 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 Rio Tinto 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 (Judicial Centre of Saskatoon) (the "Court") against Rio Tinto (the "Legal Proceedings") in relation to Rio Tinto'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 and Fort à la Corne mineral properties

During 2019, the Company announced that Rio Tinto completed the drilling of ten bulk sample holes (trenches) on the Company's Star Kimberlite. These ten trench cutter holes included a total of 2,351 metres of trench cutter drilling and intersected a total of 1,215.5 metres of kimberlite.

During the second quarter of 2020, the Company announced that Rio Tinto had commenced the processing of these bulk samples (see News Release dated April 23, 2020). The initial results from these ten trench cutter holes have now been reported by Star Diamond.

During February 2021, Rio Tinto provided written notice to Star Diamond that Rio Tinto had successfully completed its ten-trench cutter hole bulk sample program (see News Release dated February 22, 2021). Rio Tinto also confirmed to Star Diamond that this bulk sample program had met Rio Tinto's objective of improving confidence in the diamond grade of the Project. In response, Star Diamond notified Rio Tinto that completion of a comprehensive diamond breakage study and certain other work remained outstanding. Rio

Tinto has previously assured Star Diamond that a comprehensive diamond breakage study would be completed by Rio Tinto as part of the bulk sample program.

The initial results from the ten reported trenches continue to validate the grades outlined in the Company's independent Preliminary Economic Assessment ("PEA") that was based upon Star Diamond's own prior underground bulk sampling and large diameter drilling programs. The recovery of larger diamonds from Rio Tinto's bulk sample program, including larger Type IIa diamonds, also continues to strengthen the expectation for recovery of large, high value diamonds in a future producing diamond mine. However, as previously disclosed by Star Diamond, the Company believes that Rio Tinto's extraction and diamond recovery methodologies, including its use of unproven civil engineering trenching technologies to conduct bulk sampling of Kimberlite, caused undue diamond breakage, resulted in significant unnecessary cost overruns and materially damaged Star Diamond's interest in the Project. Comprehensive diamond breakage studies are required to assess the nature, extent and potential causes of the diamond breakage, and the possibility that larger diamonds would have been recovered absent such breakage.

During the first quarter of 2021, the Company announced that Rio Tinto commenced an eight-hole geotechnical drilling program on and in proximity to the Orion North Kimberlite (see News Release dated January 19, 2021). The drill rigs utilized were capable of sonic drilling to obtain representative samples of the glacial overburden and core drilling for the underlying kimberlite or host rock sediments. Star Diamond has been advised that the aim of this drilling is to investigate the geotechnical properties of the overburden, kimberlite and host rock sediments, with this information to be used for future open pit design. Parts of the Orion North Kimberlite have shallower overburden (of approximately 95 metres) than both the Star and Orion South Kimberlite.

#### Activities relating to the Legal Proceedings

Star Diamond continues to vigorously pursue the Legal Proceedings, and is committed to taking all actions necessary to protect Star Diamond and its shareholders from the predatory and coercive actions of Rio Tinto.

Pleadings in the Legal Proceedings have been completed. During March 2021, Rio Tinto and Star Diamond each delivered their respective affidavits of documents to the other. The other principal pre-trial steps that remain to be completed include oral questioning and the exchange of expert reports. Once the pre-trial steps are completed, Star Diamond expects that the Court will schedule a pre-trial conference and set a date for trial. Star Diamond does not expect that the trial will occur in 2021.

During June 2021, the Court confirmed that, notwithstanding Rio Tinto's acknowledgement that a diamond breakage assessment was an essential part of its recent 10 cutter hole bulk sample diamond exploration program, the Undertaking that Rio Tinto previously provided to the Court in connection with the Legal Proceedings did not oblige Rio Tinto to complete such diamond breakage assessment at that time.

Star Diamond is concerned that Rio Tinto is unnecessarily delaying the completion of its diamond breakage assessment, which Star Diamond expects will further validate its previously expressed concerns about Rio Tinto's use of unproven and inadequately tested extraction and/or diamond recovery methodologies to conduct its bulk sample program. Star Diamond looks forward to reviewing Rio Tinto's diamond breakage assessment as soon as it is completed.

On July 26, 2021, Rio Tinto purported to hold a meeting of the management committee of the joint venture that Rio Tinto claims was previously formed between Star Diamond and Rio Tinto. At that meeting, representatives of Rio Tinto purported to unilaterally approve a proposed joint venture budget for the period from June 2021 to March 2022 of \$17.8 million, and to add to that budget an aggregate of \$64.4 million allegedly spent by Rio Tinto during 2019, 2020 and the first five months of 2021.

As previously disclosed by Star Diamond, it believes that no joint venture has been formed because Rio Tinto's November 2019 purported exercise of its options under the Option Agreement did not comply with that agreement. Accordingly, Star Diamond believes that the July 26, 2021 purported meeting of the management committee was not valid. Further, Star Diamond believes that, even if a joint venture had been validly formed, which as stated Star Diamond does not believe is the case, the relevant agreements do not allow Rio Tinto to include in the joint venture budget, or otherwise recover from Star Diamond, much of the \$64.4 million allegedly spent by Rio Tinto during 2019, 2020 and the first five months of 2021.

Star Diamond expects that these issues will form part of the Legal Proceedings. To the extent that Star Diamond does not fund its portion of joint venture expenditures in circumstances where it is required to do so, Star Diamond's interest in such joint venture may be diluted.

#### Quarterly results

For the quarter ended June 30, 2021, the Company recorded a net loss of \$2.0 million or \$0.00 per share (basic and fully diluted) compared to a net loss of \$1.5 million or \$0.00 per share for the same period in 2020. The losses during these quarters were due to operating costs and exploration and evaluation expenditures incurred by the Company exceeding interest and other income earned on cash and cash equivalents.

#### Year to Date Results

For the six months ended June 30, 2021, the Company recorded a net loss of \$3.1 million or \$0.01 per share (basic and fully diluted) compared to a net loss of \$2.5 million or \$0.01 per share for the same period in 2020. The losses during these six month periods were primarily due to ongoing operating costs and exploration and evaluation expenditures incurred by the Company exceeding interest and other income earned.

Selected financial highlights include:

Condensed Consolidated Statements of Financial Position	As at June 30, 2021	As at December 31, 2020
Current assets	\$ 4.1 M	\$ 5.0 M
Exploration and evaluation, capital and other assets	67.8 M	67.6 M
Current liabilities	1.1 M	1.0 M
Non-current liabilities	1.2 M	1.2 M
Shareholders' equity	69.6 M	70.4 M

Condensed Consolidated Statements of Loss	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Interest and other income	\$ 0.0 M	\$ 0.0 M	\$ 0.0 M	\$ 0.0 M
Expenses	1.8 M	1.5 M	3.2 M	2.6 M
Investment in <a href="#">Wescan Goldfields Inc.</a>	(0.2) M	0.0 M	0.1 M	0.1 M
Net loss for the period	2.0 M	1.5 M	3.1 M	2.5 M
Net loss per share for the period (basic and diluted)	0.00	0.00	0.01	0.01

Condensed Consolidated Statements of Cash Flows	Quarter Ended June 30, 2021	Quarter Ended June 30, 2020
Cash flows from operating activities	\$ (2.9) M	\$ (2.4) M
Cash flows from investing activities	0.0 M	0.0 M
Cash flows from financing activities	1.9 M	0.1 M
Net decrease in cash	(1.0) M	(2.3) M
Cash - beginning of period	4.8 M	8.0 M
Cash - end of period	3.8 M	5.7 M

## 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.

The successful completion of the 2017 consolidation of the Company's Fort à la Corne mineral properties (including the Project) 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. The Company is also very pleased to continue to have [Newmont Corp.](#) as a significant shareholder.

As of August 12, 2021, the Company had approximately \$3.4 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 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.

Notwithstanding the work that has been and continues to be undertaken by Rio Tinto in relation to the Project, and prior statements made by Rio Tinto and its affiliates in relation to the Project including as referred to above, there can be no assurance that Rio Tinto will seek to further invest in the Project or seek to develop the Project into an operating mine, nor regarding what further studies, analyses, criteria or conditions Rio Tinto may consider relevant to its assessment of whether to do so.

## About Star Diamond Corporation

Star Diamond is a Canadian based corporation engaged in the acquisition, exploration and development of mineral properties. Shares of the Company trade on the TSX under the trading symbol "DIAM". The Fort à la Corne kimberlites (including the 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 independent 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 ("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 approved the Project (See News Release dated October 25, 2018). The Canadian Environmental Assessment Agency previously announced a positive Environmental Assessment Decision for the 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 or the PEA constitute forward-looking statements. Forward-looking statements contained or implied in this news release include, but are not limited to, statements related to the Legal Proceedings commenced by the Company against Rio Tinto; statements regarding the processing and analysis of, and reporting of results from, the bulk samples previously collected by Rio Tinto and the timeline for doing so; statements related to diamond breakage and diamond breakage assessments; statements related to the joint venture that Rio Tinto claims has been formed with Star Diamond, funding obligations of Star Diamond under that joint venture and the consequences of Star Diamond not meeting any of such funding obligations; 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 Project; statements relating to future development of the Project and associated timelines; statements with respect to environmental permitting and approvals; the Company's need for and intention to seek additional financing; statements with respect to metallurgical investigations, assessments and test work including diamond breakage studies; and 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 Rio Tinto or the Company, the nature and outcome of studies, analyses, criteria or conditions that Rio Tinto 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, risks related to the Legal Proceedings including regarding the Court's interpretation of relevant agreements, the counterclaim of Rio Tinto against the Company and any future legal proceedings, the impact of the COVID-19 pandemic, risks related to the processing methods used by Rio Tinto and the effectiveness thereof, risks related to diamond breakage and cost overruns and other consequences arising from Rio Tinto's extraction and diamond recovery methodologies, 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 law, the Company does not undertake to update any forward-looking statement that is made herein.

SOURCE [Star Diamond Corp.](#)

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