

## **FIVE STAR DIAMONDS LTD. AND SPIRIT BANNER II CAPITAL CORP. ENTER INTO LETTER OF INTENT TO COMPLETE SPIN-OFF AND QUALIFYING TRANSACTION**

TORONTO, March 25, 2019 – Five Star Diamonds Ltd. (TSX.V:STAR) (“**Five Star**”) and Spirit Banner II Capital Corp (TSX.V:SBCC.P) (“**Spirit Banner II**” or the “**Corporation**”) are pleased to announce that they have entered into a binding letter of intent dated March 20, 2019 which outlines the terms and conditions pursuant to which Five Star and Spirit Banner II will complete a transaction that will result in Spirit Banner II acquiring all of Five Star’s diamond projects in Brazil and Five Star continuing as a royalty and stream company (the “**Proposed Transaction**”). The Proposed Transaction will, if completed, constitute Spirit Banner II’s “Qualifying Transaction” as such term is defined in Policy 2.4 (“**Policy 2.4**”) of the TSX Venture Exchange (the “**TSXV**”).

### **Five Star Ltd.**

Five Star is a company incorporated under the *Business Corporations Act* (British Columbia) and its common shares are listed on the TSXV under the ticker symbol STAR. Five Star has been engaged in the identification, exploration and development of diamond properties in Brazil.

Five Star owns six diamond projects (the “**Diamond Projects**”) in Brazil comprising an aggregate of 6 exploration licences and applications across 7,786 hectares. To date, Five Star has conducted exploration programs on each of the projects with the Catalao, Verissimo, Riachao, Jaibaras and Maravilha projects showing diamond bearing kimberlites. The Company is focused on the development of sustainable kimberlite pipes and is not involved in alluvial diamond mining with its associated environmental issues.

### **Spirit Banner II Capital Corp.**

Spirit Banner II was incorporated under the *Business Corporations Act* (Ontario) on September 29, 2017 and is a Capital Pool Company (as defined in the policies of the TSXV) listed on the TSXV. Spirit Banner II has no commercial operations and no assets other than cash.

The principal business of Spirit Banner II is to identify and evaluate businesses and assets with a view to completing a Qualifying Transaction, and, once identified and evaluated, to negotiate an acquisition or participation in such assets or businesses. Until the completion of the Proposed Transaction, Spirit Banner II will not carry on business other than the identification and evaluation of assets or businesses in connection with a potential Qualifying Transaction. The Proposed Transaction is intended to be Spirit Banner II’s Qualifying Transaction.

As of the date of this news release, the outstanding securities of Spirit Banner II consists of 11,615,000 common shares (“**Spirit Banner II Shares**”), 1,161,500 stock options and 501,500 broker warrants, with each stock option and broker warrant exercisable to acquire one common share at \$0.10 per common share.

### **The Qualifying Transaction**

The Proposed Transaction is expected to involve the acquisition by Spirit Banner II of all of the issued and outstanding shares of FSD Brazil Ltd., all of which are owned by Five Star Holdings Ltd. (“**FS Holdings**”), a

direct wholly-owned subsidiary of Five Star, in exchange for an aggregate of 100,000,000 Spirit Banner II Shares (the “**Consideration Shares**”), \$250,000 in cash, a 3% net smelter returns royalty over the Catalao Project and a 1.5% net smelter returns royalty over all other diamond projects acquired. It is currently planned that the Consideration Shares will be subsequently distributed on a pro rata basis to the shareholders of Five Star (the “**Five Star Shareholders**”). Five Star’s outstanding securities exercisable or exchangeable for, or convertible into, or other rights to acquire common shares of Five Star (“**Five Star Shares**”) will be adjusted according to their terms to reflect the distribution of the Consideration Shares to Five Star Shareholders.

The Proposed Transaction will result in Spirit Banner II continuing the diamond business in Brazil currently carried on by Five Star, Five Star Shareholders holding a majority of the Spirit Banner II Shares and the listing for trading of the Spirit Banner II Shares on the TSXV on completion of the Proposed Transaction. Five Star will continue as a royalty company and the Five Star Shares will continue to be listed on the TSXV. The Transaction is expected to be effected by way of a share exchange, amalgamation, arrangement, or other similar form of transaction. The parties agree, however, that the final structure of the Proposed Transaction is subject to receipt of tax, corporate and securities law advice for both Spirit Banner II and Five Star.

Subject to TSXV approval, Spirit Banner II has agreed to advance to Five Star as soon as possible after the date hereof a refundable deposit of \$225,000, which will be credited towards the cash portion of the purchase price on the closing of the Proposed Transaction.

Upon completion of the Proposed Transaction, Spirit Banner II will be the parent and sole shareholder of FSD Brazil Ltd., which in turn owns Five Star Mineracao Ltda., the Brazilian operating company that holds title to the Diamond Projects and thus will indirectly continue to carry on the business currently conducted by Five Star. Spirit Banner II after completion of Proposed Transaction is referred to herein as the “**Resulting Issuer**”.

The Proposed Transaction does not constitute a Non-Arm’s Length Qualifying Transaction under Policy 2.4 and is not a “related party transaction” as defined in Multilateral Instrument 61-101, although certain directors of Spirit Banner II are also directors of Five Star. Matthew Wood is a director of Spirit Banner II as well as the President, CEO and a director of Five Star. Mr. Wood currently holds 10.34% of the issued and outstanding common shares of Spirit Banner II and 6.32% of the issued and outstanding Five Star Shares.

Following completion of the Proposed Transaction, it is anticipated that the Resulting Issuer will be listed on the Exchange as a Tier 2 mining issuer and that Five Star will continue to be listed on the Exchange as a Tier 2 mining issuer.

### **Name Change**

Five Star intends to change its name to "Star Royalties Ltd." or such other name as determined by the board of directors of Five Star and acceptable to the regulators. The board of directors of Five Star can authorize the proposed name change and the approval of the Five Star Shareholders is not required.

### **Concurrent Financings**

Concurrent with the completion of the Proposed Transaction, both Spirit Banner II and Five Star intend to complete a brokered and/or non-brokered private placement financing on terms to be determined (the “**Concurrent Financings**”). The net proceeds of the Concurrent Financing to be completed by Spirit Banner II will be used for financing Spirit Banner II’s obligations in connection with the completion of the Proposed Transaction, a recommended work program on the Catalao Project and for general working capital requirements. The net proceeds of the Concurrent Financing to be completed by Five Star will be used to identify and complete acquisition of royalty interests and metal streams and for general working capital requirements. Details of the terms and conditions of the Concurrent Financings will be disclosed when they become available.

### **Sponsorship**

Spirit Banner II intends to make an application to the TSXV for a waiver from sponsorship requirements, but there is no assurance that such waiver will be granted.

### **Shareholder Approval and Filing Statement/Information Circular**

It is expected that the approval of the Proposed Transaction by the shareholders of Spirit Banner II will not be required. In connection with the Proposed Transaction and pursuant to the requirements of the TSXV, Spirit Banner II will file a filing statement or a management information circular on its issuer profile on SEDAR ([www.sedar.com](http://www.sedar.com)), which will contain details regarding the Proposed Transaction, Concurrent Financing, Spirit Banner II, Five Star and the Resulting Issuer.

It is expected that the Proposed Transaction will be required to be approved by the Five Star Shareholders. In connection with such approval, Five Star will prepare and file an information circular on its issuer profile on SEDAR ([www.sedar.com](http://www.sedar.com)), which will contain details regarding the Proposed Transaction, Concurrent Financing and the business of Five Star following completion of the Proposed Transaction.

### **Trading in Spirit Banner II and Five Star Common Shares**

Trading in both Spirit Banner II Shares and Five Star Shares has been halted in compliance with the policies of the TSXV and will remain halted pending the review of the Proposed Transaction by the TSXV and satisfaction of the conditions of the TSXV for resumption of trading. It is likely that trading in Spirit Banner II Shares and Five Star Shares will not resume prior to the closing of the Proposed Transaction.

### **Conditions of Closing of the Qualifying Transaction**

Satisfaction of the following conditions are required for completion of the Proposed Transaction:

- a) Spirit Banner II must be satisfied in its sole discretion, with its due diligence review of Five Star, including the title, nature and value of the Diamond Projects and the nature and extent of Five Star’s financial position, liabilities and obligations;
- b) Five Star must have delivered to Spirit Banner II an independent geological report in accordance with National Instrument 43-101 – Standards of Disclosure for Mineral Projects;
- c) The Proposed Transaction must receive any third-party consents and approvals by all regulatory bodies having jurisdiction in connection therewith including, the TSXV; and

d) The Concurrent Financings must be completed.

### **Directors and Management of the Resulting Issuer and Five Star**

Subject to applicable approvals, it is anticipated that the existing directors and officers of Five Star and Spirit Banner II will continue as the directors and officers of Five Star and the Resulting issuer following completion of the Proposed Transaction.

#### **For further information, contact:**

Five Star Diamonds Ltd.  
Matthew Wood, President and CEO  
+1.647.981.1703  
matt@fivestardiamonds.net

Spirit Banner II Capital Corp.  
Ali Haji, President and CEO  
+1.647.951.6508  
ali@atmacapitalmarkets.com

*Information set forth in this news release contains forward-looking statements. These statements reflect management's current estimates, beliefs, intentions and expectations; they are not guarantees of future performance. Spirit Banner II and Five Star caution that all forward-looking statements are inherently uncertain and that actual performance may be affected by a number of material factors, many of which are beyond their control. Such factors include, among other things: risks and uncertainties relating to the ability to complete the proposed Qualifying Transaction, including those described in Spirit Banner II's Prospectus dated May 7, 2018, available on the Corporation's SEDAR profile at [www.sedar.com](http://www.sedar.com). 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, Spirit Banner II undertakes no obligation to publicly update or revise forward-looking information.*

*Completion of the transaction is subject to a number of conditions, including but not limited to, Exchange acceptance and if applicable pursuant to Exchange Requirements, majority of the minority shareholder approval. Where applicable, the transaction cannot close until the required shareholder approval is obtained. There can be no assurance that the transaction will be completed as proposed or at all.*

*Investors are cautioned that, except as disclosed in the management information circular or filing statement to be prepared in connection with the transaction, any information released or received with respect to the transaction may not be accurate or complete and should not be relied upon. Trading in the securities of a capital pool company should be considered highly speculative.*

*The TSX Venture Exchange Inc. has in no way passed upon the merits of the proposed transaction and has neither approved nor disapproved the contents of this press release. A halt in trading shall remain in place*

*until after the Qualifying Transaction is completed or such time that acceptable documentation is filed with the TSX Venture Exchange.*

*The information contained in this press release relating to Five Star and the Diamond Projects has been furnished by Five Star. Although Spirit Banner II has no knowledge that would indicate that any statements contained herein concerning Five Star and the projects are untrue or incomplete, neither Spirit Banner II nor any of its directors or officers assumes any responsibility for the accuracy or completeness of such information or for any failure by Five Star to ensure disclosure of events or facts that may have occurred which may affect the significance or accuracy of any such information.*

NEITHER TSX VENTURE EXCHANGE NOR ITS REGULATION SERVICES PROVIDER (AS THAT TERM IS DEFINED IN THE POLICIES OF THE TSX VENTURE EXCHANGE) ACCEPTS RESPONSIBILITY FOR THE ADEQUACY OR ACCURACY OF THIS RELEASE.