



TIMANTTI DIAMOND PROJECT

ARCTIC STAR'S LATEST PROPERTY
IN FINLAND

MOMENTUM REPORTS – ARCTIC STAR

Report #1 – June, 2019

ARCTIC STAR SHINES BRIGHT

THE WORLD'S NEXT "BILLION-DOLLAR"
MINE COULD BE CANADIAN OWNED

A SCARCITY OF MAJOR DIAMOND DISCOVERIES IN THE PAST THREE
DECADES HAS WEAKENED THE INDUSTRY'S CONFIDENCE AND MARKETS.
A MAJOR WORLD-CLASS DISCOVERY IS NEEDED TO RECHARGE THE SECTOR.

ENTER ARCTIC STAR EXPLORATION.

The Canadian miner's Timantti project in northern Finland is exploring what may be a billion-dollar deposit.

The signs for low development costs and early profits look promising. For starters, the exploration property, complete with infrastructure, is fully paid – a rarity in mining. The mine is road accessible, and Finland has the social and political stability for secure, long-term investment.

Timantti is also located on the same geological belt of rock as Lomonosova and Grib, two of the world's biggest diamond mines, just over the nearby Russian border.

In fact, Arctic Star's research and analysis already confirms that Timantti hosts at least three diamondiferous kimberlites.

To cap it all off, the project is being run by the right people, at the right time – by the right company.



ARCTIC STAR EXPLORATION CORP.

(TSX-V: ADD) (US LISTING: ASDZF)
(FRANKFURT: 82A1)

SHARES OUTSTANDING:
xxx

FULLY DILUTED:
xxx

RECENTLY TRADED:
~CDN\$xxx/share (TSX-V: ADD)

SHARES ISSUED:
112,351,363

OPTIONS:
9,341,661

WARRANTS:
32,137,100

TOTAL SHARES OUTSTANDING:
142,110,124

52 WEEK HIGH/LOW:
\$0.26/ 0.035

CURRENT MARKET CAPITALIZATION:
~\$11.3 million Canadian

**THE TIMANTTI PROJECT IS
NI 43-101 COMPLIANT**

A RISING STAR

Founded in 2001, Arctic Star Exploration Corp. (TSX-V: ADD) is a self-described “junior natural resource company engaged in the acquisition, exploration and development of mineral properties.” Despite being defined as “junior”, in 2018, The Northern Miner rated Arctic Star among the Top 10 diamond companies, by market capitalization, headquartered in Canada.

The Vancouver-based company owns 100% of its flagship Timantti Diamond Project, including a 243 Ha Exploration Permit and a 193,700 Ha Exploration Reservation near the township of Kuusamo.

The three diamondiferous kimberlites already discovered on the site represent the first finds in a potentially large kimberlite field. Arctic Star also controls diamond exploration properties in Nunavut (Stein), the NWT (Diagras and Redemption) and a rare metals project in BC (Cap). The Timantti project uses the same exploration techniques that have proved successful in the Canadian Arctic.

THAT SUCCESS WAS ENSURED BY THE HIGHLY-EXPERIENCED EXPLORATION TEAM; THE SAME TEAM THAT HAS MADE NUMEROUS WORLD-CLASS DIAMOND DISCOVERIES.

ROCK STAR GEOLOGISTS

The team of Arctic Stars also includes Buddy Doyle and Roy Spencer. A dynamic duo with some 68 years of combined experience under their tool belts.

Both geologists have a track record of finding some of the rarest gemstones on earth and discovering several multi-billion dollar mines.

With Timantti, they may have just found another one.



BUDDY DOYLE,

VP Exploration – The man with the golden touch

Mr. Doyle was largely responsible for discovering the multi-million ounce Minifie gold deposits at Lihir, Australia in 1987-1988.

He was the VP of Exploration at Sanatana Diamonds in 2008 and guided his team to discover the Dharma Kimberlite near Great Bear Lake, in the Northwest Territories.

During the mid-90s, Mr. Doyle also led the team that discovered the Diavik diamond deposits in northern Canada – a mine that produces 7 million carats annually.

Based on his team's findings so far at Timantti, he's optimistic about the project's prospects.

“The high microdiamond count, 77 stones (greater than 0.15mm), from the two small samples totaling 60.1kgs (European plus Arctic Star Caustic Fusion samples) is a significant result,” he says. “Backhoe trenching results are also significant because they show the Wolf pipes contain diamonds of over 1mm.”



ROY SPENCER,

Finland Country Manager and Director –
From Russia with Love

As a De Beers veteran, Mr. Spencer's career is steeped in historical diamond discoveries.

In 1989, Mr. Spencer was the technical director for Peregrine Diamonds where he led the team that discovered the first kimberlites in Western Australia.

During the mid-90s, he helped find the multi-billion dollar Grib kimberlites in northwest Russia, one of the world's largest diamond deposits. In 2003, he went on to discover the Lentiira kimberlite cluster in central Finland, located 450km SE from Arctic Star's Timantti exploration.

“Timantti is the Finnish word for diamond and the title is apt,” says Mr. Spencer. “Our data shows regional distribution of kimberlitic indicator minerals and diamonds in surficial tills. Arctic Star is now in the centre of what could continue into a Tier 1 diamond discovery at Timantti.”



PATRICK POWER –

CEO, President, Director

Mr. Power heads Arctic Star as a seasoned venture capitalist and financier with more than 20 years' experience as a stock market professional and director of public companies. Since joining in 2018, the company has benefited from his abilities as a savvy deal-maker, adept investor, and results-driven leader.

The company also profits from his large network of industry contacts, enthusiasm and membership of the audit and remuneration panels.

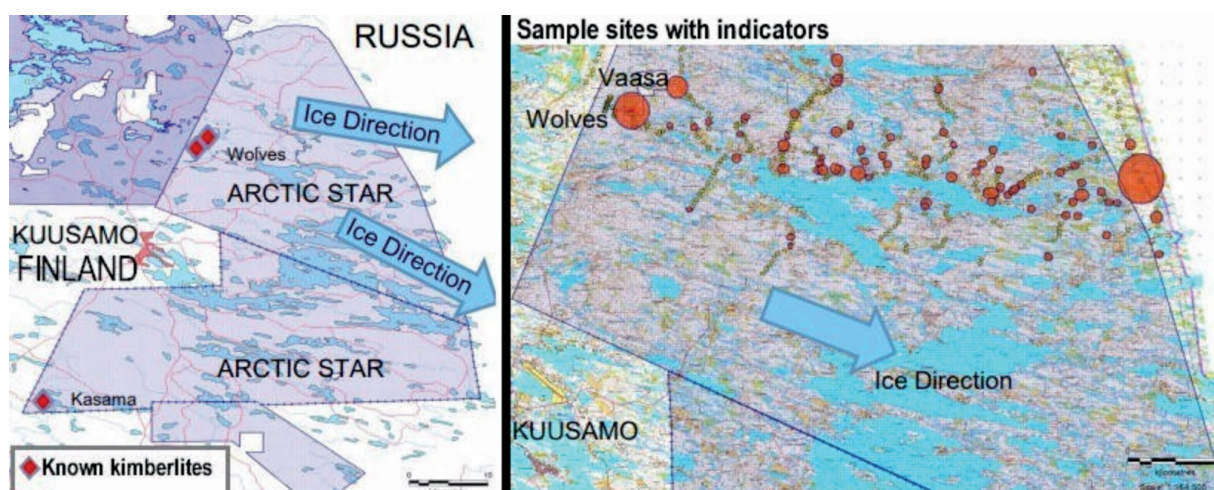
At the same time, Mr. Power is outspoken advocate of Corporate Social Responsibility.

“Embedded in our company values is a commitment to building shareholder wealth while maintaining ethical and environmentally sustainable practices,” he says.

RIGHTS AND TITLES

Arctic Star has completed a Share Exchange Agreement for all the rights, title and interest to Foriet Oy, a Finnish company that owns the 243-hectare exploration permit over the Wolf kimberlites. The agreement makes Foriet Oy a wholly owned subsidiary of Arctic Star.

The company has also filed an application for approximately 95,700 hectares of “exploration reservation” around the 243 hectare property. The application would give Arctic Star exclusive claim-staking rights for two years.



SPARKLING FINDS

Historic public data and recent till samples taken by Arctic Star show a clear dispersion of diamond indicator minerals east of Kuusamo that prove more kimberlites are to be found. The red dots (below) are sample sites. Red circles show samples with positive results – the larger the circle the more indicators in the sample.

THE THREE WOLVES – A HOWLING SUCCESS

Diamonds are formed below the Earth’s crust and can be brought to the surface only through rare volcanic events. Hot, gas-charged molten rock melts through the crust, bringing diamonds along with it. After the volcano cools, a kimberlite pipe is left behind. If you’re lucky, it will hold diamonds.

Timantti has lucked out.



In 2018 Arctic Star dug out a cluster of four newly-discovered kimberlites ripe with microdiamonds. The kimberlite cluster was found by using ground geophysics, then excavator till sampling, which included 20 samples of 50 metric pounds, approximately 600 metres deep.

Following caustic-fusion processing 1,746 diamonds were found in 987.06kg of samples from four kimberlites. Curve analysis yields +1.18mm stones in each kimberlite.

Three of the kimberlites, known as the Three Wolves, are within 300 metres of each other. They were conveniently found under only 1-3 metres of overburden, adjacent to power, only a few hundred metres off the highway.

Analysis of the distribution of microdiamonds from caustic fusion of samples from the best- grading kimberlite structure (White Wolf), yielded ~0.7 carats/T (+/- ~20%) commercial stones. If not a potential mine in its own right, these random micro-tests indicate that White Wolf is certainly part of a future mine.

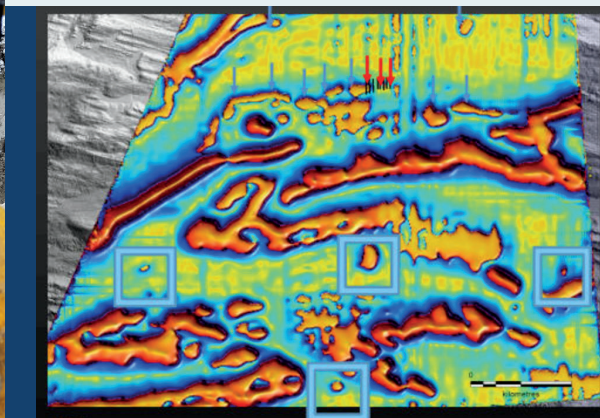


TIMANTTI – DIAMOND RESULTS										
Kimberlite	Sample Weight Kg	+0.106mm	+0.15mm	+0.212mm	+0.3mm	+0.425mm	+0.60mm	+0.85mm	+1.18mm	Total Stones
Grey Wolf (Drill)	101.66	29	14	13	8	1	1	0	0	66
Grey Wolf (Trench)	99.98	28	18	20	8	1	2	0	1	78
Black Wolf	349.75	267	138	87	45	16	3	3	0	559
Vasa Dykes	25.74	1	5	5	0	0	0	0	0	11

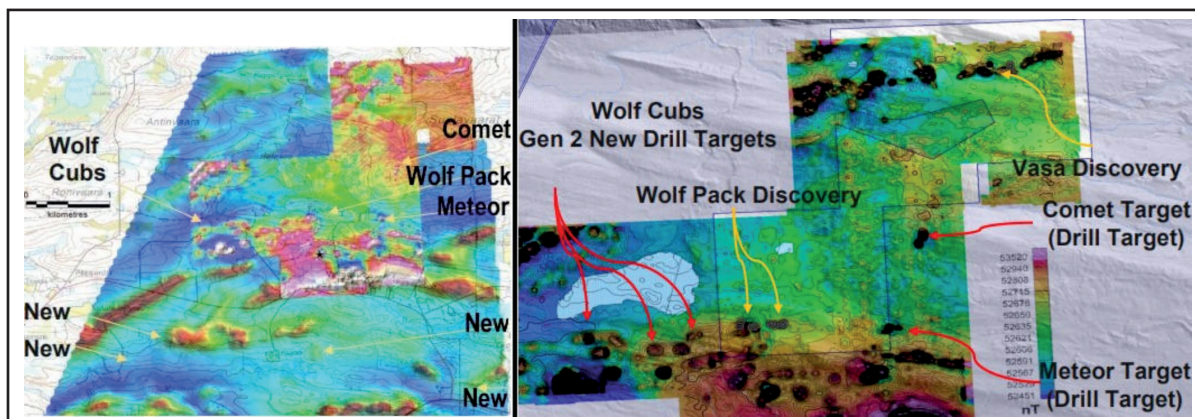
NEW TARGETS : NO STONE LEFT UNTURNED

Arctic Star is now working to prove the Timantti Project has world-class size potential, by confirming more kimberlites. The exploration team's strategy is to test several near-surface anomalous targets, which are strongly indicative of being additional kimberlite pipes.

The strategy includes airborne gravity, magnetic and electromagnetic surveys to expand detailed understanding of the area's geological makeup. The geophysical survey will help determine drill targets and potential diamond-bearing core samples from other nearby pipes. In addition to surveying, the team will re-sample old drill core from the Wolf Kimberlite pipes and analyze them for diamonds.



Mag filter designed to highlight kimberlite like targets. Boxes highlight targets in new exploration permit. Blue arrows show targets in current permit.



Annotated UAV magnetic survey showing greenstones belts, gabbro sills and kimberlite targets

Annotated survey showing nanoteslas (nT). Red arrows indicate top priority targets

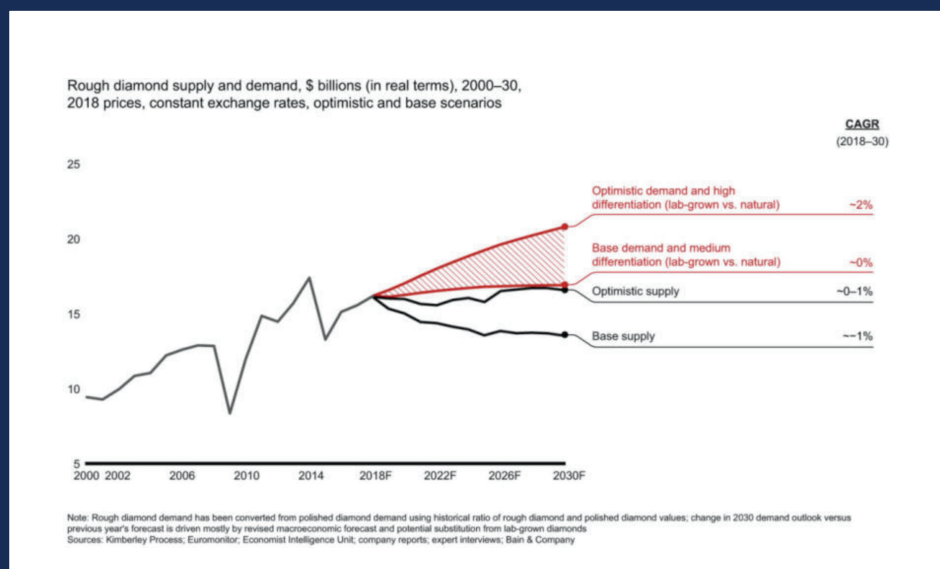
DIAMONDS ARE AN INVESTOR'S BEST FRIEND

The world consumes 127 million carats of rough diamonds annually. That's the equivalent of one Diavik Mine per year. But with no significant discoveries since 1990's, the industry faces the challenge of limited new supply.

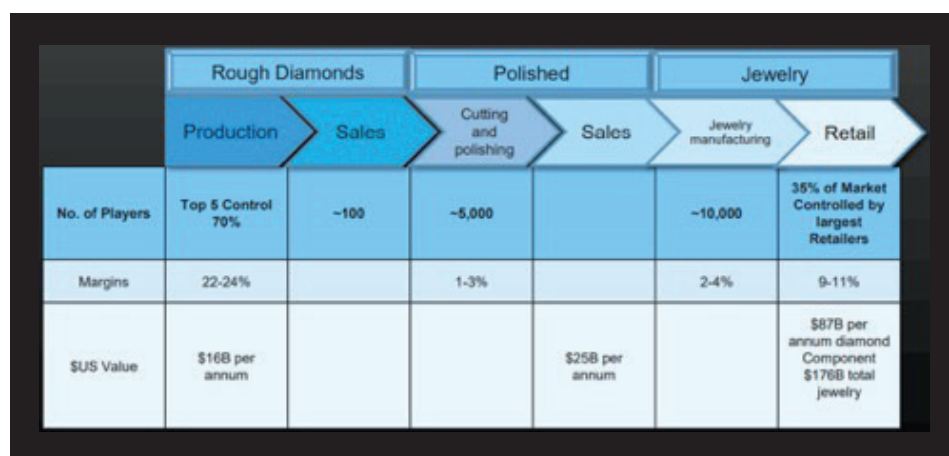
Timantti is just what the doctor ordered for the diamond industry to bring back investment confidence. Not only does the project have the potential to unearth amazing rare gems, but it also opens the way for the next world-class discovery to stimulate the industry.

And by the way, while these discoveries unfold, Arctic Star stock is unlikely to remain at current levels for long.

The chart below shows the growing production shortfall.



DIAMOND PRODUCTION FORECAST



Diamond Pipeline (Source: Bain & Company)

Diamonds are producers' club. Producers have the highest profit margins. That's because diamonds are one of the only mined commodities where producers set the price, not the buyers.

Diamonds are not industrially driven like most other mined commodities. If prices are weak, producers will occasionally agree to hold off selling particular sizes of diamonds. These stones are safely stored on-site to avoid flooding the market, supply remains limited, and prices are restored.



FORTUNES ARE MADE AT THE BOTTOM

The chart here shows that gains made in early 2018 were lost later that year. Most of these losses were in "small good" diamonds, i.e. less than 3 pointers (0.3 carats). The price pressure was caused mainly by producers reprocessing old tailings where smalls dominate and was therefore short-lived. Prices are now stabilizing because of strong demand from the USA and rising affluence in China.



(REAL)

DIAMONDS ARE FOREVER

Some media reports suggest a growing demand for low-cost synthetic diamonds. But in reality, lab-made stones cater to a separate and much smaller market, which does not affect the sales of natural gems. For example, demand for synthetic diamond production in 2018 was ~7M carats, compared with the demand for natural stones of ~130M carats.

The sale of Picasso posters doesn't affect the rising value of the original paintings.

In the same way, "is it real?" is usually the first question asked when someone sees an impressive diamond.

In fact, many cultures attribute mystical powers or qualities to crystals, stones or precious metals, while linking them to birthdates, anniversaries and other events.

Like a ticket to the cinema, a night at the opera, or a favorite fairy tale, jewelry is an entrée to a world of kings and queens, adventure, magic and history. Medieval lore says King Solomon owned a magical sapphire ring that gave him the power to "command demons and speak to animals." It's also said that he used sapphires from Sri Lanka to seduce the Queen of Sheba.

From crime thrillers to epics, Hollywood has long promoted the mystique of jewelry, especially items with a history. During the early years of American film making, stars often wore their own jewelry, giving audiences a few moments of respite from the day-to-day drudgery of tough economic times.

SIZE MATTERS – BUT QUALITY IS ALWAYS WORTHWHILE

Large or small, if Timantti produces high-quality diamonds, like neighbouring Grib and Lomonosova, the market seems assured among discerning buyers.

Movie queen, Elizabeth Taylor, the star of Cleopatra, would proudly wear a tiny diamond ring along with a massive 69-carat diamond worth millions of dollars. She loved the “Ping Pong Ring” because it spoke of her relationship with Richard Burton.

Confident of his sporting prowess, Burton had once promised to buy his wife a “perfect diamond” if she could beat him at table tennis. **“I got him sloshed,” Taylor admitted after her victory.**

CARATS WITH A CONSCIENCE

Concern about provenance runs deep in the diamond market, as seen in popular stories about iconic stones, such as the 67-carat Hope Diamond.


Since the 17th century, the legendary gem has passed through the lives of King Louis XVI of France, Marie Antoinette, three generations of English nobility and various American socialites, and now rests with the the Smithsonian Institution.

Unfortunately many owners of the fabulous stone suffered financial ruin or sudden death. Their misfortunes have been attributed to a curse by the Hindu goddess, from whose statue the triangular diamond was allegedly stolen.


Whatever the truth of the legend, it’s evolved into a morality tale of divine retribution for ancient transgressions. The lesson is: Make sure your gems come from a reputable source!

Here, Canada’s reputation as a highly-respected diamond miner will help enhance the brand of Arctic Star diamonds among conscientious consumers. Canada initiated the Kimberly Process in 2003 to eliminate the market in blood/conflict diamonds, while Finland is a signatory to the agreement along with other EU countries.

It all adds up to guilt-free jewelry at its best.



Ongoing significance
of diamonds and why
synthetic stones are no
threat to investments
in real diamonds



NOTE ON SYNTHETIC

(ARTIFICIAL) DIAMOND MARKET:

THE ARTIFICIAL MARKET IS BEING RELEGATED TO JUNK STATUS AND IS NOT HINDERING ON NATURAL MARKET.

Demand for synthetic diamond production in 2018 was ~7M carats. Compare that to natural demand (of ~130M carats), as a portion of the market, synthetics is small. Synthetics have been around for a while, however they have gotten better of late. Debeers and the Geological Institute of America have deployed detection instruments in every reputable jewelry store in the the world – so you can tell the difference.

In order to speed the departure of the artificial market piggybacking off of the natural market, and relegate it to a separate market, in November 2018 DeBeers began producing their own synthetics on their own patented equipment/process, and they are pricing way low – making a separate market. Simply look to rubies, emeralds, and sapphires – they have had very good synthetics since the 70s and they are separate markets (one can go into a lapidary store and buy a thumb-sized artificial ruby for \$70, whereas a thumb-sized natural ruby would be \$multi-millions).

IT'S THE STORY THAT COUNTS

The value of heirloom jewelry is not just based on price and quality. Ultimately, it's the story or memory behind the piece that matters and how much you enjoy wearing it. Take Elizabeth Taylor and Richard Burton, who appeared just as competitive as the Egyptian queen and Roman general they played in the film *Cleopatra*. Elizabeth would proudly wear a tiny diamond

ring along with a massive 69-carat diamond worth millions of dollars. She loved the "Ping Pong Ring" because it spoke of their relationship. Confident of his sporting prowess, Richard had once promised to buy his wife a "perfect diamond" if she could beat him at table tennis. "I got him sloshed," Elizabeth admitted after her victory.

THE MAGIC OF JEWELRY

Like a ticket to the cinema, a night at the opera, or a favorite fairy tale, jewelry is an entrée to a world of kings and queens, adventure, magic and history. Medieval lore says King Solomon owned a magical sapphire ring that gave him the power to "command demons and speak to animals." It's also said he used sapphires from Sri Lanka to seduce the Queen of Sheba.

In fact, many cultures attribute mystical powers or qualities to crystals, stones or precious metals, while linking them to birthdates, anniversaries and other events. This practice helps explain why some heirlooms take on a significance and life of their own, outside the family.

Since the 17th century, the legendary Hope Diamond has passed through the lives of King Louis XVI of France, Marie Antoinette, three generations of English nobility and various American socialites, to end up in the Smithsonian Institution. Unfortunately, many owners of the 67-carat stone suffered financial ruin or sudden death. Their misfortunes have been attributed to a curse by the Hindu goddess, from whose statue the triangular diamond was allegedly stolen. Whatever the truth of the legend, it's evolved into a morality tale of divine retribution for ancient transgressions. So make sure your gems come from a reputable source!

HEIRLOOMS AND MOVIES

The Hope Diamond was also the likely inspiration for the fictional Heart of the Ocean blue diamond featured in the movie *Titanic*. And from crime thrillers to epics, Hollywood has long promoted the mystique of jewelry, especially items with a history. During the early years of American film making, stars often wore their own jewelry, giving audiences a few moments of respite from the day-to-day drudgery of tough economic times. One exotic gem in particular, the Star of Bombay, became a star in its own right. The 182-carat sapphire apparently originated in Sri Lanka, passed through the family of an Indian maharaja and became famous when Douglas Fairbanks bought the gem for screen siren Mary Pickford.

If this was the 1990s and Arctic Star had done what it has done lately at Timantti, the share price of ADD.V would likely be over \$3/share already. Purchasers of ADD.V now are getting a deal on shares. Kimberlite structures are rare – the discoveries to date have mitigated the project risk, with weak hands now out of the stock, and the geological team dialed-in, it won't take much in terms of news flow to attract majors, serious money, and street attention that will jump the share price of ADD.V as the 2019 exploration season advances.

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