

MARGARET LAKE DIAMONDS INC.

Condensed Interim Financial Statements

For the Three Months Ended August 31, 2020 and 2019

Unaudited - expressed in Canadian Dollars

The accompanying notes form an integral part of these condensed interim financial statements.

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

The Company's independent auditors have not performed a review of these condensed interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of the condensed interim financial statements by an entity's auditors.

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MARGARET LAKE DIAMONDS INC.

Condensed Interim Statements of Financial Position

As at

(Unaudited - expressed in Canadian Dollars)

	Note	August 31, 2020 \$	May 31, 2020 \$
Assets			
Current assets			
Cash		4,735	927
Receivables	3	30,034	34,824
Prepaid expenses		26,271	7,322
		61,040	43,073
Exploration and evaluation assets			
Reclamation bond	4	675,318	525,318
	4	114,877	114,877
		851,235	683,268
Liabilities and shareholders' equity			
Current liabilities			
Trade and other payables	5, 7	931,367	839,916
Contributions from JV	4	267,939	43,966
Due to related parties	7	43,966	135,069
		1,243,272	1,018,951
Shareholders' equity (deficit)			
Share capital	6	5,799,879	5,799,879
Reserve	6	520,789	520,789
Deficit		(6,712,705)	(6,656,351)
		(392,037)	(335,683)
		851,235	683,268

Nature of operations (Note 1)

Approved by the Board of Directors on December 22, 2020:

"Jared Lazerson"

Jared Lazerson, Director

"Neil Foran"

Neil Foran, Director

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MARGARET LAKE DIAMONDS INC.

Condensed Interim Statements of Changes in Equity (Deficit)
For the Three Months Ended August 31, 2020 and 2019
(Unaudited - expressed in Canadian Dollars)

	Share Capital		Reserves \$	Deficit \$	Total Equity \$
	Shares	Amount \$			
Balance, May 31, 2019	54,686,587	5,799,879	509,381	(5,484,241)	825,019
Net loss for the period	-	-	-	(68,657)	(68,657)
Balance, August 31, 2019	54,686,587	5,799,879	509,381	(5,552,898)	756,362
Share-based compensation	-	-	11,408	-	11,408
Net loss for the period	-	-	-	(1,103,453)	(1,103,453)
Balance, May 31, 2020	54,686,587	5,799,879	520,789	(6,656,351)	(335,683)
Net loss for the period	-	-	-	(56,354)	(56,354)
Balance, August 31, 2020	54,686,587	5,799,879	520,789	(6,712,705)	(392,037)

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MARGARET LAKE DIAMONDS INC.

Condensed Interim Statements of Comprehensive Loss
For the Three Months Ended August 31, 2020 and 2019
(Unaudited - expressed in Canadian Dollars)

	Note	2020 \$	2019 \$
Expenses:			
Consulting		-	35,000
Marketing		1,195	10,715
Management fees	7	-	14,000
Office and administration		21,161	5,275
Professional fees		5,463	3,112
Wages and salaries	7	26,442	-
Regulatory fees		2,093	555
Loss before other items		(56,354)	(68,657)
Net and comprehensive loss		(56,354)	(68,657)
Loss per common share			
Basic and diluted		(0.00)	(0.00)
Weighted average number of common shares			
outstanding		54,686,587	54,686,587

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MARGARET LAKE DIAMONDS INC.

Condensed Interim Statements of Cash Flows
For the Three Months Ended August 31, 2020 and 2019
(Unaudited - expressed in Canadian dollars)

	2020	2019
	\$	\$
Cash provided by (used in):		
Operating activities:		
Net loss	(56,354)	(68,657)
Changes in non-cash working capital item:		
Receivables	4,790	(12,613)
Prepaid expenses	(18,949)	(12,771)
Trade and other payables	91,451	146,021
Due to related parties	(54,130)	-
Net cash used in operating activities	(33,192)	51,980
Investing activities:		
Mineral Incentive Program ("MIP") grants	-	152,742
Exploration and evaluation assets	(150,000)	(215,911)
Net cash provided by (used in) investing activities	(150,000)	(63,169)
Financing activity:		
Advances from related parties	187,000	-
Net cash provided by financing activity	187,000	-
Change in cash	3,808	(11,189)
Cash, beginning	927	46,766
Cash, ending	4,735	35,577

Supplemental cash flow information (Note 12)

The accompanying notes form an integral part of these condensed interim financial statements.

MARGARET LAKE DIAMONDS INC.

Notes to the Condensed Interim Financial Statements

(Unaudited - expressed in Canadian dollars)

For the Three Months Ended August 31, 2020 and 2019

1. Nature of operations

Margaret Lake Diamonds Inc. (the "Company") was incorporated by a Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (British Columbia) on February 9, 2011. The Company is focused on the exploration of mineral properties. The Company's shares trade on the TSX Venture Exchange ("Exchange") and trading under the symbol "DIA".

The Company's principal address and head office is Suite 303-1080 Howe Street, Vancouver BC, V6Z 2T1. The registered and records office is Suite 400, 725 Granville Street, Vancouver, BC, V7Y 1G5.

The World Health Organization has declared COVID-19 a global pandemic. This contagious disease outbreak and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. This has impacted the Company's ability to raise capital and caused delays in expenditures on exploration and evaluation assets.

These condensed interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company is in the process of exploring its mineral resource properties and has not determined whether these properties contain mineral reserves, which are economically recoverable. The Company's ability to continue as a going concern and the recoverability of the amounts shown for exploration and evaluation assets are dependent on the ability of the Company to raise additional financing in order to complete the exploration of its properties, the discovery of economically recoverable reserves and upon future profitable production or proceeds from disposition of the Company's exploration and evaluation assets. As a resource company in the exploration stage, the ability of the Company to complete its acquisition, exploration and evaluation will be affected principally by its ability to raise adequate amounts of capital through equity financing, debt financings, joint venturing of projects and other means. These factors indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

The Company has an accumulated deficit of \$6,712,705 (May 31, 2020 - \$6,656,351) since its inception, including a loss of \$56,354 for the three months ended August 31, 2020 (August 31, 2019 – \$68,657). At August 31, 2020 the Company had a working capital deficit of \$1,182,232 (May 31, 2020 – 975,878).

The condensed interim financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

2. Basis of Presentation

Statement of Compliance

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended May 31, 2020 which have been prepared in accordance with IFRS as issued by the IASB.

The Company uses the same accounting policies and methods of computation as in the annual financial statements for the period ended May 31, 2020.

MARGARET LAKE DIAMONDS INC.

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3. Receivables

	August 31, 2020	May 31, 2020
	\$	\$
GST receivable	30,034	29,554
Due from related party (Note 9)	-	5,270
Balance, end of the period	30,034	34,824

4. Exploration and evaluation assets***Diagras Property***

On November 7, 2016, the Company entered into an Option and Joint Venture Agreement (“JV Agreement”) with Arctic Star (TSX-V: ADD), under which it has acquired a 60% interest in 23 mineral claims located in the Northwest Territories, Canada (the “Diagras Property”).

The Company formed a joint venture with Arctic Star (the “Diagras JV”) to jointly explore the Diagras Property on the 60-40 joint venture basis, with the Company acting as the operator.

The Company earned its 60% interest in the Diagras Property by making a bond payment of \$186,990 to the Government of the Northwest Territories in lieu of required exploration expenditures and a non-refundable filing fee of \$4,675.

During the year ended May 31, 2019, the Diagras JV partners staked 8 new mineral claims adjoining the pre-existing Diagras Property. The new claims cover 3,896 hectares and, now, the Diagras property consists of 31 mineral claims covering approximately 22,595 hectares.

During the year ended May 31, 2020 the Company received approval for 2019-202 MIP funding of \$160,000, from the Government of the Northwest Territories that will cover certain eligible exploration costs incurred on the Diagras JV project. In July 2019 the Company received \$136,000 of which 40% was allocated to Arctic Star.

As at August 31, 2020 Arctic Star’s unapplied contribution for this year’s program was \$43,966 (May 31, 2020 – \$43,966). The balance is included as a liability in the Company’s statement of financial position as at August 31, 2020. The unapplied contributions will be applied against future exploration expenditures on the Diagras Property.

Kiyuk Lake Property

On February 14, 2019 the Company entered into an Option Agreement (the “Kiyuk Option”) to acquire up to an 80% interest in the Kiyuk Lake Gold Property (“Kiyuk Lake”) located in southern Nunavut. Kiyuk Lake consists of 70 contiguous mineral claims encompassing over 59,000 hectares.

As per the Kiyuk Option the Company can earn an initial 50% interest by issuing 5,000,000 common shares of the Company and investing \$150,000 through the purchase of 3,000,000 common shares of the Optionor at an agreed price of \$0.05 within 30 days. The Company will also make a cash payment of \$100,000 on February 14, 2020 and incur \$3,000,000 of exploration expenditures by February 14, 2022. The Company can acquire an additional 30% by making a one-time cash payment of \$5,000,000.

During the year ended May 31, 2019 the Company incurred \$87,378 of exploration costs on the property related to mining lease payments and other exploration work.

MARGARET LAKE DIAMONDS INC.

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(Unaudited - expressed in Canadian dollars)

For the Three Months Ended August 31, 2020 and 2019

During the year ended May 31, 2020 the Company received a default notice on the Kiyuk Option as it had failed to issue 5,000,000 common shares or make the \$150,000 investment. The Company therefore wrote-off the Kiyuk Lake Property and recorded a write-off of exploration assets of \$752,643 (2019 – \$Nil).

Morrison Property

On August 6, 2020 the Company entered into an option agreement to acquire up to a 100% interest in the Morrison Copper-Gold Deposit near Smithers, B.C. subject to a 2.5% Net Smelter Return of which 1.5% may be purchased from the vendors for \$5,000,000. The Company can acquire an initial 80% interest by completing the following:

Cash payments:

- \$150,000 upon execution of the agreement (paid);
- \$2,000,000 upon Exchange approval of the agreement;
- \$4,000,000 prior to August 1, 2021;
- \$3,000,000 prior to August 1, 2022;
- \$3,000,000 prior to August 1, 2023.

Share Issuances

- 4,000,000 common shares upon Exchange approval of the agreement;
- 5,000,000 common shares prior to August 1, 2021;
- 5,000,000 common shares prior to August 1, 2022;
- 5,000,000 common shares prior to August 1, 2023.

Exploration expenditures

- \$50,000 expended by August 1, 2021;
- \$500,000 expended by August 1, 2022;
- \$500,000 expended by August 1, 2022.

The Company can acquire the remaining 20% interest in the property for a one-time cash payment of \$4,000,000.

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The following table summarizes the Company's exploration and evaluation asset expenditures:

Property:	Morrison Property \$	Kiyuk Lake \$	Diagras \$	Total \$
Acquisition Costs:				
Balance, May 31, 2019	-	-	112,333	112,333
Staking	-	18,500	-	18,500
Impairment	-	(18,500)	-	(18,500)
Balance, May 31, 2020	-	-	112,333	112,333
Cash acquisition cost	150,000	-	-	150,000
Balance, August 31, 2020	150,000	-	112,333	262,333
Deferred exploration costs:				
Balance, May 31, 2019	-	87,378	500,085	587,463
Additions:				
Consulting	-	4,740	7,575	12,315
Reports	-	12,570	-	12,570
Camp	-	105,175	-	105,175
Fuel	-	6,280	-	6,280
Surveying	-	518,000	-	518,000
MIP Grants received	-	-	(152,742)	(152,742)
Allocation to JV Partner	-	-	58,067	58,067
Impairment	-	(734,143)	-	(734,143)
Balance, May 31, 2020 and August 31, 2020	-	-	412,985	412,985
Balance, May 31, 2020	-	-	525,318	525,318
Balance, August 31, 2020	150,000	-	525,318	675,318

5. Trade and other payables

	August 31, 2020 \$	May 31, 2019 \$
Trade payables (Note 7)	871,859	797,395
Accrued liabilities	583	583
Payroll liabilities	58,925	41,938
Balance, end of the period	931,367	839,916

6. Share capital**a. Authorized**

Unlimited number of common shares without par value.

b. Issued and outstanding

There were no transactions affecting share capital during the three months ended August 31, 2020 and 2019.

c. Stock options

The Company adopted an incentive stock option plan (the "Plan"), which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and technical consultants to the Company, non-

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transferable options to purchase common shares. The Company follows the policies of the Exchange where the number of common shares which may be issued pursuant to options granted under the Plan may not exceed 10% of the issued and outstanding shares of the Company from time to time at the date of granting of options and have a maximum life of 10 years. Each option agreement with the grantee sets forth, among other things, the number of options granted, the exercise price and the vesting conditions of the options.

A summary of the Company's stock option transactions is presented below:

	August 31, 2020		May 31, 2020	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Outstanding, beginning of period	4,175,000	0.10	3,675,000	0.10
Granted	-	-	500,000	0.05
Outstanding, end of period	4,175,000	0.10	4,175,000	0.10

The share options outstanding and exercisable as at August 31, 2020:

Expiry Date	Exercise Price	Number of options outstanding	Options exercisable
October 1, 2021	\$ 0.15	1,075,000	1,075,000
February 26, 2023	\$ 0.065	2,000,000	2,000,000
May 11, 2023	\$ 0.14	600,000	600,000
November 5, 2024	\$ 0.05	500,000	500,000
		4,175,000	4,175,000

The weighted average life of options outstanding is 1.86 years.

d. Warrants

The number of share purchase warrants outstanding is summarized as follows:

	August 31, 2020		May 31, 2020	
	Number of Warrants	Weighted average exercise price \$	Number of Warrants	Weighted average exercise price \$
Outstanding, beginning of period	8,958,903	0.20	8,958,903	0.20
Outstanding, end of period	8,958,903	0.20	8,958,903	0.20

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The share purchase warrants outstanding and exercisable as at August 31, 2020:

Expiry Date	Exercise Price \$	Number of Warrants Outstanding	Number of Warrants Exercisable
April 16, 2021	0.20	4,390,665	4,390,665
May 31, 2021	0.20	4,568,238	4,568,238
		8,958,903	8,958,903

The weighted average life of warrants outstanding is 0.69 years.

e. Reserve

Reserve consist of options and warrants reserve items recognized as stock-based compensation and share based payments until such time that the options and warrants are exercised, at which time the corresponding amount will be reallocated to share capital.

7. Related party transactions

Key management personnel are persons responsible for planning, directing and controlling activities of an entity, and include executive and non-executive directors and officers.

During the three months ended August 31, 2020 the Company incurred management fees of \$nil (2019 - \$14,000) paid to the CEO of the Company.

During the three months ended August 31, 2020 the Company incurred salary expense of \$26,442 (2019 - \$nil) paid to the CFO of the Company.

The Company is continuing to jointly explore the Diagas Property with Arctic Star, a company with a common director and officer, on a 60-40 joint venture basis (Note 4).

As at August 31, 2020, \$267,939 (May 31, 2020 - \$135,069) was due to a company controlled by the CEO of the Company with no specific terms of repayment. During the three months ended August 31, 2020 the Company received \$187,000 in advances from related parties, the amounts are non-interest bearing and due on demand.

As at August 31, 2020 included in trade payables was \$17,112 (May 31, 2020 - \$23,305) that was due to related parties.

8. Financial instruments**Financial risk management**

The Company is exposed in varying degrees to a variety of financial instrument related risks.

Credit risk

Credit risk refers to the counterparty will default on its contractual obligation resulting in financial loss to the Company. The Company's primary exposure to credit risk is on its cash deposit that are held by a Canadian bank. While there is concentration of risk holding all funds with one institution, this risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. Management assesses credit risk of cash and receivables as low.

The Company's secondary exposure to risk is on its receivables. This risk is minimal as receivables consist of sales taxes recoverable.

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For the Three Months Ended August 31, 2020 and 2019

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company operates only in Canada and is therefore not exposed to foreign exchange risk arising from transactions denominated in a foreign currency.

Interest rate risk

Interest rate risk is the risk that an investment's value will change due to a change in the level of interest rates. The Company is exposed to interest rate risk as its bank account earns interest income at variable rate. The income earned on the bank account is subject to the movements in interest rates. The fair value of cash deposits is relatively unaffected by changes in short term interest rates. A 1% change in interest rates will not have a material effect to the Company.

Liquidity and funding risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time.

Management ensures that there is sufficient capital in order to meet annual business requirement, taking into account administrative costs, property commitments and exploration budgets. As at August 31, 2020 the Company had cash of \$4,735 (2020 - \$927), and current liabilities of \$1,243,272 (2020 - \$1,013,681).

Funding risk is the risk that market conditions will impact the Company's ability to raise capital through equity markets under acceptable terms and conditions in the future. Under current market conditions, both liquidity and funding risk are assessed as high.

9. Capital management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support its operations. Management's objective is to manage its capital to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern through the optimization of its capital structure. The capital structure consists of working capital and shareholder's equity.

In order to achieve this objective, management makes adjustments to it in light of changes in economic conditions and risk characteristics of the underlying assets. To maintain or adjust capital structure, management may invest its excess cash in interest bearing accounts of Canadian chartered banks and/or raise additional funds externally as needed. There were no changes in the Company's approach to capital management during the three months ended August 31, 2020. The Company is not subject to any externally imposed capital requirements.

10. Joint Venture Agreement

On January 13, 2020 the Company entered into a Joint Venture Agreement (the "JV") with KORID Energy Company Inc. ("KORID") to construct a factor in the United States for the purpose of producing vanadium redox flow batteries and energy storage systems.

The JV grants exclusive global rights to KORID's proprietary vanadium redox battery technology, with the exception of Korea and Australia, to the Company. In consideration the Company has agreed to:

- 1) Consolidate its outstanding shares on 5.468:1 basis resulting in shares outstanding of 10,001,205 (not completed at May 31, 2020)

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For the Three Months Ended August 31, 2020 and 2019

- 2) The Company will complete a financing for \$5,000,000 at \$0.25 per share, resulting in the issuance of 20,000,000 post consolidation shares of the Company (not completed at May 31, 2020)
- 3) The Company will issue 20,000,000 post consolidation shares to KORID and its related companies

Subsequent to August 31, 2020 the Company made the decision to not proceed with the JV and has no further obligations relating to the JV.