

**MARGARET LAKE DIAMONDS INC.**

Condensed Consolidated Interim Financial Statements

For the Three Months Ended August 31, 2022 and 2021

Expressed in Canadian Dollars

(Unaudited – prepared by management)

### **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 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 consolidated interim financial statements have been prepared by and are the responsibility of management.

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

VANCOUVER, BC  
December 20, 2022

# MARGARET LAKE DIAMONDS INC.

Condensed Consolidated Interim Statements of Financial Position  
(Expressed in Canadian Dollars - unaudited)

	Note	August 31, 2022 \$	May 31, 2022 \$
<b>Assets</b>			
Current assets			
Cash		108,251	19,548
Receivables	3	90,565	43,403
Prepaid expenses		269,900	1,900
		468,716	64,851
Exploration and evaluation assets	4	1,312,884	1,179,016
Reclamation bond	4	-	-
<b>Total Assets</b>		<b>1,781,600</b>	<b>1,243,867</b>
<b>Liabilities and shareholders' equity</b>			
Current liabilities			
Trade and other payables	5, 7	552,425	1,029,876
Contributions from JV	4	43,966	43,966
Due to related parties	7	4,252	129,732
<b>Total Liabilities</b>		<b>600,642</b>	<b>1,203,574</b>
<b>Shareholders' equity (deficit)</b>			
Share capital	6	8,877,578	6,826,595
Subscriptions received (receivable)	6	-	43,000
Reserve	6	716,109	627,361
Deficit		(8,412,729)	(7,456,663)
<b>Total Shareholders' equity (deficit)</b>		<b>1,180,958</b>	<b>40,293</b>
		<b>1,781,600</b>	<b>1,243,867</b>

Nature of operations (Note 1)

Subsequent events (Note 11)

Approved by the Board of Directors on December 20, 2022

*"Yari Nieken"*

Yari Niekan, Director

*"Andreas Schleich"*

Andreas Schleich, Director

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

## MARGARET LAKE DIAMONDS INC.

Condensed Consolidated Interim Statements of Changes in Equity  
For the Three Months Ended August 31, 2022 and 2021  
(Expressed in Canadian Dollars)

	Share Capital		Reserves	Subscriptions Received (Receivable)	Deficit	Total Equity
	Shares <sup>1</sup>	Amount \$				
<b>Balance, May 31, 2021</b>	<b>5,968,659</b>	<b>5,949,879</b>	<b>539,262</b>	<b>(108,900)</b>	<b>(6,966,670)</b>	<b>(586,429)</b>
Subscriptions received (Note 6)	-	-	-	108,900	-	108,900
Stock-based compensation (Note 6)	-	-	88,099	-	-	88,099
Net loss for the period	-	-	-	-	(157,956)	(157,956)
<b>Balance, August 31, 2021</b>	<b>5,968,659</b>	<b>5,949,879</b>	<b>627,361</b>	<b>-</b>	<b>(7,124,626)</b>	<b>(547,386)</b>
<b>Balance May 31, 2022</b>	<b>12,008,102</b>	<b>6,826,595</b>	<b>627,361</b>	<b>43,000</b>	<b>(7,456,663)</b>	<b>40,293</b>
Shares issued for private placement (net)	13,704,453	1,889,608	-	(43,000)	-	1,846,608
Shares issued for settlement of debt	806,876	161,375	-	-	-	161,375
Stock-based compensation (Note 6)	-	-	88,748	-	-	88,748
Net loss for the period	-	-	-	-	(956,066)	(956,066)
<b>Balance August 31, 2022</b>	<b>26,519,431</b>	<b>8,877,578</b>	<b>716,109</b>	<b>-</b>	<b>(8,412,729)</b>	<b>1,180,958</b>

<sup>1</sup> Post 10:1 share consolidation

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

# MARGARET LAKE DIAMONDS INC.

Consolidated Statements of Loss and Comprehensive Loss  
For the Three Months ended August 31, 2022 and 2021  
(Expressed in Canadian Dollars - unaudited)

		Three months ended August 31,	
		2022	2021
		\$	\$
	Note		
Expenses:			
Consulting	7	418,834	7,500
Interest expense		596	-
Marketing		105,000	926
Advertising and IR		38,321	-
Office and administration		14,963	2,841
Professional fees		73,333	7,934
Wages and salaries	7	-	26,923
Regulatory fees		13,346	22,972
Stock-based compensation	6,7	88,748	88,099
Shareholder communications		153,559	-
Travel and related		10,000	-
Loss before other items		(916,700)	(157,195)
Foreign exchange (gain)		(103)	(761)
Loss on debt settlement	6	(39,263)	-
Net and comprehensive loss		(956,066)	(157,956)
Loss per common share			
Basic and diluted		(0.05)	(0.00)
Weighted average number of common shares outstanding <sup>1</sup>			
		20,793,902	5,968,659

<sup>1</sup> Post 10:1 share consolidation

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

## MARGARET LAKE DIAMONDS INC.

Condensed Consolidated Interim Statements of Cash Flows  
For the Three Months Ended August 31, 2022 and 2021  
(Expressed in Canadian dollars - unaudited)

	2022 \$	2021 \$
Cash provided by (used in):		
Operating activities:		
Net loss	(956,066)	(157,956)
Stock-based compensation	88,748	88,099
Changes in non-cash working capital item:		
Receivables	(47,162)	(1,898)
Prepaid expenses	(268,000)	(4,888)
Trade and other payables	(477,453)	30,504
Due to related parties	35,895	-
Net cash used in operating activities	(1,624,037)	(46,139)
Investing activities:		
Exploration and evaluation assets	(133,868)	(12,912)
Net cash used in investing activities	(133,868)	(12,912)
Financing activities:		
Private placement (net)	1,889,608	-
Subscriptions received	(43,000)	108,900
Advances from related parties	-	(75,000)
Net cash provided by financing activities	1,846,608	33,900
Change in cash	88,703	(25,151)
Cash, beginning	19,548	38,270
Cash, ending	108,251	13,119

### Supplemental cash flow information:

During the year ended May 31, 2022, the Company issued common shares with a fair value of \$135,000 in connection with the acquisition of an exploration and evaluation asset (Note 4).

In the three months ended August 31, 2022, the Company recorded a loss of \$39,263 on debts settled by the issuance of shares.

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

## **MARGARET LAKE DIAMONDS INC.**

Notes to the Condensed Consolidated Interim Financial Statements  
(Expressed in Canadian dollars - unaudited)  
For the Three Months August 31, 2022 and 2021

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### **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 and registered and records office is Suite 1008, Bentall 5, 550 Burrard St. Vancouver, BC, V6C 2B5.

These consolidated 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 and the adjustments could be material.

The Company has an accumulated deficit of \$8,412,729 at August 31, 2022 (May 31, 2022 - \$7,456,663) and a working capital deficit of \$131,926 (May 31, 2022 - \$1,138,723).

The condensed consolidated 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. Significant accounting policies and basis of presentation**

#### **Statement of compliance with International Financial Reporting Standards ("IFRS")**

These condensed consolidated interim financial statements were authorized for issue on December 20, 2022 by the directors of the Company.

These condensed consolidated interim financial statements are prepared in accordance with International Accounting Standard 34 Interim Financial Reporting under International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board. These financial statements do not contain all of the information required for full annual financial statements and should be read in conjunction with the Company's annual audited financial statements for the year ended August 31, 2022.

#### ***Basis of presentation***

The consolidated financial statements of the Company have been prepared on an accrual basis except for cash flow information and are based on historical costs except for financial instruments measured at fair value, modified where applicable and are presented in Canadian dollars unless otherwise noted.

## **MARGARET LAKE DIAMONDS INC.**

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars - unaudited)

For the Three Months August 31, 2022 and 2021

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### **2. Significant accounting policies and basis of presentation (continued)**

#### ***Consolidation***

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, National Uranium Corp incorporated in Colorado, USA on April 4, 2022 and had no activity to August 31, 2022.

#### ***Significant estimates and assumptions***

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the year in which estimates are revised.

Significant estimates and assumptions made by management affecting the financial statements include:

#### ***Share-based Payments***

Estimating fair value for granted stock options and compensatory warrants requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option or warrant, volatility, dividend yield, and rate of forfeitures and making assumptions about them.

#### ***Deferred Tax Assets and Liabilities***

The estimation of income taxes includes evaluating the recoverability of deferred tax assets and liabilities based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets and liabilities will not be realized. The ultimate realization of deferred tax assets and liabilities is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets or liabilities, and deferred income tax provisions or recoveries could be affected.

#### ***Recoverability of Exploration & Evaluation Assets***

The Company is in the process of exploring and evaluating its exploration and evaluation assets and has not yet determined whether the properties contain mineral reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain necessary financing to complete the development of those mineral reserves and upon future production or proceeds from the disposition thereof.

## **MARGARET LAKE DIAMONDS INC.**

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars - unaudited)

For the Three Months August 31, 2022 and 2021

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### **2. Significant accounting policies and basis of presentation (continued)**

#### ***Significant judgments***

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty (Note 1);
- the classification and allocation of expenditures as exploration and evaluation expenditures or operating expenses;
- the classification of resource expenditures for the purpose of renunciation to flow-through share subscribers; differences in judgment between management and regulatory authorities can materially increase the Company's flow-through liabilities and outstanding commitments; and
- the accounting for the Company's participation in joint ventures, which depends on the degree of control and influence.

#### **Exploration and evaluation assets**

Exploration and evaluation expenditures are capitalized once the legal right to explore a property has been acquired. Exploration and evaluation assets are recorded at cost less accumulated impairment losses. Direct costs related to the acquisition, exploration and evaluation of mineral properties are capitalized until the commercial viability of the asset is established, at which time the capitalized costs are reclassified to mineral properties under development. To the extent that the expenditures are spent to establish ore reserves within the rights to explore, the Company will consider those costs as intangible assets in nature. The depreciation of a capital asset in connection with exploring or evaluating a property of this nature will be included in the cost of the intangible asset.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of the project are deemed to be impaired. As a result, those exploration and expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss.

Management reviews the facts and circumstances suggesting if the carrying amount of the exploration and evaluation assets exceeds their recoverable amount on a regular basis. If the facts and circumstances suggest the carrying value exceeds the recoverable amount, the Company will perform an impairment test on the property.

#### **Impairment of long-lived assets**

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash flows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss has been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

**MARGARET LAKE DIAMONDS INC.**

Notes to the Condensed Consolidated Interim Financial Statements

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**2. Significant accounting policies and basis of presentation (continued)****Income taxes**

Income tax expense comprise of current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting or taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets and liabilities are presented separately, except where there is a right of set-off within fiscal jurisdictions.

**Flow-through shares**

The Company renounces qualifying Canadian exploration expenditures to certain share subscribers who subscribe for flow-through shares in accordance with the Income Tax Act (Canada). Under these provisions, the Company is required to incur and renounce qualifying expenditures on a timely basis for the respective flow-through subscriptions and, accordingly, it is not entitled to the related tax deductions and tax credits for such expenditures.

Any premium received by the Company on the issuance of flow-through shares is initially recorded as a liability. Provided that the Company has renounced the related expenditures or that there is a reasonable expectation that it will do so, the liability is reduced on a pro-rata basis as the expenditures are incurred and a deferred liability is recognized. The reduction to the flow-through tax liability is recognized in profit and loss as a deferred tax recovery.

To the extent that the Company has suitable unrecognized deductible temporary differences, an offsetting recovery of deferred taxes would be recorded.

**Share-based payments**

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to reserve. The fair value of options is determined using the Black-Scholes Option Pricing Model.

The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

**MARGARET LAKE DIAMONDS INC.**

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars - unaudited)

For the Three Months August 31, 2022 and 2021

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**2. Significant accounting policies and basis of presentation (continued)****Foreign currency translation**

The functional currency of the Company is measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Canadian dollars which is the Company's functional and presentation currency. The functional currency for the Company's subsidiary is the Canadian dollar.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the period end exchange rate. Non-monetary assets and liabilities measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary assets and liabilities measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of loss and comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

**Financial instruments****Recognition and Classification**

The Company recognizes a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument.

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics.

Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company's cash, receivables, trade payables, and due to related parties are classified at amortized cost.

**Measurement****Financial assets at FVTOCI**

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

**Financial assets and liabilities at amortized cost**

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

## **MARGARET LAKE DIAMONDS INC.**

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars - unaudited)

For the Three Months August 31, 2022 and 2021

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### **2. Significant accounting policies and basis of presentation (continued)**

#### **Financial instruments (continued)**

##### **Financial assets and liabilities at FVTPL**

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of comprehensive loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).

##### **Impairment of financial assets at amortized cost**

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the credit risk on the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

#### **Derecognition**

##### **Financial assets**

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of net (loss) income. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

##### **Financial liabilities**

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

#### **Interest in jointly controlled asset**

The Company has an interest in a joint venture, which is involved in mineral exploration of the Diagas Property (Note 4). No separate entity was created upon entering the Joint Venture Agreement. All decisions regarding exploration of the property will be made by a management committee consisting of two appointees by each of the Company and Arctic Star Exploration Corp. ("Arctic Star").

The Company has 18.5% (2022 – 18.5%) of the interest in the Diagas JV, while Arctic Star has 81.5% of the interest. Accordingly, the Company has capitalized its 18.5% share in the expenditures made on the Diagas JV.

#### **Loss per share**

Loss per share is computed by dividing loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive.

**MARGARET LAKE DIAMONDS INC.**

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars - unaudited)

For the Three Months August 31, 2022 and 2021

**2. Significant accounting policies and basis of presentation (continued)****Agent's warrants and warrants**

Warrants issued to agents in connection with a financing are recorded at fair value and charged to share issuance costs associated with the offering with an offsetting credit to equity reserves in shareholders' equity.

Warrants included in units offered to subscribers in connection with financing are valued using the residual value method, whereby proceeds are first allocated to the fair value of the shares and the excess, if any, allocated to the warrants.

**Recent accounting pronouncements**

Certain new accounting standards, amendments to standards and interpretations have been issued, effective for annual periods beginning on or after May 31, 2022. These standards have been assessed to not have a significant impact on the Company's financial statements.

**3. Receivables**

	August 31, 2022	May 31, 2022
	\$	\$
GST receivable	90,565	43,403

**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 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, 2022, the Company's interest in the Diagras JV was diluted to 18.5% and Arctic Star is now the operator of the Diagras JV.

As at August 31, 2022, the Company has paid its pro-rata share of expenditures of \$126,628 and the unapplied contribution for the program is \$43,966 (May 31, 2022 – \$43,966).

## **MARGARET LAKE DIAMONDS INC.**

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars - unaudited)

For the Three Months August 31, 2022 and 2021

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### **4. Exploration and evaluation assets (continued)**

#### **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 (the "Morrison Project") 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 and during the year ended May 31, 2021, the Company paid \$150,000 in cash acquisition costs. It was later ruled by the British Columbia Gold Commissioner that the Morrison Project would be returned to the original leaseholders of the Morrison Project as the claims had never been dropped by the original leaseholders. During the year ended May 31, 2021, the Company wrote-off its investment in the Morrison Project resulting in a write-down of exploration and evaluation assets of \$150,000. On February 4, 2021, the Company agreed to drop its claim to the Morrison project and received a full credit of \$150,000 that had been contributed and the Company reversed the initial write-down of the exploration assets.

The total credit was applied to payments owing on the Old Nick Nickel-Cobalt properties (see below).

#### **Cobalt Projects**

On February 4, 2021, the Company entered into an agreement to acquire 100% interest in Old Nick Nickel-Cobalt project and Letain Nickel-Cobalt projects in British Columbia ("Cobalt Projects"). As per the terms of the agreement the Company must make payments to each of the vendors as follows:

- 1) \$10,000 within 30 days of agreement execution or Exchange approval;
- 2) \$10,000 within 90 days of Exchange approval;
- 3) \$30,000 six months of Exchange approval;
- 4) \$300,000 prior to January 1, 2022 (\$150,000 paid)
- 5) \$400,000 prior to August 1, 2023;
- 6) \$500,000 prior to August 1, 2024.

During the year ended May 31, 2022, the Company made the decision to not pursue the Cobalt Projects and wrote off the balance of acquisition costs and expenditures totaling \$194,867.

#### **Mormon Lake Uranium**

On January 17, 2021, the Company entered into a purchase option agreement with Gold Express Mines, Inc. ("GEM") whereby the Company was granted sole and exclusive rights to acquire a 100% interest in the Mormon Lake Uranium property consisting of 20 unpatented mining claims located near Payson, Arizona. GEM retains a 2% NSR on the property.

During the year ended May 31, 2022, the Company exercised its right to acquire 100% interest and paid US\$30,000 (CAD - \$38,230) and issued 500,000 common shares (issued with a fair value of \$135,000) to complete its obligations pursuant to the option agreement. These claims are held under the Company's wholly owned subsidiary, National Uranium Corp.

**MARGARET LAKE DIAMONDS INC.**

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars - unaudited)

For the Three Months August 31, 2022 and 2021

**4. Exploration and evaluation assets (continued)**

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

	Cobalt Projects	Mormon Lake	Diagras	Total
	\$	\$	\$	\$
<b>Balance, May 31, 2021</b>	<b>176,000</b>	-	<b>525,318</b>	<b>701,318</b>
Cash acquisition cost	-	38,230	-	38,230
Shares issued for acquisition		135,000	-	135,000
Deferred exploration costs	18,867	-	480,468	499,335
Write-off of exploration assets	(194,867)	-	-	(194,867)
<b>Balance, May 31, 2022</b>	-	<b>173,230</b>	<b>1,005,786</b>	<b>1,179,016</b>
Deferred exploration costs	-	7,240	126,628	133,868
<b>Balance, May 31, 2022</b>	-	<b>180,470</b>	<b>1,132,414</b>	<b>1,312,884</b>

**5. Trade and other payables**

	August 31, 2022	May 31, 2022
	\$	\$
Trade payables (Note 7)	268,253	653,568
Accrued liabilities	229,951	223,869
Advances payable	-	50,000
Payroll liabilities	102,438	102,438
	<b>600,642</b>	<b>1,029,876</b>

During the period ended August 31, 2022, the Company recorded \$nil (May 31, 2022 - \$644,619) on forgiveness of amounts previously recorded in accounts payable.

**6. Share capital****a. Authorized**

Unlimited number of common shares without par value.

During the year ended May 31, 2022, the Company consolidated its issued and outstanding common shares on the basis of 10 pre-consolidated shares for one post-consolidation share. All references to share and per share amounts in these financial statements have been retroactively restated to reflect the consolidation

**b. Issued and outstanding**

The following are the share capital issuances during the three months ended August 31, 2022:

On June 17, 2022 the Company closed tranche 1 of a private placement financing raising a total of \$777,368 by way of issuing:

- 683,000 flow through units priced at \$0.15, each unit was comprised of one common share and one warrant exercisable to purchase one common share at a price of \$0.28 for a period of 24 months from the date of issuance and;

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### 6. Share capital (continued)

- 4,820,841 units priced at \$0.14, each unit was comprised of one common share and one warrant exercisable to purchase one common share at a price of \$0.30 for a period of 24 months from the date of issuance.

The Company paid a combined total of \$18,094 in finders fees on tranche 1 of the financing and issued 38,640 finder's warrants, each warrant entitles the holder to purchase one common share at a price of \$0.30 for a period of 24 months after the date of issuance and 87,840 Finder's warrants, each warrant entitles the holder to purchase one common share at a price of \$0.28 for a period of 24 months after the date of issuance.

On July 18, 2022 the Company closed the second and final tranche of the private placement financing, raising a total of \$1,174,589 by way of issuing:

- 2,650,327 flow through units priced at \$0.15, each unit was comprised of one common share and one warrant exercisable to purchase one common share at a price of \$0.28 for a period of 24 months from the date of issuance and;
- 5,550,285 units priced at \$0.14, each unit was comprised of one common share and one warrant exercisable to purchase one common share at a price of \$0.30 for a period of 24 months from the date of issuance

The Company paid a combined total of \$47,200 in finders fees on tranche 2 of the financing and issued 37,333 Finder's warrants, each warrant entitles the holder to purchase one common share at a price of \$0.30 for a period of 24 months after the date of issuance and 257,142 Finder's warrants, each warrant entitles the holder to purchase one common share at a price of \$0.28 for a period of 24 months after the date of issuance.

The shares issued are subject to statutory hold requirement.

On August 5, 2022, pursuant to a debt settlement agreement, the Company settled debt in the amount of \$53,537, by way of issuing 382,407 units at a price of \$0.14, each unit consists of one share and one common share purchase warrant entitling the holder to purchase an additional share at a price of \$0.28 for a period of two years from the date of issuance.

On August 5, 2022, pursuant to a debt settlement agreement, the Company settled debt in the amount of \$69,426 by way of: a cash payment of \$10,000 and the issuance of 424,469 units at a price of \$0.14, each unit consists of one share and one common share purchase warrant entitling the holder to purchase an additional share at a price of \$0.28 for a period of two years from the date of issuance.

The following are the share capital transactions during the fiscal year ended May 31, 2022:

On December 30, 2021, the Company completed a private placement issuing 5,539,443 units at a price of \$0.135 per unit for gross proceeds of \$747,825. Each unit consists of one common share of the Company and one share purchase warrant enabling the holder to acquire an additional common share of the Company at a price of \$0.18 per warrant, expiring on December 30, 2023. Share issue costs of \$6,109 were incurred on this private placement.

On March 14, 2022, the Company issued 500,000 shares with a fair value of \$0.27 per share for the acquisition of the Mormon Lake property (Note 4).

As at May 31, 2022, the Company had received \$43,000 in subscription receipts for a private placement that closed subsequent to the year-end (Note 11). As at May 31, 2022 the amounts are recorded as subscriptions received.

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**6. Share capital (continued)****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-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, 2022		May 31, 2022	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Outstanding, beginning of year	250,000	0.50	467,500	0.90
Granted	650,000	0.18	250,000	0.50
Expired	-	-	(107,500)	1.50
Cancelled	(250,000)	0.50	(360,000)	0.73
Outstanding, end of the period	650,000	0.18	250,000	0.50

The share options outstanding and exercisable as at the period ended August 31, 2022 were as follows:

Expiry Date	Exercise Price	Number of options outstanding	Options exercisable
August 29, 2027	\$ 0.18	650,000	650,000
		650,000	650,000

During the period ended August 31, 2022, 250,000 options priced at \$0.50 were cancelled pursuant to the terms of the stock option plan.

The weighted average life of options outstanding is 4.99 years.

During the three months ended August 31, 2022, \$88,748 in stock-based compensation expense was recorded pursuant to the grant of 650,000 stock options to certain directors and officers of the Company. The options have an exercise price of \$0.18, vest immediately and expire on August 29, 2027.

The share options outstanding and exercisable as at the year ended May 31, 2022 were as follows:

Expiry Date	Exercise Price	Number of options outstanding	Options exercisable
August 3, 2024	\$ 0.50	250,000	250,000
		250,000	250,000

The weighted average life of options outstanding at May 31, 2022 was 2.18 years.

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**6. Share capital (continued)**

During the year ended May 31, 2022, \$88,099 in stock-based compensation expense was recorded pursuant to the grant of 250,000 options to directors of the Company. The options have an exercise price of \$0.50, vest immediately and expire on August 3, 2024.

The fair value of the stock options granted was calculated using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

	August 31, 2022	May 31, 2022
Risk free rate	3.13%	0.53%
Dividend yield	-	-
Weighted average volatility	106%	146%
Weighted average expected life	5 years	3 years
Weighted average fair value	\$0.137	\$0.035

**d. Warrants**

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

	August 31, 2022		May 31, 2022	
	Number of Warrants	Weighted average exercise price \$	Number of Warrants	Weighted average exercise price \$
Outstanding, beginning of year	6,039,443	0.23	500,000	0.80
Issued	14,640,809	0.29	5,539,443	0.18
Outstanding, end of the period	20,974,727	0.27	6,039,443	0.23

The share purchase warrants outstanding and exercisable as at August 31, 2022 were:

Expiry Date	Exercise Price	Number of warrants outstanding
May 26, 2023	\$ 0.80	500,000
December 30, 2023	\$ 0.18	5,539,443
June 17, 2024	\$0.28	4,820,841
June 17, 2024	\$0.30	683,000
June 17, 2024	\$0.28	129,480
July 18, 2024	\$0.28	5,550,285
July 18, 2024	\$0.30	2,650,327
August 5, 2024	\$0.28	806,876

The weighted average life of warrants outstanding is 1.64 years.

**e. Reserve**

Reserve consists 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.

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**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.

Key management compensation during the periods ended August 31, 2022, and 2021 was as follows:

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Salaries and wages	-	26,923
Consulting fees	200,000	7,500
Share-based compensation	88,748	88,099
<b>Total</b>	<b>288,748</b>	<b>122,522</b>

As at August 31, 2022, the Company had the following balances due to related parties:

- Due to the former CEO and or a company controlled by the former CEO, \$nil (May 31, 2022 - \$71,180);
- Due to a Company controlled by the CEO \$nil (May 31, 2022 - \$28,500) in the form of a promissory note that accrues interest at 2% per month;
- Due to the former CFO and or companies controlled by the former CFO \$nil (May 31, 2021 - \$26,952);
- Due to a company controlled by a former director \$nil (May 31, 2022 - \$3,100).

The total balance due to related parties as at August 31, 2022 is \$4,252 (May 31, 2022 - \$129,732). As at August 31, 2022 \$224,952 (May 31, 2022 - \$224,952) was due to a company controlled by a former CEO of the Company with no specific terms of repayment. This was settled subsequent to the period end.

During the three months ended August 31, 2022, the Company had the following transactions with parties that were related parties during the fiscal year:

- Consulting fees of \$200,000 (2021 - \$nil), paid to a company controlled by the CEO;
- Consulting fees of \$nil (2021 - \$7,500), paid or accrued to the former related parties.
- Salaries and wages of \$nil (2021 - \$26,923) paid to the former CEO;

During the period ended August 31, 2022, there was \$88,748 (2021 - \$88,099) recorded in stock-based compensation expense in connection to options issued to certain directors and officers (2021 - former directors and officers). During the period ended August 31, 2022, 250,000 of the stock options were cancelled in accordance with the terms of the stock option plan.

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### **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 that 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.

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

Management assesses credit risk of cash and receivables as low.

##### *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.

The Company manages its liquidity risk by forecasting cashflows from options and anticipating any investing and financing activities. The Company will need to access additional financing through share issuances or loans to ensure that there is sufficient capital in order to meet its financial obligations, taking into account administrative costs, property commitments and exploration budgets. As at August 31, 2022 the Company had cash of \$108,251 (May 31, 2022 - \$19,548), and current liabilities of \$600,642 (May 31, 2022 - \$1,203,574).

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.

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### **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 period ended August 31, 2022, and the year ended May 31, 2022. The Company is not subject to any externally imposed capital requirements.

### **10. Subsequent events**

The Company had the following transactions subsequent to the period ended August 31, 2022:

#### Debt Settlement

Subsequent to the period ended August 31, 2022, the Company completed the following debt settlement transaction:

- November 3, 2022 - Pursuant to a debt settlement agreement, the Company settled debt in the amount of \$225,000 by way of: a cash payment of \$10,000, a cash payment of \$90,000 on closing of the Company's next private placement financing under which the Company raises gross proceeds of not less than \$750,000 and the issuance of 892,857 units (issued) at a deemed price of \$0.14, each unit consists of one share and one common share purchase warrant entitling the holder to purchase an additional share at a price of \$0.28 for a period of two years from the date of issuance.