

MARGARET LAKE DIAMONDS INC.

Consolidated Financial Statements

For the Years Ended May 31, 2023 and 2022

Expressed in Canadian Dollars



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Independent Auditor's Report

To the Shareholders of Margaret Lake Diamonds Inc.

Opinion

We have audited the consolidated financial statements of Margaret Lake Diamonds Inc. (the "Company"), which comprise the consolidated statements of financial position as at May 31, 2023 and 2022, and the consolidated statements of changes in equity, loss and comprehensive loss, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which describes events or conditions that indicate a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters, that in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our report.

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320 - 730 View St.
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Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Rakesh Patel.

A handwritten signature in black ink that reads "DMCL." The letters are stylized and connected.

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

October 2, 2023

MARGARET LAKE DIAMONDS INC.

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Note	May 31, 2023 \$	May 31, 2022 \$
Assets			
Current assets			
Cash		108,756	19,548
Receivables	3	114,499	43,403
Prepaid expenses		16,528	1,900
		239,783	64,851
Exploration and evaluation assets	4	1,184,204	1,179,016
Total Assets		1,423,987	1,243,867
Liabilities and shareholders' equity			
Current liabilities			
Trade and other payables	5, 8	452,509	1,029,876
Contributions from JV	4	43,966	43,966
Flow-through premium liability	6	10,505	-
Due to related parties	8	51,700	129,732
Total Liabilities		558,680	1,203,574
Shareholders' equity			
Share capital	7	9,119,212	6,826,595
Subscriptions received	7	-	43,000
Reserve	7	864,491	627,361
Deficit		(9,118,396)	(7,456,663)
Total Shareholders' equity		865,307	40,293
		1,423,987	1,243,867

Nature of operations (Note 1)
Subsequent event (Note 12)

Approved by the Board of Directors on October 2, 2023

"Yari Nieken"

Yari Niekan, Director

"Andreas Schleich"

Andreas Schleich, Director

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

MARGARET LAKE DIAMONDS INC.

Consolidated Statements of Changes in Equity
For the Years ended May 31, 2023 and 2022
(Expressed in Canadian Dollars)

	Share Capital			Subscriptions Received (Receivable)	Deficit	Total Equity
	Shares ¹	Amount \$	Reserves \$			
Balance, May 31, 2021	596,866	5,949,879	539,262	(108,900)	(6,966,670)	(586,429)
Subscriptions received (Note 7)	-	-	-	108,900	-	108,900
Shares issued for private placement (net) (Note 7)	553,944	741,716	-	-	-	741,716
Shares issued for acquisition (Note 7)	50,000	135,000	-	-	-	135,000
Subscriptions received (Note 7)	-	-	-	43,000	-	43,000
Stock-based compensation (Note 7)	-	-	88,099	-	-	88,099
Net loss for the year	-	-	-	-	(489,993)	(489,993)
Balance May 31, 2022	1,200,810	6,826,595	627,361	43,000	(7,456,663)	40,293
Shares issued for private placement (net) (Note 7)	1,370,446	1,779,256	45,804	(43,000)	-	1,782,060
Shares issued for private placement (net) (Note 7)	2,000,000	394,450	-	-	-	394,450
Shares issued for settlement of debt (Note 7)	80,688	56,481	28,276	-	-	84,757
Shares issued for settlement of debt (Note 7)	89,286	62,430	31,288	-	-	93,718
Stock-based compensation (Note 7)	-	-	131,762	-	-	131,762
Net loss for the year	-	-	-	-	(1,661,733)	(1,661,733)
Balance May 31, 2023	4,741,230	9,119,212	864,491	-	(9,118,396)	865,307

¹ Post 10:1 share consolidation (Note 7)

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

MARGARET LAKE DIAMONDS INC.

Consolidated Statements of Loss and Comprehensive Loss
For the Years ended May 31, 2023 and 2022
(Expressed in Canadian Dollars)

	Note	Years ended	
		May 31, 2023	May 31, 2022
		\$	\$
Expenses:			
Consulting	8	475,065	492,165
Directors fees	8	6,000	-
Exploration expenses		-	880
Interest expense		11,596	7,597
Marketing		265,000	7,336
Advertising and investor relations		233,000	-
Office and administration		94,675	61,557
Professional fees		193,089	85,471
Management fees	8	80,000	-
Wages and salaries	8	-	65,313
Regulatory fees		47,064	63,668
Stock-based compensation	7,8	131,762	88,099
Shareholder communications		43,880	-
Travel and related		30,555	-
Loss before other items		(1,611,686)	(872,086)
Foreign exchange loss		(103)	(782)
Gain on forgiveness of accounts payable	5	-	644,619
Loss on assignment of reclamation bond to JV partner		-	(66,877)
Write-off of exploration and evaluation assets	4	-	(194,867)
Loss on sale of exploration and evaluation assets	4	(142,667)	-
Amortization of flow-through premium liability	6	22,828	-
Gain on debt settlement		85,395	-
Write-off of deposit		(15,500)	-
Net and comprehensive loss		(1,661,733)	(489,993)
Loss per common share			
Basic and diluted		(0.53)	(0.58)
Weighted average number of common shares			
outstanding ¹		3,135,822	838,234

¹ Post 10:1 share consolidation completed subsequent to May 31, 2023

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

MARGARET LAKE DIAMONDS INC.

Consolidated Statements of Cash Flows
For the Years ended May 31, 2023 and 2022
(Expressed in Canadian dollars)

	May 31, 2023	May 31, 2022
	\$	\$
Cash provided by (used in):		
Operating activities:		
Net loss	(1,661,733)	(489,993)
Gain on forgiveness of accounts payable	-	(644,619)
Loss on assignment of reclamation bond to JV Partner	-	66,877
Stock-based compensation	131,762	88,099
Amortization of flow-through premium liability	(22,828)	-
Gain on debt settlement	(85,395)	-
Loss on sale of exploration and evaluation asset	142,667	-
Write-off of exploration and evaluation asset	-	194,867
Write-off of deposit	15,500	-
Changes in non-cash working capital item:		
Receivables	(71,096)	(31,305)
Prepaid expenses	(14,628)	9,056
Trade and other payables	(328,998)	337,050
Due to related parties	(78,032)	(170,219)
Net cash used in operating activities	(1,972,781)	(640,187)
Investing activities:		
Exploration and evaluation assets	(178,418)	(272,151)
Proceeds received on sale of exploration and evaluation assets	30,563	-
Net cash used in investing activities	(147,885)	(272,151)
Financing activities:		
Private placement (net)	2,252,844	741,716
Subscriptions received	(43,000)	151,900
Net cash provided by financing activities	2,209,844	893,616
Change in cash	89,208	(18,722)
Cash, beginning	19,548	38,270
Cash, ending	108,756	19,548

Supplemental cash flow information:

During the year ended May 31, 2022, the Company issued 50,000 common shares with a fair value of \$135,000 in connection with the acquisition of an exploration and evaluation asset (Note 4).

During the year ended May 31, 2023, the Company issued 169,974 common shares at a fair value of \$118,911 to settle debt.

During the year ended May 31, 2023, the Company recognized a flow-through premium liability of \$33,333 on flow-through shares issued.

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

MARGARET LAKE DIAMONDS INC.

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

For the Years ended May 31, 2023 and 2022

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 501, 3292 Production Way, Burnaby, BC, V5A 4R4.

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.

As at May 31, 2023, the Company has an accumulated deficit of \$9,118,396 (May 31, 2022 - \$7,456,663) and a working capital deficit of \$318,897 (May 31, 2022 – \$1,138,723).

The consolidated 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 and the adjustments could be material.

2. Significant accounting policies and basis of presentation

Statement of compliance with International Financial Reporting Standards (“IFRS”)

These financial statements were authorized for issue on October 2, 2023 by the directors of the Company.

Statement of compliance

These financial statements including comparatives, have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

Basis of presentation

The 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 Consolidated Financial Statements

(Expressed in Canadian dollars)

For the Years ended May 31, 2023 and 2022

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

Consolidation

During the year ended May 31, 2023, by way of Asset Purchase Agreement, the Company sold 100% of the shares of its wholly owned subsidiary, National Uranium Corp. ("National") a Colorado corporation which owns 100% of the mining claims known as the Mormon Lake Project, Arizona ("Mormon Lake") for consideration of \$30,563 (US\$23,000).

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, National up to April 23, 2023, the date of disposition.

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 Consolidated Financial Statements

(Expressed in Canadian dollars)

For the Years ended May 31, 2023 and 2022

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 Consolidated Financial Statements

(Expressed in Canadian dollars)

For the Years ended May 31, 2023 and 2022

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 Consolidated Financial Statements

(Expressed in Canadian dollars)

For the Years ended May 31, 2023 and 2022

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, 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 Consolidated Financial Statements

(Expressed in Canadian dollars)

For the Years ended May 31, 2023 and 2022

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 Consolidated Financial Statements

(Expressed in Canadian dollars)

For the Years ended May 31, 2023 and 2022

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, 2023. These standards have been assessed to not have a significant impact on the Company's financial statements.

3. Receivables

	May 31, 2023	May 31, 2022
	\$	\$
GST receivable	114,499	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 operation 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 became the operator of the Diagras JV.

During the year ended May 31, 2023, the Company's pro-rata share of expenditures totaled \$178,418 (2022 - \$480,468) and the unapplied contribution for the program is \$43,966 (May 31, 2022 - \$43,966).

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.

MARGARET LAKE DIAMONDS INC.

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

For the Years ended May 31, 2023 and 2022

4. Exploration and evaluation assets (continued)

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 a 100% interest and paid US\$30,000 (CAD - \$38,230) and issued 50,000 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.

During the year ended May 31, 2023, by way of Asset Purchase Agreement, the Company sold 100% of the shares of National for consideration of \$30,563 (US\$23,000), recording a loss on sale of \$142,667 (2022 - \$nil).

MARGARET LAKE DIAMONDS INC.

Notes to the Consolidated Financial Statements

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For the Years ended May 31, 2023 and 2022

4. Exploration and evaluation assets (continued)

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

	Cobalt Projects \$	Mormon Lake \$	Diagras \$	Total \$
Balance, May 31, 2021	176,000	-	525,318	701,318
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)
Balance, May 31, 2022	-	173,230	1,005,786	1,179,016
Deferred exploration costs	-	-	178,418	178,418
Sale of exploration and evaluation asset	-	(173,230)	-	(173,230)
Balance, May 31, 2023	-	-	1,184,204	1,184,204

5. Trade and other payables

	May 31, 2023 \$	May 31, 2022 \$
Trade payables (Note 8)	229,570	645,604
Accrued liabilities	120,500	231,834
Advances payable	-	50,000
Payroll liabilities	102,439	102,438
	452,509	1,029,876

During the year ended May 31, 2023, the Company recorded \$nil (May 31, 2022 - \$644,619) on forgiveness of amounts previously recorded in accounts payable.

6. Flow-through share premium liability

	May 31, 2023 \$	May 31, 2022 \$
Balance at beginning of year	-	-
Premium liability recognized on flow-through share issuance	33,333	-
Amortization of flow-through premium liability	(22,828)	-
	10,505	-

During the year ended May 31, 2023, the Company issued 333,333 flow-through shares for gross proceeds of \$499,999. These flow-through shares issued in a non-brokered private placement were issued at a premium to the market price in recognition of the tax benefits accruing to subscribers. The flow-through premium liability was calculated to be \$33,333. The flow-through premium is derecognized through income as the qualifying expenditures are incurred. As of May 31, 2023, the Company is committed to incur a further \$157,581 of qualifying expenditures by December 31, 2024.

MARGARET LAKE DIAMONDS INC.

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

For the Years ended May 31, 2023 and 2022

7. 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

Subsequent to the year ended May 31, 2023, 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 year ended May 31, 2023:

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

- 68,300 flow through units priced at \$1.50, each unit was comprised of one common share and one warrant exercisable to purchase one common share at a price of \$3.00 for a period of 24 months from the date of issuance and;
- 482,084 units priced at \$1.40, each unit was comprised of one common share and one warrant exercisable to purchase one common share at a price of \$2.80 for a period of 24 months from the date of issuance. 8,571 of these units were issued to settle debt of \$12,000.

The Company paid a combined total of \$20,749 in finders fees on the first tranche of the financing and issued 7,584 finder's warrants, each warrant entitles the holder to purchase one common share at a price of \$3.00 for a period of 24 months after the date of issuance, and 5,064 finder's warrants, each warrant entitles the holder to purchase one common share at a price of \$2.80 for a period of 24 months after the date of issuance. The 7,584 finder's warrants were recorded at a fair value of \$6,597, measured using the Black-Scholes Option Pricing Model using the following assumptions: stock price on issue date of \$1.35, exercise price of \$3.00, expected life of 2 years, risk free rate of 3.20%, volatility of 161%, and dividend yield of 0%. The 5,064 finder's warrants were recorded at a fair value of \$4,475, measured using the Black-Scholes Option Pricing Model using the following assumptions: stock price on issue date of \$1.35, exercise price of \$2.80, expected life of 2 years, risk free rate of 3.20%, volatility of 161%, and dividend yield of 0%.

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:

- 265,033 flow through units priced at \$1.50, each unit was comprised of one common share and one warrant exercisable to purchase one common share at a price of \$3.00 for a period of 24 months from the date of issuance and;
- 555,029 units priced at \$1.40, each unit was comprised of one common share and one warrant exercisable to purchase one common share at a price of \$2.80 for a period of 24 months from the date of issuance.

MARGARET LAKE DIAMONDS INC.

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

For the Years ended May 31, 2023 and 2022

7. Share capital (continued)

b. Issued and outstanding (continued)

The Company paid a total of \$41,600 in finders fees on the second tranche of the financing and issued 3,733 finder's warrants, each warrant entitles the holder to purchase one common share at a price of \$3.00 for a period of 24 months after the date of issuance, and 25,714 finder's warrants, each warrant entitles the holder to purchase one common share at a price of \$2.80 for a period of 24 months after the date of issuance. The 3,733 finder's warrants were recorded at a fair value of \$4,345, measured using the Black-Scholes Option Pricing Model using the following assumptions: stock price on issue date of \$1.75, exercise price of \$3.00, expected life of 2 years, risk free rate of 3.22%, volatility of 157%, and dividend yield of 0%. The 25,714 finder's warrants were recorded at a fair value of \$30,387, measured using the Black-Scholes Option Pricing Model using the following assumptions: stock price on issue date of \$1.75, exercise price of \$2.80, expected life of 2 years, risk free rate of 3.22%, volatility of 157%, and dividend yield of 0%.

Aggregate legal fees paid in connection to both tranches of the private placement totaled \$30,744.

On August 5, 2022, pursuant to a debt settlement agreement, the Company settled debt in the amount of \$53,537, by way of issuing 38,241 units, with each unit consisting of one share and one common share purchase warrant entitling the holder to purchase an additional share at a price of \$2.80 for a period of two years from the date of issuance. The fair value of common shares issued was \$26,768 and the fair value of warrants issued was \$13,401 (Note 7e), measured using the Black-Scholes Option Pricing Model with the following assumptions: stock price on issue date of \$0.70, exercise price of \$2.80, expected life of 2 years, risk free rate of 4.12%, volatility of 150%, and dividend yield of 0%.

On August 5, 2022, pursuant to a debt settlement agreement, the Company settled debt in the amount of \$75,000 by way of: a cash payment of \$10,000 and the issuance of 42,447 units, each unit consisting of one share and one common share purchase warrant entitling the holder to purchase an additional share at a price of \$2.80 for a period of two years from the date of issuance. The fair value of common shares issued was \$29,713 and the fair value of warrants issued was \$14,875 (Note 7e), measured using the Black-Scholes Option Pricing Model with the following assumptions: stock price on issue date of \$0.70, exercise price of \$2.80, expected life of 2 years, risk free rate of 4.12%, volatility of 150%, and dividend yield of 0%.

On November 3, 2022, pursuant to a debt settlement agreement, the Company settled debt in the amount of \$240,257 by way of: a cash payment of \$10,000, a cash payment of \$90,000 due on closing of the Company's next private placement financing under which the Company raises gross proceeds of not less than \$750,000 (accrued at May 31, 2023), and the issuance of 89,285 units, each unit consisting of one share and one common share purchase warrant entitling the holder to purchase an additional share at a price of \$2.80 for a period of two years from the date of issuance. The fair value of common shares issued was \$62,430 and the fair value of warrants issued was \$31,288 (Note 7e), measured using the Black-Scholes Option Pricing Model with the following assumptions: stock price on issue date of \$0.70, exercise price of \$2.80, expected life of 2 years, risk free rate of 4.12%, volatility of 150%, and dividend yield of 0%.

On February 14, 2023, the Company closed a non-brokered private placement financing by issuing 2,000,000 units at a price of \$0.20 per unit for gross proceeds of \$400,000. Each unit was comprised of one common share and one share purchase warrant, with each warrant exercisable for one common share at the price of \$0.50 for a period of 36 months from the date of issuance. The Company paid \$5,550 in share issuance costs in connection to this financing. The warrants are subject to an acceleration clause in the event the Company's common shares trade on the Exchange at a 10-day volume weighted average price equal to or greater than \$0.75.

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 553,944 units at a price of \$1.35 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 \$1.80 per warrant, expiring on December 30, 2023. Share issue costs of \$6,109 were incurred on this private placement.

MARGARET LAKE DIAMONDS INC.

Notes to the Consolidated Financial Statements

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For the Years ended May 31, 2023 and 2022

7. Share capital (continued)**b. Issued and outstanding (continued)**

On March 14, 2022, the Company issued 50,000 shares with a fair value of \$2.70 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.

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:

	May 31, 2023		May 31, 2022	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Outstanding, beginning of year	25,000	5.00	46,750	9.00
Granted	165,000	1.04	25,000	5.00
Expired	-	-	(10,750)	15.00
Cancelled	(25,000)	5.00	(36,000)	7.30
Outstanding, end of the year	165,000	1.04	25,000	5.00

The share options outstanding and exercisable as at the year ended May 31, 2023 were as follows:

Expiry Date	Exercise Price	Number of options outstanding	Options exercisable
November 2, 2023	\$ 0.55	100,000	100,000
August 19, 2027	\$ 1.80	65,000	65,000
		165,000	165,000

During the year ended May 31, 2023, 25,000 options priced at \$5.00 were cancelled pursuant to the terms of the stock option plan.

The weighted average life of options outstanding is 1.92 years.

MARGARET LAKE DIAMONDS INC.

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For the Years ended May 31, 2023 and 2022

7. Share capital (continued)**c. Stock options (continued)**

During the year ended May 31, 2023, the Company recorded the following in connection to stock option issuances:

- On August 19, 2022, \$106,760 in stock-based compensation expense was recorded pursuant to the grant of 65,000 stock options to certain directors and officers of the Company. The options have an exercise price of \$1.80, vest immediately and expire on August 19, 2027.
- On November 2, 2022, \$25,002 in stock-based compensation expense was recorded pursuant to the grant of 100,000 stock options to certain consultants and directors and officers of the Company. The options have an exercise price of \$0.55, vest immediately and expire on November 2, 2023.

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	\$ 5.00	25,000	25,000
		25,000	25,000

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

During the year ended May 31, 2022, \$88,099 in stock-based compensation expense was recorded pursuant to the grant of 25,000 options to directors of the Company. The options have an exercise price of \$5.00, 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:

Years ended May 31,	May 31, 2023	May 31, 2022
Risk free rate	3.61%	0.53%
Dividend yield	-	-
Weighted average volatility	136%	146%
Weighted average expected life	2.58 years	3 years
Weighted average fair value	\$0.80	\$0.35

d. Warrants

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

	May 31, 2023		May 31, 2022	
	Number of Warrants	Weighted average exercise price \$	Number of Warrants	Weighted average exercise price \$
Outstanding, beginning of year	603,944	2.31	50,000	0.80
Issued	3,582,514	1.54	553,944	1.80
Expired	(50,000)	8.00	-	-
Outstanding, end of the year	4,136,458	1.57	603,944	2.30

MARGARET LAKE DIAMONDS INC.

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For the Years ended May 31, 2023 and 2022

7. Share capital (continued)**d. Warrants (continued)**

The share purchase warrants outstanding and exercisable as at May 31, 2023 were:

Expiry Date	Exercise Price -\$-	Number of warrants outstanding
December 30, 2023	1.80	553,944
June 17, 2024	2.80	482,084
June 17, 2024	3.00	68,300
June 17, 2024	2.80	5,064
June 17, 2024	3.00	7,584
July 18, 2024	2.80	555,029
July 18, 2024	3.00	265,033
July 18, 2024	2.80	25,714
July 18, 2024	3.00	3,733
August 5, 2024	2.80	80,688
November 3, 2024	2.80	89,286
February 14, 2026	0.50	2,000,000 ⁽¹⁾

⁽¹⁾ The warrants are subject to an acceleration clause in the event the Company's common shares trade on the Exchange at a 10-day volume weighted average price equal to or greater than \$0.75.

The weighted average life of warrants outstanding is 1.82 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.

During the year ended May 31, 2023, the Company recorded the following transactions to reserves:

- Recorded \$45,804 in connection to finders warrants issued in connection to a private placement as further described in Note 7 (b) and (d) above;
- \$28,276 in connection to two debt settlements, being the fair value of warrants issued as part of units issued to settle debt, as described in Notes 7 (b) and (d) above;
- Recorded \$31,288 in connection to a debt settlement, being the fair value of warrants issued as part of units issued to settle debt, as described in Notes 7 (b) and (d) above;
- Recorded \$131,762 in connection to stock option issuances during the year as further described in Note 7 (c) above.

MARGARET LAKE DIAMONDS INC.

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7. Share capital (continued)**f. Restricted share units**

The Company adopted a Restricted Share Unit (“RSU”) 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 RSUs. The number of common shares issuable under the RSU plan combined with the number of shares issuable under all security-based compensation arrangements of the Company, including the Plan, shall not exceed 10% of the issued and outstanding Shares as at the grant date, and, subject to a consolidation or subdivision of the common shares, shall be fixed at 50,000. Each RSU agreement with the grantee sets forth, among other things, the number of RSUs granted, the trigger date and the expiry date of the RSUs. No RSUs have been issued under the RSU plan during the year ended May 31, 2023.

8. 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 May 31, 2023, and 2022 was as follows:

	2023	2022
	\$	\$
Wages and salaries	-	65,313
Consulting fees	207,632	415,165
Directors fees	6,000	-
Management fees	80,000	-
Share-based compensation	116,697	88,099
Total	410,329	568,577

As at May 31, 2023, 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 the CEO \$51,700 for accrued management fees (May 31, 2022 - \$nil) and \$nil (May 31, 2022 - \$28,500 due to a Company controlled by the CEO) in the form of a promissory note that accrued interest at 2% per month;
- Due to the former CFO and or companies controlled by the former CFO \$nil (May 31, 2022 - \$26,952).
- Due to a company controlled by a former director \$nil (May 31, 2022 - \$3,100).
- During the year ended February 28, 2023 the Company issued 8,571 units in payment of \$12,000 of accounts payable due to a company controlled by the former CFO, and recorded a gain on settlement of \$1,125;

The total balance due to related parties as at May 31, 2023 is \$51,700 (May 31, 2022 - \$129,732). As at May 31, 2023, included in trade and other payables is \$90,500 (May 31, 2022 - \$299,951) which is due to a company controlled by a former CEO of the Company with no specific terms of repayment.

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8. Related party transactions (continued)

During the year ended May 31, 2023, the Company had the following transactions with parties that were related parties during the year:

- Consulting fees of \$200,000 (2022 - \$nil), paid to a company controlled by the CEO;
- Management fees of \$80,000 (2022 - \$nil), paid or accrued to the CEO;
- Consulting fees of \$3,000 (2022 - \$55,000), paid to a company controlled by the former CFO;
- Directors fees of \$6,000 (2022 - \$nil), paid to a director of the Company;
- Consulting fees of \$4,632 (2022 - \$360,165) paid to former related parties.
- Salaries and wages of \$nil (2022 - \$65,313) paid to the former CEO.

During the year ended May 31, 2023, there was \$116,697 (2022 - \$88,099) recorded in stock-based compensation expense in connection to options issued to certain directors and officers (2022 - former directors and officers) (Note 7). During the year ended May 31, 2023, 25,000 of the stock options were cancelled in accordance with the terms of the stock option plan.

9. 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.

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9. Financial instruments (continued)

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 May 31, 2023 the Company had cash of \$108,756 (May 31, 2022 - \$19,548), and current liabilities of \$558,680 (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.

10. 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 years ended May 31, 2023 and 2022. The Company is not subject to any externally imposed capital requirements.

11. Income taxes

The actual income tax provisions differ from the expected amounts as calculated by applying the Canadian combined federal and provincial corporate income tax rates to the Company's loss before income taxes. The components of these differences are as follows:

	May 31, 2023	May 31, 2022
Net loss before taxes	\$ (1,661,733)	\$ (489,993)
Statutory rate	26.5%	26.5%
Expected income tax recovery at statutory rate	\$ (440,000)	\$ (130,000)
Non-deductible items and other	(27,000)	(98,000)
Change in unrecognized deductible temporary differences	467,000	228,000
Deferred tax recovery	\$ -	\$ -

MARGARET LAKE DIAMONDS INC.

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11. Income taxes (continued)

The Company has the following deductible temporary differences for which no deferred tax asset (liability) has been recognized:

	May 31, 2023 \$	May 31, 2022 \$
Deferred tax assets (liabilities)		
Loss carry-forwards	1,268,000	868,000
Share issuance costs	22,000	1,000
Exploration and evaluation assets	842,000	796,000
Other	2,000	2,000
	2,134,000	1,667,000
Unrecognized deferred tax assets	(2,134,000)	(1,667,000)
Net deferred tax assets	-	-

The tax pools and losses available to the Company expire as follows:

	\$	Expiry date range
Loss carry-forwards	4,784,000	2031 to 2043
Share issuance costs	83,000	2023 to 2027
Resource pools	4,349,000	No expiry

Tax attributes are subject to review, and potential adjustment, by tax authorities.

12. Subsequent event

Subsequent to the year ended May 31, 2023, the Company entered into a non-binding letter of intent (the "Proposed Transaction") to acquire Emerging Goldfield Resources Ltd. ("Emerging"). The transaction, as currently contemplated, would constitute a reverse take over of the Company and upon closing the Company will carry on the business of Emerging.

Pursuant to the terms of the LOI, it is intended that the Company and Emerging will enter into a business combination by way of a share exchange, merger, amalgamation, arrangement, or other similar form of transaction. The final structure of the business combination is subject to receipt by the parties of tax, corporate, and securities law advice and will be agreed to and superseded by a definitive agreement (the "Definitive Agreement") between the Company and Emerging with such agreement to include representations, warranties, conditions and covenants typical for a transaction of this nature.

Terms of the Proposed Transaction

The LOI serves as an agreement in principle concerning a business combination between the Company and Emerging that will result in a reverse takeover of the Company. The Proposed Transaction will take the form of a business combination between the Company and Emerging whereby the Company's securities and Emerging securities will be exchanged on a 1:1 basis for an equivalent security of the Resulting Issuer. The completion of the Proposed Transaction is also subject to several other conditions set out in the LOI, including approval by the directors of the Company and Emerging, satisfactory completion of due diligence, applicable regulatory approvals, and applicable shareholder approvals.

The Proposed Transaction is subject to the execution of a Definitive Agreement, among other details, final approval of the Exchange and standard closing conditions.

MARGARET LAKE DIAMONDS INC.

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

For the Years ended May 31, 2023 and 2022

12. Subsequent event (continued)

Proposed Private Placement

Pursuant to the LOI, the parties have agreed to use their "commercially reasonable efforts" to cause Emerging to complete the Proposed Private Placement at a price per Unit of \$0.30 to raise gross proceeds of up to \$1,500,000 or such other amount as the Parties may agree to.