

MARGARET LAKE DIAMONDS INC.

Condensed Consolidated Interim Financial Statements

For the Three Months Ended August 31, 2023 and 2022

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
October 30, 2023

MARGARET LAKE DIAMONDS INC.

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

	Note	August 31, 2023 \$	May 31, 2023 \$
Assets			
Current assets			
Cash		27,286	108,756
Receivables	3	104,719	114,499
Prepaid expenses		528	16,528
		132,533	239,783
Exploration and evaluation assets	4	1,184,204	1,184,204
Total Assets		1,316,737	1,423,987
Liabilities and shareholders' equity			
Current liabilities			
Trade and other payables	5, 7	460,556	452,509
Contributions from JV	4	43,966	43,966
Flow-through premium liability		10,505	10,505
Due to related parties	7	42,685	51,700
Total Liabilities		557,712	558,680
Shareholders' equity (deficit)			
Share capital	6	9,119,212	9,119,212
Reserve	6	864,491	864,491
Deficit		(9,224,678)	(9,118,396)
Total Shareholders' equity (deficit)		759,025	865,307
		1,316,737	1,423,987

Nature of operations (Note 1)
Subsequent events (Note 11)

Approved by the Board of Directors on October 30, 2023

"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, 2023 and 2022
(Expressed in Canadian Dollars)

	Share Capital		Reserves	Subscriptions Received (Receivable)	Deficit	Total Equity
	Shares ¹	Amount \$				
Balance May 31, 2023	1,200,810	6,826,595	627,361	43,000	(7,456,663)	40,293
Shares issued for private placement (net)	1,370,445	1,889,608	-	(43,000)	-	1,846,608
Shares issued for settlement of debt	80,688	161,375	-	-	-	161,375
Stock-based compensation (Note 6)	-	-	88,748	-	-	88,748
Net loss for the period	-	-	-	-	(956,066)	(956,066)
Balance August 31, 2022	2,651,943	8,877,578	716,109	-	(8,412,729)	1,180,958
Balance May 31, 2023	4,741,230	9,119,212	864,491	-	(9,118,396)	865,307
Net loss for the period	-	-	-	-	(106,282)	(106,282)
Balance August 31, 2023	4,741,230	9,119,212	864,491	-	(9,224,678)	759,025

¹ 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, 2023 and 2022
(Expressed in Canadian Dollars - unaudited)

		Three months ended August 31,	
	Note	2023 \$	2022 \$
Expenses:			
Consulting	7	33,000	418,834
Interest expense		-	596
Marketing		10,000	105,000
Advertising and IR		16,000	38,321
Office and administration		24,491	14,963
Professional fees		15,225	73,333
Regulatory fees		5,449	13,346
Stock-based compensation	6,7	-	88,748
Shareholder communications		-	153,559
Travel and related		2,117	10,000
Loss before other items		(106,282)	(916,700)
Foreign exchange (gain)		-	(103)
Loss on debt settlement	6	-	(39,263)
Net and comprehensive loss		(106,282)	(956,066)
Loss per common share			
Basic and diluted		(0.02)	(0.05)
Weighted average number of common shares outstanding ¹		4,741,230	2,079,390

¹ 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, 2023 and 2022
(Expressed in Canadian dollars - unaudited)

	2023 \$	2022 \$
Cash provided by (used in):		
Operating activities:		
Net loss	(106,282)	(956,066)
Stock-based compensation	-	88,748
Changes in non-cash working capital item:		
Receivables	9,779	(47,162)
Prepaid expenses	16,000	(268,000)
Trade and other payables	(967)	(477,453)
Due to related parties	-	35,895
Net cash used in operating activities	(81,470)	(1,624,037)
Investing activities:		
Exploration and evaluation assets	-	(133,868)
Net cash used in investing activities	-	(133,868)
Financing activities:		
Private placement (net)	-	1,889,608
Subscriptions received	-	(43,000)
Advances from related parties	-	-
Net cash provided by financing activities	-	1,846,608
Change in cash	(81,470)	88,703
Cash, beginning	108,756	19,548
Cash, ending	27,286	108,251

Supplemental cash flow information:

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

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 flowthrough shares issued.

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, 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 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 \$9,224,678 at August 31, 2023 (May 31, 2023 - \$9,118,396) and a working capital deficit of \$425,179 (May 31, 2023 - \$318,897).

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 October 30, 2023 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 May 31, 2023.

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, 2023 and 2022

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.

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, 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 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

(Expressed in Canadian dollars - unaudited)

For the Three Months August 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.

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For the Three Months August 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

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.

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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 Diagrass 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 Diagrass JV, while Arctic Star has 81.5% of the interest. Accordingly, the Company has capitalized its share in the expenditures made on the Diagrass 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, 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

	August 31, 2023	May 31, 2023
	\$	\$
GST receivable	104,719	114,499

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.

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.

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For the Three Months August 31, 2023 and 2022

4. Exploration and evaluation assets (continued)

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 \$142,302 (2022 - \$nil).

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

	Mormon Lake \$	Diagras \$	Total \$
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
Deferred exploration costs	-	-	-
Balance, August 31, 2023	-	1,184,204	1,184,204

5. Trade and other payables

	August 31, 2023 \$	May 31, 2023 \$
Trade payables	273,327	281,269
Accrued liabilities	171,441	164,467
Flow-through premium liability	10,505	10,505
Payroll liabilities	102,439	102,439
	557,712	558,680

6. Share capital**a. Authorized**

Unlimited number of common shares without par value.

b. Issued and outstanding

There were no shares issued in the 3 months ended August 31, 2023, but 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.

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:

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- 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.

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%.

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6. Share capital (continued)

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.

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.

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6. Share capital (continued)

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

	August 31, 2023		May 31, 2023	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Outstanding, beginning of year	165,000	1.04	25,000	5.00
Granted	-	-	165,000	1.04
Cancelled	-	-	(25,000)	5.00
Outstanding, end of the period	165,000	1.04	165,000	1.04

The share options outstanding and exercisable as at the three months ended August 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

The weighted average life of options outstanding is 1.67 years.

d. Warrants

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

	August 31, 2023		May 31, 2023	
	Number of Warrants	Weighted average exercise price \$	Number of Warrants	Weighted average exercise price \$
Outstanding, beginning of year	603,944	2.31	603,944	2.31
Issued	3,532,514	1.54	3,582,514	1.54
Expired	-	-	(50,000)	8.00
Outstanding, end of the year	4,136,458	1.57	4,136,458	1.57

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The share purchase warrants outstanding and exercisable as at August 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 and the weighted average life of warrants outstanding is 1.57 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;
- \$28,276 in connection to two debt settlements, being the fair value of warrants issued as part of units issued to settle debt;
- Recorded \$31,288 in connection to a debt settlement, being the fair value of warrants issued as part of units issued to settle debt;
- Recorded \$131,762 in connection to stock option issuances during the year as further described in above.

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, 2023, and 2022 was as follows:

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	2023	2022
	\$	\$
Consulting fees	33,000	200,000
Share-based compensation	-	88,748
Total	33,000	288,748

As at August 31, 2023 and May 31, 2023, the Company had the following balances due to related parties:

- Due at August 31, 2023 for consulting fees of \$42,685 (May 31, 2023 - \$51,700).

During the three months ended August 31, 2023, the Company had the following transactions with parties that were related parties during the fiscal year:

- Consulting fees of \$33,000 (2022 - \$200,000);
- During the period ended August 31, 2023, there was \$nil (2022 - \$88,748) recorded in stock-based compensation expense in connection to options issued to certain directors and officers.

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.

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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, 2023 the Company had cash of \$27,286 (May 31, 2023 - \$108,756), and current liabilities of \$557,712 (May 31, 2023 - \$558,680).

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

9. Capital management

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

In order to achieve this objective, management makes adjustments to it in light of changes in economic conditions and risk characteristics of the underlying assets. To maintain or adjust capital structure, management may invest its excess cash in interest bearing accounts of Canadian chartered banks and/or raise additional funds externally as needed. There were no changes in the Company's approach to capital management during the period ended August 31, 2023, and the year ended May 31, 2023. The Company is not subject to any externally imposed capital requirements.