

**MARGARET LAKE DIAMONDS INC.**

Condensed Interim Financial Statements

For the Three Months Ended August 31, 2024 and 2023

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 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, 2024

# MARGARET LAKE DIAMONDS INC.

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

		August 31, 2024	May 31, 2024
	Note	\$	\$
<b>Assets</b>			
Current assets			
Cash		605	32,325
Receivables	3	121,220	118,557
Prepaid expenses		5,000	5,000
<b>Total Assets</b>		<b>126,826</b>	<b>155,882</b>
<b>Liabilities and shareholders' equity (deficit)</b>			
Current liabilities			
Trade and other payables	5	510,322	490,696
Shareholder loan	5	10,000	-
Flow-through premium liability		10,505	10,505
Due to related parties	7	22,678	3,520
<b>Total Liabilities</b>		<b>533,505</b>	<b>504,721</b>
<b>Shareholders' equity (deficit)</b>			
Share capital	6	9,119,212	9,119,212
Reserve	6	864,491	864,491
Deficit		(10,400,382)	(10,332,542)
<b>Total Shareholders' equity (deficit)</b>		<b>(416,679)</b>	<b>(348,839)</b>
		<b>126,826</b>	<b>155,882</b>

Nature of operations (Note 1)  
Proposed transaction (Note 10)

Approved by the Board of Directors on October 30, 2024

*"Yari Nieken"*

Yari Niekan, Director

*"Andreas Schleich"*

Andreas Schleich, Director

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

# MARGARET LAKE DIAMONDS INC.

Condensed Interim Statement of Changes in Equity  
For the Three Months Ended August, 2024 and 2023  
(Expressed in Canadian Dollars - unaudited)

	Share Capital			Subscriptions Received (Receivable)	Deficit	Total Equity
	Shares	Amount \$	Reserves \$	\$	\$	\$
<b>Balance May 31, 2023</b>	<b>4,741,230</b>	<b>9,119,212</b>	<b>864,491</b>	<b>-</b>	<b>(9,118,396)</b>	<b>865,307</b>
Net loss for the period	-	-	-	-	(106,282)	(106,282)
<b>Balance August 31, 2023</b>	<b>4,741,230</b>	<b>9,119,212</b>	<b>864,491</b>	<b>-</b>	<b>(9,224,678)</b>	<b>759,025</b>
<b>Balance May 31, 2024</b>	<b>4,741,230</b>	<b>9,119,212</b>	<b>864,491</b>	<b>-</b>	<b>(10,332,542)</b>	<b>(348,839)</b>
Net loss for the period	-	-	-	-	(67,840)	(67,840)
<b>Balance August 31, 2024</b>	<b>4,741,230</b>	<b>9,119,212</b>	<b>864,491</b>	<b>-</b>	<b>(10,400,382)</b>	<b>(416,679)</b>

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

# MARGARET LAKE DIAMONDS INC.

Condensed Interim Statement of Loss and Comprehensive Loss  
For the Three Months Ended August 31, 2024 and 2023  
(Expressed in Canadian Dollars - unaudited)

		Three months ended	
		August 31,	
	Note	2024	2023
		\$	\$
Expenses:			
Directors fees	7	6,000	3,000
Marketing		-	10,000
Advertising and investor relations		-	16,000
Office and administration		23,269	24,491
Professional fees		8,314	15,225
Management fees	7	30,000	30,000
Regulatory fees		-	5,449
Travel and related		257	2,117
Net and comprehensive loss		(67,840)	(106,282)
Loss per common share basic and diluted		(0.01)	(0.02)
Weighted average number of common shares outstanding		4,741,230	4,741,230

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

**MARGARET LAKE DIAMONDS INC.**

Condensed Interim Statements of Cash Flow

(Expressed in Canadian dollars - unaudited)

For the Three Months Ended August 31, 2024 and 2023

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	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Cash provided by (used in):		
Operating activities:		
Net loss	(67,840)	(106,282)
Changes in non-cash working capital item:		
Receivables	(2,663)	9,779
Prepaid expenses	-	16,000
Trade and other payables	8,626	(967)
Due to related parties	20,158	-
Net cash used in operating activities	(41,719)	(81,470)
Financing activities:		
Shareholder loan	10,000	-
Subscriptions received	-	-
Net cash provided by financing activities	-	-
Change in cash	(31,720)	(81,470)
Cash, beginning	32,325	108,756
Cash, ending	605	27,286
<b>Supplemental disclosures:</b>		
Interest paid	-	-
Income taxes paid	-	-

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**Non-cash transactions:**

There were no non-cash transactions during the three months ended August 31, 2024 and 2023.

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

## **MARGARET LAKE DIAMONDS INC.**

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars - unaudited)

For the Three Months Ended August 31, 2024 and 2023

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### **1. Nature of operations**

Margaret Lake Diamonds Inc. (the "Company") was incorporated by a Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (British Columbia) on February 9, 2011. The Company is focused on the exploration of mineral properties.

The Company's principal address and head office and registered and records office is Suite 501, 3292 Production Way, Burnaby, BC, V5A 4R4.

These 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 \$10,400,382 at August 31, 2024 (May 31, 2024 - \$10,332,542) and a working capital deficit of \$416,679 (May 31, 2024 - \$348,839).

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

### **2. Significant accounting policies and basis of presentation**

#### ***Statement of compliance***

These condensed interim financial statements were authorized for issue on October 30, 2024 by the directors of the Company.

These condensed 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, 2024.

#### ***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 Condensed Interim Financial Statements

(Expressed in Canadian dollars - unaudited)

For the Three Months Ended August 31, 2024 and 2023

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

These 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 Condensed Interim Financial Statements

(Expressed in Canadian dollars - unaudited)

For the Three Months Ended August 31, 2024 and 2023

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

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

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

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

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

**Flow-through shares**

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

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

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

**Share-based payments**

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

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

**MARGARET LAKE DIAMONDS INC.**

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars - unaudited)

For the Three Months Ended August 31, 2024 and 2023

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

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

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

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

**Financial instruments**

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

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

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

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

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

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

**Financial assets and liabilities at amortized cost**

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

## **MARGARET LAKE DIAMONDS INC.**

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars - unaudited)

For the Three Months Ended August 31, 2024 and 2023

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

During the year ended May 31, 2024, the Company sold its interest in a joint venture, which was 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").

During the year ended May 31, 2024, the Company sold its 18.5% (2022 – 18.5%) of the interest in the Diagrass JV, at the time of sale Arctic Star had 81.5% of the interest.

**MARGARET LAKE DIAMONDS INC.**

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars - unaudited)

For the Three Months Ended August 31, 2024 and 2023

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

**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, 2024. These standards have been assessed to not have a significant impact on the Company's financial statements.

**3. Receivables**

	August 31, 2024	May 31, 2024
	\$	\$
GST receivable	121,220	118,557

**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. 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.

On March 22, 2024, the Company divested of its 18.5% interest in the Diagras Property. Pursuant to a joint venture interest acquisition agreement dated March 22, 2024, its 18.5% interest in the Diagras Property was sold by the Company for consideration of \$300,000 cash. The Company and Arctic Star also entered into a termination and release agreement dated March 20, 2024 releasing Arctic Star from any claims held by the Company in the Diagras Property and subsequently, the Diagras JV was terminated. In connection with the sale, the Company recognized loss of \$840,238 on sale of exploration and evaluation asset to the consolidated statement of loss during the year ended May 31, 2024.

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

**MARGARET LAKE DIAMONDS INC.**

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars - unaudited)

For the Three Months Ended August 31, 2024 and 2023

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

	Diagras \$	Total \$
<b>Balance, May 31, 2023</b>	<b>1,184,204</b>	<b>1,184,204</b>
Adjustment on JV exploration contribution	(43,966)	(43,966)
Sale of exploration and evaluation asset	(1,140,238)	(1,140,238)
<b>Balance, May 31, 2024, and August 31, 2024</b>	<b>-</b>	<b>-</b>

**5. Trade and other payables**

	August 31, 2024 \$	May 31, 2024 \$
Trade payables	268,303	251,677
Accrued liabilities	139,580	136,580
Payroll liabilities	102,439	102,439
	<b>510,322</b>	<b>490,696</b>

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

Unlimited number of common shares without par value.

**b. Issued and outstanding**

There were no shares issued during the period ended August 31, 2024 and the year ended May 31, 2024.

**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.

**MARGARET LAKE DIAMONDS INC.**

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars - unaudited)

For the Three Months Ended August 31, 2024 and 2023

**6. Share capital (continued)**

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

	August 31, 2024		May 31, 2024	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Outstanding, beginning of year	25,000	1.80	165,000	1.04
Granted	-	-	-	-
Expired	-	-	(100,000)	(0.55)
Forfeited/cancelled	-	-	(40,000)	(1.80)
Outstanding, end of the period	25,000	1.80	25,000	1.80

The stock options outstanding and exercisable as at the year ended August 31, 2024 and May 31, 2024 were as follows:

Expiry Date	Exercise Price	Number of options outstanding	Options exercisable
August 19, 2027	\$ 1.80	25,000	25,000
		25,000	25,000

The weighted average life of options outstanding is 2.97 years.

**d. Warrants**

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

	August 31, 2024		May 31, 2024	
	Number of Warrants	Weighted average exercise price \$	Number of Warrants	Weighted average exercise price \$
Outstanding, beginning of year	3,582,514	1.52	4,136,458	1.57
Issued	-	-	-	-
Expired	(1,493,229)	(2.85)	(553,944)	1.80
Outstanding, end of the year	2,089,286	0.59	3,582,514	1.52

**MARGARET LAKE DIAMONDS INC.**

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars - unaudited)

For the Three Months Ended August 31, 2024 and 2023

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

During the period ended August 31, 2024, the following warrants expired unexercised:

Expiry Date	Exercise Price -\$-	Number of warrants outstanding
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

The share purchase warrants outstanding and exercisable as at August 31, 2024 were:

Expiry Date	Exercise Price -\$-	Number of warrants outstanding
November 3, 2024	2.80	89,286
February 14, 2026	0.50	2,000,000 <sup>(1)</sup>

<sup>(1)</sup> 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 1.63 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 period ended August 31, 2024 and the year ended May 31, 2024, there were no transactions recorded to reserves.

**MARGARET LAKE DIAMONDS INC.**

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For the Three Months Ended August 31, 2024 and 2023

**6. 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 period ended August 31, 2024, and the year ended May 31, 2024 was as follows:

	<b>August 31, 2024</b>	<b>May 31, 2024</b>
	<b>\$</b>	<b>\$</b>
Consulting fees	-	-
Management fees	30,000	30,000
Directors fees	6,000	3,000
Share-based compensation	-	-
<b>Total</b>	<b>36,000</b>	<b>33,000</b>

All related party transactions are in the normal course of operations and have been measured at the agreed to amount, which is the amount of consideration established and agreed to by the related parties.

As at August 31, 2024, and May 31, 2024, the Company had the following balances due to related parties:

- Due at August 31, 2024 - \$22,678 (May 31, 2024 - \$3,520).

**7. 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.

## **MARGARET LAKE DIAMONDS INC.**

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars - unaudited)

For the Three Months Ended August 31, 2024 and 2023

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### **8. Financial instruments (continued)**

#### *Interest rate risk*

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

#### *Liquidity and funding risk*

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

The Company manages its liquidity risk by forecasting cashflows from options and anticipating any investing and financing activities. The Company will need to access additional financing through share issuances or loans to ensure that there is sufficient capital in order to meet its financial obligations, taking into account administrative costs, property commitments and exploration budgets. As at August 31, 2024 the Company had cash of \$605 (May 31, 2024 - \$32,325), and current liabilities of \$510,322 (May 31, 2024 - \$504,721).

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, 2024 and the year ended May 31, 2024. The Company is not subject to any externally imposed capital requirements.

### **10. Proposed Transaction**

The Company entered into an amalgamation agreement dated December 17, 2023 to acquire Emerging Goldfield Resources Ltd. ("Emerging") in the form of an amalgamation agreement. The transaction would constitute a reverse takeover of the Company and upon closing the Company would carry on the business of Emerging. The agreement in principle would result in a reverse takeover of the Company. The proposed transaction proposed the Company's securities and Emerging's securities would be exchanged on a 1:1 basis for an equivalent security of the Resulting Issuer.

Pursuant to a termination agreement dated June 24, 2024, the amalgamation agreement was mutually terminated by the Company and Emerging. All obligations and liabilities under the amalgamation agreement were terminated.