

**MARGARET LAKE DIAMONDS INC.**

Financial Statements

For the Years Ended May 31, 2025 and 2024

Expressed in Canadian Dollars

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## INDEPENDENT AUDITOR'S REPORT

To: the Shareholders of  
Margaret Lake Diamonds Inc.

### Opinion

I have audited the financial statements of Margaret Lake Diamonds Inc. (the "Company"), which comprise the statements of financial position as at May 31, 2025 and May 31, 2024, and the statements of loss and comprehensive loss, statements of cash flows and statements of changes in equity for the years then ended, and notes to the financial statements, including material accounting policy information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2025 and May 31, 2024, and its financial performance and its cash flow for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

### Basis for Opinion

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

### Material Uncertainty Related to Going Concern

I draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss of \$333,711 during the year ended May 31, 2025 and, as of that date, the Company had not yet achieved profitable operations, had accumulated losses of \$10,666,253 since its inception, and expects to incur further losses in the development of its business. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. My opinion is not modified in respect of this matter.

### Key Audit Matter

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements for the year ended May 31, 2025. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

In addition to the matter described in the "Material Uncertainty Related to Going Concern" section of the auditor's report, I have determined the matters described below to be the key audit matters to be communicated in my auditors' report.

### Evaluation of indicators of impairment for exploration and evaluation assets

#### Description of the matter

I draw attention to Notes 4 to the financial statements. The Company has exploration and evaluation assets of \$15,000 as at May 31, 2025. The carrying amounts of the Company's exploration and evaluation assets are reviewed each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Significant judgment is required in assessing indicators of impairment. The Company completes an evaluation at each reporting period of potential impairment indicators.

#### Why the matter is a key audit matter

I identified the evaluation of indicators of impairment for exploration and evaluation assets as a key audit matter. This matter represented an area of significant risk of material misstatement given the magnitude of exploration and evaluation assets. This matter was of most significance due to the difficulties in evaluating the result of my audit procedures to assess the Company's determination of whether the factors, individually and in the aggregate, resulted in indicators of impairment.

#### How the matter was addressed in the audit

The following are the primary procedures I performed to address this key audit matter.

I evaluated the Company's analysis of impairment indicators by:

- Obtaining an understanding of management's process for developing an assessment of the existence of impairment indicators.
- Assessing whether the information in the analysis was consistent with information included in internal communicates to management and the Board of Directors, the Company's press releases, management's discussion and analysis, and other public filings
- Reading updated technical reports for any indicators of impairment arising from changes to estimates of mineral reserves and resources

- Considering evidence obtained in other areas of the audit, including the status of significant mineral licenses and expenditures on mineral properties, the results of exploration activities and any updates to estimates of mineral reserves and resources
- Comparing the Entity’s market capitalization to the carrying value of its net assets.

**Other Information**

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis.

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

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I 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 IFRSs, 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**

My 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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.

I 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 I identify during my audit.

I also provide those charged with governance with a statement that I 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 my independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor’s report is Adam Kim, CPA, CA.

**“Adam Sung Kim Ltd.”**  
Chartered Professional Accountant

10290 171A Street  
Surrey, BC, Canada V4N 3L2  
September 24, 2025

# MARGARET LAKE DIAMONDS INC.

Statements of Financial Position  
(Expressed in Canadian Dollars)

	Note	May 31, 2025 \$	May 31, 2024 \$
<b>Assets</b>			
Current assets			
Cash		139,946	32,325
Receivables	3	131,826	118,557
Prepaid expenses		-	5,000
		271,772	155,882
Exploration and evaluation assets	4	15,000	-
<b>Total Assets</b>		<b>286,772</b>	<b>155,882</b>
<b>Liabilities and shareholders' deficit</b>			
Current liabilities			
Accounts payable and accrued liabilities	5	531,008	501,201
Loans payable	6	18,770	-
Due to related parties	8	128,500	3,520
<b>Total Liabilities</b>		<b>678,278</b>	<b>504,721</b>
<b>Shareholders' deficit</b>			
Share capital	7	9,410,256	9,119,212
Reserve	7	864,491	864,491
Deficit		(10,666,253)	(10,332,542)
<b>Total Shareholders' deficit</b>		<b>(391,506)</b>	<b>(348,839)</b>
<b>Total Liabilities and Shareholders' deficit</b>		<b>286,772</b>	<b>155,882</b>

Nature of operations (Note 1)

Approved and authorized for dissemination by the Board of Directors on September 24, 2025:

*"Robert Nicholas Horsley"*

Robert Nicholas Horsley, CEO, and Director

*"Andreas Schleich"*

Andreas Schleich, Director

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

# MARGARET LAKE DIAMONDS INC.

Statements of Changes in Deficit  
For the Years Ended May 31, 2025 and 2024  
(Expressed in Canadian Dollars)

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	<u>Share Capital</u>				
	Shares	Amount \$	Reserves \$	Deficit \$	Total Equity \$
<b>Balance May 31, 2023</b>	<b>4,741,230</b>	<b>9,119,212</b>	<b>864,491</b>	<b>(9,118,396)</b>	<b>865,307</b>
Net loss for the year	-	-	-	(1,214,146)	(1,214,146)
<b>Balance May 31, 2024</b>	<b>4,741,230</b>	<b>9,119,212</b>	<b>864,491</b>	<b>(10,332,542)</b>	<b>(348,839)</b>
<b>Balance May 31, 2024</b>	<b>4,741,230</b>	<b>9,119,212</b>	<b>864,491</b>	<b>(10,332,542)</b>	<b>(348,839)</b>
Shares issued for private placement (net)	4,479,445	281,044	-	-	281,044
Shares issued for mineral property	125,000	10,000	-	-	10,000
Net loss for the year	-	-	-	(333,711)	(333,711)
<b>Balance May 31, 2025</b>	<b>9,345,675</b>	<b>9,410,256</b>	<b>864,491</b>	<b>(10,666,253)</b>	<b>(391,506)</b>

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

# MARGARET LAKE DIAMONDS INC.

Statements of Loss and Comprehensive Loss  
For the Years Ended May 31, 2025, and 2024  
(Expressed in Canadian Dollars)

		Years ended	
		May 31,	May 31,
	Note	2025	2024
		\$	\$
Expenses:			
Consulting		111,000	13,960
Interest expense		18,770	20,667
Marketing		-	5,000
Advertising and investor relations		-	13,000
Office and administration		63,517	125,641
Professional fees		12,171	28,900
Project investigation		16,890	-
Management fees	8	90,000	120,000
Directors fees	8	25,000	12,000
Regulatory fees		15,426	18,534
Travel and related		13,437	16,206
Loss before other items		(366,211)	(373,908)
Gain on forgiveness of accounts payable		(32,500)	-
Loss on sale of exploration and evaluation assets	4	-	(840,238)
Net loss and comprehensive loss		(333,711)	(1,214,146)
Loss per common share basic and diluted		(0.06)	(0.26)
Weighted average number of common shares outstanding		5,304,792	4,741,230

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

**MARGARET LAKE DIAMONDS INC.**

## Statements of Cash Flow

(Expressed in Canadian dollars)

For the Year Ended May 31, 2025, and 2024

	<b>2025</b>	<b>2024</b>
	<b>\$</b>	<b>\$</b>
Cash provided by (used in):		
Operating activities:		
Net loss	(333,711)	(1,214,146)
Gain on forgiveness of accounts payable	32,500	-
Loss on sale of exploration and evaluation assets		840,238
Changes in non-cash working capital item:		
Receivables	(13,269)	(4,058)
Prepaid expenses	5,000	11,528
Trade and other payables	(2,693)	38,187
Due to related parties	124,980	(48,180)
Net cash used in operating activities	(187,193)	(376,431)
Investing activities:		
Exploration and evaluation assets	(5,000)	-
Proceeds received on sale of exploration and evaluation assets	-	300,000
Net cash provided by investing activities	(5,000)	300,000
Financing activities:		
Loans	18,770	-
Proceeds of private placement	281,044	-
Net cash provided by financing activities	299,814	-
Change in cash	107,621	(76,431)
Cash, beginning	32,325	108,756
Cash, ending	139,946	32,325
<b>Supplemental disclosures:</b>		
Interest paid	-	-
Income taxes paid	-	-

**Non-cash transactions:**

During the year ended May 31, 2025, the Company issued 125,000 common shares of the Company at the fair value of \$10,000 to the Optionors of the Letain Nickel Project . (2024 - \$nil)

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

## **MARGARET LAKE DIAMONDS INC.**

Notes to the Financial Statements

(Expressed in Canadian dollars)

For the Year Ended May 31, 2025, and 2024

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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.

The Company has an accumulated deficit of \$10,666,253 at May 31, 2025 (May 31, 2024 - \$10,332,542) and a working capital deficit of \$406,506 (May 31, 2024 – \$348,839). 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 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. Material accounting policies and basis of presentation**

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

These financial statements have been presented in accordance with IFRS Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

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

These financial statements of the Company have been prepared on a historical cost basis except for certain financial assets measured at fair value. These financial statements have been prepared using the accrual basis of accounting, except for cash flow information. These financial statements are presented in Canadian dollars unless otherwise specified.

## **MARGARET LAKE DIAMONDS INC.**

Notes to the Financial Statements

(Expressed in Canadian dollars)

For the Year Ended May 31, 2025, and 2024

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

#### ***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.

#### **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 Financial Statements

(Expressed in Canadian dollars)

For the Year Ended May 31, 2025, and 2024

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**2. Material 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.

**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. Properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts when the payments are made. Direct costs related to the acquisition, exploration and evaluation of exploration and evaluation assets 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.

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 evaluation costs, in excess of estimated recoveries, are written off to profit or 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.

**MARGARET LAKE DIAMONDS INC.**

Notes to the Financial Statements

(Expressed in Canadian dollars)

For the Year Ended May 31, 2025, and 2024

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**2. Material 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.

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, accounts payables and accrued liabilities, loans payable 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 Financial Statements

(Expressed in Canadian dollars)

For the Year Ended May 31, 2025, and 2024

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### **2. Material 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 were to 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% of the interest in the Diagrass JV, when at the time of sale Arctic Star had a 81.5% interest.

**MARGARET LAKE DIAMONDS INC.**

Notes to the Financial Statements

(Expressed in Canadian dollars)

For the Year Ended May 31, 2025, and 2024

**2. Material 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.

**Provision for environmental rehabilitation**

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of mineral properties and equipment. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision. The increase in the provision due to the passage of time is recognized as interest expense.

As at May 31, 2025, the Company, given the early stage of exploration on its mineral properties, has no reclamation costs and therefore no provision for environmental rehabilitation has been made.

**3. Receivables**

	May 31, 2025	May 31, 2024
	\$	\$
GST receivable	131,826	118,557

**4. Exploration and evaluation assets*****Letain Nickel Project***

On February 10, 2025, the Company has entered into mineral property option agreement with the third parties (the "Optionors").

Pursuant to the agreement, on closing, the Company has the option to acquire up to 100% of the right, title and interest in and to the Letain Nickel Project. The closing conditions include the Company satisfying the following obligations:

- Payment of \$5,000 on TSV Venture Exchange approval and resumption of trading (Paid).
- The issuance of 125,000 common shares of the Company to the Optionors (Issued);
- Completing a qualified work program of no less than \$10,000 to be completed or a payment in lieu of exploration before October 2025;
- \$50,000 payment to the Optionors on the 2nd anniversary of the agreement (payable in cash or shares at the election of the Optionors);

**MARGARET LAKE DIAMONDS INC.**

Notes to the Financial Statements

(Expressed in Canadian dollars)

For the Year Ended May 31, 2025, and 2024

**4. Exploration and evaluation assets (continued)*****Letain Nickel Project (continued)***

- \$115,000 payment to the Optionors on the 3rd anniversary of the agreement (payable in cash or stock at the election of the Optionors); and
- 2% Net Smelter Royalty (“NSR”) with one-half (1%) being able to be purchased for \$1,000,000.

***Diagras Property***

On November 7, 2016, the Company entered into an Option and Joint Venture Agreement (“JV Agreement”) with Arctic Star, 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 a loss of \$840,238 on sale of exploration and evaluation assets to the consolidated statement of loss during the year ended May 31, 2024.

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

	Letain \$	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</b>		-	-
Additions	15,000	-	15,000
<b>Balance, May 31, 2025</b>	<b>15,000</b>	-	<b>15,000</b>

**5. Account payable and accrued liabilities**

	May 31, 2025 \$	May 31, 2024 \$
Trade payables	283,485	251,677
Accrued liabilities	134,579	136,580
Other liabilities	112,944	112,944
	<b>531,008</b>	<b>501,201</b>

## **MARGARET LAKE DIAMONDS INC.**

Notes to the Financial Statements

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For the Year Ended May 31, 2025, and 2024

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### **6. Loans payable**

As at May 31, 2025, the Company has a loans payable balance of \$18,770 (2024 - \$nil). During the year ended May 31, 2025, the Company entered into the following loans:

- Loan payable to a related company, 50% owned by the CEO of the Company, in the amount of \$13,500 (repaid) (2024 - \$nil). The terms of the loan include a 100% loan fee, the principal bears simple interest at 20% per annum. The balance due at May 31, 2025 is \$14,850 including accrued interest of \$1,350 and loan fee of \$13,500 (2024 - \$nil)
- The Company entered into a loan payable to an unrelated third party of \$10,000 (repaid) (2024 - \$nil), the principal bore simple interest at 2% per month, balance due at May 31, 2025 is \$1,353 (2024 - \$nil)
- Loans payable to an unrelated third party of:
  - Principal of \$10,000 (repaid), bore simple interest 2% per month, balance due at May 31, 2025 is \$1,467 (2024 - \$nil)
  - Principal of \$15,000 (repaid), bore simple interest 2% per month, balance due at May 31, 2025 is \$1,100 (2024 - \$nil)

The above loans are repayable on or before the earlier of a) 5 days after receiving written demand, or b) 180 days (maturity) and are due as at the year ended May 31, 2025. During the year ended May 31, 2025, the Company accrued a total interest of \$18,770 on these loans (2024 - \$nil).

### **7. Share capital**

#### **a. Authorized**

Unlimited number of common shares without par value.

#### **b. Issued and outstanding**

As at the year ended May 31, 2025, there were 9,345,675 common shares outstanding (2024 – 4,741,230)

During the year ended May 31, 2025, the Company completed a private placement financing and issued 4,479,445 units priced at \$0.065 per unit for gross proceeds of \$291,164. Each unit consisted of one common share and one transferrable common share purchase warrant. Each warrant entitles the holder to purchase one additional share of the Company at a price of \$0.085 per share for a period of 36 months from the date of issuance. The Company incurred share issuance costs of \$10,120 related to this private placement.

During the year ended May 31, 2025, the Company issued 125,000 common shares of the Company at the fair value of \$10,000 to the Optionors of the Letain Nickel Project (Note 4).

#### **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.**

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

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

	May 31, 2025		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	(20,000)	(1.80)	(40,000)	(1.80)
Outstanding, end of the year	5,000	1.80	25,000	1.80

The stock options outstanding and exercisable as at the periods ended May 31, 2025 and May 31, 2024 were as follows:

Expiry Date	Exercise Price	Number of options outstanding	Options exercisable
August 19, 2027	\$ 1.80	5,000	5,000
		5,000	5,000

The weighted average life of options outstanding is 2.22 years.

**d. Warrants**

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

	May 31, 2025		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	4,479,445	0.85	-	-
Expired	(1,582,514)	(2.84)	(553,944)	1.80
Outstanding, end of the year	6,479,445	0.21	3,582,514	1.52

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**7. Share capital (continued)**

During the year ended May 31, 2025, 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
November 3, 2024	2.80	89,286

The share purchase warrants outstanding and exercisable as at May 31, 2025 are as follows:

Expiry Date	Exercise Price -\$-	Number of warrants outstanding
February 14, 2026	0.50	2,000,000 <sup>(1)</sup>
April 16, 2028	0.085	4,479,445

<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 2.21 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 May 31, 2025 and the year ended May 31, 2024, there were no transactions recorded to reserves.

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### 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 period ended May 31, 2025, and May 31, 2024 was as follows:

	May 31, 2025 \$	May 31, 2024 \$
Management fees to a former related party	80,000	120,000
Management fees to a related party	10,000	-
Directors fees	25,000	12,000
Total	115,000	132,000

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 May 31, 2025, and May 31, 2024, the Company had the following balances due to related parties:

- Due to the former CEO, \$105,000 (May 31, 2024 - \$3,520)
- Due to related parties - \$23,500 (May 31, 2024 - \$nil).
- Refer to Note #6 for loan payable to a related party.

### 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.

## MARGARET LAKE DIAMONDS INC.

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### 9. 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 May 31, 2025 the Company had cash of \$139,946 (May 31, 2024 - \$32,325), and current liabilities of \$678,278 (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.

#### *Fair value*

The Company's financial instruments consist of cash, accounts payable and accrued liabilities, due to related party and loans payable. The fair value of these financial instruments approximates their carrying values due to the short-term nature of these investments. No financial asset is classified as Level 1.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

### 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, 2025 and 2024. The Company is not subject to any externally imposed capital requirements.

**MARGARET LAKE DIAMONDS INC.**

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**11. 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.

**12. 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:

	<b>May 31, 2025</b>	<b>May 31, 2024</b>
Net loss before taxes	\$ (333,711)	\$ (1,214,146)
Statutory rate	27%	27%
Expected income tax recovery at statutory rate	\$ (90,000)	\$ (328,000)
Non-deductible items and other	(3,000)	(12,000)
Change in unrecognized deductible temporary differences	93,000	340,000
Deferred tax recovery	\$ -	\$ -

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

	<b>2025</b>	<b>2024</b>
	<b>\$</b>	<b>\$</b>
Deferred tax assets (liabilities)		
Loss carry-forwards	1,494,000	1,398,000
Share issuance costs and others	13,000	16,000
Exploration and evaluation assets	1,093,000	1,093,000
	2,600,000	2,507,000
Unrecognized deferred tax assets	(2,600,000)	(2,507,000)
Net deferred tax assets	-	-

The Company has approximately \$5,534,000 of non-capital losses available, which will expire through to 2045 and may be applied against future taxable income. The Company also has approximately \$4,063,000 of exploration and development costs which are available for deduction against future income for tax purposes. At May 31, 2025, the net amount which would give rise to a deferred income tax asset has not been recognized as it is not probable that such benefit will be utilized in the future years.

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**13. Segmented information**

The Company operates in a single reportable operating segment – exploration of mineral properties in Canada.