



Management's Discussion & Analysis

September 30, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

For the three and nine months ended September 30, 2023 and 2022
(in thousands of Canadian dollars, except as otherwise noted)

The following discussion and analysis is prepared by Management as of November 9, 2023 and should be read in conjunction with the unaudited condensed interim consolidated financial statements of Star Diamond Corporation ("Star Diamond" or the "Company") for the period ended September 30, 2023 ("financial statements for the period ended September 30, 2023"), as well as the audited consolidated financial statements of the Company for the year ended December 31, 2022, in each case available on SEDAR+ at www.sedarplus.ca. The Company prepared its financial statements for the period ended September 30, 2023, in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

Overview

Star Diamond Corporation is a Canadian natural resource company focused on exploring and developing Saskatchewan's diamond resources. Star Diamond holds, through a joint venture arrangement with Rio Tinto Exploration Canada Inc. ("Rio Tinto Canada", a wholly-owned subsidiary of Rio Tinto plc, "Rio Tinto"), a 25% interest in certain Fort à la Corne kimberlites (including the Star – Orion South Diamond Project, or "Project"). These properties are located in central Saskatchewan, in close proximity to established infrastructure, including paved highways and the electrical power grid, which provide significant advantages for future mine development.

During 2018, the Company announced the positive results of an independent Preliminary Economic Assessment ("PEA") on the Project. The PEA estimated that 66 million carats of diamonds could be recovered in a surface mine over a 38-year Project life, with a Net Present Value ("NPV") (7%) of \$2.0 billion after tax, an Internal Rate of Return ("IRR") of 19% and an after-tax payback period of 3.4 years after the commencement of diamond production (see news release dated April 16, 2018 and Technical Report dated May 30, 2018). The PEA was led by independent mining, processing and design consultants, with support from the Company's technical team. The PEA cash flow model is based on developing two open pits, initially on the Orion South Kimberlite and subsequently on the Star Kimberlite. The PEA highlights included ¹:

- Total potential plant feed of 470 million tonnes at a weighted average grade of 14 carats per hundred tonnes ("cph^t"), containing 66 million carats over the Life of Mine ² ("LOM");
- The Base Case scenario (Model diamond price) has an NPV (7%) of \$3.3 billion and an IRR of 22% before taxes and royalties, and an after-taxes and royalties NPV (7%) of \$2.0 billion with an IRR of 19%;
- The Case 1 scenario (High Model diamond price) has an NPV (7%) of \$5.4 billion for an IRR of 32% before taxes and royalties;
- Pre-production capital cost of \$1.41 billion with a total capital cost of \$1.87 billion (including direct, indirect costs and contingency) over the LOM and an initial capital cost payback period of 3.4 years.

¹ Cautionary note: The PEA was prepared in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101"). Readers are cautioned that the PEA is preliminary in nature and includes the use of Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves, and there is no certainty that the results of the PEA will be realized.

² Diamond-bearing kimberlite is produced from the mine and diamonds are recovered in the processing plant for 34 years. The overall project life is 38 years, which includes just over four years of pre-stripping activities.

During 2018, the Saskatchewan Ministry of Environment ("Ministry") approved the Star - Orion South Diamond Project (see news release dated October 25, 2018). The Ministry indicated that it had conducted a thorough environmental assessment for the Project, including a detailed environmental impact statement, and carried out in-depth consultation prior to the decision to approve the Project. This included fulfilling the Province's duty to consult with local First Nation and Métis communities. The Canadian Environmental Assessment

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Agency previously announced a positive Environmental Assessment Decision for the proposed Project by the federal Environment Minister (see news release dated December 3, 2014).

Fort à la Corne mineral properties

In December 2021, the Company entered into binding agreements with Rio Tinto Canada that comprehensively resolved all disputes between them (see news release and related filings dated December 9, 2021). These arrangements were intended to ensure that key project milestones, and the certainty associated with them, were to be achieved before Star Diamond had to contribute any additional capital. As part of the December 2021 amended Fort à la Corne joint venture agreement, the participating interests were adjusted to 75% for Rio Tinto Canada and 25% for Star Diamond.

On June 28, 2022, Rio Tinto Canada exercised its voting power at a meeting of the Fort à la Corne joint venture management committee to place the Fort à la Corne properties on care and maintenance through December 31, 2022 (see news release dated June 28, 2022). Rio Tinto Canada also advised that, subject to fulfilling its existing obligations, it did not intend to commit additional capital to the Fort à la Corne properties during 2022 beyond what was necessary for care and maintenance. Rio Tinto Canada also advised the Company that it intended to conduct a near-term review of its alternatives regarding the Fort à la Corne properties, which included its potential exit. During the June 2022 meeting, Rio Tinto Canada stated that it remained pleased with the results of the comprehensive studies and bulk sampling program that had been completed to date at the Project.

On October 21, 2022, Star Diamond announced that Rio Tinto Canada had stated that it intended to fully demobilize the leased on-site camp at the Project in early 2023, and that it continues with site care and maintenance activities to fulfill its existing obligations, including certain progressive site cleanup and remediation programs. During the second quarter of 2023, the personnel camp was fully de-mobilized and the Project was placed on care and maintenance.

While Star Diamond continues to work with Rio Tinto Canada to assess alternatives regarding the Project, these discussions are ongoing and there is no certainty that any agreement will be reached between Star Diamond and Rio Tinto Canada regarding any such potential arrangements.

Recent activities relating to the Star - Orion South Diamond Project and Fort à la Corne mineral properties

During the year ended December 31, 2022, the Company announced the completion of an independent study into the abundance of Type IIa diamonds in the Trench Cutter diamond parcels recovered from the Early Joli Fou ("EJF") geological units at the Star Kimberlite, as defined by the Star Diamond geological model (see news release dated May 31, 2022). During 2019, Rio Tinto Canada completed the drilling of ten bulk sample holes (trenches) on the Star Kimberlite using a Trench Cutter Sampling Rig. This study confirms that high proportions of Type IIa diamonds are present in the Star Kimberlite. Of note is the high proportion of Type IIa diamonds in the larger size fractions of the EJF of which 53% (that is, 8 of the 15) of the largest stones, 4 carats and above, are Type IIa. This study also confirms and augments earlier studies conducted by Star Diamond of Type IIa diamonds at Star (26.5%, +11 DTC (0.32 carats) and above) (see news releases dated June 09, 2010, March 4, 2019 and May 2, 2022). Type IIa diamonds are rare and account for less than 2% of all natural rough diamonds mined from kimberlites. Many high-value, top colour, large specials (greater than 10.8 carats) are Type IIa diamonds, which include all ten of the largest known rough diamonds recovered worldwide.

Rio Tinto Canada geologists of the 'Orbit' exploration team have, over the past few years, used a spectrum of evaluation techniques to review and prioritize Fort à la Corne kimberlites outside of the Star and Orion South Kimberlites (see news release dated April 13, 2022). This program highlighted the kimberlites of Orion North

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(K120, K147, K148) as having significant potential to add to the Project. Orion Centre (K145), Taurus (K150, K118, K122) and K119 stand out in the field as having a number of the attributes sought but require further work to completely evaluate. The evaluation techniques used by the Orbit exploration team to prioritize these Orion North, Orion Centre and Taurus Kimberlites have included: componentry method of core logging; diamond inclusion studies; garnet colour studies; trace element geochemistry; thermobarometry; and microdiamond sampling. These studies highlighted the kimberlites of Orion North (K120, K147, K148) as satisfying Rio Tinto Canada's Ore Grade Width Intercept ("OGWI") requirements and that these kimberlites would require additional evaluation work. Orion Centre (K145), Taurus (K150, K118, K122) and K119 indicated the potential to deliver OGWIs.

During 2022, the Company also announced the completion of an independent study into the abundance of Type IIa diamonds in the diamond parcels recovered from the EJV Geological Units at the Orion North and Taurus Kimberlites (see news release dated May 2, 2022). These diamonds were recovered by Star Diamond between 2006 and 2008 from 48-inch large diameter drilling programs. This study confirms that unusually high proportions of Type IIa diamonds are present in both the Orion North and Taurus Kimberlites. Of particular note is the high proportion of Type IIa diamonds in the Orion North 147/148 EJV (52%) of which 66% of the 24 stones, 3 grainer (0.66 carats) and above, are Type IIa.

Recent activities relating to the Buffalo Hills mineral properties

The Company holds a 50% interest in the exploration and evaluation properties and assets of the Buffalo Hills JV located in north-central Alberta, Canada. Canterra Minerals Corporation ("Canterra") holds the remaining 50% interest and is the operator of the Buffalo Hills JV.

On February 21, 2023, the Company announced the completion of the diamond valuation from the K6, K14, K91 and K252 kimberlites of the Buffalo Hills JV.

Diamond valuations and characterizations as shown in the table below were completed by Mr. Nelson Karun, Diamond Specialist, Saskatchewan Research Council ("SRC") Diamond Services, on behalf of Star Diamond.

Kimberlite	Carats	Stones	% Gem Quality	% White Colour	Faint to no Fluorescence	Average US\$/Ct Parcel	Model Price (US\$/Ct)
K6	16.73	86	29.5	70.5	82.9	103.54	185*
K14	69.32	1,362	17.9	73.8	92.6	54.32	160
K91	4.17	103	17.9	54.6	89.7	53.61	N/A
K252	12.41	328	22.0	82.1	92.1	72.79	140*

*Very speculative due to the small sample size

As observed by Mr. Karun, diamonds from these kimberlite bodies exhibit good quality, colour and very low to no fluorescence. All the parcels of diamonds appear to be statistically very similar in terms of their graded characteristics. There is an inadequate sample size for K91 to model the average diamond price. Extremely speculative model prices are given for samples K6 and K252, due to the small parcel size. K14 is a larger parcel size and although a price can be modeled, it should still be used with caution.

The diamond valuation exercise has shown that kimberlites K14 and K6 have elevated modelled diamond prices, US\$ 160 per carat and US\$ 180 per carat, respectively. The K6 parcel includes three fancy yellow stones, the K14 four fancy yellow and the K252 fancy orange stone. The two highest value stones, which are both from the K6, are 1.06 carats (US\$ 532) and 1.07 carats (US\$ 506).

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These four kimberlites have diamond parcels with sufficient diamonds to conduct preliminary diamond typing studies. The number and the percentage of Type IIa diamonds for the Buffalo Hills kimberlites studied are documented in the table below and shows that these kimberlites have an anomalously high percentage of Type IIa diamonds.

Diamonds +3 DTC (0.026 carats) to 5 Grainer (1.2 carats)			
	Number of Diamonds Typed	Number of Type IIa Diamonds	Percentage Type IIa Diamonds
K6 +3 (0.026 Ct) & above	78	4	5.1
K14 +7 (0.12 Ct) & above	126	3	2.4
K91 +3 (0.026 Ct) & above	47	3	6.4
K252 +3 (0.026 Ct) & above	153	7	4.6

The diamond typing exercise has shown presence of Type IIa diamonds, in elevated proportions, in all four of these Buffalo Hills kimberlites. The diamonds analyzed represent a spectrum of diamond sizes from +3 DTC (+0.026 carats) to 5 grainer (1.2 carats).

Type IIa diamonds are very rare and generally account for less than 2% of all natural rough diamonds mined world-wide from kimberlite deposits. Only a small number of active diamond mines regularly produce Type IIa diamonds with the most important of these mines being Cullinan Diamond Mine in South Africa, Letseng Diamond Mine in the Kingdom of Lesotho and, more recently, Karowe Diamond Mine in Botswana.

Executive Management Changes

Effective August 1, 2023, the Company announced the appointment of George Read to Senior Vice President Corporate Development and Mark Shimell to Vice President Exploration.

Outlook

Fort à la Corne mineral properties

Star Diamond continues to work with Rio Tinto Canada in assessing alternatives regarding the Project. These discussions remain ongoing and there is no certainty that any agreement will be reached between Star Diamond and Rio Tinto Canada regarding any such potential arrangements. Management believes that the negotiated return of the Project on reasonable terms is critical to its long-term success.

Buffalo Hills mineral properties

Management continues to review the recent results from the diamond valuation and typing analysis. A more detailed update on activities at the Buffalo Hills JV will be provided as it becomes available.

Financial Highlights

Selected financial information of the Company for the three months and nine months ended September 30, 2023 and 2022 is summarized as follows:

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	Three months ended September 30, 2023 \$	Three months ended September 30, 2022 \$	Nine months ended September 30, 2023 \$	Nine months ended September 30, 2022 \$
Net loss (millions)	0.6	0.5	1.8	2.1
Net loss per share ⁽¹⁾	0.00	0.00	0.00	0.00
Total current assets (millions)	0.7	3.3	0.7	3.3
Total current liabilities (millions)	0.6	0.2	0.6	0.2
Working capital (millions)	0.1	3.1	0.1	3.1

(1) Basic and diluted.

Results of Operations

For the quarter ended September 30, 2023, the Company recorded a net loss of \$0.6 million, or \$0.00 per share (basic and fully diluted), compared to a net loss of \$0.5 million, or \$0.00 per share, for the same period in 2022.

Interest and other income

For the quarters ended September 30, 2023 and 2022 the Company reported interest and other income of \$12 thousand and \$16 thousand, respectively. The Company invests excess cash reserves in interest bearing short-term deposits while ensuring funds are available for cash outflow requirements associated with the Company's administration and exploration and evaluation expenditures.

Expenses

Expenses incurred during the quarter ended September 30, 2023 increased by \$0.3 million over the comparable prior period. This result was primarily due to increased consulting and professional fees, corporate development expenditures and exploration and evaluation expenditures, offset by lower administration expenditures.

Exploration and evaluation expenditures were \$0.2 million for the third quarter of 2023 compared to a \$0.1 million credit for the quarter ended September 30, 2022. Exploration and evaluation expenditures incurred during the quarters ended September 30, 2023 and 2022 were primarily related to work on metallurgical investigations, test work for the Project and technical and geological labour. For the quarter ended September 30, 2022, exploration and evaluation expenditures were offset by an adjustment to environmental reclamation provisions resulting from the Company being released from decommissioning and rehabilitation obligations related to the Fort à la Corne properties.

The combined \$0.1 million increase in administration, consulting and professional fees and corporate development expenditures was due to lower executive compensation costs offset by increased audit, legal and marketing costs, period over period.

Year to Date

Results of operations

For the nine months ended September 30, 2023, the Company recorded a net loss of \$1.8 million or \$0.00 per share (basic and fully diluted) compared to a net loss of \$2.1 million or \$0.00 per share for the same period in 2022. The losses during the nine months ended September 30, 2023 and 2022 were primarily due to ongoing operating costs and exploration and evaluation expenditures incurred by the Company exceeding interest and other income earned.

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Interest and other income

For the nine months ended September 30, 2023 and 2022, the Company reported interest and other income of \$40 thousand and \$23 thousand, respectively. The Company invests excess cash reserves in interest-bearing short-term deposits while ensuring funds will be available for operating costs and cash outflow requirements associated with the Company's exploration and evaluation projects.

Expenses

Total operating costs for the nine months ended September 30, 2023 were \$1.9 million compared to \$1.7 million for the nine months ended September 30, 2022. This period over period increase was primarily due to lower administration expenditures incurred, offset by higher consulting and professional fees, and corporate development and exploration and evaluation costs.

Exploration and evaluation expenditures for the nine months ended September 30, 2023 were \$0.6 million compared to \$0.5 million for the same period in 2022. Exploration and evaluation expenditures incurred during the nine months ended September 30, 2023 and 2022 related to geological and metallurgical investigations and test work for the Project. Exploration and evaluation expenditures incurred during the nine months ended September 30, 2022 were offset by adjustments to environmental reclamation provisions resulting from the Company's release from decommissioning and rehabilitation obligations relating to the Fort a la Corne properties. Approximately 66% of the exploration and evaluation expenditures incurred during the nine months ended September 30, 2023 were comprised of compensation costs (2022 – 70%).

Administration, consulting and professional fees, and corporate development expenditures for the nine months ended September 30, 2023 increased by \$0.1 million, period over period. This result was due to increased audit fees, legal and marketing costs, offset by reduced executive compensation.

Investment in Wescan Goldfields Inc.

At September 30, 2023 and December 31, 2022, the Company held 5.8 million shares, or greater than 10%, of Wescan Goldfields Inc. ("Wescan"), a publicly traded company on the TSX Venture Exchange. The fair value of this investment, based on the closing trading price at September 30, 2023, was \$0.3 million (December 31, 2022– \$0.2 million). During the quarter ended September 30, 2023, the Company recognized a \$58 thousand increase in the carrying value of its investment in Wescan.

The Company considers certain judgments and assumptions when assessing whether significant influence exists over its investments. This includes an assessment of the Company's ability to participate in financial and operating policy decisions of the investee. The existence and effect of potential voting rights held by the investor or other entities were also considered. Based on these judgments and assumptions, the Company had designated the Company's investment in Wescan as fair value through profit or loss (see note 4 to the financial statements for the year ended December 31, 2022).

Summary of Quarterly Results

	2023			2022			2021	
	Qtr 3	Qtr 2	Qtr 1	Qtr 4	Qtr 3	Qtr 2	Qtr 1	Qtr 4
Total assets (\$millions)	1.3	1.8	2.4	3.1	70.0	70.9	70.9	69.3
Total liabilities (\$millions)	0.7	0.7	0.4	0.7	1.0	1.4	6.0	4.1
Expense (\$millions)	0.6	0.6	0.7	1.3	0.3	0.7	0.7	2.8
Net loss (\$millions)	0.6	0.9	0.3	66.7	0.5	0.7	0.9	2.5
Net loss per share ⁽¹⁾ (\$)	0.00	0.00	0.00	0.14	0.00	0.00	0.00	0.00
Shares outstanding (millions) ⁽²⁾	476.0	476.0	476.0	476.0	476.0	473.9	455.5	452.8

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- (1) *Basic and diluted.*
(2) *During the second quarter of 2022, the Company completed a private placement of 16.7 million common shares. Other changes in shares outstanding were due to shares issued from treasury as a result of stock option and warrant exercises and Restricted Share Unit redemptions.*

Total assets have generally trended lower over the past eight quarters. The recent decline in Total assets was due largely to private placement proceeds being spent on general and administrative costs. During the quarter ended December 31, 2022, the significant decrease in Total assets was due to the impairment of the Company's 25% share of the Fort à la Corne mineral property (see note 9 to the interim consolidated financial statements).

Fluctuations in Total liabilities over the past eight quarters is due to the timing of trade payables. In addition, the quarters ended December 31, 2021 to September 30, 2022 included a Contingent consideration of \$1.0 million which related to the potential liability due in the event a positive decision was made to develop a mine on the Project. The Contingent consideration was written off during the fourth quarter of 2022 concurrent with the impairment of the Project.

Notwithstanding the quarter ended December 31, 2021 and December 31, 2022, Expenses have been relatively consistent over the past eight quarters. The increase in the three months ended December 31, 2021 was due to increased legal fees while the increase in the three months ended December 31, 2022 was a result of the increased management fees related to the retirement arrangement implemented with the Company's former President and Chief Executive Officer.

The Net loss has been relatively consistent over the past eight quarters except for the increased legal fees reported during the quarter ended December 31, 2021 and the impairment charge reported during the quarter ended December 31, 2022.

The shares outstanding have increased slightly over the past eight quarters as a result of private placements, warrant exercises and issuances pursuant to the Company's share-based compensation plans.

Related Party Transactions

Key management personnel are persons responsible for planning, directing, and controlling the activities of an entity, and include executive and non-executive directors. Compensation of key management personnel and directors, including payments made or payable to related parties owned by executive officers and directors during the three and nine months ended September 30, 2023 and 2022 is as follows:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Director fees	\$ 27	\$ 26	\$ 96	\$ 160
Salaries to key management personnel	35	38	90	113
Consulting and management fees to related companies	60	61	131	184
Share based payments	-	23	-	61
Total compensation	\$ 122	\$ 148	\$ 317	\$ 518

At September 30, 2023, Mr. Ewan Mason (Interim Chief Executive Officer) held a management and consulting contract with the Company. Mr. Mason's fees during the nine months ended September 30, 2023 were \$83 thousand (September 30, 2022 – \$184 thousand was paid to MacNeill Brothers Oil and Gas).

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Of these amounts, \$0.3 million (2022 – \$0.5 million) was included in administration expense and \$30 thousand was included in exploration and evaluation expense (2022 – \$nil). Included in these amounts are share-based payment transactions of \$nil (2022 – \$61 thousand).

The above transactions were in the normal course of operations and are measured at an amount agreed to by the related parties. The fair value of share-based payments in the form of stock options was determined using the Black-Scholes option pricing model. The fair value of share-based payments in the form of RSUs was determined based on the five-day volume weighted average trading price of the Company's shares preceding the date of grant.

Liquidity

The Company does not currently operate any producing properties and, as such, is dependent upon the issuance of new equity to finance its ongoing obligations and advance its exploration and evaluation properties. Until the Company's surplus cash is required to fund exploration, evaluation and/or development activities it is invested in a variety of highly rated instruments.

At September 30, 2023, the Company had \$0.5 million (December 31, 2022 – \$2.6 million) in cash and cash equivalents and working capital of \$0.1 million (December 31, 2022 – \$2.0 million). The decrease in working capital was a result of administration and exploration and evaluation expenditures incurred during the quarter. The Company believes it has sufficient liquidity to fund administration costs and certain exploration expenditures through to the end of 2023.

Outstanding Common Shares, Options, Warrants, RSUs and DSUs

At September 30, 2023, and the date of this report, the Company had:

	September 30, 2023	Date of this report
Common shares	476,401	476,401
Warrants and broker warrants	17,135	17,135
Stock Options	16,730	16,730
Restricted Share Units	3,323	3,323
Deferred Share Units	612	612

A summary of the warrants and broker warrants outstanding and exercisable (thousands) at September 30, 2023 is as follows:

Exercise Price	Number Outstanding	Expiry Date
\$0.40	14,322	April 6, 2024
\$0.40	2,813	April 21, 2024

The following table summarizes the period's stock options activities (thousands) as follows:

	September 30, 2023		December 31, 2022	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	18,478	\$0.21	19,742	\$0.21
Granted	-	-	200	0.125
Exercised	-	-	(375)	0.19
Expired	(1,748)	0.19	(1,089)	0.20
Outstanding, end of period	16,730	\$0.21	18,478	\$0.21

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A summary of the stock options outstanding and exercisable (thousands) at September 30, 2023, is as follows:

Exercise Price	Number Outstanding	Number Exercisable	Expiry Date
\$0.20	9,700	9,700	June 25, 2024
\$0.245	200	200	May 28, 2025
\$0.225	4,672	4,672	August 18, 2025
\$0.215	1,958	1,958	February 1, 2026
\$0.125	200	200	August 16, 2027
	16,730	16,730	

The following table summarizes the period's Restricted Share Units activities (thousands) as follows:

	September 30 2023	December 31 2022
Outstanding, beginning of period	3,427	4,532
Granted	-	1,000
Redeemed for common shares from treasury	-	(2,105)
Forfeited	(104)	-
Outstanding, end of period	3,323	3,427

The following table summarizes the period's Deferred Share Unit activities (thousands) as follows:

	September 30 2023	December 31 2022
Outstanding, beginning of period	1,016	1,016
Redeemed for common shares from treasury	(404)	-
Outstanding, end of period	612	1,016

Financial Instruments

As of September 30, 2023, the fair values of all of the Company's financial instruments approximates their carrying values. Certain financial instruments are exposed to the following financial risks:

Credit risk

Credit risk is the risk of an unexpected loss by the Company if a customer or third-party to a financial instrument fails to meet its contractual obligations. The Company considers this risk to be insignificant as all of the Company's cash and cash equivalents are held by financial institutions with a AA credit rating. At September 30, 2023, the Company's credit risk relates to its cash and cash equivalents of \$0.5 million (December 31, 2022 – \$2.6 million).

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to forecast future cash flows to ensure that it will have sufficient liquidity to meet its obligations when due. To ensure the Company has sufficient cash on hand, the Company prepares annual capital and operating budgets which are regularly monitored and updated as considered necessary. As of September 30, 2023, the Company had working capital of \$0.1 million and cash of \$0.5 million. At September 30, 2023, the Company has trade payables and other lease payments as set out in the following table on an undiscounted basis:

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	Up to 3 months
Trade payables and accrued liabilities	\$ 501
Lease payments	70
Total	\$ 571

The further exploration, evaluation and/or development of exploration and evaluation properties in which the Company holds interests or which the Company acquires may depend upon the Company's ability to obtain financing through equity issues or other forms of financing. Although the Company has been successful in the past in obtaining financing, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain additional financing could result in delay or indefinite postponement of further exploration, evaluation and/or development of its projects with the possible loss of such properties.

Market risk

Market risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of four types of risk: foreign currency risk, interest rate risk, commodity price risk and equity price risk. As of September 30, 2023, the Company does not have significant exposure to any of these market risks. Equity price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company is exposed to this risk through its equity holdings. The investment in the common shares of Wescan is monitored by management with decisions on sale taken to the Board level. A 10% decrease in the market price of Wescan would result in a \$29 thousand decrease in fair value.

Critical Accounting Estimates and Judgments

The financial statements for the period ended September 30, 2023 have been prepared in accordance with IFRS issued by the IASB. The Company's accounting policies are described in note 4 to the financial statements for the year ended December 31, 2022. Certain of these policies involve critical accounting estimates as they require management to make particularly subjective or complex judgments about matters that are inherently uncertain and because of the likelihood that materially different amounts could be reported under different conditions or using different assumptions. The uncertainties related to these areas could significantly impact the Company's results of operations, financial condition and cash flows.

In preparing the financial statements for the period ended September 30, 2023, significant judgments and estimations have been made by management in applying the Company's accounting policies. In particular, the significant areas of judgment and estimation uncertainty considered by management in preparing the consolidated financial statements are: identification of cash generating units, exploration and evaluation expenditures, legal proceedings, reserve and resource estimation, asset valuations and impairment of exploration and evaluation assets, estimations for environmental rehabilitation provisions, share-based payment transactions and estimation of contingent consideration payable. These are discussed in more detail in note 5 of the Company's financial statements for the year ended December 31, 2022.

Accounting Changes

New and amended IFRS that are effective for the current year:

In the current year, the Company has applied the below amendments to IFRS Standards and Interpretations issued by the IASB that were effective for annual periods that begin on or after January 1, 2023. These standards did not have a material impact on the Company's disclosures or on the amounts in the current reporting periods.

Amendments to IAS 1 – Presentation of Financial Statements and IFRS Practice Statement 2 Making Material Judgments – Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regards to disclosure of accounting policies. The amendments replace all instances of the term "significant accounting policies" with "material accounting policy information." Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events, or conditions, is immaterial and not required to be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events, or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events, or conditions, is material.

The amendments were applied effective January 1, 2023, and did not have a material impact on the Company's Interim Financial Statements.

Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty." The definition of a change in accounting estimates was deleted; however, the IASB retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not a correction of an error
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors

The amendments were applied effective January 1, 2023, and did not have a material impact on the Company's Interim Financial Statements.

Amendments to IAS 12 – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

The amendments clarify that companies are required to recognize deferred taxes on transactions where both assets and liabilities are recognized, such as with leases and decommissioning liabilities. The amendments were

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applied effective January 1, 2023, and did not have a material impact on the Company's Interim Financial Statements.

Future Changes in Accounting Policies Not Yet Effective:

Certain new accounting standards and interpretations have been published that are not mandatory for the current period and have not been early adopted. These standards are not expected to have a material impact on the Company in the current or future reporting periods.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current with Covenants

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

In addition, the amendment requires entities to disclose information to enable users of the financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months. The amendments are applied on or after the first annual reporting period beginning on or after January 1, 2024, with early application permitted. The amendment is not expected to have a material impact on the Company's consolidated financial statements.

Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback

The amendments require a seller/lessee to subsequently measure lease liabilities arising from a leaseback in a way that does not recognize any amount of the gain or loss that relates to the right of use it retains.

The new requirements do not prevent a seller/lessee from recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease. A seller-lessee applies the amendments retrospectively in accordance with IAS 8 *Accounting Policies, Change in Accounting Estimates and Errors* to sale or leaseback transactions entered into after the date of initial application.

The amendments are applied on or after the first annual reporting period beginning on or after January 1, 2024, with early application permitted. The amendment is not expected to have a material impact on the Company's consolidated financial statements.

Disclosure Controls and Procedures

The Company has disclosure controls and procedures in place to provide reasonable assurance that any information required to be disclosed by the Company under securities legislation is recorded, processed, summarized and reported within the applicable time periods, and to ensure that required information is gathered and communicated to the Company's management so that decisions can be made about timely disclosure of that information. In accordance with the requirements of *National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings*, the Company's management, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, are responsible for establishing and maintaining disclosure controls and procedures and have caused these to be designed to provide reasonable assurance that material information is made known to management, particularly during the period in which these filings are being prepared; and information required to be disclosed is recorded, processed, summarized and reported within the time periods specified in securities legislation.

There have been no significant changes in the Company's disclosure controls during the quarter ended September 30, 2023.

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Internal Controls over Financial Reporting Procedures

The Company's management is responsible for establishing and maintaining adequate internal controls over financial reporting. Any system of internal controls over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. In accordance with the requirements of *National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings*, the Company's management, under the supervision and with the participation of the Chief Executive Officer and the Chief Financial Officer and effected by the Company's board of directors, have designed the Company's internal controls over financial reporting as of the end of the period covered by these filings so that the internal controls over financial reporting provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS issued by the IASB and interpretations of the IFRIC.

There have been no significant changes to internal controls over financial reporting during the quarter ended September 30, 2023, that could have materially affected or are reasonably likely to materially affect the Company's internal controls over financial reporting.

Risks and Uncertainties

Risks and uncertainties related to economic and industry factors are discussed in detail in the Company's most recently filed Annual Information Form, annual MD&A, news releases and technical reports.

Technical Information

All technical information in this MD&A has been prepared under the supervision of George Read, Senior Vice President Corporate Development, Professional Geoscientist in the Provinces of Saskatchewan and British Columbia and Mark Shimell, Vice President Exploration, Professional Geoscientist in the Provinces of Saskatchewan and Alberta, who are the Company's "Qualified Persons" under the definition of NI 43-101.

Caution regarding Forward-looking Statements

This MD&A contains forward-looking statements as defined by certain securities laws, including the "safe harbour" provisions of Canadian securities legislation and the United States Private Securities Litigation Reform Act of 1995. Forward-looking information is often, but not always, identified by the use of words such as "anticipate", "believe", "expect", "plan", "intend", "forecast", "target", "project", "guidance", "may", "will", "should", "could", "estimate", "predict" or similar words suggesting future outcomes or language suggesting an outlook. In particular, statements regarding the Company's future operations, future exploration and development activities or other development plans constitute forward-looking statements. By their nature, statements referring to mineral reserves, mineral resources or the PEA constitute forward-looking statements. Forward-looking statements contained or implied in this MD&A include, but are not limited to, statements relating to the Company's ability to continue as a going concern; statements regarding Rio Tinto Canada; statements regarding programs previously performed by Rio Tinto Canada; statements related to diamond breakage and other reporting; disclosure regarding the economics and project parameters presented in the PEA, including, without limitation, IRR, NPV and other costs and economic information, carats of diamonds to be recovered, after-tax payback period, tonnes of kimberlite to be mined, carats per tonne to be recovered (grade), diamond prices, project life, life of mine, capital costs, and length of pre-production period; statements related to mineral resources and/or reserves; statements related to the approval of the development of the Star - Orion South Diamond Project; statements relating to future development of the Star - Orion South

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Diamond Project and associated timelines; statements with respect to environmental permitting and approvals; the Company's need for and intention to seek additional financing; statements with respect to metallurgical and diamond investigations, assessments and test work including diamond breakage studies; the potential proportion of Type IIa diamonds in the Star and Orion South kimberlites and the potential for the recovery of large, high-quality diamonds.

These forward-looking statements are based on the Company's current beliefs as well as assumptions made by and information currently available to it and involve inherent risks and uncertainties, both general and specific. Risks exist that forward-looking statements will not be achieved due to a number of factors including, but not limited to, developments in world diamond markets, changes in diamond valuations, risks relating to fluctuations in the Canadian dollar and other currencies relative to the US dollar, changes in exploration, development or mining plans due to exploration results and changing budget priorities of the Company, the effects of competition in the markets in which the Company operates, the impact of the COVID-19 pandemic, risks related to diamond breakage from extraction and diamond recovery, risks related to the Company's need for additional financing and the Company's ability to raise that financing, the impact of changes in the laws and regulations regulating mining exploration and development, judicial or regulatory judgments and legal proceedings, operational and infrastructure risks and the additional risks described in the Company's most recently filed Annual Information Form, annual and interim MD&A, news releases and technical reports. The Company's anticipation of and success in managing the foregoing risks could cause actual results to differ materially from what is anticipated in such forward-looking statements.

Although the Company considers the assumptions contained in forward-looking statements to be reasonable based on information currently available to it, those assumptions may prove to be incorrect. When making decisions with respect to the Company, investors and others should not place undue reliance on these statements and should carefully consider the foregoing factors and other uncertainties and potential events. Unless required by applicable securities laws, the Company does not undertake to update any forward-looking statement that is made herein.

Additional Information

Additional information related to the Company, including the latest available Annual Information Form, is available on SEDAR+ at www.sedarplus.ca.