



**Unaudited Condensed Interim
Consolidated Financial Statements
September 30, 2023**

STAR DIAMOND CORPORATION
Unaudited Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended
September 30, 2023

Notice to Reader

Management has compiled the unaudited condensed interim consolidated financial statements of Star Diamond Corporation for the three and nine months ended September 30, 2023. The Corporation's external auditors have not reviewed these unaudited condensed interim consolidated financial statements.

Star Diamond Corporation
Condensed Interim Consolidated Statements of Financial Position
(unaudited)

(Cdn\$ in thousands)	September 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 520	\$ 2,610
Receivables	19	18
Prepays	126	50
	665	2,678
Investment in Wescan Goldfields Inc. (note 5)	290	232
Property and equipment (note 6)	315	160
	\$ 1,270	\$ 3,070
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 501	\$ 678
Current portion of lease liability (note 7)	70	39
	571	717
Lease liability (note 7)	140	-
	711	717
Shareholders' equity:		
Share capital (note 8)	855,022	854,938
Warrants (note 8)	1,448	2,495
Broker warrants (note 8)	41	41
Contributed surplus	35,581	34,618
Accumulated deficit	(891,533)	(889,739)
	559	2,353
	\$ 1,270	\$ 3,070
Going Concern (note 3)		
On behalf of the Board:		
"Lisa Riley" _____ Lisa K. Riley, Audit Chair	"Larry Phillips" _____ Larry E. Phillips, Director	

See accompanying notes to these condensed interim consolidated financial statements

Star Diamond Corporation
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(unaudited)

(Cdn\$ in thousands, except for share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Income				
Interest and other income	\$ 12	\$ 16	\$ 40	\$ 23
Expenses				
Administration	260	317	894	1,178
Consulting and professional fees	168	23	304	48
Corporate development	41	7	128	25
Exploration and evaluation (note 9)	171	(82)	556	465
	<u>640</u>	<u>265</u>	<u>1,882</u>	<u>1,716</u>
Loss before the under noted items	(628)	(249)	(1,842)	(1,693)
Unwinding of discount of environmental reclamation provision	-	-	-	(4)
Unwinding of discount of lease liability	(6)	(1)	(10)	(4)
Contingent consideration	-	-	-	70
Investment in Wescan Goldfields Inc. (note 5)	58	(291)	58	(436)
Net and comprehensive loss for the period	\$ (576)	\$ (541)	\$ (1,794)	\$ (2,067)
Net loss per share				
Basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Weighted average number of shares outstanding (000's)	476,322	474,418	476,106	467,040

See accompanying notes to these condensed interim consolidated financial statements

Star Diamond Corporation
Condensed Interim Consolidated Statements of Cash Flows
(unaudited)

(Cdn\$ in thousands)	Nine Months Ended	
	September 30,	
	2023	2022
Cash provided by (used in):		
Operations:		
Net loss	\$ (1,794)	\$ (2,067)
Adjustments:		
Depreciation on property and equipment	70	73
Investment in Wescan Goldfields Inc.	(58)	436
Contingent consideration	-	(70)
Fair value of share-based payments expensed	-	71
Unwinding of discount and changes to environmental rehabilitation provision	-	(265)
Unwinding of discount and changes to lease liability (note 7)	10	4
Net change in non-cash operating working capital items:		
Receivables	(1)	129
Prepays	(76)	(36)
Accounts payable and accrued liabilities	(177)	(2,723)
	(2,026)	(4,448)
Investing:		
Purchases of property and equipment	-	(12)
Restricted cash	-	622
	-	610
Financing:		
Issuances of equity through financings (net of issue costs)	-	4,863
Issuances of equity from option, warrant and broker warrant exercises	-	901
Lease liability payments (note 7)	(64)	(62)
	(64)	5,702
Increase (decrease) in cash and cash equivalents	(2,090)	1,864
Cash and cash equivalents, beginning of period	2,610	1,265
Cash and cash equivalents, end of period	\$ 520	\$ 3,129
Cash and cash equivalents consists of:		
Cash	\$ 40	\$ 2,129
GIC	480	1,000
	\$ 520	\$ 3,129

See accompanying notes to these condensed interim consolidated financial statements

Star Diamond Corporation
Condensed Interim Consolidated Statements of Changes in Equity
(unaudited)

(Cdn\$ in thousands)	Nine Months Ended September 30,		Year Ended December 31,
	2023	2022	2022
Share capital (note 8)			
Balance, beginning of period	\$ 854,938	\$ 849,973	\$ 849,973
Shares issued on redemption of deferred share units	84	4,965	4,965
Balance, end of period	<u>\$ 855,022</u>	<u>\$ 854,938</u>	<u>\$ 854,938</u>
Warrants (note 8)			
Balance, beginning of period	\$ 2,495	\$ 1,194	\$ 1,194
Issued	-	1,449	1,449
Exercised	-	(133)	(133)
Expired	(1,047)	-	(15)
Balance, end of period	<u>\$ 1,448</u>	<u>\$ 2,510</u>	<u>\$ 2,495</u>
Broker warrants (note 8)			
Balance, beginning of period	\$ 41	\$ 96	\$ 96
Issued	-	41	41
Exercised	-	(96)	(96)
Balance, end of period	<u>\$ 41</u>	<u>\$ 41</u>	<u>\$ 41</u>
Contributed surplus			
Balance, beginning of period	\$ 34,618	\$ 34,901	\$ 34,901
Share-based payments - options granted	-	14	14
Share-based payments - restricted share units	-	57	150
Options exercised	-	(41)	(41)
Restricted share unit redemptions	-	(421)	(421)
Warrants expired (note 8)	1,047	-	15
Deferred share unit redemptions (note 8)	(84)	-	-
Balance, end of period	<u>\$ 35,581</u>	<u>\$ 34,510</u>	<u>\$ 34,618</u>
Accumulated deficit			
Balance, beginning of period	\$ (889,739)	\$ (820,951)	\$ (820,951)
Loss for the period	(1,794)	(2,067)	(68,788)
Balance, end of period	<u>\$ (891,533)</u>	<u>\$ (823,018)</u>	<u>\$ (889,739)</u>
Total Shareholders' equity	<u>\$ 559</u>	<u>\$ 68,981</u>	<u>\$ 2,353</u>

See accompanying notes to these condensed interim consolidated financial statements

1. Corporate Information

Star Diamond Corporation (the “Company”) was incorporated under the Canada Business Corporations Act on April 29, 1985 and its shares are publicly traded on the Toronto Stock Exchange under the symbol “DIAM”. The principal activities of the Company are the exploration and development of diamond properties. The Company is located at 600 – 224 4th Avenue South, Saskatoon, Saskatchewan, Canada.

2. Basis of Presentation and Statement of Compliance

(a) Statement of Compliance

These unaudited condensed interim consolidated financial statements (the “Interim Financial Statements”) have been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting, using accounting policies consistent with International Financial Reporting Standards (“IFRS”). These Interim Financial Statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2022 (the “2022 Annual Financial Statements”), which have been prepared in accordance with IFRS.

The preparation of financial statements in conformity of IFRS also requires management to make estimates and judgments that may have a significant impact on these Interim Financial Statements. Estimates are continuously evaluated and are based on management’s experience and expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes may differ from these estimates. The Company’s critical accounting estimates and judgments were presented in Note 5 of the 2022 Annual Financial Statements and have been consistently applied in the preparation of these Interim Financial Statements for the three and nine months ended September 30, 2023 and 2022.

The accounting policies and methods of application applied by the Company in these Interim Financial Statements are the same as those applied in the Company’s 2022 Annual Financial Statements.

These Interim Financial Statements were authorized for issue by the Board of Directors on November 9, 2023.

(b) Basis of Measurement

These Interim Financial Statements have been prepared on the historical cost basis except if otherwise noted. In addition, these financial statements have been prepared using the accrual basis of accounting and are presented in Canadian dollars.

(c) Basis of consolidation

The Interim Financial Statements incorporate the financial statements of the Company and its subsidiaries listed in the following table:

Name of Subsidiary	Jurisdiction	Ownership	Principle Activities
Kensington Resources Ltd. Shore Mining & Development Corporation	CANADA	100%	Mineral exploration
Star Diamonds Inc.	CANADA	100%	Equipment Holdings Mineral exploration

Subsidiaries are those entities which the Company controls by having the power to govern their financial and operating policies. Subsidiaries are fully consolidated from the date on which control is obtained by the

Company and are deconsolidated from the date that control ceases. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

3. Going Concern

These Interim Financial Statements are prepared on the assumption that the Company will continue as a going concern and realize its assets and discharge its liabilities and commitments in the normal course of business. Management is aware, in making its going concern assessment, of material uncertainties related to events and conditions that cast significant doubt upon the Company's ability to continue as a going concern. At September 30, 2023, the Company had working capital of \$0.1 million and cash and cash equivalents of \$0.5 million. Given that cash flows from operations are negative, the ability of the Company to continue as a going concern and fund its general and administrative expenses in an orderly manner will require further equity issuances or other forms of financing in 2023.

There is no assurance that the Company will be successful in obtaining the required financing at an acceptable cost as and when needed or at all. Failure to obtain additional financing on a timely basis may cause the Company to postpone exploration and/or evaluation plans, forfeit rights in its properties or reduce or terminate its operations.

These Interim Financial Statements do not include any adjustments to carrying values of assets and liabilities, reported expense and the statement of financial position classifications used, that would be necessary if the going concern assumption were not appropriate.

4. Recent Accounting Pronouncements

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 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.

5. 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 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.

IFRS 9 requires all marketable securities to be measured at fair value. Changes in fair value are recognized in profit or loss ("FVPL") based on the Company's accounting policy. At September 30, 2023, the carrying value of this investment was \$0.3 million (December 31, 2022 – \$0.2 million).

6. Property and Equipment

	Buildings, Leases and Leasehold Improvements	Computer Software and Equipment	Furniture and Equipment	Total
Cost				
Balance – December 31, 2021	\$ 721	\$ 69	\$ 434	\$ 1,224
Acquisitions	-	12	-	12
Disposals	-	(25)	(5)	(30)
Balance – December 31, 2022	\$ 721	\$ 56	\$ 429	\$ 1,206
Acquisitions	225	-	-	225
Disposals	-	-	(2)	(2)
Balance – September 30, 2023	\$ 946	\$ 56	\$ 427	\$ 1,429
Accumulated depreciation and impairment				
Balance – December 31, 2021	\$ (494)	\$ (62)	\$ (422)	\$ (978)
Charge for the period	(91)	(5)	(2)	(98)
Eliminated on disposals	-	25	5	30
Balance – December 31, 2022	\$ (585)	\$ (42)	\$ (419)	\$ (1,046)
Charge for the period	(65)	(3)	(2)	(70)
Eliminated on disposals	-	-	2	2
Balance – September 30, 2023	\$ (650)	\$ (45)	\$ (419)	\$ (1,114)
Net book value				
Balance – December 31, 2022	\$ 136	\$ 14	\$ 10	\$ 160
Balance – September 30, 2023	\$ 296	\$ 11	\$ 8	\$ 315

7. Lease Liability

In May 2023, the Company renewed its head office lease and recorded an increase to the right-of-use asset and the corresponding lease liability on the effective date of the renewal.

A summary of the lease liability is as follows:

	Nine Months Ended September 30, 2023	Year Ended December 31, 2022
Lease liability, beginning of period	\$ 39	\$ 117
Additions	225	-
	264	117
Lease payments	(64)	(82)
Unwinding of discount and changes to lease liability	10	4
Total lease liability	210	39
Less: current portion	(70)	(39)
	\$ 140	\$ -

The maturity analysis of the undiscounted contractual balances of the lease liability is as follows:

Less than one year	\$ 88
Two to three years	153
Total undiscounted lease liability - September 30, 2023	\$ 241

Total undiscounted lease payments exclude leases that are classified as short-term and leases for low-value assets, which are not recognized as lease liabilities.

8. Share Capital and Reserves

Authorized

The authorized share capital of the Company consists of unlimited common shares with no par value.

The common shares of the Company are entitled to dividends pro-rated when declared by the Board of Directors and to one vote per share at meetings of the shareholders of the Company. Upon dissolution or any other distribution of assets, the shareholders are entitled to receive a pro-rata share of such distribution.

	Nine Months Ended September 30, 2023		Year Ended December 31, 2022	
	Common Shares	Amount	Common Shares	Amount
Outstanding, beginning of period	475,997	\$ 854,938	452,804	\$ 849,973
Issuance of share and warrants (net of issue costs (a))	-	-	16,667	3,236
Issuance of finder fee shares and warrants (b)	-	-	468	137
Issuance of shares on redemption of deferred share units (c)	404	84	-	-
Issuance of shares on redemption of restricted share units (c)	-	-	2,105	421
Issuance of shares on exercise of options (c)	-	-	375	112
Issuance of shares on exercise of warrants and broker warrants (c)	-	-	3,578	1,059
Outstanding, end of period	476,401	\$ 855,022	475,997	\$ 854,938

(a) Unit financing

During the year ended December 31, 2022, the Company issued 16.7 million common shares at a price of \$0.30 per unit and 16.7 million warrants, exercisable at a price of \$0.40 per common share, for gross proceeds of \$5.0 million.

(b) Issuance of finder fee shares

During the year ended December 31, 2022, the Company issued 0.5 million common shares pursuant to finder fee agreements relating to the unit financing. The Company also issued 0.5 million broker warrants.

(c) Nature and purpose of equity reserves

Share-based payments reserve

The share-based payments reserve is recognized within contributed surplus and is used to recognize the fair value of equity-settled share-based payment transactions provided to directors, officers, employees and service providers as part of their compensation. The fair value of stock options has been valued using the Black Scholes option pricing model while the fair value of RSUs and DSUs is determined based on the five-day volume weighted average trading price of the Company's shares preceding the date of grant. Refer to note 10 for further details on these share-based payment plans.

Warrant reserve

On certain issues of common shares, the Company has issued warrants with the common shares entitling the holder to acquire additional common shares of the Company. The warrant reserve is used to recognize the fair value of outstanding warrants. If the warrant is exercised or expires the fair value is transferred to share capital or contributed surplus, respectively.

A summary of warrant activities is as follows:

	Nine Months Ended September 30, 2023			Year Ended December 31, 2022		
	Warrants	Average Price	Amount	Warrants	Average Price	Amount
Outstanding, beginning of period	30,000	\$ 0.33	\$ 2,495	16,111	\$ 0.25	\$ 1,194
Issued	-	-	-	16,667	0.40	1,449
Exercised	-	-	-	(2,500)	0.25	(133)
Expired	(13,333)	0.25	(1,047)	(278)	0.25	(15)
Outstanding, end of period	16,667	\$ 0.40	\$ 1,448	30,000	\$ 0.33	\$ 2,495

A summary of the warrants outstanding as at September 30, 2023 is as follows:

Warrants Outstanding	Exercise Price	Expiry Date
13,960	\$ 0.40	April 6, 2024
2,707	\$ 0.40	April 21, 2024

At September 30, 2023, the weighted average remaining contractual life of the warrants was 0.52 years.

Broker warrants reserve

On certain issues of common shares, the Company issued broker warrants as partial consideration to the agent for services associated with the share issuance. Each broker warrant entitles the agent to acquire one common share of the Company for a period of 12 to 24 months after closing. The broker warrant reserve is used to recognize the fair value of outstanding warrants. If the broker warrant is exercised or expires the fair value is transferred to share capital or contributed surplus, respectively.

A summary of broker warrant activities is as follows:

	Nine Months Ended September 30, 2023			Year Ended December 31, 2022		
	Broker Warrants	Average Price	Amount	Broker Warrants	Average Price	Amount
Outstanding, beginning of period	468	\$ 0.40	\$ 41	1,078	\$ 0.26	\$ 96
Issued	-	-	-	468	0.40	41
Exercised	-	-	-	(1,078)	0.19	(96)
Outstanding, end of period	468	\$ 0.40	\$ 41	468	\$ 0.40	\$ 41

A summary of broker warrants outstanding as at September 30, 2023 is as follows:

Broker Warrants Outstanding	Exercise Price	Expiry Date
362	\$ 0.40	April 6, 2024
106	\$ 0.40	April 21, 2024

At September 30, 2023, the weighted average remaining contractual life of the broker warrants was 0.52 years.

9. Exploration and Evaluation Expense

The Company's exploration and evaluation expense for the three and nine months ended September 30, 2023, is comprised of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Fort à la Corne properties				
Amortization of tangible assets	\$ -	\$ -	\$ -	\$ 4
Exploration and evaluation	152	(83)	530	719
Revisions to environmental rehabilitation provision	-	-	-	(269)
Share-based payments	-	1	-	6
Buffalo Hills property				
Exploration and evaluation	19	-	26	5
Total	\$ 171	\$ (82)	\$ 556	\$ 465

Exploration and evaluation assets

Fort à la Corne

As of September 30, 2023, the Company holds a 25% interest in the Fort à la Corne properties located in the central part of Saskatchewan, Canada ("Fort à la Corne properties") through a contractual agreement with Rio Tinto Exploration Canada Inc. ("Rio Tinto Canada"). These properties are accounted for as one cash-generating unit.

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. 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 beyond what is necessary for care and maintenance.

On October 21, 2022, the Company announced that Rio Tinto Canada had stated that it intended to fully de-mobilize the leased on-site camp 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.

The actions by Rio Tinto Canada, which were outside the control of the Company, resulted in a high degree of uncertainty over the future of the Project. As a result, during the fourth quarter of 2022, the Company recognized a non-cash after-tax impairment of \$66.3 million on its 25% share of the Fort à la Corne asset leaving it fully impaired at December 31, 2022. The carrying value of the Fort à la Corne properties at September 30, 2023 is \$nil (December 31, 2022 - \$nil). The Company continues to discuss alternatives with Rio Tinto Canada to determine the future of the Project. These discussions are ongoing and there is no certainty that any agreement will be reached between the Company and Rio Tinto Canada.

Buffalo Hills JV

At September 30, 2023, the Company holds a 50% interest in the exploration and evaluation properties and assets of the Buffalo Hills JV. Canterra Minerals Corporation (“Canterra”) holds the remaining 50% interest.

Canterra is the operator of the Buffalo Hills JV. The carrying value of the Buffalo Hills JV properties at September 30, 2023 is \$nil (December 31, 2022 - \$nil).

10. Share-Based Payments

(a) Stock Option Plan

The Company has established a stock option plan (the “Plan”) whereby options may be granted to directors, officers, employees and service providers to purchase common shares of the Company. Options granted have an exercise price of not less than the closing price quoted on the Toronto Stock Exchange for the common shares of the Company on the trading day prior to the date on which the option is granted. Certain options vest immediately while others vest periodically after grant date and all options granted under the plan expire five years from the date of the grant. All options are to be settled by physical delivery of shares. These common shares would be issued from the same 10% rolling pool as the common shares issued under the Company’s Deferred Share Unit Plan and the Company’s Performance Share Unit and Restricted Share Unit Plan.

A summary of stock option activities (in thousands) is as follows:

	Nine Months Ended September 30, 2023		Year Ended December 31, 2022	
	Options	Average Price	Options	Average 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

Excluded from the above table are 2.0 million stock options, issuable to the former President and Chief Executive Officer pursuant to a retirement agreement between MacNeill Brothers Oil and Gas Ltd. and the Company. These options will be granted when permitted by applicable securities law.

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	

All outstanding options are fully vested, therefore there is no expense related to the Company's share-based payments over the nine months ended September 30, 2023 and 2022.

The grant date fair value of stock options issued under the Plan is estimated using the Black Scholes option pricing model. Expected volatility is estimated by considering historic average share price volatility. The option life is estimated based on the weighted average historical life of options that have been granted by the Company.

(b) Deferred share unit plan

The Company has established a deferred share unit plan (the "DSU Plan"), which provides for the grant of deferred share units ("DSUs") to eligible directors of the Company. The DSUs provide for the cash payment of certain amounts, or the issuance of common shares, to eligible directors. The Company does not intend to make cash payments and there is no history of the Company making cash payments under the DSU Plan and, as such, the DSUs are accounted for within shareholders' equity. These common shares would be issued from the same 10% rolling pool as the common shares issued under the Company's Performance Share Unit and Restricted Share Unit Plan and the Company's Stock Option Plan. As these DSUs are expected to be settled with equity, an amount equal to the stock-based compensation expense is initially credited to contributed surplus and transferred to share capital when the deferred share unit is redeemed. When granted, DSUs vest immediately.

DSU movements (in thousands) is as follows:

	Nine Months Ended September 30, 2023	Year Ended December 31, 2022
DSUs outstanding – beginning of period	1,016	1,016
Redeemed for common shares from treasury	(404)	-
DSUs outstanding – end of period	612	1,016

All outstanding DSUs have fully vested, therefore there is no expense related to the Company's share-based payments over the nine months ended September 30, 2023 and 2022.

(c) Performance share unit and restricted share unit plan

The Company has established a performance share unit and restricted share unit plan (the "Unit Plan"), which provides for the grant of performance share units ("PSUs") and restricted share units ("RSUs") to eligible officers and employees of the Company. Upon redemption, the vested PSUs and/or RSUs provide for the cash payment of certain amounts, or the issuance of common shares, to the participants. The Company does not intend to make cash payments and there is no history of the Company making cash payments under the Unit plan and, as such, the PSUs and RSUs are accounted for within shareholders' equity. These common shares would be issued from the same 10% rolling pool as the common shares issued under the Company's Deferred

Share Unit Plan and the Company's Stock Option Plan. As PSUs and RSUs are expected to be settled with equity, an amount equal to compensation expense is initially credited to contributed surplus, recognized over the term of the vesting period, and transferred to share capital if and when the units are redeemed. RSUs typically vest in three tranches, with all RSUs vesting no later than the third anniversary from the date of grant.

RSU movements (in thousands) is as follows:

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

All outstanding RSUs have fully vested, therefore there is no expense related to the Company's share-based payments over the nine months ended September 30, 2023 and 2022.

11. Related Party Transactions

Related party transactions with key management personnel

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 September 30,		Nine Months Ended 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

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 amounts disclosed in the table above are the amounts recognized as an expense during the reporting period related to key management personnel. The above transactions were in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and 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.

The compensation paid or payable to key management personnel and directors is included in the Company's statement of loss and comprehensive loss during the three and nine months ended September 30, 2023 as Administration expense.

12. Financial Instruments

Fair values have been determined for measurement and/or disclosure purposes based on the fair value hierarchy for financial instruments that require fair value measurement after initial recognition. The classification of each financial instrument is described in note 4 of the Company's 2022 Annual Financial Statements for the year ended December 31, 2022.

The carrying amounts for cash and cash equivalents, short-term investments, receivables and trade payables approximate their fair value due to the short-term nature of these instruments. These financial instruments are carried at amortized costs.

All financial instruments measured at fair value are categorized into one of three hierarchy levels as described in note 19 of the Company's 2022 Annual Financial Statements for the year ended December 31, 2022. These financial instruments include the Company's investment in Wescan (level 1).

Risk management

Certain financial instruments are exposed to the following financial risks:

(a) 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).

(b) 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 at September 30, 2023, the Company had working capital of \$0.1 million and cash and cash equivalents 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:

	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.

(c) 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 at September 30, 2023, the Company does not have significant exposure to any of these market risks.

CORPORATE INFORMATION

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Marilyn D. Spink

Officers and Advisors

Ewan D. Mason – Interim CEO
Richard Johnson – CFO
George H. Read – Senior Vice President Corporate Development
Mark Shimell – Vice President Exploration

Solicitors

Bennett Jones LLP

Auditors

KPMG LLP

Bank

Bank of Montreal

Exchange Listing

TSX

476,400,970 common shares issued and outstanding as at November 9, 2023

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