STAR DIAMOND CORPORATION

Unaudited Condensed Interim Consolidated Financial Statements
June 30, 2023

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For the Three and Six Months Ended
June 30, 2023

Notice to Reader

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

Star Diamond Corporation

Condensed Interim Consolidated Statements of Financial Position
(unaudited)

(Cdn$ in thousands)	**June 30, 2023**	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	**$ 1,037**	$ 2,610
Receivables	**22**	18
Prepaids	**192**	50
	1,251	2,678
Investment in Wescan Goldfields Inc. (note 5)	**232**	232
Property and equipment (note 6)	**337**	160
	$ 1,820	$ 3,070
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 458**	$ 678
Current portion of lease liability (note 7)	**68**	39
	526	717
Lease liability (note 7)	**159**	-
Shareholders' equity:		
Share capital (note 8)	**854,938**	854,938
Warrants (note 8)	**1,448**	2,495
Broker warrants (note 8)	**41**	41
Contributed surplus	**35,665**	34,618
Accumulated deficit	**(890,957)**	(889,739)
	1,135	2,353
	$ 1,820	$ 3,070

Going Concern (note 3)
Subsequent event (note 13)

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 June 30, **2023**	Three Months Ended June 30, 2022	Six Months Ended June 30, **2023**	Six Months Ended June 30, 2022
Income				
Interest and other income	**$ 10**	$ 5	**$ 28**	$ 7
Expenses				
Administration	**287**	445	**634**	861
Consulting and professional fees	**81**	(13)	**136**	25
Corporate development	**44**	11	**87**	18
Exploration and evaluation (note 9)	**175**	295	**385**	547
	587	738	**1,242**	1,451
Loss before the under noted items	**(577)**	(733)	**(1,214)**	(1,444)
Unwinding of discount of environmental reclamation provision	**-**	(2)	**-**	(4)
Unwinding of discount of lease liability	**(4)**	(2)	**(4)**	(3)
Contingent consideration	**-**	20	**-**	70
Investment in Wescan Goldfields Inc. (note 5)	**(290)**	58	**-**	(145)
Net and comprehensive loss for the period	**$ (871)**	$ (659)	**$ (1,218)**	$ (1,526)
Net loss per share				
Basic and diluted	**$ (0.00)**	$ (0.00)	**$ (0.00)**	$ (0.00)
Weighted average number of shares outstanding (000's)	**475,997**	471,818	**475,997**	463,290

See accompanying notes to these condensed interim consolidated financial statements

Star Diamond Corporation

Condensed Interim Consolidated Statements of Cash Flows

(unaudited)

(Cdn$ in thousands)	Six Months Ended June 30, 2023	2022
Cash provided by (used in):		
Operations:		
Net loss	**$ (1,218)**	$ (1,526)
Adjustments:		
Depreciation on property and equipment (note 6)	**48**	48
Investment in Wescan Goldfields Inc.	**-**	145
Contingent consideration	**-**	(70)
Fair value of share-based payments expensed	**-**	46
Unwinding of discount and changes to environmental rehabilitation provision	**-**	4
Unwinding of discount and changes to lease liability (note 7)	**4**	3
Net change in non-cash operating working capital items:		
Receivables	**(4)**	86
Prepaids	**(142)**	(103)
Accounts payable and accrued liabilities	**(220)**	(2,615)
	(1,532)	(3,982)
Investing:		
Purchases of property and equipment	**-**	(12)
	-	(12)
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)	**(41)**	(41)
	(41)	5,723
Increase (decrease) in cash and cash equivalents	**(1,573)**	1,729
Cash and cash equivalents, beginning of period	**2,610**	1,265
Cash and cash equivalents, end of period	**$ 1,037**	$ 2,994
Cash and cash equivalents consists of:		
Cash	**$ 187**	$ 2,727
GIC	**850**	267
	$ 1,037	$ 2,994

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)	Six Months Ended June 30, **2023**	Six Months Ended June 30, 2022	Year Ended December 31, 2022
Share capital			
Balance, beginning of period	**$ 854,938**	$ 849,973	$ 849,973
Shares issued (net of issue costs) (note 8)	**-**	4,544	4,965
Balance, end of period	**$ 854,938**	$ 854,517	$ 854,938
Warrants			
Balance, beginning of period	**$ 2,495**	$ 1,194	$ 1,194
Issued	**-**	1,449	1,449
Exercised	**-**	(133)	(133)
Expired (note 8)	**(1,047)**	-	(15)
Balance, end of period	**$ 1,448**	$ 2,510	$ 2,495
Broker warrants			
Balance, beginning of period	**$ 41**	$ 96	$ 96
Issued (note 8)	**-**	41	41
Exercised	**-**	(96)	(96)
Balance, end of period	**$ 41**	$ 41	$ 41
Contributed surplus			
Balance, beginning of period	**$ 34,618**	$ 34,901	$ 34,901
Share-based payments - options	**-**	-	14
Share-based payments - restricted share units	**-**	46	150
Options exercised	**-**	(41)	(41)
Restricted share unit redemptions	**-**	-	(421)
Warrants expired (note 8)	**1,047**	-	15
Balance, end of period	**$ 35,665**	$ 34,906	$ 34,618
Accumulated deficit			
Balance, beginning of period	**$ (889,739)**	$ (820,951)	$ (820,951)
Loss for the period	**(1,218)**	(1,526)	(68,788)
Balance, end of period	**$ (890,957)**	$ (822,477)	$ (889,739)
Total Shareholders' equity	**$ 1,135**	$ 69,497	$ 2,353

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 six months ended June 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 August 10, 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.

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 June 30, 2023, the Company had working capital of $0.7 million and cash of $1.0 million. Given that cash flow's 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 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. IFRS Standards, Amendments and Interpretations

a. New IFRS standards, amendments and interpretations effective during the period

At the date of authorization of these Interim Financial Statements, the IASB has not issued any new standards which became effective for the reporting period that would have a material impact on the Company.

b. New IFRS standards issued but not yet effective

i. IAS 1 – Disclosure of Accounting Policies

The IASB has issued amendments to IAS 1 *Presentation of Financial Statements* which require entities to disclose their "material" accounting policy information rather than their "significant" accounting policies. The amendments explain that accounting policy information is material if omitting, misstating, or obscuring that information could reasonably be expected to influence decisions that the primary users of the financial statements make on the basis of those financial statements. The amendments also clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial. This amendment is effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The extent of the impact of adoption of these amendments has not yet been determined.

ii. IAS 8 Definition of Accounting Estimates

The IASB has issued amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* which introduce a definition of accounting estimates and provide other clarifications to help entities distinguish accounting policies from accounting estimates. Under the amendments, accounting estimates are defined as "monetary amounts in financial statements that are subject to measurement uncertainty". The amendments also emphasize that a change in an accounting estimate that results from new information or new developments is not an error correction, and that changes in an input or a measurement technique used to develop an accounting estimate are considered changes in accounting estimates if those changes in an input or measurement technique are not the result of an error correction. This amendment is effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The extent of the impact of adoption of these amendments has not yet been determined.

iii. IAS 1 Classification of Liabilities as Current or Non-Current

The IASB has published *Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)* which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

• clarify that the classification of liabilities as current or non-current should only be based on rights that are in place "at the end of the reporting period";

• clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and

• make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

(In thousands of Canadian dollars, except as otherwise noted)

This amendment is effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined.

At the date of authorization of these Interim Financial Statements, there are no other IFRS or IFRIC interpretations that have been issued and are not yet effective that are expected to have a material impact on the Company.

5. Investment in Wescan Goldfields Inc.

At June 30, 2023, the Company held 5.8 million shares or 11.59% (December 31, 2022 – 5.8 million shares or 11.59%) 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 June 30, 2023, the carrying value of this investment was $0.2 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
Balance – June 30, 2023	$ 946	$ 56	$ 429	$ 1,431

	Buildings, Leases and Leasehold Improvements	Computer Software and Equipment	Furniture and Equipment	Total
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	(45)	(2)	(1)	(48)
Balance – June 30, 2023	$ (630)	$ (44)	$ (420)	$ (1,094)

(In thousands of Canadian dollars, except as otherwise noted)

	Buildings, Leases and Leasehold Improvements	Computer Software and Equipment	Furniture and Equipment	Total
Net book value				
Balance – December 31, 2022	$ 136	$ 14	$ 10	$ 160
Balance – June 30, 2023	**$ 316**	**$ 12**	**$ 9**	**$ 337**

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 continuity of the lease liability for the six months ended June 30, 2023, is as follows:

	June 30, 2023	**December 31, 2022**
Lease liability, beginning of period	**$ 39**	$ 117
Additions	**225**	-
	264	117
Lease payments	**(41)**	(82)
Unwinding of discount and changes to lease liability	**4**	4
Total lease liability	**227**	39
Less: current portion	**(68)**	(39)
	$ 159	$ -

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

Less than one year	$ 88
Two to three years	175
Total undiscounted lease liability - June 30, 2023	**$ 263**

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.

(In thousands of Canadian dollars, except as otherwise noted)

	Six Months Ended June 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 finders fee shares and warrants (b)	**-**	**-**	468	137
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	**475,997**	**$ 854,938**	475,997	$ 854,938

(a) Unit financing

During 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 finders fee shares

During the year ended December 31, 2022, the Company issued 0.5 million common shares pursuant to finders 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 the outstanding warrants is as follows:

	Six Months Ended June 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

(In thousands of Canadian dollars, except as otherwise noted)

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

At June 30, 2023, the weighted average remaining contractual life of the warrants was 0.78 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 the outstanding broker warrants is as follows:

	Six Months Ended June 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

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

At June 30, 2023, the weighted average remaining contractual life of the broker warrants was 0.78 years.

9. Exploration and Evaluation Expense

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

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2023	2022	**2023**	2022
Fort à la Corne properties				
Amortization of tangible assets	**$ 2**	$ 2	**$ 3**	$ 3
Exploration and evaluation	**173**	290	**375**	539
Share-based payments	**-**	3	**-**	5
Buffalo Hills property				
Exploration and evaluation	**-**	-	**7**	-
Total	**$ 175**	$ 295	**$ 385**	$ 547

Exploration and evaluation assets

Fort à la Corne

As of June 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 does not intend to commit additional capital to the Fort à la Corne properties during 2022 beyond what is necessary for care and maintenance. Rio Tinto Canada also advised the Company that it intends to conduct a near-term review of its alternatives regarding the Fort à la Corne properties, including its potential exit.

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 quarter, the personnel camp was fully de-mobilized and the Project was placed on care and maintenance.

The recent actions by Rio Tinto Canada, which are 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 June 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 June 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 June 30, 2023 is $nil (December 31, 2022 - $nil).

10. Share-Based Payments

(a) Share option plan

The Company has established a share option 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 of the options. 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:

	Six Months Ended June 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
Exercisable	**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 June 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 six months ended June 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 Share 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. There are 1.0 million DSUs outstanding at June 30, 2023 and December 31, 2022. No DSUs were granted during the six months ended June 30, 2023 and 2022. There was no expense related to the Company's share-based payments as a result of DSUs vesting over the six months ended June 30, 2023 or 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 the 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 Share 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) during the six months ended June 30, 2023 is as follows:

	June 30, 2023	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 six months ended June 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 six months ended June 30, 2023 and 2022 is as follows:

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2023	2022	**2023**	2022
Director fees	**$ 27**	$ 106	**$ 69**	$ 134
Salaries to key management personnel	**28**	38	**54**	75
Consulting and management fees to related companies	**23**	61	**72**	123
Share based payments	**-**	15	**-**	38
Total compensation	**$ 78**	$ 220	**$ 195**	$ 370

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 was determined based on the five-day volume weighted average trading price of the Company's shares preceding the date of grant.

(In thousands of Canadian dollars, except as otherwise noted)

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 six months ended June 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 June 30, 2023, the Company's credit risk relates to its cash and cash equivalents of $1.0 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 June 30, 2023, the Company had working capital of $0.7 million and cash of $1.0 million. At June 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	$ 458
Lease payments	68
Total	$ 526

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 June 30, 2023, the Company does not have significant exposure to any of these market risks.

13. Subsequent Event

Subsequent to June 30, 2023, the Company issued 0.4 million common shares pursuant to a redemption of outstanding DSU grants by a retired director.

CORPORATE INFORMATION

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Directors
Ewan D. Mason
Larry E. Phillips
Lisa K. Riley
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 August 10, 2023

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