
PANGOLIN DIAMONDS CORP.
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022
(EXPRESSED IN CANADIAN DOLLARS)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Pangolin Diamonds Corp. (the "Company") were prepared in accordance with International Financial Reporting Standards ("IFRS"). Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in Note 3 to the consolidated financial statements.

Management has established processes which are in place to provide them with sufficient knowledge to support management representations that they have exercised reasonable diligence to ensure that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements and (ii) the consolidated financial statements fairly present in all material respects the financial position, financial performance and cash flows of the Company, as of the date of and for the periods presented by the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

October 30, 2023

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Pangolin Diamonds Corp.:

Opinion

We have audited the consolidated financial statements of Pangolin Diamonds Corp. and its subsidiaries (together the "Company"), which comprise the consolidated statements of financial position as at June 30, 2023 and 2022, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' deficiency, and consolidated statements of cash flows for the years then ended, and notes and schedules to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which describes conditions indicating that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended June 30, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Except for the matter described in the *Material Uncertainty Related to Going Concern* section of our auditor's report, we have determined that there are no other key audit matters to communicate in our report.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis filed with the relevant Canadian securities commissions.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Louise Lee.

Baker Tilly WM LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, B.C.
October 30, 2023

PANGOLIN DIAMONDS CORP.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

As at June 30,	2023	2022
ASSETS		
Current assets		
Cash	\$ 36,708	\$ 135,150
Receivables, prepaids and deposits	22,251	28,348
Total current assets	58,959	163,498
Non-current assets		
Prepaid expenses	42,837	65,134
Equipment (note 4)	5,066	1,890
Total assets	\$ 106,862	\$ 230,522
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities		
Amounts payable and accrued liabilities (note 12)	\$ 614,334	\$ 441,689
Shareholder loans (note 12)	952	8,471
Loan payable (note 13)	830,035	530,018
Total current liabilities	1,445,321	980,178
Shareholders' deficiency		
Share capital (note 5)	10,093,148	10,093,148
Share-based payment reserves (notes 6 and 7)	1,184,130	1,331,175
Cumulative translation adjustment (note 2)	18,242	18,242
Deficit	(12,633,979)	(12,192,221)
Total shareholders' deficiency	(1,338,459)	(749,656)
Total liabilities and shareholders' deficiency	\$ 106,862	\$ 230,522

Nature of operations and going concern (note 1)
 Commitments and contingencies (notes 1, 8 and 11)
 Subsequent events (note 17)

Approved on behalf of the Board:

(Signed) "Dr. Leon Daniels", Director

(Signed) "Thomas A. Fenton", Director

PANGOLIN DIAMONDS CORP.**Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)**

For the Years Ended June 30,	2023	2022
Expenses		
Administrative costs (note 12)	\$ 65,609	\$ 92,513
Consulting fees (note 12)	72,000	72,000
Depreciation (note 4)	1,890	17,779
Exploration and evaluation expenditures (notes 8 and 12)	378,037	313,197
Foreign exchange (gain) loss	1,585	(2,679)
Investor relations, promotion, travel	4,938	-
Professional fees (note 12)	64,744	49,121
Write-down of equipment (note 4)	-	33,059
Net loss and comprehensive loss for the year	\$ (588,803)	\$ (574,990)
Basic and diluted net loss per share (note 9)	\$ (0.00)	\$ (0.00)
Weighted average number of common shares outstanding - basic and diluted	186,232,618	186,232,618

The accompanying notes are an integral part of these consolidated financial statements

PANGOLIN DIAMONDS CORP.**Consolidated Statements of Cash Flows**
(Expressed in Canadian Dollars)

For the Years Ended June 30,	2023	2022
Operating activities		
Net loss for the year	\$ (588,803)	\$ (574,990)
Adjustments for:		
Depreciation	1,890	17,779
Write-down of equipment	-	33,059
Changes in non-cash working capital items:		
Receivables, prepaids and deposits	28,394	687
Amounts payable and accrued liabilities	172,645	167,493
Net cash used in operating activities	(385,874)	(355,972)
Investing activities		
Equipment purchases	(5,066)	(1,537)
Net cash used in investing activities	(5,066)	(1,537)
Financing activities		
Loan proceeds	300,017	430,018
Repayment of shareholder loans	(7,519)	(11,547)
Net cash provided by financing activities	292,498	418,471
Net change in cash	(98,442)	60,962
Cash, beginning of year	135,150	74,188
Cash, end of year	\$ 36,708	\$ 135,150
Non-Cash Financing and Investing Activities		
Reclassification of expired options	\$ 147,045	\$ 6,947
Reclassification of expired warrants	\$ -	\$ 440,763

The accompanying notes are an integral part of these consolidated financial statements

PANGOLIN DIAMONDS CORP.**Consolidated Statements of Changes in Shareholders' Deficiency****(Expressed in Canadian Dollars)**

	Share Capital Number	Share Capital Amount	Share-based Payment Reserves	Cumulative Translation Adjustment	Deficit	Total
Balance, June 30, 2021	186,232,618	\$ 10,093,148	\$ 1,778,885	\$ 18,242	\$ (12,064,941)	\$ (174,666)
Expiration of options	-	-	(6,947)	-	6,947	-
Expiration of warrants	-	-	(440,763)	-	440,763	-
Net loss and comprehensive loss for the year	-	-	-	-	(574,990)	(574,990)
Balance, June 30, 2022	186,232,618	\$ 10,093,148	\$ 1,331,175	\$ 18,242	\$ (12,192,221)	\$ (749,656)
Balance, June 30, 2022	186,232,618	\$ 10,093,148	\$ 1,331,175	\$ 18,242	\$ (12,192,221)	\$ (749,656)
Expiration of options	-	-	(147,045)	-	147,045	-
Net loss and comprehensive loss for the year	-	-	-	-	(588,803)	(588,803)
Balance, June 30, 2023	186,232,618	\$ 10,093,148	\$ 1,184,130	\$ 18,242	\$ (12,633,979)	\$ (1,338,459)

The accompanying notes are an integral part of these consolidated financial statements

PANGOLIN DIAMONDS CORP.

Notes to Consolidated Financial Statements

(Expressed in Canadian Dollars)

June 30, 2023 and 2022

1. NATURE OF OPERATIONS AND GOING CONCERN

Pangolin Diamonds Corp. (the "Company" or "Pangolin") was incorporated under the Ontario Business Corporations Act on November 9, 2011. The Company is currently engaged in the acquisition, exploration and development of mineral properties in Botswana. The head office and principal place of business of the Company is 82 Richmond Street East, Toronto, Ontario M5P 1P1.

The Company is in the process of exploring its exploration properties for diamond resources and has not determined whether the properties contain economically recoverable reserves. The business of exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of amounts expended on exploration properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. All of the Company's exploration property interests are located outside of Canada and are subject to the risk of foreign investment, including increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and political uncertainty.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and noncompliance with regulatory requirements.

These consolidated financial statements have been prepared using accounting policies applicable to a going concern, which contemplate the realization of assets and settlement of liabilities in the normal course of operations. The Company has incurred a comprehensive loss during the year ended June 30, 2023 of \$588,803 (2022 - \$574,990) and has a working capital deficiency of \$1,386,362 (2022 - \$816,680) and as at June 30, 2023, has a deficit of \$12,633,979 (2022 - \$12,192,221). Further financing will be required for working capital and exploration expenditures. The Company is uncertain whether it can obtain, in the current environment, financing to complete its current work programs.

The Company currently does not have sufficient cash on hand to meet all exploration and operational expenses for the next twelve months. These events and conditions indicate a material uncertainty that may cast significant doubt regarding the Company's ability to continue as a going concern. The Company plans to raise additional capital to further develop and explore its projects, however the Company may increase or decrease expenditures as necessary to adjust to a changing capital market environment.

These consolidated financial statements do not reflect any adjustments to amounts that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

Acquisition of Amulet Diamond (Botswana) PTY Limited

On July 15, 2022, the Company acquired all of the issued and outstanding shares of Amulet Diamond (Botswana) Pty Limited ("Amulet Bots") for a total consideration of US\$1. The transaction did not constitute a business combination as the acquisition did not meet the definition of a business under IFRS 3 – Business Combinations. As a result, the acquisition has been accounted for as an asset acquisition, whereby all of the assets acquired and liabilities assumed were recorded at the fair value of the consideration paid of US\$1. Upon closing of the transaction, Amulet Bots became a wholly-owned subsidiary of the Company.

PANGOLIN DIAMONDS CORP.

Notes to Consolidated Financial Statements

(Expressed in Canadian Dollars)

June 30, 2023 and 2022

1. NATURE OF OPERATIONS AND GOING CONCERN (Continued)

Acquisition of Amulet Diamond (Botswana) PTY Limited (Continued)

As part of the acquisition, the assets acquired included certain plant and equipment (the "BK11 Assets") relating to the BK11 Mine, located in Letlhakane, Botswana. Diacor International Ltd. ("Diacor"), which is an arm's length party to Amulet Bots and the Company, holds security over the BK11 Assets in connection with a loan provided to the previous parent company of Amulet Bots. As part of the acquisition, Diacor has agreed to discharge its security interest over the BK11 Assets subject to terms and conditions of the acquisition agreement, which included an agreement that the Company will use its best efforts to liquidate the BK11 Assets over a period 18 months from the date of the agreement and remit to Diacor proceeds in the amount up to US\$500,000 to satisfy the original indebtedness related to the loan. Upon receipt of US\$500,000 or if the assets are not liquidated over the 18 month period, Diacor will relinquish any further legal interest in the proceeds of any future sales of BK11 Assets and Pangolin will retain a 100% interest in all such sales and remaining BK11 Assets.

As at June 30, 2023, the Company was not able to obtain access to the BK11 Assets as the assets are being held in a remote location in a secured facility operated by a third party. As a result, the Company has assessed the likelihood of an outflow of resources to be remote and accordingly, no provision has been recognized in the consolidated financial statements.

2. BASIS OF PRESENTATION

Statement of Compliance

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and their interpretations as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were authorized for issue by the Board of Directors of the Company on October 30, 2023.

Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

In the preparation of these consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of expenses during the period. Actual results could differ from these estimates.

Functional and Presentation Currency

The presentation currency adopted for these consolidated financial statements is the Canadian dollar. The functional currency of Pangolin Diamonds Corp. and its subsidiaries is the Canadian dollar.

The cumulative translation adjustment is related to the translation of Pangolin Diamonds (Pty) Limited prior to the change in functional currency to Canadian dollars in fiscal year 2012. The cumulative translation adjustment will be recycled to profit or loss on disposal of Pangolin Diamonds (Pty) Limited.

PANGOLIN DIAMONDS CORP.

Notes to Consolidated Financial Statements

(Expressed in Canadian Dollars)

June 30, 2023 and 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial statements of the Company consolidate the accounts of Pangolin Diamonds Corp., and its subsidiaries. All intercompany transactions and balances are eliminated on consolidation.

Subsidiaries are entities over which the Company has control, where control is defined to exist when the Company is exposed to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are fully consolidated from the date control is transferred to the Company, and are de-consolidated from the date control ceases.

Name of Subsidiary	Principal Activity	Location	Proportion Ownership Interest and Voting Power Held
Pangolin Diamonds Limited ("PDL")	holding company	Seychelles	100%
Pangolin Diamonds (Pty) Limited	diamond exploration	Botswana	100%
Geocontracts Botswana (Pty) Limited	exploration consulting, and diamond exploration	Botswana	100%
Amulet Diamond (Botswana) Pty Limited	holding company	Botswana	100%

Cash and Cash Equivalents

Cash and cash equivalents comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less and subject to insignificant risk of changes in fair value. As at June 30, 2023 and 2022, the Company did not hold any cash equivalents.

Foreign Currencies

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each consolidated financial statement presentation date, the monetary assets and liabilities that are denominated in foreign currencies are translated at rates prevailing at the date of the consolidated statement of financial position. Revenues and expenses are translated at exchange rates at the dates of the transactions, and all resulting exchange differences are recognized in profit or loss.

Financial Instruments

Financial Assets

Recognition and Initial Measurement

The Company recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

Classification and Subsequent Measurement

On initial recognition, financial assets and liabilities are classified as subsequently measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The Company determines the classification of its financial assets, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Financial Assets (Continued)

Financial assets are classified as follows:

- **Amortized cost** - Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. The effective interest rate is the rate that discounts estimated future cash flows over the expected life of the financial asset, or where appropriate, a shorter period. Financial assets measured at amortized cost are comprised of cash.
- **FVOCI** - Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. The Company does not hold any financial assets measured at FVOCI.
- **Mandatorily at FVTPL** - Assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. The Company does not hold any financial assets measured at FVTPL.
- **Designated at FVTPL** – On initial recognition, the Company may irrevocably designate a financial asset to be measured at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. The Company does not hold any financial assets designated to be measured at FVTPL.

Business Model Assessment

The Company assesses the objective of its business model for holding a financial asset at a level of aggregation which best reflects the way the business is managed, and the way information is provided to management. Information considered in this assessment includes stated policies and objectives.

Contractual Cash Flow Assessment

The cash flows of financial assets are assessed as to whether they are solely payments of principal and interest on the basis of their contractual terms. For this purpose, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, the Company considers factors that would alter the timing and amount of cash flows such as prepayment and extension features, terms that might limit the Company's claim to cash flows, and any features that modify consideration for the time value of money.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Impairment

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets, other than financial assets measured at FVTPL. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

The Company applies the simplified approach for accounts receivable. Using the simplified approach, the Company records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Company assesses whether a financial asset is credit-impaired at the reporting date. Indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts and breaches of borrowing contracts such as default events or breaches of borrowing covenants. For financial assets assessed as credit-impaired at the reporting date, the Company continues to recognize a loss allowance equal to lifetime expected credit losses.

For financial assets measured at amortized cost, loss allowances for expected credit losses are presented in the consolidated statement of financial position as a deduction from the gross carrying amount of the financial asset.

Financial assets are written off when the Company has no reasonable expectations of recovering all or any portion thereof.

Derecognition of Financial Assets

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire.

Financial Liabilities

Recognition and Initial Measurement

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at FVTPL for which transaction costs are immediately recorded in profit or loss.

Financial liabilities are classified as either financial liabilities at FVTPL or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

i. Amortized cost

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination.

The Company's amounts payable and accrued liabilities, loan payable and shareholders' loans do not fall into any of the exemptions and are therefore classified as measured at amortized cost.

ii. Financial liabilities recorded at FVTPL

Financial liabilities are classified as FVTPL if they fall into one of the five exemptions detailed above.

The Company has no financial liabilities classified as FVTPL.

PANGOLIN DIAMONDS CORP.

Notes to Consolidated Financial Statements

(Expressed in Canadian Dollars)

June 30, 2023 and 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Subsequent measurement

Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss. Instruments classified as amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVTOCI are measured at fair value with unrealized gains and losses recognized in other comprehensive income.

Derecognition

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Fair Value

Financial instruments recorded at fair value on the consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As of June 30, 2023 and 2022, the fair values of cash, amounts payable and accrued liabilities, loan payable and shareholder loans approximate their carrying values due to their short-term nature.

Exploration and Evaluation Expenditures

The Company expenses exploration and evaluation expenditures as incurred. Exploration and evaluation expenditures include acquisition costs of diamond exploration properties, property option payments and exploration and evaluation activity.

Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when a mine is capable of commercial production, with the exception of development costs that give rise to a future benefit.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equipment

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is recognized based on the cost of the equipment, less its estimated residual value, over its estimated useful life on a straight-line basis at the following rates:

Field equipment	10-15%
Vehicle	25%
Computer equipment	25%

An asset's residual value, useful life and depreciation method are reviewed, and adjusted on an annual basis.

Income Taxes

Income tax included in operations for the years presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Share Capital

Equity financing transactions may involve the issuance of units. Units comprise common shares and share purchase warrants. The Company accounts for unit offering financing using the relative fair value method. Under this method, the fair values of the shares and share purchase warrants are determined separately and prorated to the actual proceeds received. The fair value of the shares is determined using the share price at the issue date. The fair value of share purchase warrants is measured using the Black-Scholes option pricing model at the issue date.

Share-based Payment Transactions

Share-based payments to employees are measured at the fair value of the instruments issued and recognized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued using the Black-Scholes option pricing model if it is determined the fair value of the goods and services cannot be reliably measured, and are recorded at the date the goods or services are received.

PANGOLIN DIAMONDS CORP.

Notes to Consolidated Financial Statements

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June 30, 2023 and 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based Payment Transactions (Continued)

The amount recognized as an expense is adjusted to reflect the number of awards expected to vest and is recorded within shareholders' equity as reserves. Consideration received on the exercise of stock options is recorded as share capital and the reserves amount is transferred to share capital. Charges for options that are forfeited before vesting are reversed to profit or loss. For those options and warrants that expire after vesting, the recorded value is transferred to deficit.

Impairment

The carrying value of equipment is assessed for impairment when indicators of such impairment exist. If any indication of impairment exists an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs of disposal for the asset and the asset's value in use.

Impairment is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the individual assets of the Company are grouped together into cash generating units ("CGUs") for impairment purposes. Such CGUs represent the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets. This generally results in the Company evaluating its non-financial assets on a geographical or license basis.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to profit or loss so as to reduce the carrying amount to its recoverable amount.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss.

Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The Company had no material provisions at June 30, 2023 or 2022.

PANGOLIN DIAMONDS CORP.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restoration, Rehabilitation and Environmental Obligations

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pretax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage that is created on an ongoing basis during production are provided for at their net present values and charged to profit or loss as extraction progresses.

The Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

Loss Per Share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. For all periods presented, the loss attributed to common shareholders equals the reported loss attributable to owners of the Company. The weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the net proceeds received on the exercise of dilutive stock options and warrants are used to repurchase common shares at the average market price during the period. The diluted loss per share calculation excludes any potential conversion of options and warrants that would decrease loss per share or increase earnings per share.

Significant Accounting Judgments and Estimates

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The areas which require management to make significant judgments, estimates and assumptions include, but are not limited to:

PANGOLIN DIAMONDS CORP.

Notes to Consolidated Financial Statements

(Expressed in Canadian Dollars)

June 30, 2023 and 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Judgments and Estimates (Continued)

Share-based Payments

Management measures share-based payments using market based valuation techniques. The fair value of the market-based and performance based share awards are determined at the date of grant using the Black-Scholes option pricing model. Assumptions are made on a judgmental basis and are used in applying valuation techniques. The assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Future Accounting Changes

There were no changes adopted during the year ended June 30, 2023 that had a material impact on the Company. Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee ("IFRIC") that are mandatory for accounting periods commencing on or after July 1, 2023.

Standards Issued But Not Yet Effective

The Company has not adopted the following standards and interpretations applicable to the Company that have been issued but not yet effective:

IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements (Amendments)

In February 2021, the International Accounting Standards Board (IASB) issued amendments to IAS 1 Presentation of Financial Statements which were incorporated into Part I of the CPA Canada Handbook - Accounting and IFRS Practice Statement 2 Making Materiality Judgements in June 2021.

The amendments help entities provide accounting policy disclosures that are more useful to primary users of financial statements by:

- Replacing the requirement to disclose "significant" accounting policies under IAS 1 with a requirement to disclose "material" accounting policies. Under this, an accounting policy would be material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that primary users of general purpose financial statements make on the basis of those financial statements.
- Providing guidance in IFRS Practice Statement 2 to explain and demonstrate the application of the four-step materiality process to accounting policy disclosures.

The amendments, which should be applied prospectively, are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. Once the entity applies the amendments to IAS 1, it is also permitted to apply the amendments to IFRS Practice Statement 2. The adoption of this amendment and the IFRS Practice Statement 2 is not expected to have a significant impact on the Company's consolidated financial statements.

IAS 1 Presentation of Financial Statements (Amendment)

In October 2022, the International Accounting Standards Board (IASB) issued amendments to IAS 1 which were incorporated into Part I of the CPA Canada Handbook - Accounting in December 2022. The amendments require an entity to disclose, in specified circumstances, information in the notes that enables financial statement users to understand the risk that non-current liabilities with covenants could become repayable within 12 months after the reporting period. As part of the amendments, a provision was added to clarify that only covenants that an entity must comply with on or before the reporting date would affect a liability's classification as current or non-current, even if compliance with the covenant is only assessed after the entity's reporting date. Covenants which an entity must comply with after the reporting date would not affect classification of a liability as current or non-current at the reporting date.

PANGOLIN DIAMONDS CORP.

Notes to Consolidated Financial Statements

(Expressed in Canadian Dollars)

June 30, 2023 and 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future Accounting Changes (Continued)

Standards Issued But Not Yet Effective (Continued)

The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted. The Company will evaluate the impact, if any, on its consolidated financial statements prior to the effective date of January 1, 2024.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment)

In February 2021, the International Accounting Standards Board (IASB) issued amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which were incorporated into Part I of the CPA Canada Handbook - Accounting in June 2021.

The amendments introduce a new definition of 'accounting estimates' to replace the definition of 'change in accounting estimates' and also include clarifications intended to help entities distinguish changes in accounting policies from changes in accounting estimates.

The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The adoption of this amendment is not expected to have a significant impact on the Company's consolidated financial statements.

4. EQUIPMENT

Cost	Field Equipment	Vehicle	Computer Equipment	Total
Balance, June 30, 2021	\$ 191,760	\$ 132	\$ 6,502	\$ 198,394
Additions	-	504	1,033	1,537
Write-down	(125,482)	-	-	(125,482)
Balance, June 30, 2022	\$ 66,278	\$ 636	\$ 7,535	\$ 74,449
Additions	141	4,925	-	5,066
Balance, June 30, 2023	\$ 66,419	\$ 5,561	\$ 7,535	\$ 79,515

Accumulated Depreciation

Balance, June 30, 2021	\$ 141,243	\$ 10	\$ 5,950	\$ 147,203
Depreciation	17,599	180	-	17,779
Write-down	(92,423)	-	-	(92,423)
Balance, June 30, 2022	66,419	190	5,950	72,559
Depreciation	-	1,045	845	1,890
Balance, June 30, 2023	\$ 66,419	\$ 1,235	\$ 6,795	\$ 74,449

Carrying Amount

At June 30, 2022	\$ (141)	\$ 446	\$ 1,585	\$ 1,890
At June 30, 2023	\$ -	\$ 4,326	\$ 740	\$ 5,066

PANGOLIN DIAMONDS CORP.

Notes to Consolidated Financial Statements

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June 30, 2023 and 2022

5. SHARE CAPITAL

Common shares

- a) Authorized capital
Unlimited number of common shares without par value.
- b) Issued and outstanding

	Number	Amount
Balance, June 30, 2021, June 30, 2022, and June 30, 2023	186,232,618	\$ 10,093,148

6. STOCK OPTIONS

In June 2012, the directors of the Company approved the adoption of a stock option plan (the "Plan"). Under the Plan, the Board of Directors of the Company, may from time to time at its discretion, grant to directors, officers, employees and consultants of the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the common shares outstanding at that time. Such options may be exercisable for a period of up to 10 years from the date of grant. The exercise price of the options is not to be less than the Company's closing market price on the day prior to the grant of the options.

The following table shows the continuity of stock options for the years ended June 30, 2023 and 2022:

	Number of Options Outstanding	Weighted Average Exercise Price (\$)
Balance, June 30, 2021	7,765,000	0.07
Expired	(165,000)	0.10
Balance, June 30, 2022	7,600,000	0.06
Expired	(3,100,000)	0.08
Balance, June 30, 2023	4,500,000	0.06

The following table summarizes information about stock options outstanding and exercisable as at June 30, 2023:

Expiry Date	Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)	Number of Options Outstanding and Exercisable	Grant Date Fair Value (\$)
November 9, 2023	0.05	0.36	800,000	28,480
March 20, 2024	0.05	0.72	150,000	5,340
May 24, 2024	0.05	0.90	450,000	16,020
October 2, 2024	0.06	1.26	3,100,000	167,400
	0.06	1.05	4,500,000	217,240

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7. WARRANTS

The following table shows the continuity of warrants for the nine months ended March 31, 2023 and 2022:

	Number of Warrants Outstanding	Warrants Weighted Average Exercise Price (\$)
Balance, June 30, 2021	62,088,083	0.07
Expired	(10,362,283)	0.11
Balance, June 30, 2022 and June 30, 2023	51,725,800	0.06

The following table summarizes information about warrants outstanding as at June 30, 2023:

Expiry Date	Number of Warrants Outstanding	Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)	Fair Value (\$)
January 16, 2024	7,340,000	0.05	0.55	163,788
January 16, 2024	238,000	0.05	0.55	9,591
September 9, 2024	16,977,200	0.07	1.20	396,478
September 9, 2024	796,600	0.05	1.20	42,814
July 22, 2025	25,940,000	0.05	2.06	357,432
July 22, 2025	434,000	0.05	2.06	13,324
	51,725,800	0.06	1.54	983,427

8. EXPLORATION AND EVALUATION EXPENDITURES

The Company holds prospecting diamond licenses in Botswana through its wholly owned Botswana subsidiaries.

During the year ended June 30, 2023 and 2022, the Company incurred the following exploration and evaluation expenditures:

For the Year Ended June 30,	2023	2022
Exploration drilling	\$ 55,848	\$ 29,198
Exploration sample analysis	19,444	-
Field consumables and equipment	8,107	6,329
Fuel and oil	23,620	18,265
Geological consulting and licenses	229,099	215,682
Motor vehicle expenses and transport	41,851	43,696
Repairs and maintenance	68	27
	\$ 378,037	\$ 313,197

The Botswana government retains a 10% net royalty on the market value of produced diamonds and can elect to participate in development by contribution of its share of development costs. Nomathata Diamonds Inc., a corporation incorporated in the Republic of the Seychelles, which is controlled by a shareholder who is also a director and officer of the Company, holds a 1.2% net smelter royalty ("NSR") calculated on the same basis as the government's royalty.

PANGOLIN DIAMONDS CORP.

Notes to Consolidated Financial Statements

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8. EXPLORATION AND EVALUATION EXPENDITURES (Continued)

Five prospecting licenses have been issued to the Company for a three year period from October 1, 2022 to September 30, 2025.

One prospecting license was issued to the Company for a three year period from April 1, 2023 to March 31, 2026.

Three prospecting licenses were issued to the Company for a period of three years from October 1, 2020 to September 30, 2023.

During the year ended June 30, 2023, five prospecting licenses were allowed to lapse.

On November 27, 2018, the Company announced it had reached an agreement with Umgeni Holdings International Limited ("Umgeni") under which Umgeni has agreed to acquire a royalty interest in Pangolin's licenses located within the Central District of Botswana, as well as an area defined as the Adjacent Area of Interest for \$600,000. Umgeni has initially purchased a 1.3% gross overriding royalty on diamonds ("GOR") and a 1.3% NSR on base and precious metals for \$600,000 in May of 2017.

Under the terms of the agreement, Umgeni agreed to pay Pangolin an additional \$600,000, (of which all \$600,000 had been received during the year ended June 30, 2019), for a total of \$1,200,000 in funding to date to acquire the following royalty interests in Pangolin's Malatswae, Moenyenana and Motloutse diamond projects: a 2.6% GOR and a 2.6% NSR over the licenses issued to Pangolin Diamonds (Pty) Limited and Geocontracts Botswana (Pty) Limited, located within the Central District of the Republic of Botswana, as well as a defined Adjacent Area of Interest.

During the year ended June 30, 2021, Nomathata Diamonds Inc. agreed to sell its 1.15% royalty for the districts noted above to Umgeni, increasing the GOR and NSR to 3.75%.

During the year ended June 30, 2021, the Company entered into an option agreement with Diamextract Botswana Proprietary Limited ("Diamexsrat"). Diamexsrat may earn an interest of 80% in the prospecting license PL172/2020 subject to completion of a defined work program.

9. NET LOSS PER COMMON SHARE

The calculation of basic and diluted loss per share for the year ended June 30, 2023 was based on the loss attributable to common shareholders of \$588,803 (2022 - \$574,990), and the weighted average number of common shares outstanding of 186,232,618 (2022 - 186,232,618). Diluted loss per share does not include the effect of stock options or warrants as they are anti-dilutive.

10. SEGMENTED INFORMATION

The Company conducts its business as a single operating segment, being diamond exploration and evaluation in Botswana. As at June 30, 2023, cash of \$35,460 (2022 - \$122,906) is held in Canadian chartered banks, with a balance of \$1,248 (June 30, 2022 - \$12,244) being held in Botswana. All of the Company's equipment is held in Botswana.

PANGOLIN DIAMONDS CORP.

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11. COMMITMENTS AND CONTINGENCIES

Environmental contingencies

The Company's exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and are generally becoming more restrictive. The Company may make in the future, expenditures to comply with such laws and regulations.

Contingent payment

Pursuant to a share purchase agreement dated December 22, 2011, as amended November 8, 2012, and December 1, 2013, the Company has agreed to pay Leon Daniels, the former majority shareholder of PDL and a current director and officer of the Company, \$1,200,000 in the event that the Company discovers at least ten kimberlites in connection with its properties, payable within 24 months of the discovery of such kimberlites, provided that each such kimberlite is "diamondiferous" as verified by a Qualified Person (as such term is defined in NI 43-101). In addition, the parties have agreed that for a kimberlite to be diamondiferous, it must be a kimberlite in which a "macro" diamond is contained – namely a diamond being greater than 0.5 mm in size. If a known diamondiferous kimberlite is acquired by the Company, it will not be counted as one of the 10 as described above. As there have been no such kimberlites discovered by the Company to date, no provision has been recorded in these consolidated financial statements related to this contingency.

Consulting agreement

The Company entered into a consulting agreement with an individual to perform functions as the Chief Financial Officer of the Company for a monthly fee of \$6,000. This agreement was renewed in December 2020, and stipulates a 90 day notice provision in the event of termination by either party.

The Company has also entered into a consulting agreement, effective September 1, 2017, with an individual to perform functions as the Chief Executive Officer of the Company for a monthly fee of US \$6,000. This agreement was renewed in December 2020, and stipulates a 90 day notice provision in the event of termination by either party.

12. KEY MANAGEMENT PERSONNEL COMPENSATION AND RELATED PARTY TRANSACTIONS

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

Compensation of key management personnel of the Company:

The remuneration of the Company's CEO and CFO during the years ended June 30, 2023 and 2022 were as follows:

For the Year Ended June 30,	2023	2022
CFO Consulting fees	\$ 72,000	\$ 72,000
CEO Consulting fees included in exploration expenditures	93,854	92,300
	\$ 165,854	\$ 164,300

Related party transactions:

Shareholder loans payable are unsecured, non-interest bearing and due on demand.

	2023	2022
Shareholder loans from companies related to a director	\$ 952	\$ 8,471

PANGOLIN DIAMONDS CORP.

Notes to Consolidated Financial Statements

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12. KEY MANAGEMENT PERSONNEL COMPENSATION AND RELATED PARTY TRANSACTIONS (Continued)

During the year ended June 30, 2023, the Company incurred legal fees of \$14,731 (2022 - \$2,450) charged by a law firm of which a director of the Company is a partner. Included in amounts payable as at June 30, 2023 was \$nil (2022 - \$2,343) owing to this law firm.

During the year ended June 30, 2023, the Company incurred rent expense of \$18,000, (2022 - \$18,000) charged by a director of the Company for use of a facility in Botswana. As at June 30, 2023, \$63,000 (2022 - \$45,000) was included in amounts payable and accrued liabilities pertaining to rent incurred.

During the year ended June 30, 2023, the Company incurred rent expense of \$2,400 (2022 - \$2,400) charged by the Company's CFO for office space. As at June 30, 2023, \$nil (June 30, 2022 - \$nil) was included in amounts payable and accrued liabilities pertaining to rent incurred.

Included in accounts payable is \$150,000 (2022 - \$84,000) owed to the Company's Chief Financial Officer and \$266,350 (June 30, 2022 - \$185,168) owed to the Company's Chief Executive Officer who is also a director of the Company for consulting fees and sundry expense reimbursements. These amounts are unsecured, non-interest bearing, with no fixed terms for repayment.

The above noted transactions were approved by the Board of Directors.

13. LOAN PAYABLE

During the year ended June 30, 2023, the Company received \$300,017 (2022 - \$430,018) in advances. As at June 30, 2023, the aggregate amount outstanding was \$830,035 (2022 - \$530,018). The loan bears no interest, is due on demand and has no fixed terms for repayment.

14. FINANCIAL RISK FACTORS

The nature of the exploration process exposes the Company to risks associated with financial instruments. During 2023 and 2022, the Company has not used derivative financial instruments to manage these risks. There have been no significant changes in the risks, objectives, policies and procedures used to manage financial risks from the previous periods. There were no material changes to the Company's risk exposure during the year ended June 30, 2023.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at June 30, 2023, the Company had cash of \$36,708 (2022 - \$135,150) to settle current liabilities of \$1,445,321 (2022 - \$980,178). With the exception of shareholder loans and loan payable, all of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Cash is primarily held with select major Canadian chartered banks, from which management believes the risk of loss to be minimal.

Market Risk

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of the financial instruments can be affected by changes in interest rates, prices and foreign exchange rates. Market risk is comprised of: interest rate risk, currency risk and other price risk.

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14. FINANCIAL RISK FACTORS (Continued)

i. Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in guaranteed investment certificates or interest-bearing accounts of major Canadian chartered banks. The Company is not subject to significant interest rate risk. The Company periodically monitors compliance to its cash management policy.

ii. Currency Risk

Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company's property interests in Botswana make it subject to foreign currency fluctuations and inflationary pressures which may adversely affect the Company's financial position, financial performance and cash flows.

The Company is affected by changes in exchange rates between the Canadian dollar and Botswana Pula. As at June 30, 2023, the Company held cash of \$1,248 and had shareholder loans of \$952 denominated in Botswana Pula, (2022 - \$12,244 and \$8,471, respectively). A 5% change in the Canadian dollar against the Botswana Pula would not have a significant impact on the Company's net loss and comprehensive loss for the years ended June 30, 2023 and 2022.

iii. Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices other than interest and foreign currency rates. The Company is exposed to price risk with respect to commodities (specifically diamonds). The Company closely monitors commodity prices with respect to their relative impact upon the nature and extent of future exploration initiatives. Commodity price risk is limited as the Company is not a producing entity.

15. CAPITAL MANAGEMENT

The Company manages and adjusts its capital structure based on available funds in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company includes the components of shareholders' equity (deficiency) in the management of capital. As at June 30, 2023, the Company reported a total shareholders' deficiency of \$1,338,459 (2022 - \$749,656), comprised of share capital, reserves, cumulative translation adjustment, and deficit.

The properties in which the Company currently has an interest are in the exploration and evaluation stage. As such, the Company is dependent upon external financing to fund its activities. In order to carry out planned exploration and evaluation, and pay for administrative costs, the Company will spend its existing working capital and endeavour to raise additional amounts as needed. The Company will continue to assess and seek new properties and to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company's capital management objectives, policies and processes have remained unchanged during the years ended June 30, 2023 and 2022. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than Policy 2.5 of the TSX-V which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As at June 30, 2023, the Company was not in compliance with this policy.

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16. INCOME TAXES

Major items causing the Company's income tax rate to differ from the Canadian combined federal and provincial statutory rate of approximately 26.5% (2022 - 26.5%) are as follows:

- a) Provision for income taxes

For the years ended June 30,	2023	2022
Loss before income taxes	\$ (588,803)	\$ (574,990)
Expected income tax (recovery)	(156,000)	(153,000)
Permanent differences and other	4,000	-
Change in foreign exchange rates	67,000	97,000
Differences in tax rates	13,000	14,000
Adjustment to prior year estimate	-	(51,000)
Change in unrecognized deductible temporary differences	72,000	93,000
Deferred income tax provision (recovery)	\$ -	\$ -

- b) Deferred tax balances

The significant components of the Company's unrecorded deferred tax assets are as follows:

For the years ended June 30,	2023	2022
<u>Deferred Tax Assets (Liabilities)</u>		
Property and equipment	\$ 52,000	\$ 55,000
Canadian eligible capital (CEC)	21,000	21,000
Share issue costs	8,000	15,000
Allowable capital losses	51,000	51,000
Non-capital losses available for future periods	2,168,000	2,086,000
	\$ 2,300,000	\$ 2,228,000
Unrecognized deferred tax assets	\$ (2,300,000)	\$ (2,228,000)
Net deferred tax assets	\$ -	\$ -

- c) The significant components of the Company's unrecorded temporary differences and tax losses are as follows:

For the years ended June 30,	2023	2022
<u>Temporary Differences</u>		
Property and equipment	\$ 236,000	\$ 249,000
Canadian eligible capital (CEC)	78,000	78,000
Share issue costs	29,000	55,000
Allowable capital losses	192,000	192,000
Non-capital losses available for future periods	8,994,000	8,687,000
	\$ 9,529,000	\$ 9,261,000
Non-capital losses - Canada	\$ 4,197,000	\$ 3,882,000
Non-capital losses - Botswana	4,797,000	4,805,000
	\$ 8,994,000	\$ 8,687,000

PANGOLIN DIAMONDS CORP.
Notes to Consolidated Financial Statements
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16. INCOME TAXES (Continued)

c) (Continued)

As at June 30, 2023, the Company has available, non-capital losses for Canadian income tax purposes which may be carried forward to reduce taxable income in future periods. If not utilized, the non-capital losses will expire from 2031 to 2043 as follows:

2031	\$ 633,000
2032	495,000
2033	240,000
2034	667,000
2035	298,000
2036	312,000
2038	184,000
2040	450,000
2041	303,000
2042	286,000
2043	329,000
	\$ 4,197,000

The Company also has available, non-capital losses of approximately \$4,800,000 (Pula - 49,300,000) (2022 - \$4,800,000; Pula – 46,500,000) for Botswana tax purposes which may be carried forward to reduce taxable income indefinitely.

17. SUBSEQUENT EVENTS

On July 1, 2023, eight prospecting licenses were issued to the Company for a three year period to June 30, 2026.