STAR DIAMOND CORPORATION

3rd Quarter Report
2023

Management's Discussion & Analysis

September 30, 2023

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

Overview

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

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

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

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

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

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

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

Fort à la Corne mineral properties

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

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

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

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

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

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

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

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

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

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

Recent activities relating to the Buffalo Hills mineral properties

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

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

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

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

*Very speculative due to the small sample size

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

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

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

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

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

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

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

Executive Management Changes

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

Outlook

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

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

Financial Highlights

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

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

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

(1) Basic and diluted.

Results of Operations

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

Interest and other income

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

Expenses

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

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

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

Year to Date

Results of operations

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

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

Interest and other income

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

Expenses

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

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

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

Investment in Wescan Goldfields Inc.

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

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

Summary of Quarterly Results

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

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

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

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

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

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

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

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

Related Party Transactions

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

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

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

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

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

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

Liquidity

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

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

Outstanding Common Shares, Options, Warrants, RSUs and DSUs

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial Instruments

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

Credit risk

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

Liquidity risk

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

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

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

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

Market risk

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

Critical Accounting Estimates and Judgments

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

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

Accounting Changes

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

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

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

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

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

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

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

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

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

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

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

The amendments clarify that companies are required to recognize deferred taxes on transactions where both assets and liabilities are recognized, such as with leases and decommissioning liabilities. The amendments were applied effective January 1, 2023, and did not have a material impact on the Company's Interim Financial Statements.

Future Changes in Accounting Policies Not Yet Effective:

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

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

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

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

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

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

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

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

Disclosure Controls and Procedures

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

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

Internal Controls over Financial Reporting Procedures

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

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

Risks and Uncertainties

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

Technical Information

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

Caution regarding Forward-looking Statements

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

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

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

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

Additional Information

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

Unaudited Condensed Interim Consolidated Financial Statements

September 30, 2023

STAR DIAMOND CORPORATION
Unaudited Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended
September 30, 2023

Notice to Reader

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

Star Diamond Corporation

Condensed Interim Consolidated Statements of Financial Position

(unaudited)

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

Going Concern (note 3)

On behalf of the Board:

"Lisa Riley"
Lisa K. Riley, Audit Chair

"Larry Phillips"
Larry E. Phillips, Director

See accompanying notes to these condensed interim consolidated financial statements

Star Diamond Corporation

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(unaudited)

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

See accompanying notes to these condensed interim consolidated financial statements

Star Diamond Corporation

Condensed Interim Consolidated Statements of Cash Flows

(unaudited)

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

See accompanying notes to these condensed interim consolidated financial statements

Star Diamond Corporation

Condensed Interim Consolidated Statements of Changes in Equity

(unaudited)

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

See accompanying notes to these condensed interim consolidated financial statements

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

1. Corporate Information

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

2. Basis of Presentation and Statement of Compliance

(a) Statement of Compliance

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

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

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

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

(b) Basis of Measurement

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

(c) Basis of consolidation

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

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

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

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

3. Going Concern

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

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

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

4. Recent Accounting Pronouncements

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

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

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

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

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

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

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

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty."

The definition of a change in accounting estimates was deleted; however, the IASB retained the concept of changes in accounting estimates in the Standard with the following clarifications:

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

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

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

The amendments clarify that companies are required to recognize deferred taxes on transactions where both assets and liabilities are recognized, such as with leases and decommissioning liabilities. The amendments were applied effective January 1, 2023, and did not have a material impact on the Company's Interim Financial Statements.

Future Changes in Accounting Policies Not Yet Effective:

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

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

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

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

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

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

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

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

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

5. Investment in Wescan Goldfields Inc.

At September 30, 2023 and December 31, 2022, the Company held 5.8 million shares, or greater than 10%, of Wescan Goldfields Inc. ("Wescan"), a publicly traded company on the TSX Venture exchange. The Company considers certain judgments and assumptions when assessing whether significant influence exists over its investments. This includes an assessment of the Company's ability to participate in financial and operating policy decisions of the investee. The existence and effect of potential voting rights held by the investor or other entities were also considered.

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

6. Property and Equipment

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

7. Lease Liability

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

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

A summary of the lease liability is as follows:

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

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

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

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

8. Share Capital and Reserves

Authorized

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

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

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

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

(a) Unit financing

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

(b) Issuance of finder fee shares

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

(c) Nature and purpose of equity reserves

Share-based payments reserve

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

Warrant reserve

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

A summary of warrant activities is as follows:

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

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

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

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

Broker warrants reserve

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

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

A summary of broker warrant activities is as follows:

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

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

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

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

9. Exploration and Evaluation Expense

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

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

Exploration and evaluation assets

Fort à la Corne

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

On June 28, 2022, Rio Tinto Canada exercised its voting power at a meeting of the Fort à la Corne joint venture management committee to place the Fort à la Corne properties on care and maintenance through December 31, 2022. Rio Tinto Canada also advised that, subject to fulfilling its existing obligations, it did not intend to commit additional capital to the Fort à la Corne properties beyond what is necessary for care and maintenance.

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

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

Buffalo Hills JV

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

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

10. Share-Based Payments

(a) Stock Option Plan

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

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

	Nine Months Ended September 30, 2023		Year Ended December 31, 2022	
	Options	**Average Price**	Options	Average Price
Outstanding – beginning of period	**18,478**	**$ 0.21**	19,742	$ 0.21
Granted	**-**	**-**	200	0.125
Exercised	**-**	**-**	(375)	0.19
Expired	**(1,748)**	**0.19**	(1,089)	0.20
Outstanding – end of period	**16,730**	**$ 0.21**	18,478	$ 0.21

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

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

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

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

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

(b) Deferred share unit plan

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

DSU movements (in thousands) is as follows:

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

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

(c) Performance share unit and restricted share unit plan

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

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

RSU movements (in thousands) is as follows:

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

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

11. Related Party Transactions

Related party transactions with key management personnel

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

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

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

The amounts disclosed in the table above are the amounts recognized as an expense during the reporting period related to key management personnel. The above transactions were in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The fair value of share-based payments in the form of stock options was determined using the Black Scholes option pricing model. The fair value of share-based payments in the form of RSUs was determined based on the five-day volume weighted average trading price of the Company's shares preceding the date of grant.

(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 nine months ended September 30, 2023 as Administration expense.

12. Financial Instruments

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

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

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

Risk management

Certain financial instruments are exposed to the following financial risks:

(a) Credit risk

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

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to forecast future cash flows to ensure that it will have sufficient liquidity to meet its obligations when due. To ensure the Company has sufficient cash on hand, the Company prepares annual capital and operating budgets which are regularly monitored and updated as considered necessary. As at September 30, 2023, the Company had working capital of $0.1 million and cash and cash equivalents of $0.5 million.

At September 30, 2023, the Company has trade payables and other lease payments as set out in the following table on an undiscounted basis:

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

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

(c) Market risk

Market risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of four types of risk: foreign currency risk, interest rate risk, commodity price risk and equity price risk. As at September 30, 2023, the Company does not have significant exposure to any of these market risks.

CORPORATE INFORMATION

Head Office
600, 224 – 4th Ave. S.
Saskatoon, Saskatchewan
Canada S7K 5M5
Tel: (306) 664-2202

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 November 9, 2023

Trading Symbol:
DIAM

Website
www.stardiamondcorp.com

Twitter
@StarDiamondCorp

Facebook, Instagram and LinkedIn
Star Diamond Corp.

Email
stardiamondcorp@stardiamondcorp.com