Management's Discussion & Analysis

For the Years Ended December 31, 2023 and 2022

March 25, 2024

The following discussion and analysis is prepared by Management as of March 25, 2024 and should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2023 and 2022 available on SEDAR+ at www.sedarplus.ca. Star Diamond Corporation ("Star Diamond", or "the Company") prepared its financial statements for the years ended December 31, 2023 and 2022, in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). All currency amounts are quoted in Canadian Dollars, unless otherwise stated.

Corporate Information

The Company was incorporated on April 29, 1985 under the Canada Business Corporations Act and is listed on the Toronto Stock Exchange under the symbol "DIAM". The Company has its head office at 600, 224 - 4th Avenue South, Saskatoon, Saskatchewan, S7K 5M5 and its registered office at 4500, 855 - 2nd Street SW, Calgary, Alberta, T2P 4K7.

Star Diamond is a Canadian natural resource company focused on exploring and developing Saskatchewan's diamond resources. Star Diamond currently holds, through a joint venture arrangement with Rio Tinto Exploration Canada Inc. ("RTEC", a wholly-owned subsidiary of Rio Tinto plc, "Rio Tinto"), a 25% interest in certain Fort à la Corne kimberlite properties (which includes the Star – Orion South Diamond Project, or the "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.

Corporate Developments

On November 28, 2023, the Company entered into a binding agreement (the "Agreement") with RTEC, providing for the transfer by RTEC to Star Diamond all of RTEC's 75% interest in the Project.

The Agreement provides that, upon closing:

- RTEC will transfer to Star Diamond all of RTEC's 75% interest in the Project, such that the Project will be 100% owned by Star Diamond;
- RTEC will transfer to Star Diamond ownership of the trench cutter drill rig used by RTEC to complete its prior bulk sampling program at the Project;
- RTEC will transfer to Star Diamond the Bulk Sample Plant located at the Project, including the TOMRA XRT diamond sorting machine that is on-site;
- Star Diamond will issue to RTEC and/or an affiliate that number of common shares of Star Diamond that results in RTEC and its affiliates owning 19.9% of the then outstanding common shares of Star Diamond (RTEC and its affiliates currently own approximately 2.3% of Star Diamond's outstanding common shares); and
- RTEC and Star Diamond will enter into an Investor Rights Agreement whereby, among other things, RTEC will be granted certain pre-emptive rights to maintain its 19.9% ownership interest in Star Diamond in connection with future financings undertaken by Star Diamond, and RTEC will agree to certain standstill protections provided that RTEC will have the right to increase its 19.9% ownership position in the event that Star Diamond receives an acquisition proposal.

Upon completion of the transactions that are the subject of the Agreement, Star Diamond will have full control and responsibility for the Project, the existing joint venture agreement between RTEC and Star Diamond will terminate, and Star Diamond will release and indemnify RTEC for liabilities arising from or relating to the Project, all in exchange for a $4 million payment from RTEC to Star Diamond. RTEC has agreed that it will provide on Star Diamond's behalf, for up to five years following closing, letters of credit in the aggregate amount of no more than $9.9 million to secure certain environmental remediation and reclamation obligations related to the Project. Star Diamond will be obliged to repay any amounts drawn on these letters of credit and such repayment obligations will be secured against the Project and its assets.

As of the date of this Management's Discussion & Analysis, the Agreement is expected to close in the near future.

On December 29, 2023, the Company closed the first of two tranches of a non-brokered private placement (the "Offering") for gross proceeds of $324,140. These proceeds are from the issuance of 2023 "flow-through" units of the Company ("FT Units"). Pursuant to the closing of the first tranche of the Offering, the Company issued 2,946,728 FT Units at a price of $0.11 per FT Unit for gross proceeds of $324,140, with each FT Unit consisting of one common share of the Company (a "FT Share") and one share purchase warrant (a "Warrant"), each of which will qualify as a "flow-through share" for the purposes of the Income Tax Act (Canada). Each Warrant will entitle the holder thereof to acquire one additional common share of the Company (which shall not be a "flow-through share") at an exercise price of $0.14 for a period of 36 months from the date of issuance.

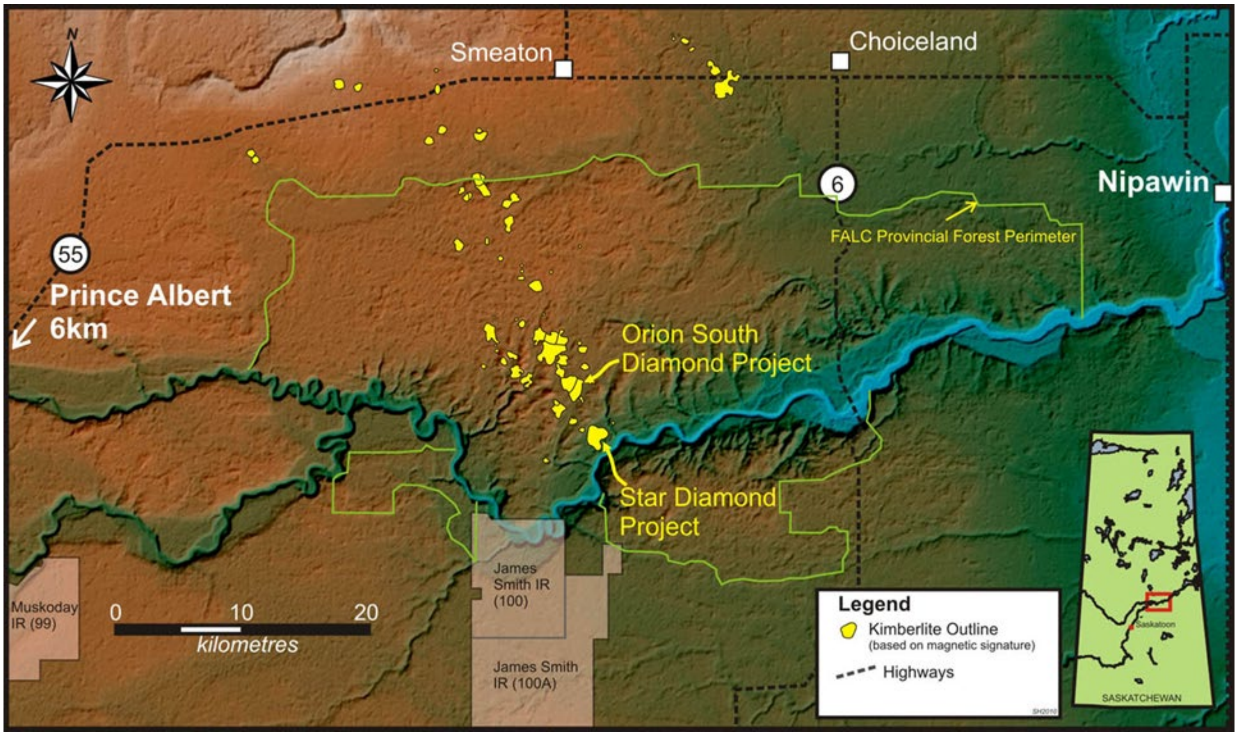
On January 26, 2024, the Company closed the second and final tranche of the Offering for gross proceeds of $785,901 bringing the total proceeds raised to $1,110,041. Pursuant to the closing of the second tranche, the Company issued: i) 8,548,905 units of the Company ("Units") at a price of $0.09 per Unit for gross proceeds of $769,401, with each Unit consisting of one common share of the Company (which is not a "flow-through share") and one share purchase warrant (a "Warrant"); and ii) 150,000 "flow-through" units ("FT Units") at price of $0.11 per FT Unit for gross proceeds $16,500, with each FT Unit consisting of one common share of the Company and one Warrant, each of which will qualify as a "flow-through share" for the purposes of the Income Tax Act (Canada). Each Warrant will entitle the holder thereof to acquire one additional common share of the Company (which shall not be a "flow-through share") at an exercise price of $0.14 for a period of 36 months from the date of issuance.

Effective March 1, 2024, the Board of Directors appointed Ewan Mason to the position of President and Chief Executive Officer. Mr. Mason had served as Interim President and Chief Executive Officer since January 1, 2023.

Fort à la Corne mineral properties

The Company currently holds a 25% interest in certain Fort à la Corne ("FALC") kimberlites (see November 28, 2023 news release: *Star Diamond Corporation to acquire Rio Tinto's 75% interest in Fort* à *La Corne Diamond Project*) including the Star and Orion South Kimberlites. The FALC mineral properties are located in the Fort à la Corne Provincial Forest, 60 km east of Prince Albert, Saskatchewan (see Figure 1). Highway 55, located to the north of the Project, connects Prince Albert with several towns located directly north of FALC to the town of Nipawin, east of FALC. Highway 6 runs north-south and is located to the east of FALC.

Figure 1: Location Map of the Star-Orion South Diamond Project.



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

In February 2024, Mr. Nelson Karun joined the Star Diamond Corporation technical team as a Diamond Specialist. Mr. Karun will be responsible for providing the Company with detailed diamond sorting and valuation information. Since 2021, Nelson has participated in detailed diamond breakage and sorting exercises of diamonds from the Star and Orion South Kimberlites. Consequently, he has already developed an intimate knowledge of the true character of our Star and Orion South diamond evaluation parcels. His first task is to complete a detailed valuation exercise on the Star and Orion South diamond parcels, as this will be an integral part of our planned revised Mineral Resource estimate for these kimberlites.

In addition, during the first quarter of 2024, Star Diamond continued to work with RTEC and the Saskatchewan Ministry of Environment representatives to ensure an orderly close to the Agreement between Star Diamond and RTEC (see "Corporate Developments").

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.

Recent activities relating to the Buffalo Hills mineral properties

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 a price can be modeled, but should still be used with caution.

The diamond valuation exercis**e** 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 a 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).

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 percent 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 and Board of Directors Changes

Effective March 1, 2024, the Board of Directors appointed Ewan Mason to the position of President and Chief Executive Officer. Mr. Mason had served as Interim President and Chief Executive Officer since January 1, 2023.

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.

On March 3, 2023 the Company announced the appointment of Marilyn Spink to the Board.

On December 28, 2022, the Company announced the resignation of Greg Shyluk as Chief Financial Officer, effective January 19, 2023. On February 9, 2023, Richard Johnson was appointed as his replacement.

Effective January 1, 2023, Lisa Riley was appointed the lead independent director of the Board as Mr. Mason stepped into an executive role.

Outlook

Fort à la Corne mineral properties

Subsequent to the successful close of the Agreement with RTEC (see "Corporate Developments"), Star Diamond's technical team will focus on the technical investigation and evaluation of the Star – Orion South Diamond Project, with the goal of a future development decision. The initial work aims to prepare a revised Mineral Resource estimate for the Star – Orion South Diamond Project, which will form the foundation of an updated Prefeasibility study ("PFS"). The PFS will enable a Feasibility Study, on which a production decision can be based.

Highlights

• The revised Mineral Resource estimate for the Star and Orion South kimberlites will integrate Star trench cutter diamond data, adding improvement to the diamond size frequency curves for both kimberlites.

• The mitigation of risk in the Orion South diamond price estimate: the 2018 Preliminary Economic Assessment ("PEA") demonstrated that it is economically efficient to mine the Orion South kimberlite first. However, Orion South has a significantly smaller evaluation diamond parcel than Star, adding some risk to the diamond price estimate for Orion South. We believe there is an opportunity to mitigate the risk in the Orion South diamond price estimate, without the necessity of additional bulk sampling to obtain a larger diamond evaluation parcel.

• The scoping of an updated PFS is expected to commence in 2024.

• These developments will likely give rise to the ability to complete the updated PFS within a two-year time frame and the Feasibility Study shortly thereafter. We anticipate these major studies will be completed at a substantially lower expenditure level than was previously contemplated.

Revised Mineral Resource Estimate

The goal of the revised mineral resource estimate is to integrate all of the drilling and diamond results recently generated by the Fort à la Corne Joint Venture, with archival data used to build the geological model, which forms the basis of the mineral resource estimate. Importantly, the diamond parcels recovered from the ten Trench Cutter ("TC") holes drilled on the Star kimberlite were recovered in an efficient, modern Bulk Sampling Plant ("BSP") that ensures excellent diamond liberation and recovery. The BSP includes High Pressure Grinding

Rolls that ensure liberation of the small diamonds (1-6 millimetre) locked in kimberlite, that are subsequently recovered by an efficient Dense Media Separator that operates in the same narrow 1 to 6 millimetre size range. The small diamonds (+1, +3 and +5 DTC) from the Early Joli Fou ("EJF") kimberlite unit of both Star and Orion South include significant proportions of D coloured octahedral diamonds, which have significant value (US$30 -US$50 per carat), which is unusually high for these small diamonds. The integration of the TC diamond data in the evaluation parcel aims to strengthen the diamond grade and price used in the Mineral Resource estimate. The aim of this work is to prepare a rigorously constrained Mineral Resource estimate by the end of Q2 2024. This revised Mineral Resource estimate will provide an improved foundation for the revised PFS.

Orion South Diamond Price

Orion South has shallower overburden (Orion South 100 metres, Star 140 metres) and higher diamond grade (Orion South 17 cpht, Star 10 cpht) kimberlite in direct contact with overburden, both of which ensure more rapid access to cash flow after overburden removal in a future mine. Consequently, the PEA demonstrated that it is economically efficient to mine Orion South first. However, there is a significant difference in the size of the evaluation diamond parcels recovered from the EJF, the principal economic unit in both Star and Orion South. The Orion South evaluation parcel includes only 1,399 carats, as opposed to the Star EJF parcel of 7,122 carats. In order to commence mining on Orion South, the risk associated with the estimation of diamond price on a smaller evaluation parcel needs to be mitigated. We believe that the close similarities of the kimberlite geology and diamond parcel characteristics for Star and Orion South can enable better estimation of the Orion South diamond price. We have developed a plan to conduct an in-depth investigation of the extent of similarities between the Star and Orion South EJF diamond populations, with the aim of mitigating the risk in the estimation of the diamond price for the Orion South EJF diamond parcel. The goal of this investigation is to accurately estimate the Orion South diamond price without the requirement of additional bulk sampling, which is both expensive and time consuming. The confidence generated in the Orion South diamond price will add to the precision of the mineral resource estimate.

Updated PFS

The scoping of an updated PFS is scheduled to commence in 2024 with the initial work focused on updating the hydrogeology and geotechnical models, in addition to the management of fines in plant process water. Changes in environmental legislation, since the PEA, require that deep groundwater pumped from the Mannville sediments to stabilize the open pits of a future mine will require a revised method of disposal. Geotechnical work will focus on the engineering of pit slopes, particularly in parts of the overburden, to ensure steeper pit slopes and, consequently, a significant reduction in overburden removal. The processing of some Orion South kimberlite results in plant process water from which the fines do not settle quickly or easily. Investigations will be made into the mechanical separation of the fines and the future of a fines management area, as this will minimize the use of "tailings ponds". Significant parts of the work completed for the 2018 PEA, including the mining method, process plant design, site layout and infrastructure, can be updated and incorporated into the updated PFS.

Buffalo Hills mineral properties

Management continues to review the recent results from the diamond valuation and typing analysis. Discussions are ongoing with Canterra to determine possible work programs and a potential path forward for the asset. A more detailed update on activities at the Buffalo Hills-JV will be provided as it becomes available.

Selected Annual Information

Selected financial information of the Company for each of the last three years is summarized as follows:

	2023 $	2022 $	2021 $
Net loss (millions)	2.8	68.8	7.7
Net loss per share [(1)]	0.01	0.15	0.02
Total current assets (millions)	0.6	2.7	1.5
Total current liabilities (millions)	0.9	0.7	3.1
Working capital (deficit) (millions)	(0.3)	2.0	(1.6)

(1) Basic and diluted.

Results of Operations

For the year ended December 31, 2023, the Company recorded a net loss of $2.8 million or $0.01 per share (basic and fully diluted) compared to a net loss of $68.8 million or $0.15 per share in 2022. The decrease in net loss year over year was due primarily to the prior year's impairment charge of $66.3 million combined with the mark-to-market loss on the Wescan Goldfields Inc. ("Wescan") investment offset by the elimination of the $0.9 million contingent consideration.

Interest and other income

For the years ended December 31, 2023 and 2022, the Company reported interest and other income of $43,000 and $42,000, 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 exploration and evaluation projects. Other revenue is measured at the fair value of the consideration received or receivable for goods and services in the normal course of business.

Expenses

Expenses incurred during the year ended December 31, 2023 were $2.9 million compared to $3.0 million in 2022. This result was due to lower administration expenditures partially offset by increased consulting and professional fees and corporate development costs. These amounts also include $0.4 million of share-based payments that were expensed during the year ended December 31, 2023 (2022 – $0.2 million).

Administration, consulting and professional fees and corporate development expenditures were $2.1 million for the current year compared to $2.2 million in 2022. This $0.1 million year over year decrease was primarily due to lower management fees incurred offset by increased accounting and legal fees, marketing costs and share-based compensation costs. Approximately $1.0 million (2022 – $1.4 million) of administration, consulting and professional fees and corporate development expenditures were made up of compensation costs, including share-based payments of $0.4 million (2022 – $0.2 million), incurred by the Company.

Exploration and evaluation expenditures were $0.7 million for the year ended December 31, 2023 compared to $0.8 million for the same period in 2022. Exploration and evaluation expenditures incurred during 2023 and 2022 primarily related to diamond analyses and test work for the Project as well as other costs associated with the Project. Approximately 72%, or $0.5 million (2022 – 59% or $0.4 million), of the exploration and evaluation expenditures were made up of compensation costs, including share-based payments, incurred by the Company.

Impairment charge

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.

Use of flow-through proceeds

	$millions
Flow-through proceeds raised during 2023 (1)	0.3
Flow-through eligible expenditures incurred to December 31, 2023	-
Remaining flow-through eligible expenditures to be incurred	0.3

(1) *During 2023, the Company raised $0.3 million from flow-through financing activities to be used on flow-through eligible exploration and evaluation expenditures. As of December 31, 2023, the Company is committed to incur $0.3 million of qualifying expenditures by December 31, 2024.*

Investment in Wescan Goldfields Inc.

At December 31, 2023, the Company held 5.8 million shares or 10.8% (December 31, 2022 – 5.8 million shares or 11.6%) of Wescan, a publicly traded company listed on the TSX Venture exchange. The fair value of this investment, based on the closing trading price at December 31, 2023, was $0.3 million (2022 – $0.2 million).

Financing

During the year ended December 31, 2023, the Company completed the first tranche of a private placement whereby an aggregate of 2,946,728 Flow-through units ("FT Units") were issued for gross proceeds of $0.3 million. Each Unit was comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share at a price of $0.14 for a period of 36 months from the date of issuance. During the year, the Company also issued common shares from treasury as a result of deferred share unit and restricted share unit redemptions.

Summary of Quarterly Results

	2023				**2022**			
	Qtr 4	**Qtr 3**	**Qtr 2**	**Qtr 1**	**Qtr 4**	**Qtr 3**	**Qtr 2**	**Qtr 1**
Total assets ($millions)	1.2	1.3	1.8	2.4	3.1	70.0	70.9	70.9
Total liabilities ($millions)	1.0	0.7	0.7	0.4	0.7	1.0	1.4	6.0
Expense ($millions)	1.0	0.6	0.6	0.7	1.3	0.3	0.7	0.7
Net loss ($millions)	1.0	0.6	0.9	0.3	66.7	0.5	0.7	0.9
Net loss per share (1) ($)	0.00	0.00	0.00	0.00	0.14	0.00	0.00	0.00
Shares outstanding (millions) **(2)**	482.7	476.4	476.0	476.0	476.0	476.0	473.9	455.5

(1) *Basic and diluted.*
(2) *During the fourth quarter of 2023 and second quarter of 2022, the Company completed two separate private placements. Other changes in shares outstanding were due to shares issued from treasury as a result of stock option and warrant exercises and Deferred Share Unit and Restricted Share Unit redemptions.*

Fourth quarter results

For the quarter ended December 31, 2023, the Company recorded a net loss of $1.0 million, or $0.00 per share, compared to a net loss of $66.7 million, or $0.14 per share, for the same period in 2022. This decreased loss was due to an impairment charge of $66.3 million in 2022 offset by a quarter over quarter decrease in operating costs and exploration and evaluation expenditures.

Expenses incurred during the quarter ended December 31, 2023 were $1.0 million compared to $1.3 million for the same period in 2022.

Exploration and evaluation expenditures incurred during the quarter ended December 31, 2023 were $0.2 million, compared to $0.3 million during the same period in 2022. Exploration and evaluation expenditures incurred during the quarters ended December 31, 2023 and 2022 were primarily related to diamond analyses and test work for the Project as well as other costs associated with the Project.

In addition, administration, consulting and professional fees, and corporate development expenditures for the quarters ended December 31, 2023 were $0.8 million, compared to $1.0 million during the same period in the prior year. The decrease was due to $0.5 million decrease in management fees offset by increases to legal fees, marketing costs and share-based payments incurred in 2023.

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, is as follows:

	December 31, 2023	December 31, 2022
Director fees	$ 121	$ 203
Salaries to key management personnel	214	171
Consulting and management fees to related companies	222	745
Share-based payments	247	146
Total compensation paid to key management personnel	$ 804	$ 1,265

The amounts disclosed in the table above are the amounts recognized as an expense during the reporting period related to key management personnel, of which $0.1 million is reflected in accounts payable and accrued liabilities at December 31, 2023. 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 and DSUs was determined based on the five-day volume weighted average trading price of the Company's shares preceding the date of grant.

The compensation paid to key management personnel is included in the Company's statements of loss and comprehensive loss as follows:

	December 31, 2023	December 31, 2022
Administration	$ 629	$ 1,265
Exploration and evaluation	175	-
Total compensation paid to key management personnel	$ 804	$ 1,265

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 December 31, 2023 the Company had $0.6 million (2022 – $2.6 million) in cash and cash equivalents and a working capital deficit of $(0.3) million (2022 - $2.0 million). The decrease in working capital was a result of administrative and exploration and evaluation expenditures incurred during the year offset by proceeds received from the December 2023 private placement. Subsequent to December 31, 2023, the Company closed the second and final tranche of a non-brokered private placement. However, the ability of the Company to continue as a going concern and fund its expenses in an orderly manner will require additional forms of financings.

Outstanding Common Shares, Options, Warrants, RSUs and DSUs

At December 31, 2023, and the date of this report, the Company had:

	December 31, 2023	Date of this report
Common shares	482,671	491,370
Warrants and broker warrants	20,399	29,118
Stock Options	24,490	24,490
Restricted Share Units	1,500	1,500
Deferred Share Units	2,163	2,163

A summary of the warrants and broker warrants outstanding and exercisable at December 31, 2023 is as follows:

Exercise Price	Number Outstanding	Expiry Date
$		
0.40[1]	14,322	April 6, 2024
0.40[1]	2,812	April 21, 2024
0.11	159	December 29, 2026
0.14	3,106	December 29, 2026

(1) During the first quarter of 2024, the Company extended the expiry date and amended the exercise price of those warrants expiring April 6 and April 21, 2024 (see February 8, 2024 news release: *Star Diamond Announces Amendment to Warrants*).

The following table summarizes the year's stock options activities as follows:

	December 31, 2023		December 31, 2022	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		$		$
Outstanding, beginning of year	18,478	0.21	19,742	0.21
Granted	7,760	0.09	200	0.125
Exercised	-	-	(375)	0.19
Expired	(1,748)	0.19	(1,089)	0.20
Outstanding, end of year	24,490	0.17	18,478	0.21

The following table summarizes the year's Restricted Share Units activities as follows:

	December 31 2023	December 31 2022
Outstanding, beginning of year	3,427	4,532
Granted	1,500	1,000
Redeemed for common shares from treasury	(3,323)	(2,105)
Forfeited	(104)	-
Outstanding, end of year	1,500	3,427

The following table summarizes the year's Deferred Share Unit activities as follows:

	December 31 2023	December 31 2022
Outstanding, beginning of year	1,017	1,017
Granted	1,550	-
Redeemed for common shares from treasury	(404)	-
Outstanding, end of year	2,163	1,017

Financial Instruments

As at December 31, 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 the majority of the Company's cash and cash equivalents are held by financial institutions with a AA credit rating. At December 31, 2023, the Company's credit risk relates to its cash and cash equivalents of $0.6 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. At December 31, 2023, the Company had a working capital deficit of $0.3 million including cash and cash equivalents of $0.6 million. Subsequent to December 31, 2023, the Company closed the second and final tranche of a non-brokered private placement. However, the ability of the Company to continue as a going concern and fund its expenses in an orderly manner will require additional forms of financings.

At December 31, 2023, the Company is committed to trade payables and operating leases as set out in the following table, on an undiscounted basis:

Trade payables and accrued liabilities	$787
Lease payments	72
Total	$859

The Company may pursue options to finance further exploration, evaluation and/or development as it currently does not have sufficient funds to bring any of its property interests into production from its own financial resources. Financing options may include equity financing, debt financing or other means. 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.

The Company 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 December 31, 2023, the Company has a working capital deficit of $0.3 million including cash and cash equivalents of $0.6 million. The ability of the Company to continue as a going concern and fund general and administrative expenses in an orderly manner will require further sources of financing by the end of 2024. There is no assurance that the Company will be successful in obtaining required financing at an acceptable cost as and when needed or at all. Failure to obtain additional financing on a timely basis may cause the Company to postpone exploration and/or evaluation plans, forfeit rights in its properties or reduce or terminate its operations. The Company is assessing opportunities to address the issue of liquidity.

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.

Foreign currency risk:

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and US dollar or other foreign currencies will affect the Company's operations and financial results. The Company does not have significant exposure to foreign exchange rate fluctuation since transactions and balances in foreign currencies are minimal, if any.

Interest rate risk:

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash and cash equivalents held with chartered Canadian financial institutions. The Company considers this risk to be immaterial.

Equity price risk:

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 recommendations on any sale taken to the Company's Board of Directors. A ten percent decrease in the market price of Wescan would result in a $26,000 decrease in fair value.

Critical Accounting Estimates and Judgments

The financial statements for the year ended December 31, 2023 have been prepared in accordance with IFRS issued by the IASB. The Company's material accounting policies are described in Note 4 to the financial statements for the year ended December 31, 2023. 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 year ended December 31, 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, reserve and resource estimation, asset valuations and impairment and/or impairment reversal of exploration and evaluation assets and share-based payment transactions. These are discussed in more detail in Note 5 of the Company's financial statements for the year ended December 31, 2023.

Accounting Changes

Accounting Changes during the period

Effective January 1, 2023, the Company adopted the amendment to IAS 1 Presentation of Financial Statements that requires the disclosure of material accounting policies rather than significant accounting policies. The adoption of this amendment did not have a material impact on the consolidated financial statements for 2023.

IFRS standards issued but not yet effective

The IASB has announced amendments to accounting standards and interpretations and new accounting standards that are effective for annual periods beginning on or after January 1, 2024. The Company does not expect that these changes will have a material impact on the Company's consolidated financial statements on adoption.

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 ("CEO") and Chief Financial Officer ("CFO"), 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.

As at the end of the period covered by this MD&A and accompanying consolidated financial statements, the CEO and the CFO have reviewed and evaluated the design and effectiveness of the Company's disclosure controls and procedures. Based on that evaluation, the CEO and the CFO have concluded that the Company's disclosure controls and procedures were effective as at December 31, 2023.

There have been no significant changes in the Company's disclosure controls during the year ended December 31, 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 CEO and the CFO and effected by the Company's board of directors, have designed the Company's internal controls over financial reporting as of December 31, 2023 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.

Management, including the CEO and the CFO, assessed the effectiveness of the Company's internal controls over financial reporting as at December 31, 2023. In making its assessment, management, including the CEO and the CFO, used the criteria set forth in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concluded that the Company's internal controls over financial reporting were effective as at December 31, 2023.

There have been no significant changes to internal controls over financial reporting during the year ended December 31, 2023 that could have materially affected or are reasonably likely to materially affect the Company's internal controls over financial reporting.

Risks and Uncertainties

The securities of the Company are highly speculative due to the nature of the Company's business as well as the present stage of exploration and development of its mineral properties. The material risk factors and uncertainties, which should be considered in assessing the Company's activities, are described under the heading "Risks and Uncertainties" in the Company's most recent Annual Information Form which is available on SEDAR+ at www.sedarplus.ca. The reader is cautioned that the descriptions of risks and uncertainties is not all inclusive as it pertains to conditions currently known to Management. There can be no guarantee or assurance that other factors will or will not adversely affect the Company.

Technical Information

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

Caution regarding Forward-looking Statements

This MD&A contains forward-looking statements as defined by certain securities laws, including the "safe harbor" 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 programs previously performed by Rio Tinto Canada; statements regarding future work programs by the Company; 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.

All 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, 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.

Consolidated Financial Statements
December 31, 2023

Management's Responsibility for Consolidated Financial Statements

The accompanying consolidated financial statements of Star Diamond Corporation are the responsibility of management and have been approved by the Board of Directors.

Management, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board, has prepared the consolidated financial statements. The consolidated financial statements include some amounts that are based on best estimates and judgments.

The management of the Company, in furtherance of the integrity and objectivity of data in the consolidated financial statements, has developed and maintains a system of internal accounting controls. Management believes the internal accounting controls provide reasonable assurance that financial records are reliable and form a proper basis for preparation of consolidated financial statements and that assets are properly accounted for and safeguarded. The internal accounting control process includes management's communication to employees of policies that govern ethical business conduct.

The Board of Directors carries out its responsibility for the consolidated financial statements principally through its audit committee, consisting entirely of outside directors. The audit committee reviewed the Company's annual consolidated financial statements and recommended their approval to the Board of Directors. The shareholders' auditors have full access to the audit committee, with and without management being present.

The shareholders' auditor, KPMG LLP, Chartered Professional Accountants, in accordance with Canadian Auditing Standards, have examined these consolidated financial statements and their independent professional opinion on the fairness of the consolidated financial statements is attached.

"Ewan Mason"
Ewan Mason
Chief Executive Officer

"Richard Johnson"
Richard Johnson
Chief Financial Officer

Saskatoon, Saskatchewan
March 25, 2024

KPMG LLP
500-475 2nd Avenue South
Saskatoon Saskatchewan S7K 1P4
Canada
Tel 306-934-6200
Fax 306-934-6233

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Star Diamond Corporation

Opinion

We have audited the consolidated financial statements of Star Diamond Corporation (the Entity) which comprise:

- the consolidated statements of financial position as at December 31, 2023 and December 31, 2022
- the consolidated statements of loss and comprehensive loss for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2023 and December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit 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 Financial Statements**" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the 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 is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 3 in the financial statements, which indicates that the Entity requires additional funding to finance its operating activities.

As stated in Note 3 in the financial statements, these events or conditions, along with other matters as set forth in Note 3 in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Entity'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 financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the 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 the auditor's report, we have determined that there are no other key audit matters to communicate in our auditor's report.

Other Information

Management is responsible for the other information. Other information comprises the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 the 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 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 Entity'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 Entity'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 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the 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 auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditor's report is Scott Douglas Verity.

Saskatoon, Canada

March 25, 2024

Star Diamond Corporation

Consolidated Statements of Financial Position

For the years ended December 31

(Cdn$ in thousands)	**2023**	2022
Assets		
Current assets:		
Cash and cash equivalents	**$ 553**	$ 2,610
Receivables	**17**	18
Prepaids	**36**	50
	606	2,678
Investment in Wescan Goldfields Inc. (note 7)	**261**	232
Property and equipment (note 8)	**294**	160
	$ 1,161	$ 3,070
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 19(b))	**$ 787**	$ 678
Current portion of lease liability (note 9)	**72**	39
	859	717
Lease liability (note 9)	**121**	-
	980	**717**
Shareholders' equity:		
Share capital (note 14)	**855,831**	854,938
Warrants (note 14)	**1,550**	2,495
Broker warrants (note 14)	**52**	41
Contributed surplus	**35,310**	34,618
Accumulated deficit	**(892,562)**	(889,739)
	181	2,353
	$ 1,161	$ 3,070

Going concern (note 3)

Commitment - Exit Agreement (note 21)

Subsequent events (note 22)

On behalf of the Board:

"Lisa Riley"
Lisa K. Riley, Audit Chair

"Larry Phillips"
Larry E. Phillips, Director

See accompanying notes to consolidated financial statements

Star Diamond Corporation

Consolidated Statements of Loss and Comprehensive Loss

For the years ended December 31

(Cdn$ in thousands, except for share data)		**2023**		2022
Income				
Interest and other income	**$**	**43**	$	42
Expenses				
Administration		**1,561**		2,110
Consulting and professional fees		**399**		74
Corporate development		**174**		41
Exploration and evaluation (note 11)		**746**		757
		2,880		2,982
Loss before the under noted items		**(2,837)**		(2,940)
Unwinding of discount of environmental rehabilitation provision (note 12)		**-**		(4)
Unwinding of discount of lease liability (note 9)		**(15)**		(4)
Impairment charge (note 10)		**-**		(66,344)
Contingent consideration (note 10)		**-**		940
Investment in Wescan Goldfields Inc. (note 7)		**29**		(436)
Net and comprehensive loss for the year	**$**	**(2,823)**	$	(68,788)
Net loss per share				
Basic and diluted (note 15)	**$**	**(0.01)**	$	(0.15)
Weighted average number of shares outstanding (000's)		**476,418**		469,298

See accompanying notes to consolidated financial statements

Star Diamond Corporation
Consolidated Statements of Cash Flows
For the years ended December 31

(Cdn$ in thousands)	**2023**	2022
Cash provided by (used in):		
Operations:		
Net loss	**$ (2,823)**	$ (68,788)
Adjustments:		
Depreciation on property and equipment	**91**	98
Investment in Wescan Goldfields Inc. (note 7)	**(29)**	436
Impairment charge	**-**	66,344
Contingent consideration	**-**	(940)
Fair value of share-based payments expensed (note 16)	**353**	164
Unwinding of discount and changes to environmental rehabilitation provision	**-**	(265)
Unwinding of discount and changes to lease liability (note 9)	**15**	4
Net change in non-cash operating working capital items:		
Receivables	**1**	131
Prepaids	**14**	30
Accounts payable and accrued liabilities	**109**	(2,161)
	(2,269)	(4,947)
Investing:		
Purchases of property and equipment	**-**	(12)
Restricted cash	**-**	622
	-	610
Financing:		
Issuances of equity through financings, net of issue costs (note 14)	**298**	4,863
Issuances of equity from option, warrant and broker warrant exercises	**-**	901
Lease liability payments (note 9)	**(86)**	(82)
	212	5,682
Increase (decrease) in cash and cash equivalents	**(2,057)**	1,345
Cash and cash equivalents, beginning of year	**2,610**	1,265
Cash and cash equivalents, end of year	**$ 553**	$ 2,610
Cash and cash equivalents consists of:		
Cash	**$ 439**	$ 2,610
Guaranteed Investment Certificate	**114**	-
	$ 553	$ 2,610

See accompanying notes to consolidated financial statements

Star Diamond Corporation

Consolidated Statements of Changes in Equity

For the years ended December 31

(Cdn$ in thousands)	2023	2022
Share capital (note 14)		
Balance, beginning of year	$ 854,938	$ 849,973
Shares issued on redemption of deferred share units	84	4,965
Shares issued on redemption of restricted share units	624	-
Shares issued from flow through private placement (net of issue costs)	185	-
Balance, end of year	$ 855,831	$ 854,938
Warrants (note 14)		
Balance, beginning of year	$ 2,495	$ 1,194
Issued	102	1,449
Exercised	-	(133)
Expired	(1,047)	(15)
Balance, end of year	$ 1,550	$ 2,495
Broker warrants (note 14)		
Balance, beginning of year	$ 41	$ 96
Issued	11	41
Exercised	-	(96)
Balance, end of year	$ 52	$ 41
Contributed surplus		
Balance, beginning of year	$ 34,618	$ 34,901
Share-based payments - options granted (note 16)	162	14
Share-based payments - deferred share units (note 16)	140	-
Share-based payments - restricted share units (note 16)	51	150
Options exercised (note 16)	-	(41)
Restricted share unit redemptions (note 16)	(624)	(421)
Warrants expired (note 16)	1,047	15
Deferred share unit redemptions (note 16)	(84)	-
Balance, end of year	$ 35,310	$ 34,618
Accumulated deficit		
Balance, beginning of year	$ (889,739)	$ (820,951)
Net loss	(2,823)	(68,788)
Balance, end of year	$ (892,562)	$ (889,739)
Total Shareholders' equity	$ 181	$ 2,353

See accompanying notes to consolidated financial statements

1. Corporate information

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

2. Basis of preparation

The consolidated financial statements of the Company for the year ended December 31, 2023 were authorized for issue by the Company's Board on March 25, 2024. The consolidated financial statements of the Company and all its subsidiaries have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB"). The Company's financial statements have been prepared on a historical cost basis, except as disclosed, using the Company's functional currency of Canadian dollars.

3. Going concern

These 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 December 31, 2023, the Company had an excess of current liabilities over current assets of $0.3 million including cash and cash equivalents of $0.6 million. In addition, the Company had negative cash flows from operations of $2.3 million, an accumulated deficit of $892.6 million and currently does not generate revenue. Subsequent to December 31, 2023, the Company closed the second and final tranche of a non-brokered private placement (see note 22). However, the ability of the Company to continue as a going concern and fund its expenses in an orderly manner will require additional forms of financings.

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

These 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. Summary of material accounting policies

The Company's principal accounting policies are outlined below:

a. Basis of consolidation

i. *Subsidiaries*

The consolidated financial statements include the financial statements of the Company and its subsidiaries. All intra-company transactions, balances, income and expenses are eliminated in full on consolidation. The Company's significant subsidiaries include Kensington Resources Ltd. and Shore Mining and Development Corporation, both wholly-owned Canadian corporations.

ii. *Interests in joint operations and other contractual arrangements*

A joint operation involves joint control and offers joint ownership by the Company and other venturers of assets contributed to or acquired for the purpose of a joint arrangement, without the formation of a corporation, partnership or other entity. Where the Company's activities are conducted through a joint operation, the Company recognizes its share of the jointly-controlled assets, and liabilities it has incurred, related revenue and operating costs in the financial statements and a share of their production, if any.

A contractual arrangement may involve circumstances in which the Company and other parties contribute or acquire assets, without the formation of a corporation, partnership or other entity, where joint control of the arrangement no longer exists or where there is not joint control of the arrangement. Where the Company's activities are conducted through such a contractual arrangement, the Company recognizes its share of the assets, liabilities it has incurred, related revenue and operating costs in the financial statements and a share of their production, if any.

When the Company, acting as an operator, receives reimbursement of direct and indirect costs recharged to the other venturers such recharges represent reimbursement of costs that the operator incurred as an agent for the arrangement. The Company does not recognize any consideration for the value of work performed by the other participants in a joint operation or a contractual agreement.

b. Financial instruments

i. Non-derivative financial assets

IFRS 9 includes three classifications for financial assets; measurement at fair value through profit or loss, measurement at fair value through comprehensive income and measurement at amortized cost.

Financial assets at fair value through profit or loss

A financial asset is classified as fair value through profit or loss ("FVPL") upon initial recognition. Financial assets designated as FVPL are measured at fair value and changes therein are recognized in profit or loss. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets designated as FVPL are comprised of the Company's equity investment in Wescan Goldfields Inc.

Financial assets at fair value through comprehensive income

Entities can make an irrevocable election at initial recognition to classify the instruments as measured at fair value through other comprehensive income ("FVOCI"), with all subsequent changes in fair value being recognized in other comprehensive income. This election is available for each separate investment. The Company has not made this election.

Financial assets measured at amortized cost

Financial assets measured at amortized cost are comprised of the Company's cash and cash equivalents and receivables. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, financial assets measured at amortized cost are measured at amortized cost using the effective interest method, less impairment losses.

ii. Non-derivative financial liabilities

The Company classifies non-derivative financial liabilities into financial liabilities at FVPL and financial liabilities at amortized cost.

Financial liabilities at fair value through profit and loss

A financial liability is classified as FVPL upon initial recognition. Financial liabilities designated as FVPL are measured at fair value and changes therein are recognized in profit or loss. Attributable transaction costs are recognized in profit or loss as incurred.

Financial liabilities at amortized cost

Financial liabilities at amortized cost are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities at amortized cost are comprised of the Company's accounts payable and accrued liabilities.

iii. *Impairment*

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications of significant financial difficulty and where observable data indicate that there is a measurable decrease in the estimated future cash flows.

Under IFRS 9, the Company recognizes a loss allowance using the expected credit loss model on financial assets that are measured at amortized cost. Credit losses are measured at the present value of all cash shortfalls expected. Expected credit losses are discounted at the effective interest rate of the financial asset.

c. Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments that, upon acquisition, have a term to maturity of three months or less.

d. Property and equipment

Property and equipment is stated at cost less accumulated depreciation and any impairment in value. Such cost includes cost of replacing parts that are eligible for capitalization when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement only if it is eligible for capitalization. All other repairs and maintenance are expensed as incurred. Property and equipment costs are tangible.

Depreciation is calculated using the declining balance method except for leases and leasehold improvements, which are depreciated on a straight-line basis over a term equal to the remaining life of the current lease agreement or the estimated useful lives. Annual depreciation rates are as follows:

Buildings, leases and leasehold improvements	10% to 20%
Computer equipment	30%
Computer software	100%
Furniture and equipment	20% to 30%

The carrying value of items of property and equipment is reviewed for impairment at each reporting period or when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists, the recoverable amount is estimated and compared to the carrying value. Where the carrying values of an asset exceed its estimated recoverable amount, the asset is considered impaired and is written down to its recoverable amount and the impairment is included in "administration" or "exploration and evaluation" expense in the statements of loss and comprehensive loss.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset is included in the statements of loss and comprehensive loss in the year the item is derecognized.

e. Leases

The Company assesses whether a contract is or contains a lease, at inception of a contract. At the commencement date of the lease (the date the underlying asset is available for use) the Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee. Right-of-use assets are measured at cost, less any accumulated depreciation and accumulated impairment losses, and adjusted for any remeasurement of lease liabilities. Cost of right-of-use assets is comprised of the initial measurement amount of the lease liabilities recognized, adjusted for: any lease payments made at or before the commencement date; lease incentives received; initial direct costs incurred; and estimated costs to dismantle or remove the underlying asset. The right-of-use asset is depreciated over the shorter of the lease term and the useful life of the underlying asset. Right-of-use assets are assessed for impairment at each reporting date.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. The lease liability is subsequently measured by increasing its carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. The carrying amount of a lease liability is remeasured when there is a change in future lease payments or if the company changes its assessment of whether it will exercise a termination, extension or purchase option. The remeasurement amount of the lease liability is recognized as an adjustment to the right-of-use asset.

The Company has elected not to recognize assets and lease liabilities for short-term leases that have a lease term of twelve months or less, and leases of low-value assets. Lease payments associated with these leases are recognized as an expense over the lease term.

Right-of use assets are included in Buildings, Leases and Leasehold Improvements and lease liabilities are presented in Lease liability on the Statements of Financial Position.

f. Exploration and evaluation

i. Pre-permit costs

Pre-permit costs are expensed in the period in which they are incurred. These costs are intangible.

ii. Exploration and evaluation costs

Once the legal right to explore has been established, exploration and evaluation expenditures are expensed as incurred, until the Company concludes that a future economic benefit is more likely than not to be realized through future development and production.

Exploration and evaluation expenditures incurred on permits where a National Instrument ("NI") 43-101 compliant reserve and a final feasibility study have not yet been completed are expensed during this phase and included in "exploration and evaluation" expense in the statements of loss and comprehensive loss.

Upon the establishment of a NI 43-101 compliant reserve and the completion of a final feasibility study (at which point, the Company considers it probable that economic benefits will be realized) and the Company has made a development decision, the Company capitalizes any further costs incurred with respect to expenses incurred for development of the asset. Exploration and evaluation assets are initially measured at cost and classified as tangible assets.

Once NI 43-101 compliant reserves are established and development is approved by the Company, previously capitalized exploration and evaluation assets that will be transferred to "mine development costs" are tested for impairment on a cash-generating unit ("CGU") basis. If the carrying amount exceeds the recoverable amount, the difference is charged to the statements of loss and comprehensive loss. No amortization of exploration and evaluation assets is charged during the exploration and evaluation phase nor while it is under construction.

Exploration and evaluation assets acquired in a business combination or through purchase of an asset are initially recognized at fair value. These costs are intangible. Each reporting period, the Company assesses CGUs to determine whether an indication of impairment exists, the CGU being the lowest level of integrated assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Where an indicator of impairment exists, an estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the CGU to which the asset belongs. These assets are subsequently stated at cost less accumulated impairment.

Exploration and evaluation assets are assessed for impairment at each reporting period to determine whether facts and circumstances indicate that the carrying amount may exceed its recoverable amount. In circumstances where indicators of impairment exist, an impairment test is required to determine if the carrying amount of the exploration and evaluation asset exceeds its estimated recoverable amount. To the extent this occurs, the asset is assessed for impairment and any impairment is fully provided against the carrying amount, in the financial year in which this is determined.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. The carrying amount of the asset or CGU is increased to its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. The reversal of an impairment loss is recognized immediately in the statements of loss and comprehensive loss.

g. Employment Benefits

i. *Wages and salaries, and annual leave*

Wages, salaries and other compensation are measured on an undiscounted basis and are recognized as the related service is provided. The liability for employee entitlements to wages and salaries represents the amount which the Company has a present obligation to pay resulting from services provided up to the reporting date. A provision exists for annual leave as it is earned and is measured at the amount expected to be paid when it is settled and includes all related costs.

ii. *Short-term benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

iii. *Termination benefits*

Termination benefits are recognized as an expense when the Company is committed to provide termination benefits in accordance with certain contracts provided to officers of the Company. If benefits are payable for more than 12 months after the reporting date, then those benefits are discounted to their present value.

iv. *Share-based payment transactions*

The grant-date fair value of share-based payment awards granted to employees, service providers, officers or directors is recognized as an expense, with a corresponding increase in equity, over the period that the participant unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met.

h. Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money 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 the risks specific to the liability. The unwinding of the discount is recognized in the statements of loss and comprehensive loss.

i. Income tax

Income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax effect is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax balances attributable to amounts recognized directly in equity are also recognized directly in equity.

j. <u>Flow-through shares</u>

The Company may finance a portion of its exploration and evaluation activities through the issuance of flow-through shares. Upon the sale of flow-through shares, the Company recognizes a liability for the excess purchase price paid by the investors over the fair value of common shares without the flow-through feature (the "premium") and records the fair value of the shares in equity. When the expenditures are incurred, the liability is reversed and a deferred tax liability is recorded for the amount of the benefits renounced to the investors. To the extent the Company has unrecognized tax benefits from loss carry forwards or other tax pools in excess of book value, the Company will offset the future income tax liability resulting in the premium being recognized in the statements of loss and comprehensive loss. When incurred, the Company accounts for taxes applied to unspent flow through proceeds as administration expenses.

k. <u>Share-based payments</u>

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of share-based payments in the form of deferred share units ("DSUs"), performance share units ("PSUs") and restricted share units ("RSUs") is determined based on the five-day volume weighted average trading price of the Company's shares preceding the date of grant and the units that are expected to vest. The Company does not intend to make cash payments and there is no history of the Company making cash payments under these plans and, as such, the DSUs, PSUs and RSUs are accounted for within shareholders' equity. The fair value of share-based payments in the form of options is determined using the Black-Scholes model. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 16.

l. <u>Revenue and interest income</u>

Sales of rough diamonds, if any, are recognized when control transfers to the customer, the amount of sales can be measured reliably and the receipts of future economic benefits are probable. Sales are measured at the fair value of the consideration received or receivable. All of the Company's property interests are currently in the exploration and evaluation stage and therefore do not generate sales revenue.

Interest income is recognized as the interest accrues. Other revenue is measured at the fair value of the consideration received or receivable for goods and services in the normal course of business, net of discounts and other sales-related taxes.

5. Critical accounting judgments and key sources of estimation uncertainty

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

The effect of a change in an accounting estimate is recognized prospectively by including it in total comprehensive profit or loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

<u>Critical judgments in applying accounting policies</u>

<u>Impairment indicators for exploration and evaluation assets</u>
Management exercises judgment in determining when an indicator of impairment or reversal of impairment exists. In making this determination, management uses several criteria in its assessment of impairment indicators for exploration and evaluation assets including factors such as the period for which the Company has the right to explore, expected renewals of exploration rights, whether substantive expenditures on further exploration and evaluation resource assets are budgeted, results of exploration and evaluation activities on the exploration and evaluation assets and whether sufficient data exists to indicate that the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

<u>Key sources of estimation uncertainty</u>

The areas of estimation uncertainty considered by management that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements are discussed below:

<u>Impairment of exploration and evaluation assets</u>
Where an indicator of impairment or reversal of impairment exists, an estimate of the recoverable amount of exploration and evaluation assets is made, which is based on the greater of fair value less cost of disposal and value in use. The determination of the recoverable amount requires the use of estimates and assumptions such as discount rates, future commodity prices, future foreign exchange rates, future royalty rates, recoverable grades, and future capital and operating expenditures. Fair value for exploration and evaluation assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset. Cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. If the Company does not have sufficient information about a particular mineral resource property to meaningfully estimate future cash flows, the fair value is estimated by management through comparison to similar market assets and, where available, industry benchmarks.

<u>Share-based payment transactions</u>
The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them.

6. Changes in IFRS

a. <u>IFRS standards, amendments and interpretations effective during the year</u>

Effective January 1, 2023, the Company adopted the amendment to IAS 1 *Presentation of Financial Statements* that requires the disclosure of material accounting policies rather than significant accounting policies. The adoption of this amendment did not have a material impact on the consolidated financial statements for 2023.

b. <u>IFRS standards issued but not yet effective</u>

The IASB has announced amendments to accounting standards and interpretations and new accounting standards that are effective for annual periods beginning on or after January 1, 2024. The Company does not expect that these changes will have a material impact on the Company's consolidated financial statements on adoption.

7. Investment in Wescan Goldfields Inc.

At December 31, 2023, the Company held 5.8 million shares or 10.8% (December 31, 2022 – 5.8 million shares) of Wescan Goldfields Inc. ("Wescan"), a publicly traded company on the TSX Venture exchange.

At December 31, 2023, the fair value of this investment was $0.3 million (December 31, 2022 – $0.2 million).

8. 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	-	-	(1)	(1)
Balance – December 31, 2023	**$ 946**	**$ 56**	**$ 428**	**$ 1,430**

	Buildings, Leases and Leasehold Improvements	Computer Software and Equipment	Furniture and Equipment	Total
Accumulated depreciation and impairment				
Balance – December 31, 2021	$ (494)	$ (62)	$ (422)	$ (978)
Charge for the year	(91)	(5)	(2)	(98)
Eliminated on disposals	-	25	5	30
Balance – December 31, 2022	$ (585)	$ (42)	$ (419)	$ (1,046)
Charge for the year	(85)	(4)	(2)	(91)
Eliminated on disposals	-	-	1	1
Balance – December 31, 2023	**$ (670)**	**$ (46)**	**$ (420)**	**$ (1,136)**

	Buildings, Leases and Leasehold Improvements	Computer Software and Equipment	Furniture and Equipment	Total
Net book value				
Balance – December 31, 2022	$ 136	$ 14	$ 10	$ 160
Balance – December 31, 2023	**$ 276**	**$ 10**	**$ 8**	**$ 294**

9. 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.

A summary of the lease liability is as follows:

	Year Ended December 31, 2023	Year Ended December 31,2022
Lease liability, beginning of year	**$ 39**	$ 117
Additions	**225**	-
	264	117
Lease payments	**(86)**	(82)
Unwinding of discount and changes to lease liability	**15**	4
Total lease liability	**193**	39
Less: current portion	**(72)**	(39)
	$ 121	$ -

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

Less than one year	$ 88
Two to three years	132
Total undiscounted lease liability - December 31, 2023	**$ 220**

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.

10. Exploration and evaluation assets

Fort à la Corne diamond properties

As of December 31, 2023, the Company holds a 25% interest in the Fort à la Corne diamond properties located in the central part of Saskatchewan, Canada (the "Project") through a contractual agreement with Rio Tinto Exploration Canada Inc. ("RTEC").

In December 2021, the Company entered into binding agreements with RTEC whereby:

- All expenditures on the Project prior to December 31, 2021 would be the sole responsibility of RTEC;
- All expenditures between January 1, 2022 and the public announcement of a decision to develop a diamond mining operation, based upon the completion of a positive feasibility study, would initially be advanced by RTEC. The Company was not required to reimburse RTEC for the Company's share of these expenditures unless and until commercial production had been achieved. The effect of the foregoing is that the Company had no obligation to contribute additional investment to the Project until a decision to develop the mine was made and publicly announced;
- Once the decision to develop the mine had been made and announced, the Company would have had six months to begin contributing the Company's share of the capital costs and expenditures required to build the mine.

On June 28, 2022, RTEC exercised its voting power at a meeting of the Fort à la Corne joint venture management committee to place the Project on care and maintenance through December 31, 2022. RTEC also advised that, subject to fulfilling its existing obligations, it did not intend to commit additional capital to the Project properties beyond what was necessary for care and maintenance and remediation. RTEC also advised the Company that it intended to conduct a near-term review of its alternatives regarding the Project, including its potential exit.

The actions by RTEC, 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 2022, the Company recognized an impairment of $66.3 million on its 25% share of the Fort à la Corne asset leaving it fully impaired.

The Project was subject to consideration up to $3.2 million to former owners if a positive decision was made to develop a mine on the property. The liability for contingent consideration of $0.9 million was determined to be $nil at December 31, 2023 and 2022.

On November 28, 2023, the Company entered into a binding agreement with RTEC, providing for the transfer by RTEC to Star Diamond of all of RTEC's 75% interest in the Project located in central Saskatchewan (see note 21).

Buffalo Hills-JV

At December 31, 2023 and 2022 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 December 31, 2023 and 2022 is $nil.

11. Exploration and evaluation expenses

The Company's exploration and evaluation expense for the year ended December 31, is comprised of the following:

	December 31, 2023	December 31, 2022
Fort à la Corne properties		
Depreciation of property and equipment	**$ 6**	$ 6
Exploration and evaluation	**671**	974
Revisions to environmental rehabilitation provision (note 12)	**-**	(269)
Share-based payments (note 16)	**33**	6
Total	**710**	717
Buffalo Hills property		
Exploration and evaluation	**36**	40
Total	**$ 746**	$ 757

12. Environmental rehabilitation provision

	Fort à la Corne properties
Balance – December 31, 2021	$ 265
Revisions in estimates	(269)
Unwinding of discount	4
Balance – December 31, 2022	$ -
Revisions in estimates	-
Unwinding of discount	-
Total	$ -
Less: Estimate of current portion	-
Long-term portion – December 31, 2023	$ -

The environmental rehabilitation provision represented the estimated present value of decommissioning and rehabilitation costs relating to exploration and evaluation work conducted on the Project by the Company. The Company was previously required to decommission and rehabilitate exploration and evaluation sites to a condition acceptable to the relevant authorities. Provisions were based on the Company's internal estimates and external information where available.

During 2022, as a result of RTEC assuming responsibility for all of the Project remediation, the Company was released from its decommissioning and rehabilitation obligations.

13. Deferred tax assets and liabilities

Reconciliation between expected tax recovery for accounting purposes and actual recovery

The provision for income taxes differs from the amount computed by applying the combined expected federal and provincial income tax rate to earnings before income taxes for the following reasons:

	December 31, 2023	December 31, 2022 Adjusted[1]
Net loss before income taxes	**$ (2,823)**	$ (68,788)
Combined federal and provincial tax rate	**27%**	27%
Expected tax expense (recovery)	**(762)**	(18,573)
Increase in taxes resulting from:		
Exploration and evaluation basis difference	**-**	5,295
Other permanent differences	**37**	261
Renounced resource pools	**-**	270
Change in unrecognized deferred tax assets	**725**	12,747
Deferred income tax recovery	**$ -**	$ -

Unrecognized deferred tax assets

The following deferred tax assets have not been recognized:

	December 31, 2023	December 31, 2022 Adjusted[1]
Deferred tax assets		
Exploration and evaluation	**$ 92,179**	$ 91,925
Property and equipment	**3,159**	3,206
Non-capital loss carried forward	**17,427**	16,870
Capital loss carried forward	**595**	595
Share issue costs	**81**	129
Revaluation of investments	**232**	236
Other	**107**	90
Unrecognized deferred tax assets	**$ 113,780**	$ 113,051

[1] The 2022 unrecognized temporary differences and unrecognized deferred tax assets have been corrected to reflect a $5.3 million permanent exploration and evaluation basis difference. As a result of this correction, unrecognized temporary differences and unrecognized deferred tax assets related to exploration and evaluation have been reduced by $5.3 million from the amount previously reported.

The potential benefits of these carry-forward non-capital losses, capital losses and deductible temporary differences have not been recognized in these financial statements as it is not considered probable that sufficient future taxable profit will allow the deferred tax assets to be recovered.

Tax losses

As at December 31, 2023 and 2022, the Company had estimated capital losses for Canadian income tax purposes of $4.4 million. These losses do not expire and may be utilized to reduce future capital gains, if any.

As at December 31, 2023, the Company has estimated non-capital losses for Canadian income tax purposes that may be carried forward to reduce taxable income derived in future years. A summary of these tax losses is provided below. These tax losses will expire as follows:

Year of Expiry	Taxable losses (in thousands)
2026	$ 10,203
2027	4,617
2028	5,268
2029	6,695
2030	5,018
2031	4,251
2032	3,955
2033	3,200
2034	1,859
2035	1,910
2036	1,900
2037	1,856
2038	1,655
2039	4,041
2040	2,023
2041	1,525
2042	2,498
2043	2,066
Total	$ 64,540

At December 31, 2023 and 2022, the Company also had unrecorded investment tax credits totaling $15.8 million relating to pre-production mining expenditures. These investment tax credits begin to expire starting in 2026.

14. 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.

Common shares issued and fully paid:

	Common Shares (in thousands)	Amount (in thousands)
Balance – December 31, 2021	452,804	$ 849,973
Issuance of shares (net of issue costs) (b)	16,667	3,236
Issuance of finder fee shares (c)	468	137
Issuance of shares on redemption of restricted share units (d)	2,105	421
Issuance of shares on exercise of options (d)	375	112
Issuance of shares on exercise of warrants and broker warrants (d)	3,578	1,059
Balance – December 31, 2022	475,997	$ 854,938
Issuance of flow through shares (net of issue costs) (a)	2,947	185
Issuance of shares on redemption of deferred share units (d)	404	84
Issuance of shares on redemption of restricted share units (d)	3,323	624
Balance – December 31, 2023	482,671	$ 855,831

(a) Flow through unit financing

During the year ended December 31, 2023, the Company issued 2.9 million common shares at a price of $0.11 per unit and 2.9 million warrants, exercisable at a price of $0.14 per common share, for gross proceeds of $0.3 million.

(b) 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.

(c) 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.

(d) 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 and 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 16 for further details on these share-based payment plans.

Warrant reserve

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

	Year Ended December 31, 2023			Year Ended December 31, 2022		
	Warrants	**Average Price**	**Amount**	Warrants	Average Price	Amount
Outstanding, beginning of year	**30,000**	**$ 0.33**	**$ 2,495**	16,111	$ 0.25	$ 1,194
Issued	**2,947**	**0.14**	**102**	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 year	**19,614**	**$ 0.36**	**$ 1,550**	30,000	$ 0.33	$ 2,495

A summary of the warrants outstanding at December 31, 2023 is as follows:

Warrants Outstanding	**Exercise Price**	**Expiry Date**
13,960	$ 0.40	April 6, 2024
2,707	$ 0.40	April 21, 2024
2,947	$ 0.14	December 29, 2026

At December 31, 2023, the weighted average remaining contractual life of the warrants was 0.68 years.

During 2023, 2.9 million warrants were issued in connection to a flow through share financing. Each warrant entitles the holder thereof to purchase one common share at a price of $0.14 for a period of 36 months from the date of issuance. The warrants issued were fair valued at $0.1 million. The fair value was determined using the Black-Scholes pricing model with the following assumptions: a volatility factor of 91.69%, risk-free rate of return of 3.707%, expected dividend of 0%, and expected term of 36 months.

During 2022, 16.7 million warrants were issued in connection to a share financing. Each warrant entitles the holder thereof to purchase one common share at a price of $0.40 for a period of 24 months from the date of issuance. The warrants issued were fair valued at $1.4 million. The fair values were determined using the Black-Scholes pricing model with the following assumptions: a volatility factor of 69.8-69.9%, risk-free rate of return of 2.37-2.63%, expected dividend of 0%, and expected term of 24 months.

Broker warrants reserve

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

	Year Ended December 31, 2023			Year Ended December 31, 2022		
	Broker Warrants	**Average Price**	**Amount**	Broker Warrants	Average Price	Amount
Outstanding, beginning of year	**468**	**$ 0.40**	**$ 41**	1,078	$ 0.19	$ 96
Issued	**318**	**0.125**	**11**	468	0.40	41
Exercised	**-**	**-**	**-**	(1,078)	0.19	(96)
Outstanding, end of year	**786**	**$ 0.29**	**$ 52**	468	$ 0.40	$ 41

A summary of broker warrants outstanding as at December 31, 2023 is as follows:

Broker Warrants Outstanding	**Exercise Price**	**Expiry Date**
362	$ 0.40	April 6, 2024
106	$ 0.40	April 21, 2024
159	$ 0.11	December 29, 2026
159	$ 0.14	December 29, 2026

At December 31, 2023, the weighted average remaining contractual life of the broker warrants was 1.38 years.

During 2023, 159,000 broker warrants were issued pursuant to a finder agreement in connection to a flow through share financing. Each broker warrant entitles the holder thereof to purchase one Common Share at a price of $0.11 for a period of 36 months from the date of issuance. The broker warrants issued were fair valued at $6 thousand. The fair value was determined using the Black-Scholes pricing model with the following assumptions: a volatility factor of 91.69%, risk-free rate of return of 3.707%, expected dividend of 0%, and expected term of 36 months.

During 2023, 159,000 broker warrants were issued pursuant to a finder agreement in connection to a flow through share financing. Each broker warrant entitles the holder thereof to purchase one Common Share at a price of $0.14 for a period of 36 months from the date of issuance. The broker warrants issued were fair valued at $5 thousand. The fair value was determined using the Black-Scholes pricing model with the following assumptions: a volatility factor of 91.69%, risk-free rate of return of 3.707%, expected dividend of 0%, and expected term of 36 months.

During 2022, 0.5 million broker warrants were issued pursuant to a finder agreement in connection to the unit financing. Each broker warrant entitles the holder thereof to purchase one Common Share at a price of $0.40 for a period of 24 months from the date of issuance. The broker warrants issued were fair valued at $41,000. The fair values were determined using the Black-Scholes pricing model with the following assumptions: a volatility factor of 69.8-69.9%, risk-free rate of return of 2.37-2.63%, expected dividend of 0%, and expected term of 24 months.

15. Earnings per share

The calculation of loss per share amounts is based on the following:

	December 31, 2023	December 31, 2022
Numerator:		
Net loss applicable to common shares	**$ (2,823)**	$ (68,788)
Denominator:		
Common shares outstanding at January 1	**475,997**	452,804
Weighted average effect of issuances	**421**	16,494
Weighted average common shares outstanding at December 31 – basic and diluted	**476,418**	469,298
Basic and diluted loss per common share(1)	**$ (0.01)**	$ (0.15)

(1) Excluded from the calculation of diluted loss per common share are the effects of outstanding share-based payments, warrants or broker warrants, as the effect on basic loss per share would be anti-dilutive.

16. Share-based payments

(a) Share option plan

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

The expense related to the Company's share option plan is recognized in the statements of income and comprehensive income for the year ended December 31, as presented as follows:

Expense category	**December 31, 2023**	December 31, 2022
Administration	**$ 129**	$ 14
Exploration and evaluation	**33**	-
Total	**$ 162**	$ 14

Option movements (in thousands) during the years ended December 31, including weighted average exercise prices, are as follows:

	2023		2022	
	Options	**Average Price**	Options	Average Price
Outstanding – beginning of year	**18,478**	**$ 0.21**	19,742	$ 0.21
Granted	**7,760**	**0.09**	200	0.125
Exercised	**-**	**-**	(375)	0.19
Expired	**(1,748)**	**0.19**	(1,089)	0.20
Outstanding – end of year	**24,490**	**$ 0.17**	18,478	$ 0.21

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. The inputs used in the measurement of the fair values at grant date of the share-based payments during the year are as follows:

	December 31, 2023	December 31, 2022
Share price at grant date	**$ 0.075 - $0.095**	$ 0.125
Exercise price	**$ 0.09**	$ 0.125
Expected volatility	**80.19 – 95.27%**	89.8%
Estimated option life	**2.5 – 5.0 years**	2.5 years
Expected dividends	**0 %**	0 %
Risk-free interest rate	**3.35 – 4.06%**	3.27%
Fair value at grant date	**$0.04 - 0.06**	$ 0.07

A summary of the stock options outstanding and exercisable at December 31, 2023 (in thousands), 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
$0.09	2,400	133	November 29, 2028
$0.09	5,360	1,787	December 7, 2028
	24,490	**18,650**	

(b) Deferred share unit plan

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

DSU movements (in thousands) during the year ended December 31 are as follows:

	December 31, 2023	December 31, 2022
DSUs outstanding – beginning of year	**1,017**	1,017
Granted	**1,550**	-
Redeemed for common shares from treasury	**(404)**	-
DSUs outstanding – end of year	**2,163**	1,017

There were 1,550,000 DSUs granted during 2023 (2022 – nil). The weighted average fair value of the DSUs granted during 2023 was $0.09 per DSU.

The expense related to the Company's share-based payments as a result of DSUs vesting over the year is recognized in the statements of loss and comprehensive loss for the years ended December 31, as presented as follows:

Expense category	December 31, 2023	December 31, 2022
Administration	**$ 140**	$ -
Total	**$ 140**	$ -

(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 PSUs and RSUs to eligible officers, employees and service providers of the Company. The Unit Plan provides for settlement through cash payment or the issuance of common shares. The form of settlement is at the option of the Company. The Company does not intend to make cash payments and there is no history of the Company making cash payments under the Unit plan and, as such, the PSUs and RSUs are accounted for within shareholders' equity. These common shares would be issued from the same 10% rolling pool as the common shares issued under the Company's Deferred Share Unit Plan and the Company's Share Option Plan. As PSUs and RSUs are expected to be settled with equity, an amount equal to compensation expense is initially credited to contributed surplus, recognized over the term of the vesting period, and transferred to share capital if and when the units are exercised. RSUs vest in three tranches, with all RSUs vesting no later than the third anniversary from the date of grant.

As of December 31, 2023, no PSUs have been granted. RSU movements (in thousands) during the year ended December 31 are as follows:

	December 31, 2023	December 31, 2022
RSUs outstanding – beginning of year	**3,427**	4,532
Granted	**1,500**	1,000
Redeemed for common shares from treasury	**(3,323)**	(2,105)
Forfeited	**(104)**	-
RSUs outstanding – end of year	**1,500**	3,427

The weighted average fair value of the RSUs granted during 2023 was $0.09 per RSU (2022 - $0.085). The expense related to the Company's share-based payments as a result of RSUs vesting over the year is recognized in the statements of loss and comprehensive loss for the year ended December 31, as presented as follows:

Expense category	December 31, 2023	December 31, 2022
Administration	**$ 51**	$ 144
Exploration and evaluation	**-**	6
Total	**$ 51**	$ 150

17. Compensation and benefits

Total compensation and benefits for the year ended December 31, 2023 were $1.5 million (2022 - $1.9 million).

	December 31, 2023	December 31, 2022
Wages, salaries and short-term benefits	**$ 886**	$ 815
Consulting and management fees	**285**	916
Share-based payments	**353**	164
Total compensation and benefits paid	**$ 1,524**	$ 1,895

18. 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, is as follows:

	December 31, 2023	December 31, 2022
Director fees	**$ 121**	$ 203
Salaries to key management personnel	**214**	171
Consulting and management fees to related companies	**222**	745
Share-based payments	**247**	146
Total compensation paid to key management personnel	**$ 804**	$ 1,265

The amounts disclosed in the table above are the amounts recognized as an expense during the reporting period related to key management personnel, of which $0.1 million is reflected in accounts payable and accrued liabilities at December 31, 2023. 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 and DSUs was determined based on the five-day volume weighted average trading price of the Company's shares preceding the date of grant.

The compensation paid to key management personnel is included in the Company's statements of loss and comprehensive loss as follows:

	December 31, 2023	December 31, 2022
Administration	**$ 629**	$ 1,265
Exploration and evaluation	**175**	-
Total compensation paid to key management personnel	**$ 804**	$ 1,265

19. 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(b).

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 cost.

Fair value hierarchy

All financial instruments measured at fair value are categorized into one of three hierarchy levels as described below. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

Level 1 – Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities;

Level 2 – Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability; and

Level 3 – Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

Fair value of investment in Wescan

The disclosure of the fair value and carrying value of the investment in Wescan (note 7) is based on quoted prices and is therefore considered to be level 1, consistent with the prior year.

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 the majority of the Company's cash and cash equivalents are held by financial institutions with a AA credit rating. At December 31, 2023, the Company's credit risk relates to its cash and cash equivalents of $0.6 million (December 31, 2022 – $2.6 million).

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet regulatory liquidity and spending requirements as well as meet its financial obligations. 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. At December 31, 2023, the Company had an excess of current liabilities over current assets of $0.3 million including cash and cash equivalents of $0.6 million. In addition to regulatory spending requirements at December 31, 2023, the Company has trade payables and other lease payments as set out in the following table on an undiscounted basis:

Trade payables and accrued liabilities	$ 787
Lease payments	72
Total	$ 859

The further exploration, evaluation and/or development of exploration and evaluation properties in which the Company holds interests or which the Company acquires will require the Company 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. Subsequent to December 31, 2023, the Company closed the second and final tranche of a non-brokered private placement (see note 22). However, the ability of the Company to continue as a going concern and fund its expenses in an orderly manner will require additional forms of financings.

(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.

Foreign currency risk:

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and US dollar or other foreign currencies will affect the Company's operations and financial results. The Company does not have significant exposure to foreign exchange rate fluctuation since transactions and balances in foreign currencies are minimal.

Commodity price risk:
Commodity price risk is the risk that a variation in commodity price will affect the Company's operations and financial results. The Company does not have significant exposure to commodity price fluctuations since it is currently in the exploration stage.

Interest rate risk:
Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash and cash equivalents and short-term investments held with chartered Canadian financial institutions. The Company considers this risk to be immaterial.

Equity price risk:
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 recommendations on sale taken to the Board level. A 10 percent decrease in the market price of Wescan would result in a $26 thousand decrease in fair value.

20. Capital management

The Company manages its common shares and equity reserves as capital.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to explore and develop its exploration and evaluation properties, so that it can provide returns to shareholders.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary. The annual budgets are approved by the Board of Directors.

In order to maximize ongoing exploration and evaluation efforts, the Company does not pay dividends. The Company's investment policy is to invest its cash in highly rated liquid short-term interest-bearing investments with an initial term to maturity of twelve months or less.

The Company is not subject to externally imposed capital requirements.

21. Commitment - Exit agreement

On November 28, 2023, the Company entered into a binding agreement (the "Agreement") with RTEC, providing for the transfer by RTEC to Star Diamond of RTEC's 75% interest in the Project.

The Agreement provides that, upon closing:

- RTEC will transfer to Star Diamond all of RTEC's 75% interest in the Project, such that the Project will be 100% owned by Star Diamond;
- RTEC will transfer to Star Diamond ownership of the trench cutter drill rig used by RTEC to complete its prior bulk sampling program at the Project;
- RTEC will transfer to Star Diamond the Bulk Sample Plant located at the Project, including the TOMRA XRT diamond sorting machine that is on-site;
- Star Diamond will issue to RTEC and/or an affiliate that number of common shares of Star Diamond that results in RTEC and its affiliates owning 19.9% of the then outstanding common shares of Star Diamond (RTEC and its affiliates currently own approximately 2.3% of Star Diamond's outstanding common shares); and
- RTEC and Star Diamond will enter into an Investor Rights Agreement whereby, among other things, RTEC will be granted certain pre-emptive rights to maintain its 19.9% ownership interest in Star Diamond in connection with future financings undertaken by Star Diamond, and RTEC will agree to certain standstill protections provided that RTEC will have the right to increase its 19.9% ownership position in the event that Star Diamond receives an acquisition proposal.

Upon completion of the transactions that are the subject of the Agreement, Star Diamond will have full control and responsibility for the Project, the existing joint venture agreement between RTEC and Star Diamond will terminate, and Star Diamond will release and indemnify RTEC for liabilities arising from or relating to the Project, all in exchange for a $4 million payment from RTEC to Star Diamond. RTEC has agreed that it will provide on Star Diamond's behalf, for up to five years following closing, letters of credit in the aggregate amount of no more than $9.9 million to secure certain environmental remediation and reclamation obligations related to the Project. Star Diamond will be obliged to repay any amounts drawn on these letters of credit and such repayment obligations will be secured against the Project and its assets.

As of the date of the financial statements, the Agreement is expected to close in the near future.

22. Subsequent events

i) On January 26, 2024, the Company closed a non-brokered private placement. Pursuant to the Offering, the Company issued: i) 8,548,905 units of the Company ("Units") at a price of $0.09 per Unit for gross proceeds of $769,401, with each Unit consisting of one common share of the Company (which is not a "flow-through share") and one share purchase warrant (a "Warrant"); and ii) 150,000 "flow-through" units ("FT Units") at price of $0.11 per FT Unit for gross proceeds $16,500, with each FT Unit consisting of one common share of the Company and one Warrant, each of which will qualify as a "flow-through share" for the purposes of the Income Tax Act (Canada). Each Warrant will entitle the holder thereof to acquire one additional common share of the Company (which shall not be a "flow-through share") at an exercise price of $0.14 for a period of 36 months from the date of issuance.

ii) On February 8, 2024, the Company extended the expiry date (the "Warrant Extension") and amending the exercise price (the "Exercise Price Amendment") of the common share purchase warrants ("Warrants") of the Company issued on April 6, 2022 and April 21, 2022. The amendments will take effect on February 23, 2024.

Pursuant to the Warrant Extension the term of the Warrants will be extended by 18 months, such that after giving effect to the Warrant Extension, each Warrant issued on April 6, 2022, having an initial expiry date of April 6, 2024, will expire on October 6, 2025 and each Warrant issued on April 21, 2022, having an initial expiry date of April 21, 2024, will expire on October 21, 2025. Pursuant to the Exercise Price Amendment all the Warrants will be exercisable to purchase a common share of the Company at a price of $0.15 per common share.