

MARGARET LAKE DIAMONDS INC.

MANAGEMENT DISCUSSION AND ANALYSIS
MAY 31, 2017

MARGARET LAKE DIAMONDS INC.

Management Discussion and Analysis
For the years ended May 31, 2017 and 2016

1.1 Date

This Management Discussion and Analysis (“MD&A”) of Margaret Lake Diamonds Inc. (the “Company”) has been prepared by management as of September 19, 2017 and should be read in conjunction with the audited financial statements and related notes thereto of the Company for the years ended May 31, 2017 and 2016, which were prepared in accordance with International Financial Reporting Standards (IFRS). All financial data presented in the MD&A are prepared in accordance with IFRS and presented in Canadian dollars.

Forward Looking Statements

This MD&A may contain “forward-looking statements” which reflect the Company’s current expectations regarding the future results of operations, performance and achievements of the Company. The Company has tried, wherever possible, to identify these forward-looking statements by, among other things, using words such as “anticipate”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “should”, “believe”, “outlook”, “forecast” and similar expressions are intended to identify forward-looking statements.

Forward-looking statements in this MD&A include, but not limited to, the Company’s current and future expectations and various estimates, factors and assumptions and involve known and unknown risks, uncertainties and other factors. Information concerning mineral resource estimates and the interpretation of its airborne geophysical survey results may also be considered a forward-looking statement, as such information constitutes a prediction of what mineralization might be found to be present if and when a project is actually explored and/or developed.

Forward-looking statements are based on a number of assumptions including, but not limited to, the assumptions about the availability of financing on reasonable terms for the Company’s explorations projects, ability to fulfil its current and future commitments related to its option agreements and continue exploration and development of its mineral properties, as well as general and economic conditions.

Forward-looking statements involve known and unknown risks, uncertainties and other factors including, but not limited to, changes in commodity prices, results of exploration and development activities, regulatory changes, defects in titles, timeliness of government approvals and permits, availability of financing to continue in business. These risks and uncertainties may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Please also see section 1.8 Risk and Uncertainties.

The Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements contained into this report should not be unduly relied upon. The statements reflect the current beliefs of the management of the Company, and are based on currently available information. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this report. Readers should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur.

MARGARET LAKE DIAMONDS INC.

Management Discussion and Analysis
For the years ended May 31, 2017 and 2016

1.2 Overall Performance

The Company is an exploration stage company engaged in the acquisition and exploration of mineral resource properties located in Canada. The Company was incorporated by a Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (British Columbia) on February 9, 2011.

Effective March 27, 2014, the Company changed its name to Margaret Lake Diamonds Inc., consolidated its issued and outstanding shares on a 2 old for 1 new basis, and changed its symbol to DIA.H.

On April 22, 2014, the Company received final approval from the TSX Venture Exchange (the "Exchange") for its Qualifying Transaction ("QT"). Pursuant to an assignment agreement dated March 14, 2014 (the "Assignment Agreement") with Harsbo Minerals Ltd. ("Harsbo"), the Company was granted the sole and exclusive option (the "Option") to acquire up to a seventy percent (70%) undivided interest in nineteen (19) mineral claims located in the Northwest Territories, Canada, known as the Margaret Lake Diamond Property (the "Margaret Lake Property"), which lies contiguous and to the north and west of Kennady Diamonds Inc.'s Kennady North Project. In consideration of the assignment of the Option, on closing the Company issued Harsbo 6,000,000 escrow shares, releasable under the terms of a value escrow agreement. As a result of closing the QT, the Company is no longer a Capital Pool Company, and has been listed as a "Tier 2" mining issuer on the Exchange trading under the symbol "DIA".

During fiscal 2015, the Company earned an initial 60% interest in the Margaret Lake Property. To earn its 60% interest, the Company was required to make cash payment in lieu of filing assessment work in 2013 and incur not less than \$1,000,000 in expenditures by October 13, 2014. The Company has exceeded the first year expenditure requirement, having undertaken ground till sampling, an airborne geophysical survey and bathymetry analysis on the Margaret Lake Property.

On July 6, 2015, the Company entered into a Mineral Property Transfer Agreement ("Transfer Agreement") with Margaret Lake Diamonds Ltd. ("MLDL"), under which it has acquired the remaining 40% interest in the Margaret Lake Property through the issuance of 6 million shares to MLDL. As a result, the Company now holds a 100% undivided interest in and to the Margaret Lake Property with no ongoing work obligations and no royalties payable.

On November 4, 2016, the Company entered into an Option and Joint Venture Agreement ("JV Agreement") with Arctic Star Exploration Corp. ("Arctic Star"), under which it has acquired a 60% interest in 23 mineral claims totaling 18,699 hectares (the "Diagras Property") in the Northwest Territories, Canada comprising part of Arctic Star's former T-Rex Property. The Company has effectively exercised its option and earned the 60% interest in the property by making a payment of approximately \$200,000 worth of bond and filing fees to the Government of the Northwest Territories, to obtain an extension of the 23 contiguous mineral claims comprising the Diagras Property. The Company formed a joint venture with Arctic Star (the "Diagras JV"). The Company and Arctic Star will jointly explore the Diagras Property on a 60-40 joint venture basis, with the Company acting as operator.

During the year ended May 31, 2017, the Company terminated its option agreement with Canterra Minerals Corporation ("Canterra") dated August 28, 2014 in relation to the Marlin Property.

MARGARET LAKE DIAMONDS INC.

Management Discussion and Analysis
For the years ended May 31, 2017 and 2016

Other significant events and operating highlights during the year ended May 31, 2017 and as at the date of these MD&A:

- In June 2017, the Company completed a non-brokered flow-through private placement of 3,650,000 units at a price of \$0.10 per unit, for aggregate gross proceeds of up to \$365,000. Each unit consisted of one flow-through common share of the Company and one-half of one transferable common share purchase warrant, with each warrant entitling the holder thereof to acquire one additional common share at a price of \$0.15 until June 13, 2018, subject to acceleration;
- In May 2017, the Company has completed a ground exploration program on its Diagas Property acting as an operator of this program;
- In May 2017, the Company completed an exploration program on the Margaret Lake Property, which consisted of ground gravity and electromagnetic surveys in conjunction with bathymetry to upgrade target definition and ranking;
- In October 2016, the Company completed a non-brokered private placement of 7,850,000 units at a price of \$0.10 per unit, for aggregate gross proceeds of up to \$785,000. Each unit consisted of one common share of the Company and one-half of one transferable common share purchase warrant, with each warrant entitling the holder thereof to acquire one additional common share at a price of \$0.30 until October 21, 2018, subject to acceleration;
- 1,075,000 incentive stock options were granted to certain directors and consultants of the Company exercisable at a price of \$0.15 per common share for a period of five years commencing on October 1, 2016;
- 175,000 share purchase warrants were exercised for gross proceeds of \$35,000 pursuant a warrant acceleration program, under which certain existing warrant holders holding an aggregate 4,500,000 warrants exercisable into common shares at a price of \$0.25 per share until October 22, 2017, had an option to exercise their existing warrants at a reduced price of \$0.20 and be granted an additional warrant ("Bonus Warrant") for each existing warrant exercised, each Bonus Warrant being exercisable into a common share at a price of \$0.30 per share until October 30, 2017. The warrant acceleration program expired on November 30, 2016; and
- In June 2016, the Company negotiated the debt settlement agreement with its former legal advisor, who accepted the payment of \$40,000 to settle outstanding legal fees of \$74,128.

Exploration Highlights and Objectives

Margaret Lake Property

The Margaret Lake Diamond Property is located 300 kilometers east-northeast of Yellowknife, Northwest Territories in the District of MacKenzie. The Property lies just 78 km north of the East Arm of Great Slave Lake and is bounded to the south by both the Kennady Diamonds and De Beers/ Mountain Province Diamonds Gahcho Kué joint venture mining operations. The land package comprises nineteen (19) mineral claims totaling 48,720.2 acres or 19,716.37 hectares.

The Margaret Lake Property covers a portion of the southeastern Slave Geological Province, an Archean terrane ranging in age from 4.03 Ga to 2.55 Ga (Bleeker et al., 1999). The area consists of predominantly granitic to granodioritic intrusions, high-grade gneisses and migmatites, along with primarily sedimentary supracrustal rocks to the east.

MARGARET LAKE DIAMONDS INC.

Management Discussion and Analysis
For the years ended May 31, 2017 and 2016

The emplacement of kimberlite bodies in the area is believed to have occurred approximately 542 Ma during the Cambrian Period. ⁸⁷Rb-⁸⁷Sr geochronology indicates that the age of the 5034 pipe in the GahchoKué cluster is 542.2 ± 2.6 Ma (Heaman et al., 2003). Erosional processes since emplacement have had the significant effect of stripping the kimberlites down to their root zones, preserving only the hypabyssal and diatreme facies.

The Company has earned 60% interest in the Margaret Lake Property by making cash payment of \$102,312 (paid by Harsbo) to the Mining Recorder and incurring over \$1,000,000 in qualified exploration expenditures by October 13, 2014, pursuant to the terms of the underlying option agreement between Harsbo and MLDL. The cash payment included a filing fee in the amount of \$4,872 for extension of the 19 mineral claims and a refundable deposit in the amount of \$97,440 made in lieu of required exploration expenditures. The Company received a refund of the \$97,440 deposit from the Government of the Northwest Territories after filing the work assessment report to register exploration programs on the property.

The Company had an option to earn a further 10% interest for a total 70% undivided interest in the Margaret Lake Property by incurring an additional \$1,000,000 in exploration expenditures by October 13, 2015 under the original terms of the option agreement. However, on July 6, 2015, the Company entered into the Transfer Agreement with MLDL to acquire the remaining 40% interest in the Margaret Lake Property in exchange for 6 million common shares of the Company. The Company completed the title transfer and issued the shares subsequent to the year ended May 31, 2016. As a result, the Company now owns 100% of the Margaret Lake Property with no ongoing work obligations and no royalties payable.

The 2014-2015 exploration program on the Margaret Lake Property was designed to define potential kimberlite intrusive targets and consisted of the airborne gravity gradiometer ("AGG") survey using the HeliFalcon gravity gradiometer system over the entire Margaret Lake Property and Kirk Lake area. The survey encompassed approximately 4,932.7 line kilometers in total, flown at 75 metre line spacing to obtain high-definition gravity-gradiometry and magnetic gradiometry.

The Company has filed a Filing Statement dated April 16, 2014 in respect of the QT and a Technical Report dated March 27, 2014 by Gary Vivian, M.Sc.,P.Geo. on the Margaret Lake Property on SEDAR. The Company also filed an assessment report with the Government of Northwest Territories to register the 2014 work program on the Margaret Lake Property.

In May 2015, the Company obtained a Type 'A' Land Use Permit from the Mackenzie Valley Land and Water Board. This permit is effective for 5 years through to May 2020.

The 12 high priority targets were selected from over 60 distinct gravity anomalies generated by the AGG survey. Targets were given priority based on anomaly strength, shape, and structural setting. Anomalies with favorable coincident magnetic and electromagnetic responses were assigned a higher priority, as were those in the vicinity of till derived indicator minerals from prior exploration surveys.

A digital terrain model together with detailed bathymetric analysis, using WorldView2 high-resolution satellite imagery, has also been conducted for the Margaret Lake Property and Kirk Lake ground and applied to the gravity data. This enhanced data interpretation and target definition. Geophysical data has been processed by the contractor and has now undergone analysis by a geophysical consultant to define potential kimberlite targets for a drill program.

MARGARET LAKE DIAMONDS INC.

Management Discussion and Analysis
For the years ended May 31, 2017 and 2016

The Company also completed a till sampling program taking 160 samples across the Margaret Lake Property. These samples have undergone processing for indicator mineral recoveries and analysis.

During the spring 2017 program, a combination of ground gravity and OhmMapper™ (ground electromagnetics) surveys were conducted over each of 9 priority ranked targets generated from the 2014 HeliFalcon™ airborne gravity gradiometer survey. Physical bathymetric surveys complemented the ground gravity surveys to allow for consideration of water column in data processing.

Interpreted ground survey results have identified three promising targets which display either a gravity low, bedrock conductor or a combination of both. In addition, a fourth target has been identified from historic ground work which also displays coincident gravity and electromagnetic responses. These anomalies exhibit characteristics which are interpreted as having the potential to represent kimberlite bodies and are considered targets for additional evaluation and future drill testing. The Company has regulatory approval for drilling, camp construction and associated exploration activities on the Margaret Lake Property.

Marlin Property

On August 28, 2014, the Company signed a property option agreement with Canterra Minerals Corporation (“Canterra”) (the “Marlin Property Option Agreement”), whereby the Company has been granted the right to acquire an aggregate of 49% right, title and interest in and to Canterra’s Marlin Property (the “Marlin Property”) in the Northwest Territories.

Under the Marlin Property Option Agreement, the Company had an option to earn a 30% right, title and interest in and to the Marlin property for the following consideration:

- (a) Cash payments totaling \$80,000 as follows:
 - i) \$20,000 upon signing the agreement (paid);
 - ii) \$20,000 on or before September 15, 2014 (“Payment Date”) (paid);
 - iii) \$20,000 one year from the Payment Date (paid); and
 - iv) \$20,000 two years from the Payment Date.

- (b) Share issuances totaling 300,000 shares as follows:
 - i) 100,000 common shares on or before September 15, 2014 (issued); and
 - ii) 200,000 additional common shares on or before September 15, 2015 (issued).

- (c) Incurring \$1,000,000 in exploration expenditures as follows:
 - i) \$500,000 (incurred) on or before September 15, 2015, of which \$100,000 must be advanced to Canterra by September 20, 2014 (paid and applied against exploration expenditures incurred by Canterra); and
 - ii) \$500,000 on or before September 15, 2016.

The Marlin Property Option Agreement was terminated on September 15, 2016. The Company wrote-off acquisition and exploration costs of \$639,686 incurred on the Marlin Property based on the status of the Marlin Property Option Agreement, which was terminated in September 2016.

MARGARET LAKE DIAMONDS INC.

Management Discussion and Analysis
For the years ended May 31, 2017 and 2016

Kirk Lake

During the year ended May 31, 2015, the Company expanded its project to the north of the Margaret Lake Property by staking 4 additional claims ("Kirk Lake") and completed an airborne geophysical survey on these claims.

Diagras Property

On November 7, 2016, the Company entered into the JV Agreement with Arctic Star, pursuant to which the Company earned a 60% interest in the Diagras Property. The Diagras Property is located in the prolific north-northeastern part of the Lac de Gras kimberlite field in the Northwest Territories, Canada, and comprises 23 mineral claims totaling 18,699 hectares. The Diagras Property comprising part of Arctic Star's original T-Rex Property consisting of 62 mineral claims totaling 54,000 hectares.

The Company earned its 60% interest in the Diagras Property by making a bond payment of \$186,990 to the Government of the Northwest Territories in lieu of required exploration expenditures and a non-refundable filing fee of \$4,675 to obtain extension of the mineral claims comprising the property.

The parties agreed that title to the Diagras Property shall be transferred to the Company and shall be held in trust in the name of "Margaret Lake Diamonds Inc." for each of the parties in proportion to their interests as adjusted from time to time.

The Company formed a joint venture with Arctic Star (the "Diagras JV") to jointly explore the Diagras Property on the 60-40 joint venture basis. The Diagras JV partners initiated a ground exploration program on the property in April 2017 with the Company acting as the operator. Arctic Star contributed \$240,000 towards exploration expenditures of the program, representing its 40% share of the estimated budgeted costs, of which \$20,000 was returned to Arctic Star in August 2017.

The Diagras JV partners implemented a ground geophysical program at Diagras property in spring 2017 utilizing ground magnetics (129 line kilometers), ground gravity (23 line kilometers) and ground electromagnetics (22 line kilometers) techniques. The survey program was comprised of 11 separate geophysical surveys to further evaluate areas of known kimberlites as well as evaluate unresolved targets generated from public domain data.

Kimberlite and kimberlite like targets evaluated in the spring 2017 program.

Kimberlite or Target	Magnetics (Line Km)	Gravity (Line Km)	EM (Line Km)
Jack Pine	39.02	11.26	9.94
Black Spruce	20.02	11.57	
Suzanne	18.55		
HL-02	8.66		12.46
HL-55	8.13		
Naomi	16.34		
Kong (East / West)	18.72		
	129.44	22.83	22.40

MARGARET LAKE DIAMONDS INC.

Management Discussion and Analysis
For the years ended May 31, 2017 and 2016

The Diagrass property contains 13 kimberlites discovered in the 1990s by De Beers, some of which were further evaluated by Majescor Resources Inc. (“Majescor”) in the early-mid 2000s. The Diagrass JV partners have obtained public domain data from this work as made available by news releases and assessment reports filed as part of maintaining title in the Northwest Territories.

The Company’s approach to advancing the project further is to apply detailed, modern ground geophysical techniques in anticipation of defining additional kimberlite(s) or kimberlite phases that may not have been evaluated in the past.

At the Jack Pine kimberlite, all 3 geophysical methods successfully extended the anomalous area beyond the currently known kimberlite footprint in defining additional possible kimberlite phases. Jack Pine has previously been described by Majescor as having a north-south axis extending more than 500 meters and an approximate surface expression of 4 to 5 hectares. The Diagrass JV has delineated an additional significant kimberlitic geophysical response to the north of the 2005 Majescor area of drilling, believed to represent a possible new discovery which will require verification by drilling. The new anomaly, named Sequoia, is approximately 500 meters in a north-south direction and displays semi-coincident responses in magnetics, gravity and EM. When combined with Jack Pine, the Sequoia anomaly doubles the geophysical footprint of the complex potentially making it the largest kimberlite complex in the Lac de Gras field.

At the Black Spruce kimberlite, the Diagrass JV also notes a significant geophysical response not believed to have been previously evaluated. The original kimberlite discovery is defined by a magnetic low signature, which corresponds to previously announced diamondiferous drill results by Majescor. In addition to this, our recent work has a series of gravity lows which extend up to 200 meters both south and east of the magnetics. To the east, the gravity anomaly coincides with a clear break in a strong magnetic dyke feature (probably representing a diabase). This phenomena is noted elsewhere in the Lac De Gras kimberlite field where a non-magnetic kimberlite disrupts the diabase. (This occurs at Jack Pine for example). Drill testing will be required to determine if the gravity targets represent kimberlite.

Other surveys conducted during the spring 2017 program also returned kimberlite-like geophysical signatures in and around known kimberlite bodies for which the Company has no record or evidence of previous evaluation. Drill testing and further geophysical evaluations will be conducted concurrently in the spring of 2018.

MARGARET LAKE DIAMONDS INC.

Management Discussion and Analysis
For the years ended May 31, 2017 and 2016

The following table summarizes the Company's exploration and evaluation asset expenditures:

	Margaret Lake Property		Marlin Property		Kirk Lake		Diagras JV		Total
Acquisition Costs:									
Balance, May 31, 2015	\$	751,303	\$	79,153	\$	16,000	\$	–	\$ 846,456
Additions:									
Cash payments (recoveries)		(97,440)		20,000		–		–	(77,440)
Common shares		–		16,000		–		–	16,000
Regulatory costs		–		200		–		–	200
Balance, May 31, 2016		653,863		115,353		16,000		–	785,216
Additions:									
Cash payments		–		–		–		191,665	191,665
Common shares		765,000		–		–		–	765,000
Regulatory and legal costs		12,625		–		–		15,494	28,119
Write-off		–		(115,353)		–		–	(115,353)
Balance, May 31, 2017	\$	1,431,488	\$	–	\$	16,000	\$	207,159	\$ 1,654,647
Deferred exploration costs:									
Balance, May 31, 2015	\$	1,057,782	\$	524,333	\$	144,843	\$	–	\$ 1,726,958
Additions:									
Airborne survey		600		–		–		–	600
Community consultations		575		–		–		–	575
Balance, May 31, 2016		1,058,957		524,333		144,843		–	1,728,133
Additions:									
Camp costs		16,875		–		–		148,272	165,147
Community consultations		4,000		–		–		–	4,000
Geology		10,847		–		–		41,065	51,912
Geophysics		109,964		–		–		214,461	324,425
Contribution from the JV partner		–		–		–		(161,068)	(161,068)
Write-off		–		(524,333)		–		–	(524,333)
Balance, May 31, 2017	\$	1,200,643	\$	–	\$	144,843	\$	242,730	\$ 1,588,216
Exploration and evaluation assets:									
Balance, May 31, 2016	\$	1,712,820	\$	639,686	\$	160,843	\$	–	\$ 2,513,349
Balance, May 31, 2017	\$	2,632,131	\$	–	\$	160,843	\$	449,889	\$ 3,242,863

MARGARET LAKE DIAMONDS INC.

Management Discussion and Analysis
For the years ended May 31, 2017 and 2016

1.3 Selected Annual Information

For the year ended May 31,	2017		2016		2015	
Interest income	\$	–	\$	–	\$	79
Net Loss	\$	(1,087,505)	\$	(103,839)	\$	(107,449)
Loss per share	\$	(0.03)	\$	(0.00)	\$	(0.00)
Total assets	\$	3,602,288	\$	2,658,080	\$	2,856,725
Total long term liabilities	\$	Nil	\$	Nil	\$	Nil
Cash dividends declared per share for each class of share	\$	Nil	\$	Nil	\$	Nil

The write-off of exploration and evaluation assets of \$639,686 largely contributed to the increase in net loss during the year ended June 30, 2017 due to the termination of the Marlin Property option agreement with Canterra Minerals Corporation.

The increase in total assets in fiscal 2017 was a result of acquisition costs and exploration and evaluation expenditures incurred on the Margaret Lake and Diagas properties, which were capitalized as exploration and evaluation assets according to the Company's accounting policies.

1.4. Results of Operations

Years ended May 31, 2017 and 2016

During the year ended May 31, 2017, the Company reported a net loss of \$1,087,505 or \$0.03 per share as compared to a net loss of \$103,839 or \$0.00 per share in fiscal 2016, an increase in loss of \$983,666.

The write-off of exploration and evaluation assets of \$639,686 largely contributed to the increase in net loss in fiscal 2017 due to the termination of the Marlin Property option agreement with Canterra Minerals Corporation. During the year ended May 31, 2017, the Company wrote-off \$115,353 in acquisition costs and \$524,333 in exploration costs incurred on the Marlin Property since August 2014.

Total expenses increased by \$371,624 during the year due to increases in consulting fees of \$81,362, marketing expenses of \$105,977, office and administration of \$6,311, stock-based compensation of \$191,871 and transfer agent fees of \$577, partially offset by gain on settlement of debt of \$33,854 and decreases in professional fees of \$14,447 and regulatory fees of \$27.

Consulting fees increased by \$81,362 as a result of business development consulting and capital market advisory services retained during the year. The Company also prepaid \$18,688 for business development consulting services to be provided until August 31, 2017. There were no similar expenses incurred in fiscal 2016.

Marketing expenses increased by \$105,977 as a result of advertisement and marketing campaigns conducted to increase investor interest in the Company. The Company entered into a one-year consulting agreement commencing October 1, 2016 for capital market advisory services in Europe, which included its listing on the Frankfurt Stock Exchange. The Company paid total consulting fee of \$48,000 and a cost compensation of

MARGARET LAKE DIAMONDS INC.

Management Discussion & Analysis

May 31, 2017

40,000 Euros to the consultant in advance. The Company obtained the listing on the Frankfurt Stock Exchange under the symbol M85.

Office and administration expenses increased by \$6,311 primarily for the corporate website re-design and presentation materials.

The Company recognizes compensation expense for all share options granted, using the fair value based method of accounting and any cash paid on the exercise of stock options is added to the stated value of common shares. On October 1, 2016, the Company granted an aggregate of 1,075,000 options to two directors and consultants of the Company. The Company recorded share-based compensation expense of \$191,871 (2016 – \$Nil) for the options granted during the year.

There were no changes in administrative services fees or office rental costs during the comparative years.

Professional fees decreased by \$14,447 due to a decrease in legal fees as there were less services related to general corporate matters. In addition, legal fees of \$9,548 and regulatory fees of \$5,946 were incurred in connection with the Diagras JV Agreement and capitalized as acquisition costs of the exploration and evaluation asset.

During the year ended May 31, 2017, the Company negotiated a debt settlement with its former legal advisor and recorded a gain of \$33,854 recorded on the settlement.

During the year ended May 31, 2016, the Company negotiated a debt settlement agreement with one of its main contractors to settle exploration payables of \$31,050 by issuing 207,000 common shares of the Company to the vendor at a deemed price of \$0.15 per share. The settlement was completed on February 12, 2016, when the Company issued 207,000 common shares to the vendor and paid the remaining outstanding balance of \$25,222 in cash. The Company recorded the gain of \$6,210 on the settlement, which represent the residual fair value of the common shares issued.

Three months ended May 31, 2017 and 2016

During the three months ended May 31, 2017, the Company reported a net loss of \$118,471 or \$0.00 per share as compared to a net loss of \$21,958 or \$0.00 per share in fiscal 2016, an increase in loss of \$96,513.

The increase in loss was primarily a result of increases in consulting fees of \$19,193, marketing expenses of \$12,000 and stock-based compensation of \$53,117.

The higher consulting fees and marketing expenses incurred for the last quarter of fiscal 2017 resulted from corporate advisory services and marketing activities conducted to increase awareness of the Company's activities and exploration plans.

The Company also recognized the gain of \$6,210 during the comparative quarter in fiscal 2016 in connection with the settlement of outstanding debt.

MARGARET LAKE DIAMONDS INC.

Management Discussion & Analysis

May 31, 2017

1.5 Summary of Quarterly Results

The following is a summary of financial information concerning the Company for each of the last eight reported quarters.

Quarter ended	Interest Income	Loss	Loss per share
May 31, 2017	\$ –	\$ (118,471)	\$ (0.00)
February 28, 2017	–	(65,710)	(0.00)
November 30, 2016	–	(280,527)	(0.01)
August 31, 2016	–	(622,797)	(0.02)
May 31, 2016	–	(21,958)	(0.00)
February 29, 2016	–	(27,495)	(0.00)
November 30, 2015	–	(25,271)	(0.00)
August 31, 2015	–	(29,115)	(0.00)

Quarter End Period	Variance Analysis
May 31, 2017	Higher loss due to stock-based compensation recorded on the final vesting of options granted in October 2016, plus increase in consulting fees and marketing expenses.
November 30, 2017	Higher loss due to stock-based compensation for the options granted in October 2016, as well as increases in corporate advisory consulting fees and marketing expenses.
August 31, 2016	Higher loss due to the write-off of exploration and evaluation assets of \$639,686 recorded as a result of termination of the Marlin Property option agreement, offset by a gain on the debt settlement of \$33,854 with the Company's former legal advisor.

1.6 Liquidity and Capital Resources

At May 31, 2017, the Company reported a working capital of \$42,502 compared to a working capital deficiency of \$20,406 at May 31, 2016, representing an increase in working capital by \$62,908. The increase in working capital was a result of proceeds from the private placement completed during the year.

Net cash increased by \$165,382 from \$128,339 at May 31, 2016 to \$293,721 at May 31, 2017. In fiscal 2017, the Company utilized its cash as follows:

- (a) \$450,252 (2016 - \$111,903) was used in operating activities, consisting primarily of general and administrative expenditures and changes in non-cash items including repayment of the amounts due to related parties of \$76,259;
- (b) \$12,625 (2016 - \$Nil) in legal and regulatory fees was paid in consideration of the 40% acquisition of the Margaret Lake Property, \$207,159 (2016 - \$Nil) was paid as consideration for the acquisition of interest in the Diagrass Property project and \$176,118 (2016 - \$Nil) for the Diagrass JV exploration expenditures;
- (c) \$240,000 (2016 - \$Nil) was received from Arctic Star as a JV partner contribution towards the 2017 exploration program, of which \$161,068 (2016 - \$Nil) was spent as at May 31, 2017;

MARGARET LAKE DIAMONDS INC.

Management Discussion & Analysis

May 31, 2017

- (d) \$35,000 was received from the exercise of 175,000 share purchase warrants;
- (e) \$785,000 was received from the October 2016 non flow-through private placement, net of share issuance costs of \$51,944; and
- (f) \$155,000 (2016 - \$Nil) in common stock subscriptions was received as at May 31, 2017 with respect to the flow-through private placement completed in June 2017.

Current assets excluding cash as at May 31, 2017 consisted of sales taxes recoverable of \$27,750 (2016 - \$8,684) and prepaid expenses of \$37,954 (2016 - \$7,708).

Current liabilities as at May 31, 2017 consisted of trade and other payables of \$237,991 (2016 - \$88,878) mainly consisting of exploration invoices, due to related parties of \$Nil (2016 -\$76,259) and the remaining unspent balance of the JV partner contribution for this year program of \$78,932 (2016 - \$Nil).

To date, the other sources of funds potentially available to the Company are through the exercise of outstanding stock options and share purchase warrants, as listed in 1.15 Other Requirements – Summary of Outstanding Share Data. There can be no assurance, whatsoever, that any or all of these outstanding exercisable securities will be exercised.

The Company has not yet realized profitable operations to date and has relied on equity and convertible debt financings to fund its operations and exploration activities. The Company currently requires additional financing to continue in business and there can be no assurances that such financing will be available or if available, will be on reasonable terms.

The financial statements of the Company have been prepared using accounting policies applicable to a going concern, which contemplate the realization of assets and settlement of liabilities in the normal course of business as they fall due for the foreseeable future. The Company has a history of operating losses with no operating revenue and has an accumulated deficit of \$1,855,778 as at May 31, 2017.

1.7 Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet arrangements.

1.8 Risk and Uncertainties

The Company is engaged in the acquisition and exploration of mineral properties. These activities involve significant risks even with careful evaluation, experience and knowledge may not, in some cases, be eliminated. The Company's success depends on a number of factors, many of which are beyond its control.

The primary risk factors affecting the Company include the inherent risks in the mining industry and development business, environmental and health risks, regulatory constraints, economic or political conditions and commodities price fluctuation.

The commercial viability of any mineral deposit depends on many factors, not all of which are within the control of management. Some of the factors will affect the financial viability of a given mineral deposit include its size, grade and proximity to infrastructure. Government regulation, taxes, royalties, land tenure and use,

MARGARET LAKE DIAMONDS INC.

Management Discussion & Analysis

May 31, 2017

environmental protection and reclamation and closure obligations could also have a profound impact on the economic viability of a mineral property.

Mining activities also include risks such as unexpected or unusual geological operating conditions, floods, fires, earthquakes, other natural or environmental occurrences and political and social instability. It is not possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks as a result of high premiums or for other reasons. The Company does not currently maintain insurance against political or environmental risks. Should any uninsured liabilities arise, they could result in increased costs, reductions in profitability, and a decline in the value of the Company's securities.

There is no assurance at this time that the mineral properties the Company is investigating will be economically viable for development and production.

Financial risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks.

Credit risk

Credit risk refers to the counterparty will default on its contractual obligation resulting in financial loss to the Company. The Company's primary exposure to credit risk is on its cash deposit that are held by a Canadian bank. While there is concentration of risk holding all funds with one institution, this risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. As at May 31, 2017, the Company has cash deposits of \$293,721 (2016 - \$126,818) and cash held in trust with a legal advisor of \$Nil (2016 - \$1,521). Management assesses credit risk of cash as low.

The Company's secondary exposure to risk is on its receivables. This risk is minimal as receivables consist exclusively of sales taxes recoverable.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company operates only in Canada and is therefore not exposed to foreign exchange risk arising from transactions denominated in a foreign currency.

Interest rate risk

Interest rate risk is the risk that an investment's value will change due to a change in the level of interest rates. The Company is exposed to interest rate risk as its bank account earns interest income at variable rate. The income earned on the bank account is subject to the movements in interest rates. The fair value of cash deposits is relatively unaffected by changes in short term interest rates. A 1% change in interest rates will not have a material effect to the Company.

Liquidity and funding risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time.

MARGARET LAKE DIAMONDS INC.

Management Discussion & Analysis

May 31, 2017

The Company management ensures that there is sufficient capital in order to meet annual business requirement, taking into account administrative costs, property commitments and exploration budgets. As at May 31, 2017, the Company had cash of \$293,721 (2016 - \$128,339), and current liabilities of \$316,923 (2016 - \$165,137). In June 2017, the Company completed the flow-through private placement of units raising gross proceeds of \$365,000 to fund its exploration activities and settle its current obligations associated with the exploration programs.

Funding risk is the risk that market conditions will impact the Company's ability to raise capital through equity markets under acceptable terms and conditions. Under current market conditions, both liquidity and funding risk are assessed as high.

1.9 Transactions with Related Parties

Key management personnel are persons responsible for planning, directing and controlling activities of an entity, and include executive and non-executive directors and officers.

On May 1, 2014, the Company entered into a rent and administrative services contract with Varshney Capital Corp. ("VCC"), a company partially controlled by a former director of the Company, Peeyush Varshney, pursuant to which the Company is obligated to pay \$3,000 per month plus taxes for administrative services and \$1,000 per month plus taxes for office premises. The agreement can be terminated with 1 month notice after a term of 3 years. Mr. Varshney resigned from the Board of Directors effective June 13, 2017.

During the year ended May 31, 2017, the transactions with the related parties included the following:

- the Company paid \$36,000 (2016 - \$36,000) for administrative services and \$12,000 (2016 - \$12,000) for office rent to VCC;
- the Company issued 6,000,000 (2016 – Nil) common shares of the Company to MLDL, a company with a common director, Mark Thompson, in consideration of the remaining 40% interest in the Margaret Lake Property;
- the Company granted an aggregate of 675,000 stock options (2016 – Nil) to the CEO and the VP of Exploration of the Company exercisable at \$0.15 per common share for a five year term with vesting terms over a six month period from the date of grant. The estimated fair value of these options of \$120,477 was recognized as share-based compensation expense over the vesting periods in fiscal 2017;
- the Company entered into the JV Agreement with Arctic Star, a company with the common director and officer, Buddy Doyle, to jointly explore the Diagas Property on a 60-40 joint venture basis;
- the Company's director and the Vice President of Exploration Buddy Doyle subscribed for 600,000 units at a price of \$0.10 per unit under the private placement completed in October 2016; and
- the Company's director and the CEO Paul Brockington subscribed for 1,000,000 units at a price of \$0.10 per unit under the private placement completed in June 2017.

As at May 31, 2017, \$Nil (2016 - \$63,000) was due to Lithosphere Services Inc., a company controlled by the VP of Exploration of the Company.

MARGARET LAKE DIAMONDS INC.

Management Discussion & Analysis

May 31, 2017

As at May 31, 2017, \$Nil (2016 - \$13,259) was due to the CEO and President of the Company for management services.

During the year ended May 31, 2016, 300,000 of previously granted share options were exercised by the CEO and President of the Company at a price of \$0.10 per share, and 300,000 common shares were issued for total proceeds of \$30,000.

1.10 Fourth Quarter and Subsequent Events

During the fourth quarter ended May 31, 2017:

- the Company initiated two separate ground geophysical programs on the Margaret Lake Property and the Diagrass Property. Both programs were completed in June 2017.
- the Company received \$240,000 in contributions from the Diagrass JV partner, Arctic Star, to cover exploration expenditures for the Diagrass Property 2017 exploration program.
- the Company received \$155,000 in common stock cash subscriptions with respect to the Company's flow-through private placement of 3,650,000 units. The Company issued 1,550,000 units for these subscriptions upon the closing of the private placement on June 12, 2017.

Subsequent to the year ended May 31, 2017:

- the Company closed the non-brokered flow-through private placement of 3,650,000 units at a price \$0.10 per unit, for aggregate gross proceeds of \$365,000. Each unit consisted of one flow-through common share of the Company and one-half of one transferable non flow through common share purchase warrant, with each whole warrant entitling the holder thereof to acquire one additional non-flow-through common share at a price of \$0.15 until June 13, 2018, subject to acceleration. The Company paid cash finder's fees of \$12,600 and issued 210,000 units to certain finders in accordance with applicable securities laws and policies of the Exchange. The net proceeds will be used for exploration expenditures on the two diamond exploration properties of the Company.
- the Company's application for a grant under the Mining Incentive Program ("MIP") of the NWT was accepted. The total value of the approved MIP funding for 2017-2018 is \$36,601.
- the Company returned \$20,000 to Arctic Star in August 2017 with the remaining balance to be carried forward and used for future exploration expenditures on the Diagrass Property JV project.

1.11 Proposed Transactions

The Company does not have any proposed transactions other than as disclosed elsewhere in this document.

1.12 Critical Accounting Estimates

Not applicable to Venture Issuers.

1.13 Changes in Accounting Policies including Initial Adoption

The financial information presented in this MD&A has been prepared in accordance with International Financial Reporting Standards. Our significant accounting policies are set out in Note 2 of the audited financial statements of the Company, as at and for the year ended May 31, 2017.

MARGARET LAKE DIAMONDS INC.

Management Discussion & Analysis

May 31, 2017

New accounting standards and interpretations

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective. The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on its consolidated financial statements.

- IFRS 9, Financial instruments (“IFRS 9”) was issued by the IASB on July 24, 2014 and will replace IAS 39, Financial instruments: recognition and measurement (“IAS 39”). IFRS 9 utilizes a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. Final amendments released on July 24, 2014 also introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.
- IFRS 15, Revenue from Contracts and Customers (“IFRS 15”) was issued by the IASB on May 28, 2014, and will replace IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.
- IFRS 16, Leases, new standard contains a single lessee accounting model, eliminating the distinction between operating and financing leases from the perspective of the lessee. The accounting requirements from the perspective of the lessor remains largely in line with previous IAS 17 requirements, effective for annual reporting periods beginning on or after January 1, 2019.

1.14 Financial Instruments and Other Instruments

The Company’s financial instruments are as follows. Unless otherwise disclosed their carrying values approximate their fair values due to the short term nature of these instruments.

	<i>Loans & receivables</i>	<i>Available for sale</i>	<i>Fair Value through Profit or Loss</i>	<i>Other financial liabilities</i>
Financial assets				
Cash	\$ –	\$ –	\$ 293,721	\$ –
Financial liabilities				
Trade payables	–	–	–	209,550
JV partner contribution	–	–	–	78,932
	\$ –	\$ –	\$ 293,721	\$ 288,482

MARGARET LAKE DIAMONDS INC.

Management Discussion & Analysis

May 31, 2017

The Company uses the following hierarchy for determining and disclosing fair value of financial instruments:

Level 1 — quoted prices in active markets for identical assets and liabilities.

Level 2 — observable inputs other than quoted prices in active markets for identical assets and liabilities.

Level 3 — unobservable inputs in which there is little or no market data available, which require the reporting entity to develop its own assumptions.

There were no transfers between levels during the year ended May 31, 2017.

1.15 Other Requirements

Summary of Outstanding Share Data as of September 19, 2017:

Authorized: Unlimited number of common shares without par value.

Issued and outstanding:	46,317,280
Stock options outstanding	1,625,000
Warrants outstanding	10,884,600

Additional disclosures pertaining to the Company's material change reports, press releases and other information are available on the SEDAR website at www.sedar.com.

On behalf of the Board of Directors, thank you for your continued support.

"Paul Brockington"

Paul Brockington