

**MARGARET LAKE DIAMONDS INC.**

**MANAGEMENT DISCUSSION AND ANALYSIS**  
**August 31, 2019**

## MARGARET LAKE DIAMONDS INC.

Management Discussion and Analysis  
For the three months ended August 31, 2019 and 2018

---

The following Management’s Discussion and Analysis (“MD&A”), prepared as of October 31, 2019 should be read in conjunction with the unaudited condensed interim financial statements of Margaret Lake Diamonds Inc. (“Margaret Lake” or “the Company”) for the three months ended August 31, 2019, together with the audited financial statements of the Company for the year ended May 31, 2019 and the accompanying MD&A for that fiscal year. The referenced financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. All financial amounts are stated in Canadian dollars unless stated otherwise.

Additional information relating to the Company and its operations is available under the Company’s profile on SEDAR at [www.sedar.com](http://www.sedar.com)

### *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 three months ended August 31, 2019 and 2018

---

### **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".

Significant events and operating highlights for the three months ended August 31, 2019 and up to the date of these MD&A:

- The Company completed initial exploration work on the Kiyuk Lake property and filed a National Instrument 43-101 Technical Report; and
- The Company received an MIP grant of \$160,000 for the Diagas project, of which \$136,000 was received.

### **Exploration Highlights and Objectives**

#### ***Diagas 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 Diagas Property.

The Diagas 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 Diagas 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 Diagas 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.

During the year ended May 31, 2018, the Company received a cash refund of the \$183,514 from GNWT of the bond deposit paid by the Company in 2016 in lieu of exploration expenditures on the Diagas Property. The Company had filed the work assessment report in fiscal 2018 to register its exploration programs on the

## MARGARET LAKE DIAMONDS INC.

Management Discussion and Analysis  
For the three months ended August 31, 2019 and 2018

---

property. The exploration activities performed by the Company in fiscal 2017 and 2018 were sufficient and eligible for the assessment credit.

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 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.

During the year ended May 31, 2019, the Company staked 8 new mineral claims adjoining the pre-existing Diagras Property in the Northwest Territories. The new claims cover 3,896 hectares, and, now, the Diagras Property consists of 31 mineral claims totaling 22,595 hectares.

In June 2018, the Diagras JV partners completed a ground geophysical program at the Diagras Property that consisted of gravity, magnetic and electromagnetic (EM) ground surveys focused around historically identified kimberlites as well as other airborne geophysical anomalies with kimberlite like signatures. A total of 133 gravity stations, 152 line kilometers of magnetic and 11.2 line kilometers of OhmMapper survey were completed. The surveys targeted kimberlite intrusions and were designed to investigate areas proximal to known kimberlites as well as explore new target areas.

Drill targets identified in the surveys conducted this year, DG007, HL02 and Suzanne, have emerged as interesting, drillable targets, showing evidence of multi-phase kimberlite complexes. The Company plans to drill test the referenced targets as well as generate more targets through an expanded ground geophysical and drill program in spring 2019. The property comprises 20 known kimberlites. The Company is planning continuing to explore the Diagras diamond property near the Diavik diamond mine. Diavik is running increasingly low on feedstock and could benefit directly from a diamond discovery.

During the year ended May 31, 2019, the Company received an approval for the 2018-2019 MIP funding of \$111,615, from the Government of the Northwest Territories that will cover certain eligible exploration costs incurred on the Diagras JV project. In August 2018, the Company received its first payment in the amount of \$94,873 or 85% of the total funding. The final payment will be made after the Company submits its 2018 projects reports. \$37,949 of the received funding has been allocated to Arctic Star based on its proportionate interest in the Diagras JV, and \$56,924 was recorded against the Company’s expenditures incurred on the Diagras Property. In June 2019 the Company received the remaining \$16,742 of the funding, 40% of which was allocated to Arctic Star.

During the three months ended August 31, 2019 the Company received approval for 2019-202 MIP funding of \$160,000, from the Government of the Northwest Territories that will cover certain eligible exploration costs incurred on the Diagras JV project. During the period ended August 31, 2019 the Company received \$136,000 of which 40% was allocated to Arctic Star.

### *Kiyuk Lake*

On February 14, 2019 the Company entered into an Option Agreement (the “Kiyuk Option”) to acquire up to an 80% interest in the Kiyuk Lake Gold Property (“Kiyuk Lake”) located in southern Nunavut. Kiyuk Lake consists of 70 contiguous mineral claims encompassing over 59,000 hectares.

## MARGARET LAKE DIAMONDS INC.

Management Discussion and Analysis  
For the three months ended August 31, 2019 and 2018

As per the Kiyuk Option the Company can earn an initial 50% interest by issuing 5,000,000 common shares of the Company and invest \$150,000 through the purchase of 3,000,000 common shares of the Optionor at a deemed price of \$0.05 within 30 days. The Company will also make a cash payment of \$100,000 on February 14, 2020 and incur \$3,000,000 of exploration expenditures by February 14, 2022. The Company can acquire an additional 30% by making a one-time cash payment of \$5,000,000.

During the year ended May 31, 2019 the Company incurred \$87,378 of exploration costs on the property related to mining lease payments and other exploration work. The Company incurred additional exploration costs during the period ended August 31, 2019 of \$215,911 and filed a National Instrument 43-101 Technical Report on the property.

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

Property:	Margaret Lake \$	Kiyuk Lake \$	Kirk Lake \$	Diagras \$	Total \$
<b>Acquisition Costs:</b>					
<b>Balance, May 31, 2018</b>	1,431,488	-	16,000	97,051	<b>1,544,539</b>
Staking	-	-	-	25,470	25,470
Allocation to the JV partner	-	-	-	(10,188)	(10,188)
Impairment	(1,431,488)	-	(16,000)	-	(1,447,488)
<b>Balance, May 31, 2019 and August 31, 2019</b>	-	-	-	<b>112,333</b>	<b>112,333</b>
<b>Deferred exploration costs:</b>					
<b>Balance, May 31, 2018</b>	1,655,570	-	144,843	349,765	<b>2,150,178</b>
Additions:					
Camp costs	-	-	-	193,382	193,382
Consulting	4,525	11,214	-	12,385	28,124
Geology	3,188	-	-	46,096	49,284
Geophysics	-	-	-	90,250	90,250
License and fees	-	62,414	-	-	62,414
Reports	-	13,750	-	-	13,750
Assessment reports filing fees	1,685	-	-	3,294	4,979
MIP grants received	(140,000)	-	-	(94,873)	(234,873)
Allocation to the JV partner	-	-	-	(100,214)	(100,214)
Impairment	(1,524,968)	-	(144,843)	-	(1,669,811)
<b>Balance, May 31, 2019</b>	-	<b>87,378</b>	-	<b>500,085</b>	<b>587,463</b>
Additions:					
Consulting	-	3,341	-	-	3,341
Reports	-	12,570	-	-	12,570
Surveying	-	200,000	-	-	200,000
MIP Grants received	-	-	-	(152,742)	(152,742)
Allocation to JV Partner	-	-	-	61,097	61,097
	-	215,911	-	(91,645)	124,266
<b>Balance, May 31, 2019</b>	-	<b>87,378</b>	-	<b>612,418</b>	<b>699,796</b>
<b>Balance, August 31, 2019</b>	-	<b>303,289</b>	-	<b>520,773</b>	<b>824,062</b>

## MARGARET LAKE DIAMONDS INC.

Management Discussion and Analysis  
For the three months ended August 31, 2019 and 2018

---

### Results of Operations

*Three months ended August 31, 2019 and 2018*

During the three months ended August 31, 2019 the Company recorded a net loss of \$68,657 compared to \$51,790 during the three months ended August 31, 2018. The increase in net loss is due to the following:

- 1) The Company incurred consulting fees of \$35,000 during the period ended August 31, 2019 (2018 - \$nil)
- 2) Marketing expense decreased from \$31,000 during the three months ended August 31, 2018 to \$10,715 during the period ended August 31, 2019. The Company increased its marketing efforts during the period ended August 31, 2019 as the Company was increasing awareness of its exploration activities on the Diagas project.
- 3) Share-based compensation during the period ended August 31, 2018 was \$12,392 related to the vesting of previously granted options. There were no options granted during the period ended August 31, 2019.

### 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
	\$	\$	\$
August 31, 2019	-	(68,657)	(0.00)
May 31, 2019	-	(3,219,093)	(0.06)
February 28, 2019	-	(203,234)	(0.00)
November 30, 2018	-	(56,344)	(0.00)
August 31, 2018	-	(51,790)	0.00
May 31, 2018	-	(92,802)	(0.00)
February 28, 2018	-	(18,928)	(0.00)
November 30, 2017	-	(28,723)	(0.00)

Loss for the quarter ended May 31, 2019 included \$3,117,299 related to the impairment of the Margaret Lake Property and the Kirk Lake property.

The loss for the quarter ended February 28, 2019 included \$100,421 of stock-based compensation expense.

### Liquidity and Capital Resources

At August 31, 2019 the Company reported a working capital deficit of \$182,577 compared to working capital of \$10,346 at May 31, 2019, the decrease in working capital is primarily related to the Company incurring \$215,911 in exploration expenditures during the three months ended August 31, 2019.

The Company's cash balance decreased from \$46,766 at May 31, 2019 to \$35,577 as at August 31, 2019. The Company incurred exploration expenditures of \$215,911 during the three months ended August 31, 2019, offset by \$152,742 of MIP funding received.

## **MARGARET LAKE DIAMONDS INC.**

Management Discussion and Analysis  
For the three months ended August 31, 2019 and 2018

---

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 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 \$5,552,898 at August 31, 2019 (2019 - \$5,484,241).

### **Off-Balance Sheet Arrangements**

The Company does not utilize off-balance sheet arrangements.

### **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, 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 INSTRUMENTS**

### **Liquidity Risk**

## **MARGARET LAKE DIAMONDS INC.**

Management Discussion and Analysis  
For the three months ended August 31, 2019 and 2018

---

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

### **Credit Risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Company's cash is largely held in large Canadian financial institutions. The Company does not have any asset-backed commercial paper. The Company's receivables consist of GST receivable due from the Federal Government of Canada. The Company has not experienced any significant credit losses and believes it is not exposed to any significant credit risk.

### **Price Risk**

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

### **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company does not hold any financial liabilities with variable interest rates. The Company does maintain bank accounts which earn interest at variable rates but it does not believe it is currently subject to any significant interest rate risk.

### **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.

During the three months ended August 31, 2019 the Company incurred management fees of \$14,000 (2018 - \$nil) paid to the CEO and CFO of the Company.

During the three months ended August 31, 2018 the Company incurred share-based compensation expense of \$11,584 relating to the vesting of options granted to related parties.

The Company is continuing to jointly explore the Diagrass Property with Arctic Star, a company with a common director and officer, on a 60-40 joint venture basis.

### **Proposed Transactions**

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

# MARGARET LAKE DIAMONDS INC.

Management Discussion and Analysis  
For the three months ended August 31, 2019 and 2018

---

## 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, 2019.

### *31New accounting standards and interpretations*

#### *IFRS 16, Leases*

IFRS 16 specifies how an issuer will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset has an insignificant value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The adoption of IFRS 16 did not have a significant impact on the Company's financial statements as it does not have any leases.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

## Other Requirements

### Summary of Outstanding Share Data as of October 31, 2019:

Authorized: Unlimited number of common shares without par value.

Issued and outstanding:	54,686,587
Stock options outstanding	3,675,000
Warrants outstanding	8,958,903

## FINANCIAL AND DISCLOSURE CONTROLS AND PROCEDURES

In connection with National Instrument 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the financial statements for the three months ended August 31, 2019, and this accompanying MD&A (together the "Interim Filings").

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Interim Filings on SEDAR at [www.sedar.com](http://www.sedar.com).