

MARGARET LAKE DIAMONDS INC.

MANAGEMENT DISCUSSION AND ANALYSIS
August 31, 2020

MARGARET LAKE DIAMONDS INC.

Management Discussion and Analysis

For the three months ended August 31, 2020 and 2019

The following Management's Discussion and Analysis ("MD&A"), prepared as of December 23, 2020 should be read in conjunction with the condensed interim financial statements of Margaret Lake Diamonds Inc. ("Margaret Lake" or "the Company") for the three months ended August 31, 2020, together with the audited financial statements of the Company for the year ended May 31, 2020 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. 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

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.

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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. The Company's principal address and head office is Suite 303-1080 Howe Street, Vancouver BC, V6Z 2T1. The registered and records office is Suite 400, 725 Granville Street, Vancouver, BC, V7Y 1G5. The Company is listed as a "Tier 2" mining issuer on the TSX Venture Exchange (the "Exchange") trading under the symbol "DIA".

Exploration Highlights and Objectives

Morrison Property

On August 6, 2020 the Company entered into an option agreement to acquire up to a 100% interest in the Morrison Copper-Gold Deposit near Smithers, B.C. subject to a 2.5% Net Smelter Return of which 1.5% may be purchased from the vendors for \$5,000,000. The Company can acquire an initial 80% interest by completing the following:

Cash payments:

- \$150,000 upon execution of the agreement (paid);
- \$2,000,000 upon Exchange approval of the agreement;
- \$4,000,000 prior to August 1, 2021;
- \$3,000,000 prior to August 1, 2022;
- \$3,000,000 prior to August 1, 2023.

Share Issuances

- 4,000,000 common shares upon Exchange approval of the agreement;
- 5,000,000 common shares prior to August 1, 2021;
- 5,000,000 common shares prior to August 1, 2022;
- 5,000,000 common shares prior to August 1, 2023.

Exploration expenditures

- \$50,000 expended by August 1, 2021;
- \$500,000 expended by August 1, 2022;
- \$500,000 expended by August 1, 2022.

The Company can acquire the remaining 20% interest in the property for a one-time cash payment of \$4,000,000.

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.

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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.

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 year ended May 31, 2020 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. In July 2019 the Company received \$136,000 of which 40% was allocated to Arctic Star.

As at August 31, 2020 Arctic Star’s unapplied contribution for this year’s program was \$43,966 (May 31, 2020 – \$43,966) The balance is included as a liability in the Company’s statement of financial position as at August 31, 2020. The unapplied contributions will be applied against future exploration expenditures on the Diagras Property.

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.

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, 2020 the Company received a default notice on the Kiyuk Option as it had failed to issue 5,000,000 common shares or make the \$150,000 investment. The Company therefore wrote-off the Kiyuk Lake Property and recorded a write-off of exploration assets of \$752,643 (2018 – Nil).

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

Property:	Morrison Property \$	Kiyuk Lake \$	Diagras \$	Total \$
Acquisition Costs:				
Balance, May 31, 2019	-	-	112,333	112,333
Staking	-	18,500	-	18,500
Impairment	-	(18,500)	-	(18,500)
Balance, May 31, 2020	-	-	112,333	112,333
Cash acquisition cost	150,000	-	-	150,000
Balance, August 31, 2020	150,000	-	112,333	262,333
Deferred exploration costs:				
Balance, May 31, 2019	-	87,378	500,085	587,463
Additions:				
Consulting	-	4,740	7,575	12,315
Reports	-	12,570	-	12,570
Camp	-	105,175	-	105,175
Fuel	-	6,280	-	6,280
Surveying	-	518,000	-	518,000
MIP Grants received	-	-	(152,742)	(152,742)
Allocation to JV Partner	-	-	58,067	58,067
Impairment	-	(734,143)	-	(734,143)
Balance, May 31, 2020 and August 31, 2020	-	-	412,985	412,985
Balance, May 31, 2020	-	-	525,318	525,318
Balance, August 31, 2020	150,000	-	525,318	675,318

Results of Operations

Three months ended August 31, 2020 and 2019

During the three months ended August 31, 2020 the Company recorded a net loss of \$56,354 compared to \$68,657 during the three months ended August 31, 2019. The decrease in net loss is due to the following:

- 1) Consulting fees decreased to \$nil (2019 - \$35,000) as the Company preserved cash for the acquisition of the Morrison Property.
- 2) Marketing expense decreased to \$1,195 (2019 - \$10,715) as the Company preserved cash.
- 3) Wages and salaries expense increased to \$26,442 (2019 - \$nil) related to the CFO of the Company.

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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, 2020	-	(56,354)	(0.00)
May 31, 2020	-	(762,537)	(0.01)
February 29, 2020	-	(94,668)	(0.00)
November 30, 2019	-	(246,248)	(0.00)
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)

Loss for the quarter ended November 30, 2019 included \$182,217 related to the write-off of the Kiyuk Lake property.

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, 2020 the Company reported a working capital deficit of \$1,182,232 compared to a working capital deficit of \$975,878 at May 31, 2020, the decrease in working capital is primarily related exploration expenditures and general administrative costs during the three months ended August 31, 2020.

The Company's cash balance increased from \$927 at May 31, 2020 to \$4,735 as at August 31, 2020. The increase was a result of \$187,000 in advances from related parties that were offset by \$150,000 in acquisition costs related to the Morrison Property and \$33,192 in cash used in operating activities. The advances payable are non-interest bearing and due on demand.

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 condensed interim financial statements of the Company have been prepared using accounting policies applicable to a going concern, which contemplate the realization of assets and settlement

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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 \$6,712,705 at August 31, 2020 (2020 - \$6,656,351).

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

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.

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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, 2020 the Company incurred management fees of \$nil (2019 - \$14,000) paid to Jared Lazerson, the CEO of the Company.

During the three months ended August 31, 2020 the Company incurred salary expense of \$26,442 (2019 - \$nil) paid to Neil Foran, CFO of the Company.

The Company is continuing to jointly explore the Diagras Property with Arctic Star, a company with a common director and officer, on a 60-40 joint venture basis (Note 4).

As at August 31, 2020, \$267,939 (May 31, 2020 - \$135,069) was due to a company controlled by the CEO of the Company with no specific terms of repayment. During the three months ended August 31, 2020 the Company received \$187,000 in advances from related parties, the amounts are non-interest bearing and due on demand.

As at August 31, 2020 included in trade payables was \$17,112 (May 31, 2020 - \$23,305) that was due to related parties.

Proposed Transactions

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

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Other Requirements

Summary of Outstanding Share Data as of December 23, 2020

Authorized: Unlimited number of common shares without par value.

Issued and outstanding:	54,686,587
Stock options outstanding	4,175,000
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 condensed interim financial statements for the three months ended August 31, 2020, 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.