

MARGARET LAKE DIAMONDS INC.

MANAGEMENT DISCUSSION AND ANALYSIS
August 31, 2021

MARGARET LAKE DIAMONDS INC.

Management Discussion and Analysis

For the three months ended August 31, 2021 and 2020

The following Management's Discussion and Analysis ("MD&A"), prepared as of November 1, 2021, 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, 2021, together with the audited financial statements of the Company for the year ended May 31, 2021 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 (the "Morrison Project") 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. During the period ended May 31, 2021, the Company paid \$150,000 in cash acquisition costs related to the Morrison Project agreement. It was later ruled by the British Columbia Gold Commissioner that the Morrison Project would be returned to the original leaseholders of the Morrison Project as the claims had never been dropped by the original leaseholders. During the year ended May 31, 2021, the Company wrote-off its investment in the Morrison Project resulting in a write-down of exploration and evaluation assets of \$150,000. On February 4, 2021, the Company agreed to drop its claim to the Morrison project and received a full credit of \$150,000 that had been contributed and the Company reversed the initial write-down of exploration assets.

The total credit was applied to payments owing on the Old Nick Nickel-Cobalt properties (see below).

Old Nick Nickel-Cobalt

On February 4, 2021, the Company entered into an agreement to acquire 100% interest in Old Nick Nickel-Cobalt project and Letain Nickel-Cobalt projects in British Columbia ("Cobalt Projects"). As per the terms of the agreement the Company must make payments to each of the vendors as follows:

- 1) \$10,000 within 30 days of agreement execution or Exchange approval (accrued);
- 2) \$10,000 within 90 days of Exchange approval;
- 3) \$30,000 six months of Exchange approval;
- 4) \$300,000 prior to January 1, 2022 (\$150,000 paid)
- 5) \$400,000 prior to August 1, 2023;
- 6) \$500,000 prior to August 1, 2024.

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

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hectares. The Diagrass Property comprising part of Arctic Star's original T-Rex Property consisting of 62 mineral claims totaling 54,000 hectares.

The Company formed a joint venture with Arctic Star (the "Diagrass JV") to jointly explore the Diagrass Property on the 60-40 joint venture basis. The parties agreed that title to the Diagrass 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 Diagrass Property in the Northwest Territories. The new claims cover 3,896 hectares, and, now, the Diagrass 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 Diagrass 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 Diagrass JV, and \$56,924 was recorded against the Company's expenditures incurred on the Diagrass 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 Diagrass JV project. In July 2019 the Company received \$136,000 of which 40% was allocated to Arctic Star.

As at August 31, 2021 Arctic Star's unapplied contribution for this year's program was \$43,966 (May 31, 2021 – \$43,966) The balance is included as a liability in the Company's statement of financial position as at August 31, 2021. The unapplied contributions will be applied against future exploration expenditures on the Diagrass Property.

During the year ended May 31, 2021, the Company's interest in the Diagrass JV was diluted to 20% and Arctic Star is now the operator of the Diagrass JV. Subsequent to August 31, 2021, the Company's interest was diluted to 18.5%.

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

Property:	Cobalt	Diagras	Total
	Projects		
	\$	\$	\$
Acquisition Costs:			
Balance, May 31, 2020	-	112,333	112,333
Cash acquisition cost	160,000	-	160,000
Balance, May 31, 2021 and August 31, 2021	160,000	112,333	272,333
Deferred exploration costs:			
Balance, May 31, 2020	-	412,985	412,985
Additions:			
Reports	16,000	-	16,000
Balance, May 31, 2021	16,000	412,985	428,985
Field work	7,112	-	7,112
Geological	1,800	-	1,800
Reports	4,000	-	4,000
Balance, August 31, 2021	28,912	412,985	441,897
Balance, May 31, 2021	176,000	525,318	701,318
Balance, August 31, 2021	188,912	525,318	714,230

Results of Operations

Three months ended August 31, 2021 and August 31, 2020

During the three months ended August 31, 2021, the Company recorded a net loss of \$157,956 compared to \$56,354 during the three months ended August 31, 2020. The increase in net loss is due to the following:

- 1) Consulting fees increased to \$7,500 (2020 - \$nil) related to fees paid to the CFO.
- 2) Stock-based compensation increase to \$88,099 (2020 - \$nil) as the Company granted 2,500,000 options during the period ended August 31, 2021.
- 3) Regulatory fees increased to \$22,972 (\$2,093) as the Company completed its AGM during the three months ended August 31, 2021.

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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	Earnings (Loss)	Loss per share
	\$	\$	\$
August 31, 2021	-	(157,956)	(0.00)
May 31, 2021	-	(141,279)	(0.00)
February 28, 2021	-	44,684	0.00
November 30, 2020	-	(157,370)	(0.00)
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)

Loss for the quarter ended November 30, 2020, included \$150,000 related to the write-off of the Morrison Project and earnings for the quarter ended February 28, 2021, include a reversal of the write-off of the Morrison Project as the Company recovered the initial cash acquisition costs.

Loss for the quarter ended May 31, 2020, included \$570,426 related to the write-off of the Kiyuk Lake property.

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

Liquidity and Capital Resources

At August 31, 2021 the Company reported a working capital deficit of \$1,328,493 compared to a working capital deficit of \$1,354,624 at May 31, 2021.

The Company's cash balance decreased from \$38,270 at May 31, 2021 to \$13,119 as at August 31, 2021. The decrease was primarily related to a \$75,000 repayment of advances from related parties and \$12,912 in exploration costs. These expenditures were offset by \$108,900 of subscriptions receivable being received during the period ended August 31, 2021.

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

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of operating losses with no operating revenue and has an accumulated deficit of \$7,124,626 at August 31, 2021 (2021 - \$6,966,670).

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.

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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.

Key management compensation during the three months ended August 31, 2021 and 2020 was as follows:

	2021	2020
Salaries and wages ¹	26,923	26,442
Consulting fees ²	7,500	-
Share-based compensation	88,099	-
Total	122,522	26,442

¹ Includes payments to Neil Foran, current CEO and former CFO

² Includes payments to current CFO, George Kovalyov.

The Company is continuing to jointly explore the Diagas Property with Arctic Star, a company with a common director and officer, on a 20-80 joint venture basis (Note 4).

As at August 31, 2021, \$224,951 (May 31, 2021 - \$299,951) was due to a company controlled by the former CEO of the Company, Jared Lazerson, with no specific terms of repayment. During the three months ended August 31, 2021, the Company repaid \$75,000 to related parties. The remainder of the balance owing is non-interest bearing and due on demand.

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As at August 31, 2021 included in trade payables was \$35,670 (May 31, 2021 - \$54,486) due to related parties.

Proposed Transactions

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

Other Requirements

Summary of Outstanding Share Data as of November 1, 2021

Authorized: Unlimited number of common shares without par value.

Issued and outstanding:	59,686,587
Stock options outstanding	5,600,000
Warrants outstanding	5,000,000

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, 2021, 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.