

MARGARET LAKE DIAMONDS INC.

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED AUGUST 31, 2022

MARGARET LAKE DIAMONDS INC.

Management Discussion and Analysis
For the periods ended August 31, 2022 and 2021

The following Management's Discussion and Analysis ("MD&A"), prepared as of December 20, 2022, should be read in conjunction with the condensed consolidated interim financial statements of Margaret Lake Diamonds Inc. ("Margaret Lake" or "the Company") for the three months ended August 31, 2022, and the audited financial statements of the Company for the year ended May 31, 2022. These statements were 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 and the United States. The Company was incorporated 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 1008, Bentall 5, 550 Burrard St. Vancouver, BC, V6C 2B5. The Company is listed as a "Tier 2" mining issuer on the TSX Venture Exchange (the "Exchange") trading under the symbol "DIA".

During the year ended May 31, 2022, the Company completed a 10:1 share consolidation. All historical figures have been adjusted to reflect the consolidation.

Exploration Highlights and Objectives

Mormon Lake Uranium

During the year ended May 31, 2022, on January 17, 2021, the Company entered into a purchase option agreement with Gold Express Mines, Inc. ("GEM") whereby the Company was granted sole and exclusive rights to acquire a 100% interest in the Mormon Lake Uranium property consisting of 20 unpatented mining claims located near Payson, Arizona. GEM retains a 2% NSR on the property.

During the year ended May 31, 2022, the Company exercised its right to acquire 100% interest and paid US\$30,000 (CAD - \$38,230) and issued 500,000 common shares to complete its obligations pursuant to the option agreement.

Diagras Property

On November 7, 2016, the Company entered into an Option and Joint Venture Agreement ("JV Agreement") with Arctic Star (TSX-V: ADD), under which it has acquired a 60% interest in 23 mineral claims located in the Northwest Territories, Canada (the "Diagras Property"). 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, with the Company acting as the operator. 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.

During the year ended May 31, 2021, the Company's interest in the Diagras JV was diluted to 20% and Arctic Star became the operator of the Diagras JV. During the year ended May 31, 2022, the Company was further diluted to 18.5%.

As at August 31, 2022, the Company has paid its current pro-rata share of expenditures of \$126,628 and Arctic Star's unapplied contribution for the program is \$43,966 (May 31, 2021 – \$43,966).

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

	Cobalt Projects	Mormon Lake	Diagras	Total
	\$	\$	\$	\$
Balance, May 31, 2021	176,000	-	525,318	701,318
Cash acquisition cost	-	38,230	-	38,230
Shares issued for acquisition	-	135,000	-	135,000
Deferred exploration costs	18,867	-	480,468	499,335
Write-off of exploration assets	(194,867)	-	-	(194,867)
Balance, May 31, 2022	-	173,230	1,005,786	1,179,016
Deferred exploration costs	-	7,240	126,628	133,868
Balance, August 31, 2022	-	180,470	1,132,414	1,312,884

Selected Annual Information

	Years ended May 31,		
	2022	2021	2020
	- \$ -	- \$ -	- \$ -
Interest income	-	-	-
Net loss	(489,993)	(310,319)	(1,172,110)
Loss per share	(0.06)	(0.01)	(0.02)
Total assets	1,243,867	829,519	683,268
Total long term liabilities	-	-	-
Total equity (deficit)	40,293	(586,429)	(335,683)
Cash dividends per share for each class of share	-	-	-

Results of Operations

Years ended May 31, 2022 and 2021

During the year ended May 31, 2022, the Company recorded a net loss of \$489,993 compared to a loss of \$310,319 during the year ended May 31, 2021. The change is due to the following:

- 1) Stock-based compensation increased to \$88,099 (2021 - \$nil) in connection to 250,000 options during the year ended May 31, 2022.
- 2) Regulatory fees increased to \$63,668 (2021 - \$38,711) as the Company completed its AGM and completed a share consolidation in the current year.
- 3) The Company recorded wages and salaries expense of \$65,313 (2021 - \$45,453) related to fees paid to the former CEO.
- 4) The Company recorded a forgiveness of accounts payable of \$646,019 (2021 - \$nil) pursuant to receiving recoveries on historically recorded debt.
- 5) The Company recorded a write-down of \$184,867 (2021 - \$nil) related to the Cobalt Properties.
- 6) The Company incurred consulting expense of \$492,165 (2021 - \$30,139), including payments to the former CEO, former CFO, a director and former directors of the Company.
- 7) The Company recorded a write down of the reclamation bond on assignment of the reclamation bond to the JV partner of \$66,877 (2021 - \$nil).

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Three months ended August 31, 2022 and 2021

During the three months ended August 31, 2022, the Company had net loss of \$956,066 (2021 – \$157,956). The change is primarily due to the following:

- 1) Consulting increased to \$418,834 (2021 - \$7,500) including payments to the former CEO, former CFO, former directors and the current CEO of the Company.
- 2) Marketing costs increased to \$105,000 (2021 - \$926) which included increased related expenses in connection to financing activities.
- 3) Professional fees increased to \$73,333 (2021 – \$7,934) due mostly to costs relating to financing and legal services relating to the change in directors and management.
- 4) Shareholder communications increased to \$153,559 (2021 - \$nil) relating to the financing efforts of the Company in the current period.

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)	Income (Loss) per share
	\$	\$	\$
August 31, 2022	-	(956,066)	(0.05)
May 31, 2022	-	(230,634)	(0.03)
February 28, 2022	-	(597,280)	(0.06)
November 30, 2021	-	495,877	0.08
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)

Loss for the quarter ended August 31, 2022 included consulting fees of \$418,834, marketing expenses of \$105,000, shareholder communications of \$153,559 and an increase in professional fees to \$73,333.

Loss for the quarter ended May 31, 2022 included consulting fees of \$149,166 which included payments to the former CEO, former CFO, a director and former directors of the Company, forgiveness on historical accounts payable of \$51,777 and a write down of the reclamation bond on assignment of the reclamation bond to the JV partner of \$66,877 (2021 - \$nil).

Loss for the quarter ended February 28, 2022, included \$194,867 in write-down of exploration and evaluation assets related to the Cobalt properties and \$327,999 in consulting fees.

Income for the quarter ended November 30, 2021, was a result of a gain on forgiveness of historical accounts payable of \$582,842.

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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.

Liquidity and Capital Resources

At August 31, 2022 the Company reported a working capital deficit of \$131,926 compared to a working capital deficit of \$1,354,624 at May 31, 2022.

The Company's cash balance increased to \$108,251 at August 31, 2022 from \$38,270 as May 31, 2022.

During the current period, the Company completed financing activities including:

- Closed tranche 1 of a private placement financing raising a total of \$777,368 by way of issuing:
 - 683,000 flow through units priced at \$0.15, each unit was comprised of one common share and one warrant exercisable to purchase one common share at a price of \$0.28 for a period of 24 months from the date of issuance and;
 - 4,820,841 units priced at \$0.14 units priced at \$0.14, each unit was comprised of one common share and one warrant exercisable to purchase one common share at a price of \$0.30 for a period of 24 months from the date of issuance.

The Company paid a combined total of \$18,094 in finders fees on tranche 1 of the financing and issued 38,640 Finder's warrants, each warrant entitles the holder to purchase one common share at a price of \$0.30 for a period of 24 months after the date of issuance and 87,840 Finder's warrants, each warrant entitles the holder to purchase one common share at a price of \$0.28 for a period of 24 months after the date of issuance.

- Closed the second and final tranche of the private placement financing, raising a total of \$1,174,589 by way of issuing:
 - 2,650,327 flow through units priced at \$0.15, each unit was comprised of one common share and one warrant exercisable to purchase one common share at a price of \$0.28 for a period of 24 months from the date of issuance and;
 - 5,550,285 units priced at \$0.14 units priced at \$0.14, each unit was comprised of one common share and one warrant exercisable to purchase one common share at a price of \$0.30 for a period of 24 months from the date of issuance

The Company paid a combined total of \$47,200 in finders fees on tranche 2 of the financing and issued 37,333 Finder's warrants, each warrant entitles the holder to purchase one common share at a price of \$0.30 for a period of 24 months after the date of issuance and 257,142 Finder's warrants, each warrant entitles the holder to purchase one common share at a price of \$0.28 for a period of 24 months after the date of issuance.

- Pursuant to a debt settlement agreement, the Company settled debt in the amount of \$53,537, by way of issuing 382,407 units at a deemed price \$0.14, each unit consists of one share and one common share purchase warrant entitling the holder to purchase an additional share at a price of \$0.28 for a period of two years from the date of issuance.

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- Pursuant to a debt settlement agreement, the Company settled debt in the amount of \$69,426 by way of: a cash payment of \$10,000 and the issuance of 424,469 units at a deemed price \$0.14, each unit consists of one share and one common share purchase warrant entitling the holder to purchase an additional share at a price of \$0.28 for a period of two years from the date of issuance.
- Pursuant to a debt settlement agreement, the Company settled debt in the amount of \$225,000 by way of: a cash payment of \$10,000, a cash payment of \$90,000 on closing of the Company's next private placement financing under which the Company raises gross proceeds of not less than \$750,000 and the issuance of 892,857 units (issued) at a deemed price of \$0.14, each unit consists of one share and one common share purchase warrant entitling the holder to purchase an additional share at a price of \$0.28 for a period of two years from the date of issuance.

To date, the other sources of funds potentially available to the Company are through the exercise of outstanding stock options and share purchase warrants. There can be no assurance 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.

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.

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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.

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.

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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 periods ended August 31, 2022, and 2021 was as follows:

	2022	2021
	\$	\$
Salaries and wages	-	26,923
Consulting fees	200,000	7,500
Share-based compensation	88,748	88,099
Total	288,748	122,522

As at August 31, 2022, the Company had the following balances due to related parties:

- Due to the former CEO and or a company controlled by the former CEO, \$nil (May 31, 2022 - \$71,180);
- Due to a Company controlled by the CEO \$nil (May 31, 2022 - \$28,500) in the form of a promissory note that accrues interest at 2% per month;
- Due to the former CFO and or companies controlled by the former CFO \$nil (May 31, 2021 - \$26,952);
- Due to a company controlled by a former director \$nil (May 31, 2022 - \$3,100).

The total balance due to related parties as at August 31, 2022 is \$4,252 (May 31, 2022 - \$129,732).

As at August 31, 2022 \$224,952 (May 31, 2022 - \$224,952) was due to a company controlled by a former CEO of the Company which was settled subsequent to the period end.

During the three months ended August 31, 2022, the Company had the following transactions with parties that were related parties during the fiscal year:

- Consulting fees of \$200,000 (2021 - \$nil), paid to a company controlled by the CEO;
- Consulting fees of \$nil (2021 - \$7,500), paid or accrued to the former related parties.
- Salaries and wages of \$nil (2021 - \$26,923) paid to the former CEO;

During the period ended August 31, 2022, there was \$88,748 (2021 - \$88,099) recorded in stock-based compensation expense in connection to options issued to certain directors and officers (2021 - former directors and officers)

Other Requirements

Summary of Outstanding Share Data as of August 31, 2022

Authorized: Unlimited number of common shares without par value.

Issued and outstanding:	26,519,431
Stock options outstanding	650,000
Warrants outstanding	20,974,727

As at December 20, 2022, 27,412,288 shares were outstanding.

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 period ended August 31, 2022, and this accompanying MD&A.