

**MARGARET LAKE DIAMONDS INC.**

**MANAGEMENT DISCUSSION AND ANALYSIS**  
**May 31, 2022**

## **MARGARET LAKE DIAMONDS INC.**

Management Discussion and Analysis  
For the years ended May 31, 2022 and 2021

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The following Management's Discussion and Analysis ("MD&A"), prepared as of December 15, 2022, should be read in conjunction with the audited financial statements and related notes thereto of Margaret Lake Diamonds Inc. ("Margaret Lake" or "the Company") for the years ended May 31, 2022, and 2021, which 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](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.

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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 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 and registered and records 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.

#### **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).

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### 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;
- 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.

During the year ended May 31, 2022, the Company made the decision to not pursue the Cobalt Projects and wrote off the balance of acquisition costs and expenditures totaling \$184,867.

### 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. As at May 31, 2022, the balance of the reclamation bond is \$Nil (May 31, 2021 - \$66,877) as the bond was assigned to Arctic Star with the transfer of Operatorship of the JV.

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

As at May 31, 2022, the Company has paid its pro-rata share of expenditures of \$480,468 and Arctic Star’s unapplied contribution for this year’s program is \$43,966 (May 31, 2021 – \$43,966).

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

	<b>Cobalt Projects</b>	<b>Mormon Lake</b>	<b>Diagras</b>	<b>Total</b>
	\$	\$	\$	\$
<b>Balance, May 31, 2020</b>	-	-	<b>525,318</b>	<b>525,318</b>
Cash acquisition cost	160,000	-	-	160,000
Deferred exploration costs	16,000	-	-	16,000
<b>Balance, May 31, 2021</b>	<b>176,000</b>	-	<b>525,318</b>	<b>701,318</b>
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)
<b>Balance, May 31, 2022</b>	<b>-</b>	<b>173,230</b>	<b>1,005,786</b>	<b>1,179,016</b>

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### 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 - \$29,705) 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 \$644,619 (2021 - \$nil) pursuant to forgiveness of historically recorded debt.
- 5) The Company recorded a write-down of \$194,867 (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).

#### *Three months ended May 31, 2022 and 2021*

During the three months ended May 31, 2022, the Company had net loss of \$163,757 (2021 - income of \$141,279). The change is primarily due to the following:

- 1) Consulting increased to \$149,166 (2021 - \$7,500) including payments to the former CEO, former CFO, a director and former directors of the Company.
- 2) Office administration increased to \$40,279 (2021 - \$2,612) which included increased travel and related expenses in connection to financing activities.
- 3) Professional fees decreased to \$14,081 (2021 - \$72,976) which were commensurate with the utilization in services in the comparative periods.
- 4) The Company recorded a forgiveness of accounts payable of \$55,771 (2021 - \$nil) pursuant to forgiveness of historically recorded debt, whereas there were no comparative activities in the prior period.

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- 5) 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).

### 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
	\$	\$	\$
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)
August 31, 2020	-	(56,354)	(0.00)

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.

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 May 31, 2022 the Company reported a working capital deficit of \$1,138,723 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 \$19,548 as May 31, 2022.

During the year ended, the Company completed a financing whereby it issued 5,539,443 units at a price of \$0.135 per unit for gross proceeds of \$747,825. Each unit consists of one common share of the Company and one share purchase warrant enabling the holder to acquire an additional common share of the Company at a price of \$0.18 per warrant, expiring on December 30, 2023. This was offset by a \$75,000 repayment of advances from related parties and \$477,698 in

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exploration costs. These expenditures were offset by \$108,900 of subscriptions receivable being received from prior year activities.

As at the year ended May 31, 2022, the Company had received \$43,000 for subscriptions to a financing that closed subsequent to year end as further described below.

Subsequent to the year ended May 31, 2022, 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.

The shares issued are subject to statutory hold requirement.

Subsequent to the year ended May 31, 2022, the Company completed the following debt settlement transactions:

- 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.

Subsequent to the year ended May 31, 2022, the Company completed the following stock option activities:

- On August 19, 2022, the Company issued 650,000 stock options to certain directors, officers and consultants. The options are priced at \$0.18, vest immediately and expire on August 29, 2027.
- On November 2, 2022, the Company issued 1,000,000 stock options to certain directors and consultants. The options are priced at \$0.055, vest immediately and expire on November 2, 2023.
- Subsequent to the year ended May 31, 2022, 250,000 priced at \$0.50 were cancelled in accordance with the terms of the stock option plan (Note 8 to the Financial Statements).

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 \$7,456,663 at May 31, 2022 (May 31, 2021 - \$6,966,670).

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

The Company does not utilize off-balance sheet arrangements.

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### **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.

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.

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### 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 years ended May 31, 2022, and 2021 was as follows:

	Years ended May 31,	
	2022	2021
	\$	\$
Salaries and wages	65,313	45,453
Management fees	-	-
Consulting fees	415,165	12,500
Share-based compensation	88,099	-
Total	568,577	57,953

<sup>1</sup> Includes payments to Neil Foran, former CEO and former CFO

<sup>2</sup> Includes payments to former CFO George Kovalyov, former CEO Neil Foran, former director Joel Warawa and current CEO Yari Nieken and/or companies owned by them.

As at May 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, \$71,180 (May 31, 2021 - \$2,808);
- Due to a Company controlled by the CEO \$25,000 (May 31, 2021 - \$nil) 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 \$26,952 (May 31, 2021 - \$13,826);
- Due to a company controlled by a former director \$3,100 (May 31, 2021 - \$nil).

The total balance due to parties as at May 31, 2022 that were related parties during the year ended May 31, 2022 is \$129,732. As at May 31, 2021, \$299,951 was due to a company controlled by a former CEO of the Company with no specific terms of repayment.

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

- Salaries and Wages of \$ 65,313 (2021 - \$45,453), paid to the former CEO;
- Consulting fees of \$254,165 (2021 - \$nil), paid and or accrued to the former CEO and or a company controlled by the former CEO;
- Consulting fees of \$55,000 (2021 – 12,500), paid or accrued to the former CFO, and or company controlled by the former CFO;
- Consulting fees of \$6,000 (2021 - \$nil) paid or accrued to a company controlled by a former director;
- Consulting fees of \$100,000 (2021 - \$nil) paid to a company controlled by the CEO.

During the year ended May 31, 2022, there was \$88,099 (2021 - \$nil) recorded in stock-based compensation expenses in connection to options issued to certain of the former directors and officers. Subsequent to the year ended May 31, 2022, the stock options were cancelled in accordance with the terms of the stock option plan.

### **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 December 15 2022**

Authorized: Unlimited number of common shares without par value.

Issued and outstanding:	27,412,288
Stock options outstanding	1,650,000
Warrants outstanding	21,867,584

### **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 year ended May 31, 2022, and this accompanying MD&A (together the “Annual 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 Annual Filings on SEDAR at [www.sedar.com](http://www.sedar.com).