

**MARGARET LAKE DIAMONDS INC.**

**MANAGEMENT DISCUSSION AND ANALYSIS**

**For the three months ended August 31, 2023**

## **MARGARET LAKE DIAMONDS INC.**

Management Discussion and Analysis  
For the three months ended August 31, 2023

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The following Management's Discussion and Analysis ("MD&A"), prepared as of October 30, 2023, should be read in conjunction with the audited financial statements of Margaret Lake Diamonds Inc. ("the Company") for the year ended May 31, 2023, 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.

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 501, 3292 Production Way, Burnaby, BC, V5A 4R4. The Company is listed as a "Tier 2" mining issuer on the TSX Venture Exchange (the "Exchange") trading under the symbol "DIA".

In the current period ended August 31, 2023, the Company completed a 10:1 share consolidation. All historical figures have been adjusted to reflect the consolidation.

### Exploration Highlights and Objectives

#### 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%.

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

	<b>Diagras</b>
	<b>\$</b>
<b>Balance, May 31, 2022</b>	<b>1,005,786</b>
Deferred exploration costs	178,418
<b>Balance, May 31, 2023</b>	<b>1,184,204</b>
Deferred exploration costs	-
<b>Balance, August 31, 2023</b>	<b>1,184,204</b>

#### Proposed Transaction

In the current period, the Company entered into a non-binding letter of intent ("LOI") to acquire Emerging Goldfield Resources Ltd. ("Emerging"). The transaction, as currently contemplated, would constitute a reverse takeover of the Company and upon closing the Company will carry on the business of Emerging.

In addition, and in connection with the proposed transaction, the parties have agreed to use their "commercially reasonable efforts" to cause Emerging to complete a private placement of units of Emerging.

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Pursuant to the terms of the LOI, it is intended that the Company and Emerging will enter into a business combination by way of a share exchange, merger, amalgamation, arrangement, or other similar form of transaction. The final structure of the business combination is subject to receipt by the parties of tax, corporate, and securities law advice and will be agreed to and superseded by a definitive agreement between the Company and Emerging with such agreement to include representations, warranties, conditions and covenants typical for a transaction of this nature.

### *Terms of the Proposed Transaction*

The LOI serves as an agreement in principle concerning a business combination that will result in a reverse takeover of the Company. The proposed transaction will take the form of a business combination whereby the Company's securities and Emerging's securities will be exchanged on a 1:1 basis for an equivalent security of the Resulting Issuer. Pursuant to the rules of the TSXV, a halt in trading is expected to continue until the completion of the proposed transaction. The completion of the transaction is also subject to several other conditions set out in the LOI, including approval by the directors of the Company and Emerging, satisfactory completion of due diligence, applicable regulatory approvals, and applicable shareholder approvals. A more comprehensive news release will be issued by the Company disclosing details of the transaction, including financial information respecting Emerging, the names and backgrounds of all persons who will constitute insiders of the Resulting Issuer, and information respecting sponsorship, once an agreement has been finalized and certain conditions have been met.

### *Proposed Private Placement*

Pursuant to the LOI, the parties have agreed to use their "commercially reasonable efforts" to cause Emerging to complete the Proposed Private Placement at a price per Unit of \$0.30 to raise gross proceeds of up to CAD \$1,500,000 or such other amount as the parties may agree to. The parties may engage an agent or syndicate of agents, and a commission may be paid.

Each Unit is expected to have a subscription price of CAD\$0.30 per Unit and is expected to be comprised of one common share of Emerging, and one common share purchase warrant. Each warrant entitles the holder to purchase one share at a price of CAD\$0.60 per share expiring three years from the completion of a going public transaction.

A more comprehensive news release will be issued by the Company disclosing further details of the transaction.

### **Selected Annual Information**

	Years ended May 31,		
	2023	2022	2021
	- \$ -	- \$ -	- \$ -
Interest income	-	-	-
Net loss	(1,661,733)	(489,993)	(310,319)
Loss per share	(0.53)	(0.06)	(0.01)
Total assets	1,423,987	1,243,867	829,519
Total long-term liabilities	-	-	-
Total equity (deficit)	865,307	40,293	(586,429)
Cash dividends per share for each class of share	-	-	-

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### *Years ended May 31, 2023 and 2022*

During the year ended May 31, 2023, the Company recorded a net loss of \$1,661,733 compared to a loss of \$489,993 during the year ended May 31, 2022. The change is mainly due to the following:

- 1) Marketing expenses increased to \$265,000 (2022 - \$7,336) expenses in the current year include costs related to creation of digital content, marketing and media distribution, and social media communications whereas there were no similar expenses in the prior year.
- 2) Advertising and IR expenses increased to \$233,000 (2022 - \$nil) relating to services utilized during the current year including investor marketing services, social media services, and content creation, whereas there were no similar expenses in the prior year.
- 3) Management fees increased in the current year to \$80,000 (2022 - \$nil) relating to the services of the CEO, whereas, in the prior year CEO compensation was included in wages and salaries.
- 4) Loss on sale of exploration and evaluation asset of \$142,667 (2022 - \$nil) in connection to the sale of the Mormon Lake project, whereas, there were no comparable activities in the prior year.
- 5) Gain on forgiveness of accounts payable in the prior year of \$nil (2022 - \$644,619).
- 6) Write-off of exploration and evaluation assets in the prior year of \$nil (2022 - \$194,867)
- 7) The Company recorded wages and salaries expense in the prior year of \$nil (2022 - \$65,313) related to fees paid to the former CEO.

## **Results of Operations**

### *Years ended May 31, 2023 and 2022*

During the year months ended May 31, 2023, the Company had net loss of \$1,661,733 (2022 - \$489,993). The change is primarily due to the following:

- 1) Marketing expenses increased to \$265,000 (2022 - \$7,336) expenses in the current year include costs related to creation of digital content, marketing and media distribution, and social media communications whereas there were no similar expenses in the prior year.
- 2) Advertising and IR expenses increased to \$233,000 (2022 - \$nil) relating to services utilized during the current year including investor marketing services, social media services, and content creation, whereas there were no similar expenses in the prior year.
- 3) Management fees increased in the current year to \$80,000 (2022 - \$nil) relating to the services of the CEO, whereas, in the prior year CEO compensation was included in wages and salaries.
- 4) Loss on sale of exploration and evaluation asset of \$142,667 (2022 - \$nil) in connection to the sale of the Mormon Lake project, whereas, there were no comparable activities in the prior year.
- 5) Gain on forgiveness of accounts payable in the prior year of \$nil (2022 - \$644,619).
- 6) Write-off of exploration and evaluation assets in the prior year of \$nil (2022 - \$194,867)
- 7) The Company recorded wages and salaries expense in the prior year of \$nil (2022 - \$65,313) related to fees paid to the former CEO.

### *Three months ended May 31, 2023, and 2022*

During the three months ended May 31, 2023, the Company had net loss of \$188,154 (2022 - \$442,288). The change is primarily due to the following:

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- 1) Consulting fees decreased to \$nil (2022 – \$151,666) in the prior period, these expenses included costs related to business development services, other costs include payments to the former CEO, former CFO, and former directors.
- 2) Marketing expenses increased to \$15,000 (2022 - \$nil) relating to creation of digital content, marketing and media distribution, and social media communications whereas there were no similar expenses in the prior period.
- 3) Management fees increased to \$30,000 (2022 - \$nil) in connection to services of the CEO during the current period; whereas, there were no comparable costs in the prior period.
- 4) Write off of exploration and evaluation assets decreased to \$nil (2022 - \$194,867) in connection to the write off the Company's cobalt projects in the prior period.
- 5) Loss on sale of exploration and evaluation asset of \$142,667 (2022 - \$nil) in connection to the sale of the Mormon Lake project, whereas, there were no comparable activities in the prior year.

### 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, 2023	-	(106,282)	(0.02)
May 31, 2023	-	(196,434)	(0.06)
February 28, 2023	-	(260,235)	(0.01)
November 30, 2022	-	(248,998)	(0.01)
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

The loss for the quarter ended August 31, 2023, included marketing expenses of \$10,000, advertising and IR fees of \$16,000, consulting fees of \$33,000, and office costs of \$24,491 which all contributed to the main components of net loss in the period. Compared to the prior years' costs to August 31, 2022, consulting was reduced from \$418,834, marketing was reduced from \$105,000, professional fees were reduced from \$73,333, stock-based compensation was reduced from \$88,748 and shareholder communications was reduced from \$153,559. In total, the three months to August 31, 2023 was approximately \$850,000 less than the comparative period in the prior year.

Loss for the quarter ended May 31, 2023, included marketing expenses of \$15,000, advertising and IR fees of \$2,000, management fees of \$30,000, and loss on sale of exploration and evaluation asset of \$142,667 for the sale of the Mormon Lake project which contributed to the main components of net loss in the period.

Loss for the quarter ended November 30, 2022, included advertising and IR fees of \$152,000, professional fees of \$121,490, marketing expenses of \$250,000 and gain on debt settlement of \$77,827 which contributed to the main components of variance between the reporting periods.

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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.

### **Liquidity and Capital Resources**

At August 31, 2023 the Company reported a working capital deficit of \$425,179 compared to a working capital deficit of \$318,897 at May 31, 2023.

The Company's cash balance decreased to \$27,286 at August 31, 2023 from \$108,756 as May 31, 2023.

There have been no share transactions in the current period, but a 10:1 share consolidation was completed in the period.

The following are the share capital issuances during the year ended May 31, 2023:

On June 17, 2022, the Company closed the first tranche of a private placement financing raising a total of \$777,368 by way of issuing:

- 68,300 flow-through units priced at \$1.50, each unit was comprised of one common share and one warrant exercisable to purchase one common share at a price of \$3.0 for a period of 24 months from the date of issuance and;
- 482,084 units priced at \$1.40, each unit was comprised of one common share and one warrant exercisable to purchase one common share at a price of \$2.80 for a period of 24 months from the date of issuance.

The Company paid a combined total of \$20,749 in finders fees on tranche 1 of the financing and issued 7,584 finder's warrants, each warrant entitles the holder to purchase one common share at a price of \$3.00 for a period of 24 months after the date of issuance and 5,064 finder's warrants, each warrant entitles the holder to purchase one common share at a price of \$2.80 for a period of 24 months after the date of issuance. The 7,584 finder's warrants were recorded at a fair value of \$6,597, measured using the Black-Scholes Option Pricing Model using the following assumptions: stock price on issue date of \$1.35, exercise price of \$3.00, expected life of 2 years, risk free rate of 3.20%, volatility of 161%, and dividend yield of 0%. The 5,064 finder's warrants were recorded at a fair value of \$4,475, measured using the Black-Scholes Option Pricing Model using the following assumptions: stock price on issue date of \$1.35, exercise price of \$2.80, expected life of 2 years, risk free rate of 3.20%, volatility of 161%, and dividend yield of 0%.

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On July 18, 2022 the Company closed the second and final tranche of the private placement financing, raising a total of \$1,174,589 by way of issuing:

- 265,033 flow-through units priced at \$1.50, each unit was comprised of one common share and one warrant exercisable to purchase one common share at a price of \$3.0 for a period of 24 months from the date of issuance and;
- 555,029 units priced at \$1.40, each unit was comprised of one common share and one warrant exercisable to purchase one common share at a price of \$2.80 for a period of 24 months from the date of issuance.

The Company paid a total of \$41,600 in finders fees on tranche 2 of the financing and issued 3,733 Finder's warrants, each warrant entitles the holder to purchase one common share at a price of \$3.00 for a period of 24 months after the date of issuance and 25,714 Finder's warrants, each warrant entitles the holder to purchase one common share at a price of \$2.80 for a period of 24 months after the date of issuance. The 3,733 finder's warrants were recorded at a fair value of \$4,345, measured using the Black-Scholes Option Pricing Model using the following assumptions: stock price on issue date of \$1.75, exercise price of \$3.00, expected life of 2 years, risk free rate of 3.22%, volatility of 157%, and dividend yield of 0%. The 25,714 finder's warrants were recorded at a fair value of \$30,387, measured using the Black-Scholes Option Pricing Model using the following assumptions: stock price on issue date of \$1.75, exercise price of \$2.80, expected life of 2 years, risk free rate of 3.22%, volatility of 157%, and dividend yield of 0%. Aggregate legal fees paid in connection to both tranches of the private placement totaled \$31,214.

On August 5, 2022, 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 42,447 units, each unit consisting of one share and one common share purchase warrant entitling the holder to purchase an additional share at a price of \$2.80 for a period of two years from the date of issuance. The fair value of common shares issued was \$29,713 and the fair value of warrants issued was \$14,875 (Note 7e), measured using the Black-Scholes Option Pricing Model with the following assumptions: stock price on issue date of \$0.70, exercise price of \$2.80, expected life of 2 years, risk free rate of 4.12%, volatility of 150%, and dividend yield of 0%.

On November 3, 2022, 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 due on closing of the Company's next private placement financing under which the Company raises gross proceeds of not less than \$750,000 (accrued at August 31, 2023), and the issuance of 89,285 units, each unit consisting of one share and one common share purchase warrant entitling the holder to purchase an additional share at a price of \$2.80 for a period of two years from the date of issuance. The fair value of common shares issued was \$62,430 and the fair value of warrants issued was \$31,288 (Note 7e), measured using the Black-Scholes Option Pricing Model with the following assumptions: stock price on issue date of \$0.70, exercise price of \$2.80, expected life of 2 years, risk free rate of 4.12%, volatility of 150%, and dividend yield of 0%.

On February 14, 2023, the Company closed a non-brokered private placement financing by issuing 2,000,000 units at a price of \$0.20 per unit for gross proceeds of \$400,000. Each unit was comprised of one common share and one share purchase warrant, with each warrant exercisable for one common share at the price of \$0.50 for a period of 24 months from the date of issuance. The Company paid \$5,550 in share issuance costs in connection to this financing. The warrants are subject to an acceleration clause in the event the Company's common shares trade on the Exchange at a 10-day volume weighted average price equal to or greater than \$0.75.

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To date, the other sources of funds potentially available to the Company are through the exercise of outstanding stock options and share purchase warrants. Certain amounts have been advanced by the current directors. There can be no assurance that any or all of these outstanding exercisable securities will be exercised or that further amounts may be loaned to the Company by directors.

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.

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**

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### **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.

### **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, 2023 and 2022 was as follows:

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Consulting fees	33,000	200,000
Share-based compensation	-	88,099
<b>Total</b>	<b>33,000</b>	<b>288,748</b>

As at August 31, 2023 and May 31, 2023, the Company had the following balances due to related parties:

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- Due at August 31, 2023 are consulting fees of \$42,685 (May 31, 2023 - \$51,700) are owed to a company controlled by the CEO.

### **Other Requirements**

#### **Summary of Outstanding Share Data as of May 31, 2023 and the current date:**

Authorized: Unlimited number of common shares without par value.

Issued and outstanding:	4,741,230
Stock options outstanding	165,000
Warrants outstanding	4,136,458

### **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 consolidated interim financial statements for the three months ended August 31, 2023, and this accompanying MD&A.