MARGARET LAKE DIAMONDS INC.

Interim MD&A - Quarterly Highlights
November 30, 2017

The Quarterly Highlights of Margaret Lake Diamonds Inc. (the "Company") provide a summary of the activities, results of operations and financial condition of the Company as at and for the six months ended November 30, 2017. The Quarterly Highlights have been prepared by management as of January 29, 2018 and should be read in conjunction with the condensed interim financial statements and related notes thereto of the Company for the six months ended November 30, 2017, the audited financial statements of the Company for the years ended May 31, 2017 and 2016, which were prepared in accordance with International Financial Reporting Standards ("IFRS"), and the annual Management Discussion and Analysis ("MD&A") of the Company prepared by management as of September 19, 2017.

The Company is presently a "Venture Issuer", as defined in NI 51-102. The Company's stock is listed on the TSX Venture Exchange (the "Exchange") trading under the symbol "DIA". The Company operates in one business segment that being the exploration and development of the Margaret Lake Diamond Property and the Diagras diamond project in the Northwest Territories Canada.

Overall performance

Significant events and operating highlights for the six months ended November 30, 2017 and as at the date of these MD&A – Quarterly Highlights:

- ***Financing*** - On June 13, 2017, the Company completed a non-brokered flow-through private placement of 3,650,000 units at a price of $0.10 per unit, for aggregate gross proceeds of up to $365,000. Each unit consisted of one flow-through common share of the Company and one-half of one non flow-through common share purchase warrant, with each warrant entitling the holder thereof to acquire one additional common share at a price of $0.15 until June 13, 2018, subject to acceleration;

- ***Margaret Lake Property*** – the Company holds a 100% undivided interest in and to the Margaret Lake Diamond Property located in the Northwest Territories (the "Margaret Lake Property") pursuant to a Mineral Property Transfer Agreement dated July 6, 2015 (the "Transfer Agreement") between the Company and Margaret Lake Diamonds Ltd. ("MLDL").

  The Margaret Lake Property is comprised of nineteen mineral claims totaling 48,720.2 acres or 19,716.37 hectares contiguous to the north and west of Kennady Diamonds Inc.'s Kennady North Project. The property is located 300 kilometers east-northeast of Yellowknife in the District of Mackenzie, Northwest Territories. The Property lies just 78 km north of the East Arm of Great Slave Lake and are bounded to the south by both the Kennady Diamonds and De Beers/Mountain Province Diamonds joint venture ground packages. The larger portion of the Property spans an area roughly 20 km in an east-west direction by 9 km in a north-south direction. A western extension covers an area 13.5 km in a north-south direction and 2.25 km in an east-west direction.

  In June 2017, the Company completed an exploration program on the Margaret Lake Property, which consisted of ground gravity and electromagnetic surveys in conjunction with bathymetry to upgrade target definition and ranking;

The Company's received a grant under the Mining Incentive Program ("MIP") of the Northwest Territories in the total amount of $36,601, which will be applied against exploration expenditures for the Margaret Lake property in 2017 and 2018. In November 2017, the Company received first payment of $31,111, which equals to 85% of the total funding.

- ***Diagras Property*** – In November 2016, the Company entered into an option and joint venture agreement with Arctic Star Exploration Corp. ("Arctic Star") (TSX-V: ADD) to earn a 60% interest in certain mineral claims in the Northwest Territories, comprising part of Arctic Star's former T-Rex Property. The T-Rex Property was comprised of a total of 62 claims totaling 54,000 hectares, of which the Company has earned a 60% interest in 23 mineral claims totaling 18,699 hectares (the "Diagras Property") by making a payment of approximately $200,000 worth of bond and filing fees to the Government of the Northwest Territories. The Company obtained an extension of the 23 contiguous mineral claims comprising the Diagras Property and formed a joint venture with Arctic Star (the "Diagras JV").

  The Diagras JV partners initiated a ground exploration program on the property in April 2017 with the Company acting as the operator. Arctic Star contributed $240,000 towards exploration expenditures of the program, representing its 40% share of the estimated budgeted costs. To date, the Company applied eligible exploration expenditures of $192,719 against the contribution, and $20,000 was returned to Arctic Star in August 2017.

- On June 23, 2017, Mr. Peeyush Varshney resigned as director of the Company.
- On August 31, 2017, Mr. Don Huston was appointed to the Board of Directors of the Company and as a member of the Audit Committee.
- The Company's 2017 AGM was held on December 21, 2017.

Exploration Highlights and Objectives

Margaret Lake Property

During the spring 2017 program, a combination of ground gravity and OhmMapper™ (ground electromagnetics) surveys were conducted over each of 9 priority ranked targets generated from the 2014 HeliFalcon™ airborne gravity gradiometer survey. Physical bathymetric surveys complemented the ground gravity surveys to allow for consideration of water column in data processing.

Interpreted ground survey results have identified three promising targets which display either a gravity low, bedrock conductor or a combination of both. In addition, a fourth target has been identified from historic ground work which also displays coincident gravity and electromagnetic responses. These anomalies exhibit characteristics which are interpreted as having the potential to represent kimberlite bodies and are considered targets for additional evaluation and future drill testing. The Company has regulatory approval for drilling, camp construction and associated exploration activities on the Margaret Lake Property.

Diagras Property

The Diagras JV partners implemented a ground geophysical program at Diagras property in spring 2017 utilizing ground magnetics (129 line kilometers), ground gravity (23 line kilometers) and ground electromagnetics (22 line kilometers) techniques. The survey program was comprised of 11 separate geophysical surveys to further evaluate areas of known kimberlites as well as evaluate unresolved targets generated from public domain data.

The Diagras property contains 13 kimberlites discovered in the 1990s by De Beers, some of which were further evaluated by Majescor Resources Inc. ("Majescor") in the early-mid 2000s. The Diagras JV partners have obtained public domain data from this work as made available by news releases and assessment reports filed as part of maintaining title in the Northwest Territories.

The Company's approach to advancing the project further is to apply detailed, modern ground geophysical techniques in anticipation of defining additional kimberlite(s) or kimberlite phases that may not have been evaluated in the past.

Kimberlite and kimberlite like targets evaluated in the 2017 program.

Kimberlite or Target	Magnetics (Line Km)	Gravity (Line Km)	EM (Line Km)
Jack Pine	39.02	11.26	9.94
Black Spruce	20.02	11.57	–
Suzanne	18.55	–	–
HL-02	8.66	–	12.46
HL-55	8.13	–	–
Naomi	16.34	–	–
Kong (East / West)	18.72	–	–
	129.44	22.83	22.40

At the Jack Pine kimberlite, all 3 geophysical methods successfully extended the anomalous area beyond the currently known kimberlite footprint in defining additional possible kimberlite phases. Jack Pine has previously been described by Majescor as having a north-south axis extending more than 500 meters and an approximate surface expression of 4 to 5 hectares. The Diagras JV has delineated an additional significant kimberlitic geophysical response to the north of the 2005 Majescor area of drilling, believed to represent a possible new discovery which will require verification by drilling. The new anomaly, named Sequoia, is approximately 500 meters in a north-south direction and displays semi-coincident responses in magnetics, gravity and EM. When combined with Jack Pine, the Sequoia anomaly doubles the geophysical footprint of the complex potentially making it the largest kimberlite complex in the Lac de Gras field.

At the Black Spruce kimberlite, the Diagras JV also notes a significant geophysical response not believed to have been previously evaluated. The original kimberlite discovery is defined by a magnetic low signature, which corresponds to previously announced diamondiferous drill results by Majescor. In addition to this, our recent work has a series of gravity lows which extend up to 200 meters both south and east of the magnetics. To the east, the gravity anomaly coincides with a clear break in a strong magnetic dyke feature (probably representing a diabase).

This phenomena is noted elsewhere in the Lac De Gras kimberlite field where a non-magnetic kimberlite disrupts the diabase. (This occurs at Jack Pine for example). Drill testing will be required to determine if the gravity targets represent kimberlite.

Other surveys conducted during the 2017 program also returned kimberlite-like geophysical signatures in and around known kimberlite bodies for which the Company has no record or evidence of previous evaluation. Drill testing and further geophysical evaluations will be conducted concurrently in the spring of 2018.

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

	Margaret Lake Property	Marlin Property	Kirk Lake	Diagras JV	Total
Acquisition Costs:					
Balance, May 31, 2016	$ 653,863	$ 115,353	$ 16,000	$ –	$ **785,216**
Additions:					
Cash payments	–	–	–	191,665	191,665
Common shares	765,000	–	–	–	765,000
Regulatory and legal costs	12,625	–	–	15,494	28,119
Write-off	–	(115,353)	–	–	(115,353)
Balance, May 31, 2017 and November 30, 2017	$ 1,431,488	$ –	$ 16,000	$ 207,159	**$ 1,654,647**
Deferred exploration costs:					
Balance, May 31, 2016	$ 1,058,957	$ 524,333	$ 144,843	$ –	$ **1,728,133**
Additions:					
Camp costs	16,875	–	–	148,272	165,147
Community consultations	4,000	–	–	–	4,000
Geology	10,847	–	–	41,065	51,912
Geophysics	109,964	–	–	214,461	324,425
Contribution from the JV partner	–	–	–	(161,068)	(161,068)
Write-off	–	(524,333)	–	–	(524,333)
Balance, May 31, 2017	1,200,643	–	144,843	242,730	**1,588,216**
Additions:					
Geology	10,857	–	–	40,356	51,213
Geophysics	–	–	–	33,808	33,808
Regulatory filing fees	4,203	–	–	4,912	9,115
MIP Grant	(31,111)	–	–	–	(31,111)
Contribution from the JV partner	–	–	–	(31,651)	(31,651)
Balance, November 30, 2017	$ 1,184,592	$ –	$ 144,843	$ 290,155	**$ 1,619,590**
Exploration and evaluation assets:					
Balance, May 31, 2017	**$ 2,632,131**	**$ –**	**$ 160,843**	**$ 449,889**	**$ 3,242,863**
Balance, November 30, 2017	**$ 2,616,080**	**$ –**	**$ 160,843**	**$ 497,314**	**$ 3,274,237**

Results of operations for the six months ended November 30, 2017 and 2016

During the six months ended November 30, 2017 and 2016, the Company reported a net income of $13,728 or $0.00 per share compared to a net loss of $903,324 or $0.03 per share during the same period last year, a decrease in net loss of $917,052.

The net income of $13,728 reported during the six months ended November 30, 2017 was due to the deferred tax recovery of $91,250 (2016 - $Nil) recorded during the period as a result of amortization of the flow-through premium liabilities recognized in connection with the June 2017 flow-through private placement.

The significantly higher net loss reported during the comparative period ending November 30, 2016 was due to the write-off of exploration and evaluation assets of $639,686 as a result of the termination of the Marlin Property option agreement with Canterra Minerals Corporation. The Company wrote-off $115,353 in acquisition costs and $524,333 in exploration costs incurred on the Marlin Property since August 2014.

Total general and administrative expenses decreased by $186,116 during the comparative semi-annual periods due to decreases in consulting fees of $37,041, marketing expenses of $65,977, office and administration of $4,026, regulatory fees of $440, share-based compensation of $108,629, transfer agent fees of $2,817, partially offset by increases in professional fees of $31,970 and travel expenses of $844.

Consulting fees decreased by $37,041 as there were less consulting services retained during the period. During the six months ended November 30, 2017, the Company recognised consulting fees of $18,689, which were paid pursuant to the business development consulting and capital market advisory services agreements entered in August and September of 2016. There were no new consulting arrangements during the current fiscal period. Fees of geological consultants that the Company retains for its exploration projects are capitalized as Exploration and Evaluation Assets.

Marketing expenses decreased by $65,977 as there were no new advertisement and marketing campaigns conducted during the current reporting period. The marketing fees of $16,000 recognised during the period were related to a consulting agreement entered by the Company on October 1, 2016 for capital market advisory services in Europe. The Company paid total consulting fees of $48,000 and a cost compensation of 40,000 Euros to the consultant in advance and expensed the amounts over a period of 12 months.

Office expenses decreased by $4,026 primarily due to reduction of design costs on presentation materials and website.

Share-based compensation expense decreased by $108,629 as there were no option grants during the current reporting period.

Transfer agent fees decreased by $2,817 compared to the same period last fiscal year, where additional services were provided in connection with the October 2016 private placement and the Company's AGM.

The increase in professional fees by $31,970 resulted from the debt settlement of $33,854 with the Company's former legal advisor in the first quarter of fiscal 2016. During the six months ended November 30, 2017, the Company incurred legal fees of $5,567 (2016 - $7,351 excluding the debt settlement) for services provided in connection with the Diagras JV agreement, AGM preparation and other corporate affairs.

Travel expenses were incurred by a geological consultant for attending Yellowknife 2017 Geoscience Forum in the NWT.

There were no changes in administrative services fees or office rental costs during the comparative periods.

Results of operations for the three months ended November 30, 2017 and 2016

During the three months ended November 30, 2017 and 2016, the Company reported a net loss of $28,723 or $0.00 per share compared to a net loss of $280,527 or $0.01 per share during the same quarter last year, a decrease in net loss of $251,804. The decrease in net loss for the comparative quarters was primarily a result of decreases in consulting and marketing fees and share-based compensation expense as described above.

Liquidity and capital resources

As at November 30, 2017, the Company reported a working capital of $121,472 compared to $42,502 at May 31, 2017, representing an increase in working capital by $78,970. Working capital increased by the proceeds of the private placements completed in June 2017 less exploration expenditures and administrative expenses incurred during the period.

Net cash decreased by $134,757 from $293,721 at May 31, 2017 to $158,964 as at November 30, 2017. During the six months ended November 30, 2017, the Company utilized its cash as follows:

(a) $29,047 was used in operating activities, consisting primarily of general and administrative expenditures and payment of outstanding payables;

(b) $273,036 was spent on exploration programs conducted on the Margaret Lake and Diagras properties, of which $31,651 was paid from the JV partner's advance;

(c) $20,000 was repaid back to Arctic Star, the Diagras JV partner; and

(d) $187,866 was received from the June 2017 private placement net of share issuance costs. The gross proceeds from the private placement were $365,000, of which $155,000 was received in the last quarter of the previous fiscal year. The Company paid cash-based finders' fee of $12,600, regulatory filing fees of $2,830 and legal fees of $6,704 in connection with the private placement.

Current assets excluding cash as at November 30, 2017 consisted of sales taxes recoverable of $4,514 (May 31, 2017 - $27,750) and prepaid expenses of $1,248 (May 31, 2017 - $37,954).

Current liabilities as at November 30, 2017 consisted of trade and other payables of $15,973 (May 31, 2017 - $237,991) and the remaining unspent balance of the Diagras JV partner's contribution of $27,281 (May 31, 2017 - $78,932).

The other sources of funds potentially available to the Company are through the exercise of outstanding stock options and share purchase warrants that are summarized below. There can be no assurance, whatsoever, that any or all of these outstanding exercisable securities will be exercised.

During the six months ended November 30, 2017, 4,500,000 share purchase warrants granted to shareholders and agents in prior periods expired unexercised.

The Company has and may continue to have capital requirements in excess of its currently available resources. In the event the Company's plans change, its assumptions change or prove inaccurate, or its capital resources in addition to projected cash flow, if any, prove to be insufficient to fund its future operations, the Company may be required to seek additional financing. Although the Company has been successful in raising the above funds, there can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that additional financing will be available on terms acceptable to the Company in the future.

The Company's overall success will be affected by its current or future business activities. The Company is currently in the process of exploring its interests in resource properties and has not yet determined whether these properties contain mineral deposits that are economically recoverable. The continued operations of the Company and the recoverability of expenditures incurred in these resource properties are dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, obtaining necessary financing to explore and develop the properties, and upon future profitable production or proceeds from disposition of the resource properties.

The Company is exposed in varying degrees to a variety of financial instrument related risks, including price risk with respect to commodity and equity prices. The Company closely monitors certain commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. For further discussion of financial risks, please refer to Note 8 of the condensed interim financial statements for the six months ended November 30, 2017.

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.

On May 1, 2014, the Company entered into a rent and administrative services contract with Varshney Capital Corp. ("VCC"), a company partially owned by a former director of the Company, who resigned effective June 23, 2017. Pursuant to the agreement, the Company is obligated to pay $3,000 per month plus taxes for administrative services and $1,000 per month plus taxes for office premises. The agreement can be terminated with 1 month notice after a term of 3 years.

During the six months ended November 30, 2017, the Company paid $18,000 (2016 - $18,000) for administrative services and $6,000 (2016 - $6,000) for office rent to VCC.

The Company's director and the CEO subscribed for 1,000,000 units at a price of $0.10 per unit under the private placement completed in June 2017.

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

Summary of outstanding share data as at January 29, 2018:

Issued and outstanding:	46,317,280
Stock options outstanding	1,625,000
Warrants outstanding	6,384,600

Additional disclosures pertaining to the Company's technical report, management information circulars, material change reports, press releases and other information are available on the SEDAR website at www.sedar.com.

On behalf of the Board of Directors, thank you for your continued support.

" Paul Brockington"

Paul Brockington
Director