MARGARET LAKE DIAMONDS INC.

Interim MD&A - Quarterly Highlights
November 30, 2018

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, 2018. The Quarterly Highlights have been prepared by management as of January 28, 2019 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, 2018, the audited financial statements of the Company for the years ended May 31, 2018 and 2017, 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 24, 2018.

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 mineral properties in the Northwest Territories Canada, Margaret Lake Diamond Property and the Diagras diamond project, a joint venture with Arctic Star Exploration Corp. ("Arctic Star").

Overall performance

Significant events and operating highlights for the six months ended November 30, 2018 and up to the date of these MD&A:

- ***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 acres or 19,716 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 earlier June 2018, the Company completed its 2018 drill program on the Margaret Lake Property. The Company drill tested 5 separate targets at the Margaret Lake Property. No kimberlite was intersected. Each of the targets tested displayed either a ground gravity low, bedrock conductor, or combination of both.

  The Company has regulatory approval for drilling, camp construction and associated exploration activities on the Margaret Lake Property. In May 2015, the Company obtained a Type 'A' Land Use Permit from the Mackenzie Valley Land and Water Board. This permit is effective for 5 years through to May 2020. During the year ended May 31, 2018, the Company posted a security deposit of $48,000 with the Government of the Northwest Territories in relation to the Land Use Permit for conducting the 2018 Drill program on the Margaret Lake Property.

During the six months ended November 30, 2018, the Company's application for a grant under the Mining Incentive Program ("MIP") of the Northwest Territories was accepted. The total value of the approved MIP funding for 2018-2019 for Margaret Lake Property is $140,000. The Company received first payment in the amount of $119,000 in August 2018 or 85% of the total MIP 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").

  During the six months ended November 30, 2018, the Company staked 8 new mineral claims adjoining the pre-existing Diagras Property in the Northwest Territories. The new claims cover 3,896 hectares, and, now, the Diagras Property consists of 31 mineral claims totaling 22,595 hectares.

  In June 2018, the Diagras JV partners completed a ground geophysical program at the Diagras Property that consisted of gravity, magnetic and electromagnetic (EM) ground surveys focused around historically identified kimberlites as well as other airborne geophysical anomalies with kimberlite like signatures. A total of 133 gravity stations, 152 line kilometers of magnetic and 11.2 line kilometers of OhmMapper survey were completed. The surveys targeted kimberlite intrusions and were designed to investigate areas proximal to known kimberlites as well as explore new target areas.

  Drill targets identified in the surveys conducted this year, DG007, HL02 and Suzanne, have emerged as interesting, drillable targets, showing evidence of multi-phase kimberlite complexes. The Company plans to drill test the referenced targets as well as generate more targets through an expanded ground geophysical and drill program in spring 2019. The property comprises 20 known kimberlites. The Company is planning continuing to explore the Diagras diamond property near the Diavik diamond mine. Diavik is running increasingly low on feedstock and could benefit directly from a diamond discovery.

  During the six months ended November 30, 2018, the Company received an approval for the 2018-2019 MIP funding of $111,615 for the Diagras Property project. The Company received first payment in the amount of $94,873 in August 2018, which equals to 85% of the total MIP funding;

- In October 2018, the Company filed assessment reports with the Government of the Northwest Territories to register the 2018 work programs on the Margaret Lake and Diagras Properties; and

- On November 27, 2018, Mr. Paul Brockington resigned as President, CEO and Director and Ms. Debbie Lew resigned as CFO and Secretary of Margaret Lake Diamonds Inc. Mr. Jared Lazerson has been appointed President, CEO and Director. Mr. Jared Lazerson joins Darryl Sittler, Donald Huston, and Buddy Doyle on the Board of Directors.

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

Property:		**Margaret Lake**		**Kirk Lake**		**Diagras**		**Total**
Acquisition Costs:								
Balance, May 31, 2017	$	1,431,488	$	16,000	$	207,159	$	**1,654,647**
Refund of exploration deposit		–		–		(110,108)		(110,108)
Balance, May 31, 2018		1,431,488		16,000		97,051		**1,544,539**
Staking		–		–		25,470		25,470
Allocation to the JV partner		–		–		(10,188)		(10,188)
Balance, November 30, 2018	$	1,431,488	$	16,000	$	112,333	**$**	**1,559,821**
Deferred exploration costs:								
Balance, May 31, 2017	$	1,200,643	$	144,843	$	242,730	**$**	**1,588,216**
Additions:								
Community consultations		8,304		–		12,457		20,761
Drilling		455,164		–		–		455,164
Geology		23,875		–		52,327		76,202
Geophysics		–		–		108,917		108,917
Assessment reports filing fees		4,185		–		4,725		8,910
MIP grant received		(36,601)		–		–		(36,601)
Allocation to the JV partner		–		–		(71,391)		(71,391)
Balance, May 31, 2018		1,655,570		144,843		349,765		**2,150,178**
Additions:								
Geology		3,188		–		11,875		15,063
Geophysics		–		–		102,266		102,266
Assessment reports filing fees		1,685		–		3,294		4,979
MIP grants received		(119,000)		–		(56,924)		(175,924)
Allocation to the JV partner		–		–		(46,974)		(46,974)
Balance, November 30, 2018	$	1,541,443	$	144,843	$	363,302	**$**	**2,049,588**
Balance, May 31, 2018	**$**	**3,087,058**	**$**	**160,843**	**$**	**446,816**	**$**	**3,694,717**
Balance, November 30, 2018	**$**	**2,972,931**	**$**	**160,843**	**$**	**475,635**	**$**	**3,609,409**

Results of operations for the six months ended November 30, 2018 and 2017

During the six months ended November 30, 2018, the Company reported a net loss of $108,134 or $0.00 per share compared to a net income of $13,728 or $0.00 per share during the same period of the last fiscal year, representing an increase in net loss of $121,862. The increase in net loss was primarily a result of lower amortization of the flow-through premium liabilities recognized during the period partially offset by an increase in general and administrative expenses.

During the six months ended November 30, 2018, the Company recorded a gain of $5,060 (2017 – a gain of $91,250) as a result of amortization of the flow-through premium liabilities that were recognized in connection with flow-through private placements. The flow-through premium liabilities are estimated based on a premium paid by flow-through subscribers in excess of market value of the Company's shares at the time of issuance and amortized proportionally once the Company incurs required eligible exploration expenditures.

Total general and administrative expenses increased by $35,672 in the comparative reporting periods due to increases in marketing fees of $46,000, office and administration of $879 and stock-based compensation of $17,051, partially offset by decreases in consulting fees of $18,489, professional fees of $2,213, rent of $6,000, transfer agent fees of $626 and travel expenses of $844.

Marketing expenses increased by $46,000 as a result of new agreements for marketing advisory services in Europe and North America. There are two contracts for 12 month terms effective May 15, 2018 and June 1, 2018. The Company paid $74,000 in advance with respect to these contracts and expensed $62,000 during the six months ended November 30, 2018.

Stock-based compensation expense of $17,051 (2017 -$Nil) was recorded for the vested portion of the stock options granted in fiscal 2018 to certain directors and geological consultants of the Company.

Professional fees decreased by $2,213 due to a decrease in legal fees. During the six months ended November 30, 2017, the Company incurred higher legal costs in connection with the Diagras JV agreement.

Consulting fees decreased by $18,489 as there were no consulting services retained during the period, as compared to the same period last fiscal year when the Company retained consultants for business development and capital market advisory services. Fees of geological consultants that the Company retains for its exploration projects are capitalized as Exploration and Evaluation Assets.

Office rent decreased by $6,000 as a result of the cancellation of the rental of office premises pursuant to the administrative services agreement effective March 1, 2018.

There were no changes in administrative services fees paid during the comparative reporting periods. On November 27, 2018, the Company received a notice from Varshney Capital Corp. (“VCC”), a company partially controlled by a former director of the Company, to terminate the Administrative Services Contract effectively ending January 31, 2019. VCC have been providing the administrative services to the Company since May 1, 2014.

Results of operations for the three months ended November 30, 2018 and 2017

During the three months ended November 30, 2018, the Company reported a net loss of $56,344 or $0.00 per share compared to a net loss of $28,723 or $0.00 per share during the same quarter of the last fiscal year, representing an increase in net loss of $27,621. The increase in net loss was primarily a result of increases in marketing fees of $27,000, office and administration expenses of $1,072 and stock-based compensation expense of $4,659, partially offset by decreases in office rent of $3,000 and transfer agent fees of $1,181. Changes in other general and administrative expenses were insignificant.

The increase in marketing expenses was a result of two separate contracts for 12 months terms effective May 15, 2018 and June 1, 2018 as described in the section above.

The increase in office and administration expenses was primarily a result of premium payment of $6,350 for commercial liability insurance coverage for the period from July 5, 2018 to July 5, 2019, of which $1,588 has been expensed during the quarter.

Stock-based compensation expense of $4,659 (2017 -$Nil) was recorded for the vested portion of the stock options granted in fiscal 2018 to certain directors and geological consultants of the Company. The stock options were fully vested on November 11, 2018.

Liquidity and capital resources

As at November 30, 2018, the Company reported a working capital of $489,516 compared to $495,291 at May 31, 2018, representing a decrease in working capital by $5,775.

Net cash increased by $41,009 from $475,968 at May 31, 2018 to $516,977 as at November 30, 2018. During the six months ended November 30, 2018, the Company utilized its cash as follows:

(a) $133,180 was used in operating activities, consisting primarily of general and administrative expenditures and payment of outstanding payables;

(b) $157,455 was spent on exploration programs conducted on the Margaret Lake and Diagras properties, net of the amount allocated to the JV partner of $56,924 based on its proportionate interest in the Diagras JV;

(c) $219,363 was received in the MIP grants in total from the Government of the Northwest Territories to fund exploration programs conducted by the Company, which consisted of the remaining balance of $5,490 from the 2017-2018 MIP funding for Margaret Lake project, $119,000 of the 2018-2019 funding for Margaret Lake and $94,873 of the 2018-2019 MIP funding for the Diagras JV project. $37,949 of the $94,873 grant for the Diagras JV project was allocated to Arctic Star, the Diagras JV partner; and

(d) $123,800 in subscription receivable was collected from the subscribers, and $90,962 was paid in share issuance costs with respect to the May 2018 private placement.

Current assets excluding cash as at November 30, 2018 consisted of sales taxes recoverable of $4,256 (May 31, 2018 - $40,618, consisting of $35,128 of sales tax recoverable and $5,490 of the MIP grant receivable), and prepaid expenses of $16,319 (May 31, 2018 - $26,033).

Current liabilities as at November 30, 2018 consisted of trade and other payables of $2,476 (May 31, 2018 - $220,080), due to related parties of $Nil (May 31, 2018 - $17,820), the balance of the Diagras JV partner’s contribution of $41,734 (May 31, 2018 - $60,947) and the flow-through premium liability of $3,826 (May 31, 2018 - $8,886).

The flow-through premium liability does not represent cash liability to the Company; it was recorded in connection with the May 2018 private placement and will be fully amortised when the Company incurs required eligible exploration expenditures.

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, 2018, 6,141,000 share purchase warrants granted to shareholders and agents in prior periods with a weighted average exercise price of approximately $0.25 per share 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 9 of the condensed interim financial statements for the six months ended November 30, 2018.

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.

During the six months ended November 30, 2018, the Company paid $14,175 to Lithosphere Services Inc., a company controlled by the VP of Exploration of the Company Buddy Doyle, for services provided in fiscal 2018. The amount was included in due to related parties balance as at May 31, 2018.

During the six months ended November 30, 2018, the Company paid $3,645 to the former CEO and President of the Company Paul Brockington for reimbursement of travel and regulatory expenses incurred in fiscal 2018. The amount was included in due to related parties balance as at May 31, 2018.

During the six months ended November 30, 2018, the Company recognized $15,118 as stock-based compensation expense for the options granted in fiscal 2018 to certain directors of the Company that are vested during the current reporting period.

During the six months ended November 30, 2017, the Company's former 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 a common director and officer, on a 60-40 joint venture basis.

New accounting standards

IFRS 9 "Financial Instruments"

The Company adopted all of the requirements of IFRS 9 Financial Instruments ("IFRS 9") as of June 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 is now the new standard which sets out the recognition and measurement requirements for financial instruments and some contracts to buy or sell non-financial items. The new standard provides a model for the classification and measurement of financial instruments, a single forward-looking "expected loss" impairment model, and a reformed approach for hedge accounting.

As most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward into IFRS 9, the Company's accounting policy with respect to financial liabilities is unchanged.

The Company has determined that the adoption of this standard has resulted in no material impact to its interim financial statements.

As at November 30, 2018, the Company's financial instruments were as follows.

	Loans & receivables at amortized costs	Fair Value through Profit or Loss ("FVTPL")	Other financial liabilities at amortized costs
Financial assets			
Cash	$ –	$ 516,977	$ –
Financial liabilities			
Trade payables	–	–	2,476
Contribution from the JV partner	–	–	41,734
	$ –	$ 516,977	$ 44,210

The Company has classified and measured its cash as FVTPL. Trade payable and due to related parties are classified as other liabilities, which are measured at amortized cost.

Unless otherwise disclosed their carrying values approximate their fair values due to the short term nature of these instruments.

IFRS 15 “Revenue from Contracts with Customers”

On June 1, 2018, the Company adopted IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 18 – Revenue ("IAS 18"). IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard was effective for annual periods beginning on or after January 1, 2018.

The Company is a junior mining exploration company, and it currently does not generate any revenue from contracts with customers. Therefore, the adoption of this standard did not have any significant impact on the Company’s interim financial statements.

IFRS 16, Leases

IFRS 16 is a new standard that contains a single lessee accounting model, eliminating the distinction between operating and financing leases from the perspective of the lessee. The accounting requirements from the perspective of the lessor remains largely in line with previous IAS 17 requirements, effective for annual reporting periods beginning on or after January 1, 2019. The Company has not early adopted this standard and is assessing the impact that this standard will have on its financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company’s financial statements.

Summary of outstanding share data as at January 28, 2019:

Authorized: Unlimited number of common shares without par value.

Issued and outstanding:	54,686,587
Stock options outstanding	2,050,000
Warrants outstanding	8,958,903

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.

“Buddy Doyle”

Director