

MARGARET LAKE DIAMONDS INC.

Interim MD&A - Quarterly Highlights
February 28, 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 nine months ended February 28, 2018. The Quarterly Highlights have been prepared by management as of April 25, 2018 and should be read in conjunction with the condensed interim financial statements and related notes thereto of the Company for the nine months ended February 28, 2018, 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 Diagas diamond project in the Northwest Territories Canada.

Overall performance

Significant events and operating highlights for the nine months ended February 28, 2018 and up to the date of these MD&A:

Financing activities

- 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;
- On April 6, 2018, the Company announced a non-brokered flow-through private placement (the “FT Offering”) of up to 7,700,000 units (each a “FT Unit”) at a price of \$0.13 per FT Unit, for aggregate gross proceeds of up to \$1,001,000 and a concurrent non flow-through private placement (the “NFT Offering”) of up to 10,000,000 units (each a “NFT Unit”) at a price of \$0.12 per NFT Unit for aggregate gross proceeds of up to an additional \$1,200,000.

On April 16, 2018, the Company closed the first tranche of its FT Offering issuing 470,000 FT units at a price of \$0.13 per FT Unit for gross proceeds of \$61,100, and a concurrent NFT Offering issuing 3,619,999 units at a price of \$0.12 per NFT Unit for gross proceeds of an additional \$434,400. The aggregate gross proceeds raised by the Company upon completion of the first tranche of this financing is \$495,500.

Each FT Unit consists of one flow-through common share of the Company and one transferable non flow-through common share purchase warrant (“Warrant”). Each Warrant entitles the holder to acquire one additional common share at a price of \$0.20 per share expiring April 16, 2021. Each NFT Unit shall consist of one non flow-through common share of the Company and a Warrant. The Warrants contain an acceleration provision (please see the Company’s press release dated April 16, 2018).

MARGARET LAKE DIAMONDS INC.

Interim MD&A - Quarterly Highlights

February 28, 2018

The proceeds from the FT Offering will be used for the Company's planned upcoming 2018 drill program on the Margaret Lake Property and for geophysical and geotechnical work on the Diagras Property. The net proceeds of the NFT Offering will be used for additional exploration and ongoing general and administrative expenses.

- **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 received a grant for \$36,601 under the Mining Incentive Program (“MIP”) of the Northwest Territories, which will be applied against exploration expenditures for the Margaret Lake Property in 2017 and 2018. In November 2017, the Company received its first payment of \$31,111, representing 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 \$193,488 against the contribution, and \$20,000 was returned to Arctic Star in August 2017.

MARGARET LAKE DIAMONDS INC.

Interim MD&A - Quarterly Highlights
February 28, 2018

- 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 is finalizing plans to conduct a core drilling program commencing in spring 2018 that will test up to 6 kimberlite targets from the previous work conducted on the Margaret Lake Property. Each of the targets displays a gravity low, bedrock conductor, or combination of both, and have been interpreted as having geophysical characteristics potentially representing kimberlite bodies.

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.

MARGARET LAKE DIAMONDS INC.

Interim MD&A - Quarterly Highlights

February 28, 2018

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 Diagrass 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 Diagrass 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.

The Company is finalizing plans to conduct further geophysical evaluations in spring of 2018.

MARGARET LAKE DIAMONDS INC.

Interim MD&A - Quarterly Highlights

February 28, 2018

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

Property:	Margaret Lake		Kirk Lake		Diagras JV		Total	
Balance, May 31, 2017 and February 28, 2018	\$	1,431,488	\$	16,000	\$	207,159	\$	1,654,647
Deferred exploration costs:								
Balance, May 31, 2017		1,200,643		144,843		242,730		1,588,216
Additions:								
Community consultations		4,898		—		—		4,898
Geology		15,390		—		39,597		54,987
Geophysics		—		—		36,526		36,526
Regulatory filing fees		4,186		—		4,875		9,061
MIP Grant		(31,111)		—		—		(31,111)
Contribution from the JV partner		—		—		(32,420)		(32,420)
Balance, February 28, 2018	\$	1,194,006	\$	144,843	\$	291,308	\$	1,630,157
Balance, May 31, 2017	\$	2,632,131	\$	160,843	\$	449,889	\$	3,284,804
Balance, February 28, 2018	\$	2,625,494	\$	160,843	\$	498,467	\$	3,284,804

Results of operations for the nine months ended February 28, 2018 and 2017

During the nine months ended February 28, 2018 and 2017, the Company reported a net loss of \$5,200 or \$0.00 per share compared to a net loss of \$969,034 or \$0.02 per share during the same period last year, a decrease in net loss of \$963,834.

The decrease in net loss was a result of the decrease in general and administrative expenses of \$232,898 and the deferred tax recovery of \$91,250 (2017 - \$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 in the comparative period in 2017 was also 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 \$232,898 during the comparative periods due to decreases in consulting fees of \$43,480, marketing expenses of \$77,977, office and administration of \$3,205, regulatory fees of \$347, share-based compensation of \$138,754, transfer agent fees of \$1,569, partially offset by increases in professional fees of \$31,590 and travel expenses of \$844.

Consulting fees decreased by \$43,480 as there were less consulting services retained during the period. During the nine months ended February 28, 2018, the Company recognised consulting fees of \$18,689 for business development consulting and capital market advisory services provided from

MARGARET LAKE DIAMONDS INC.

Interim MD&A - Quarterly Highlights
February 28, 2018

June to September 2017 pursuant to the agreements signed in the prior fiscal year. 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 \$77,977 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 \$3,205 primarily due to reduction of design costs on presentation materials and website.

Share-based compensation expense decreased by \$138,754 as there were no option grants during the current reporting period.

Transfer agent fees decreased by \$1,569 compared to the same period last fiscal year, where additional services were provided in connection with the private placements, accelerated exercise of warrants and share issuances for acquisition of the remaining 40% interest in Margaret Lake property.

The increase in professional fees by \$31,590 resulted from the debt settlement of \$33,854 with the Company's former legal advisor in the first quarter of fiscal 2016. During the nine months ended February 28, 2018, the Company incurred legal fees of \$7,667 (2017 - \$9,931 excluding the debt settlement) for services provided in connection with the Diagrass 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 February 28, 2018 and 2017

During the three months ended February 28, 2018, the Company reported a net loss of \$18,928 or \$0.00 per share compared to a net loss of \$65,710 or \$0.00 per share during the same quarter last fiscal year, a decrease in net loss of \$46,782. The decrease in net loss for the comparative quarters was primarily a result of decreases in consulting of \$6,439, marketing fees of \$12,000 and share-based compensation expense of \$30,125.

MARGARET LAKE DIAMONDS INC.

Interim MD&A - Quarterly Highlights
February 28, 2018

Liquidity and capital resources

As at February 28, 2018, the Company reported a working capital of \$91,977 compared to \$42,502 at May 31, 2017, representing an increase in working capital by \$49,475. 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 \$161,318 from \$293,721 at May 31, 2017 to \$132,403 as at February 28, 2018. During the nine months ended February 28, 2018, the Company utilized its cash as follows:

- (a) \$44,055 was used in operating activities, consisting primarily of general and administrative expenditures and payment of outstanding payables;
- (b) \$283,820 was spent on exploration programs conducted on the Margaret Lake and Diagas properties, of which \$32,420 was paid from the JV partner's advance;
- (c) \$31,111 was received in the MIP grant to fund the 2017 Margaret Lake Property program;
- (d) \$20,000 was repaid back to Arctic Star, the Diagas JV partner; and
- (e) \$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 February 28, 2018 consisted of sales taxes recoverable of \$2,360 (May 31, 2017 - \$27,750) and prepaid expenses of \$4,333 (May 31, 2017 - \$37,954).

Current liabilities as at February 28, 2018 consisted of trade and other payables of \$20,607 (May 31, 2017 - \$237,991) and the remaining unspent balance of the Diagas JV partner's contribution of \$26,512 (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 nine months ended February 28, 2018, 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.

MARGARET LAKE DIAMONDS INC.

Interim MD&A - Quarterly Highlights

February 28, 2018

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 nine months ended February 28, 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.

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 for the nine months ended February 28, 2018, the Company paid \$27,000 (2017 - \$27,000) for administrative services and \$9,000 (2016 - \$9,000) for office rent to VCC.

Effective March 1, 2018, the rental of office premises pursuant to the administrative services agreement with VCC for a monthly fee of \$1,000 has been cancelled.

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 Diagrass Property with Arctic Star, a company with the common director and officer, on a 60-40 joint venture basis.

MARGARET LAKE DIAMONDS INC.

Interim MD&A - Quarterly Highlights
February 28, 2018

Summary of outstanding share data as at April 25, 2018:

Issued and outstanding:	50,407,279
Stock options outstanding	1,625,000
Warrants outstanding	10,230,299

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