

Lithoquest Diamonds Inc.

Interim MD&A – Quarterly Highlights
Six Months Ended September 30, 2018

Introduction

This Interim Management Discussion and Analysis – Quarterly Highlights (“MD&A”) has been prepared to provide material updates to the business operations and financial condition of Lithoquest Diamonds Inc. (“Lithoquest” or the “Company”), since its last annual management discussion and analysis, being the Management Discussion & Analysis (the “Annual MD&A”) for the fiscal year ended March 31, 2018. This MD&A does not provide a general update to the Annual MD&A, or reflect any non-material events since the date of the Annual MD&A.

This MD&A has been prepared in compliance with the requirements of section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the Annual MD&A, the audited annual consolidated financial statements of the Company for the years ended March 31, 2018 and 2017, and the unaudited condensed interim consolidated financial statements for the six months ended September 30, 2018 and the related notes thereto. All reported amounts are stated in Canadian Dollars unless otherwise indicated. The information contained herein is presented as at November 28, 2018, unless otherwise indicated.

Description of Business

Lithoquest is a mineral exploration and development company engaged in the acquisition, exploration and development of properties for the purpose of diamond mining. The Company does not have any resource properties in production currently.

The Company was incorporated in British Columbia, Canada. Its head office is located at Suite 2000, 1066 West Hastings Street, Vancouver, BC V6E 3X2

Discussion of Operations

Australia Diamond Project

Lithoquest has identified diamond exploration targets in Western Australia (the “North Kimberly Diamond Project”, or the “Property”) and, through its wholly owned Australian subsidiary Lithoquest Diamonds (Australia) Pty. Ltd. (“Lithoquest Australia”) (formerly Primeform Investments Pty Ltd.), acquired a 100% interest in two exploration licenses to cover the targets, E80/5029 and E80/5030 (the “Exploration Licenses”) covering a total of 100,803.77 hectares in the King George River region of Western Australia. The Exploration Licenses were granted on January 17, 2017 for a term of five-years.

On September 3, 2018, Lithoquest Australia was granted a third exploration license covering 49,802.18 hectares contiguous with the lands covered by the Exploration Licenses. This exploration license, E80/5163, was granted for a term of five-years and will form part of the North Kimberly Diamond Project or the Property.

The North Kimberley Diamond Province, covering an estimated area of some 4,000 km², was the first kimberlite province to be discovered in Western Australia. Despite early encouragement from the discovery of diamondiferous kimberlite dykes in the mid 1970’s, it was not until the 1990’s during the second phase of exploration that significant diamondiferous kimberlite pipes were discovered. The diamondiferous discoveries proved not to be economically viable and exploration ceased by 2005.

The benefit of this historic exploration is that it has provided insights on the preferential regional structures influencing the emplacement of the known pipes, as well as the exploration challenges posed by deep weathering and the development of post emplacement ‘infill’ sediments. Bulk testing of alluvial deposits, kimberlites pipes and dykes has demonstrated that a variety of diamond populations are present in the Province. Although many of the explorers have reported the occurrence of alluvial diamonds, no potential placer deposits have been identified. Large diamonds were confirmed when +10 ct sized diamonds were reported from bulk testing of the Ashmore cluster of pipes. The largest pipe

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discovered in the region is the weakly diamondiferous Pteropus 2 pipe, which has a surface area of 10 ha.

The Property covers the underexplored northwest portion of a prospective kimberlite corridor and is considered an early to intermediate stage exploration project.

The size of the North Kimberley Diamond Province, the range in size of the kimberlite bodies, the demonstrated variability of the diamond populations and the occurrence of large diamonds, are characteristics that when considered together support the potential for the region to host an economic diamond deposit.

The reader is directed to a NI 43-101 Technical Report available on SEDAR entitled “North Kimberley Diamond Project” (the “Report”) prepared independently by T. H. Reddicliffe BSc Hons (Geol), MSc, FAUSIMM, for a fulsome description of the Property, its geology, historical work and recommended exploration program.

Exploration Activities

The Company conducted a field exploration program on the Property in December 2017. The program focused on the four highest priority targets, where composite rock samples of suspected (weathered) kimberlite collected in April 2017 yielded kimberlite indicator minerals (“KIMs”). The work included 60 line-kilometres of ground magnetic surveys, 20 line-kilometres of ground gravity surveys, geologic mapping and the collection of additional composite rock samples.

The Company also initiated desk top work to identify additional targets of interest. The work included a detailed photo-geological study as well as a review and re-interpretation of archived diamond exploration data. Historic information comprises data from several generations of airborne geophysical surveys, kimberlite indicator mineral sampling programs and exploration drilling.

On February 21, 2018, the Company announced that KIMs with diamond inclusion chemistry were recovered from the April 2017 composite rock samples obtained from four targets. All grains underwent electron microprobe analysis to confirm their composition and kimberlitic affinity. Diamond inclusion chemistry from pyrope garnet and chrome diopside was obtained from two of the targets sampled: 702 and 1604.

Number of KIM Grains Recovered from Rock Samples Collected in April 2017

Target	Sample Weight (kilograms)	Pyrope (# of grains)	Picroilmenite (# of grains)	Chrome Diopside (# of grains)
0701	5.05	2	>161	
0702	5.75	2 ^a	3	
1604	3.65			2 ^a
1605	6.85	2	1	

*Grains were recovered from the -1.00mm +0.25mm size fraction

^aOne grain returned diamond inclusion chemistry

On April 2, 2018 the Company announced that micro-diamonds were recovered from a sample of highly-weathered outcrop at target 0702. Three micro-diamonds were recovered from a 10.06 kg rock sample submitted for kimberlite indicator mineral analysis. The diamonds, two yellow and one grey, were recovered from the +0.1 mm to -0.3 mm size fraction and compositions were confirmed with a scanning electron microscope. The recovery of micro-diamonds confirms that rocks present in the vicinity of target 0702 are diamond bearing and reinforces the prospective nature of the North Kimberley Diamond Project. The sample that yielded the diamonds was collected in December 2017 from a highly-weathered outcrop of suspected kimberlite at target 0702. It was included in a group of six samples (two from anomaly 1605 and four from anomaly 0702) submitted for indicator mineral testing. No kimberlite indicator minerals or micro-diamonds were recovered from the other five samples submitted.

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2018 Drill Program

In the period June through September 2018, the Company conducted its 2018 field season at the North Kimberly Diamond Project. The field work was designed to drill existing high-priority targets in order to test for the presence of kimberlite, and to acquire samples of kimberlite for micro-diamond testing. The second program objective was to identify and evaluate potential drill targets using geological mapping, prospecting and ground geophysical surveying.

Two holes were drilled into target 1804. The first drill hole targeted coincident ground magnetic and gravity anomalies where indicator minerals, including diamonds, were recovered in historical loam samples. The drill hole was oriented at an azimuth of 114° degrees and inclined at -75°. Extensively clay-altered basalt was intersected from the top of the hole at 5.7 metres to 100.5 metres, followed by kimberlite breccia to 124.3 metres. Immediately following the kimberlite intersection was a carbonatized basalt which grades to a fresh basalt at 138.4 metres. Fresh basalt was present to the end of the hole at 156.6 metres.

A second hole at 1804, drilled at an inclination of -50 degrees, was collared 10 metres from the first drill hole along the same 114° azimuth. The second hole encountered sandstone from 6.9 metres to 11.1 metres followed by clay-altered basalt to 61.7 metres and fresh basalt to the end of the hole at 69.1 metres.

The kimberlite breccia is characterised by xenoliths of the local volcanic and sedimentary sequence (Figure 1). The core has been shipped to Canada for detailed observation, laboratory analysis and diamond testing. Diamond results are expected during Q4 of 2018.



Figure 1: 2018 Kimberlite core, Target 1804

Results from ground geophysical surveys over target 1804 (Figures 2 and 3) and the textures observed in the kimberlite suggest the occurrence is a pipe; however, additional drilling and petrographic work will be required to definitively determine the geometry and nature of the body.

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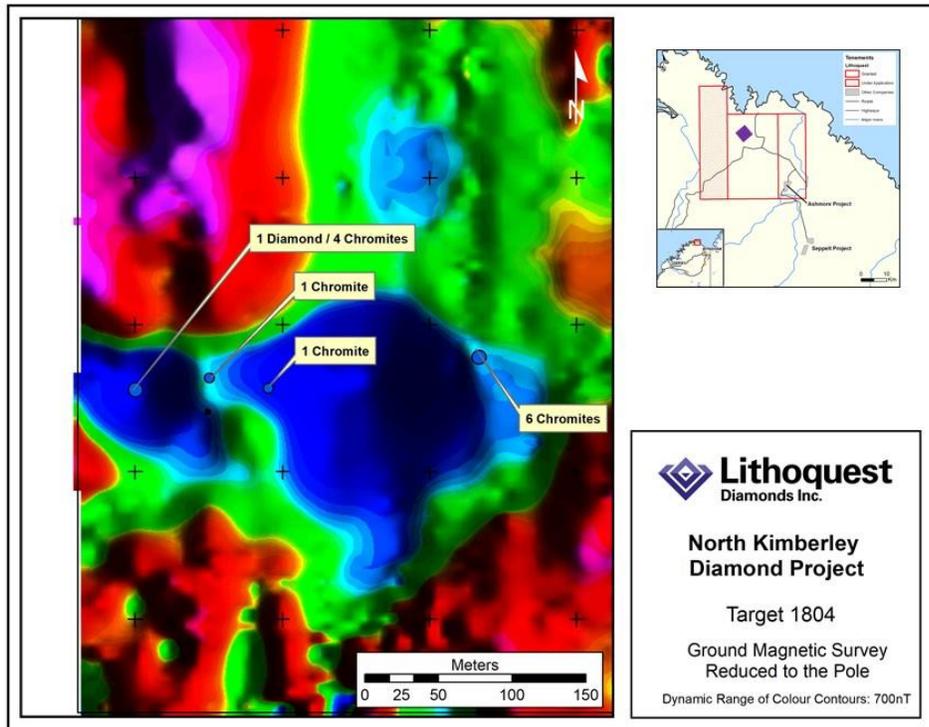


Figure 2: 2018 Ground Magnetic Survey, Target 1804

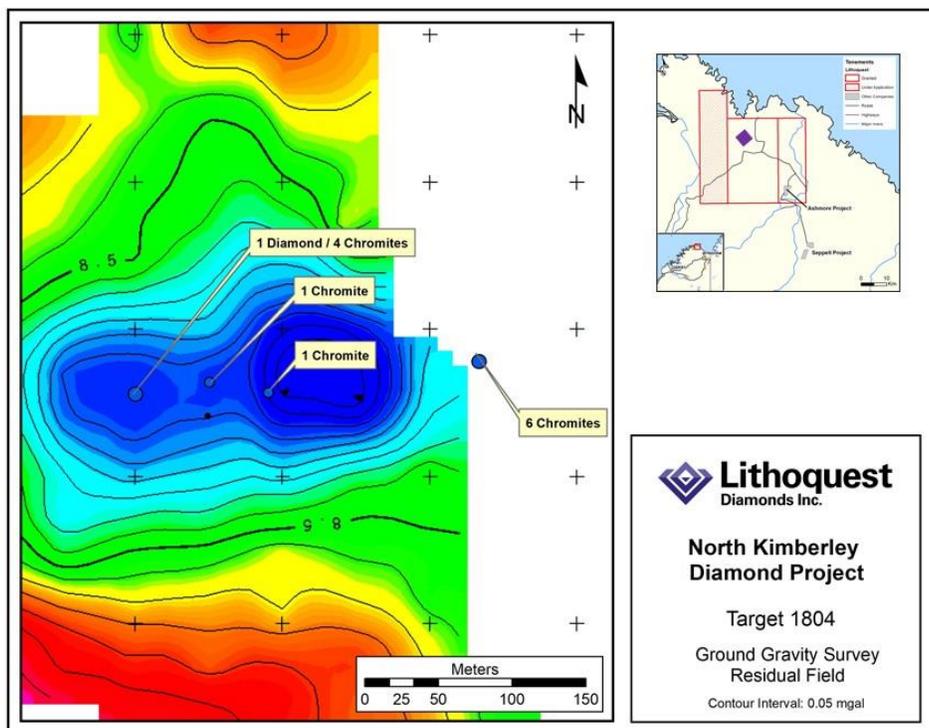


Figure 3: 2018 Gravity Survey, Target 1804

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Target 1805 was tested with one drill hole. No kimberlite was intersected.

Two drill holes were completed at Target 701. Both drill holes targeted gravity anomalies in the immediate vicinity of rock samples that yielded kimberlite indicator minerals. No kimberlite was intersected in either hole. The historical record indicates that the KGB-2 kimberlite dyke is located in the vicinity of Target 701; however, publicly available information suggests that the rock samples collected by the Company have different mineralogy than KGB-2. The source of the high interest indicator minerals remains unexplained and additional kimberlite indicator mineral sampling and geophysical surveying will be required to do so.

Two holes were also completed at Target 702. The first hole was drilled to a depth of 279 metres at an inclination of -60° to target the area where the Company recovered micro-diamonds from a small sample of outcrop. The hole was oriented to pass directly below the micro-diamond occurrence. The hole intersected 12 metres of overburden before encountering basalt to the end of the hole. A second hole was drilled to test a gravity anomaly located north of the micro-diamond occurrence. Approximately 40 metres of mixed sand and clay were encountered at the top of the hole, followed by 16 metres of altered basalt.

The Company also collected surface and subsurface rock samples at Target 702 to further investigate the microdiamond and kimberlite indicator mineral occurrences. The samples were sent to laboratories in Australia and Canada for processing and results are expected in Q1 2019.

One drill hole was completed at Target 1604. The hole tested a circular topographic feature where kimberlite indicator minerals were recovered by the Company. No kimberlite was intersected and further kimberlite indicator mineral sampling and geophysical surveying will be required to determine the source of the indicators recovered.

In addition to drilling, the 2018 field program included rock, loam and stream sediment sampling as well as ground geophysical surveys and mapping. Field samples will be submitted for laboratory analysis with results expected in Q1 2019. The next phase of work will be determined once laboratory results are received and the Company has analyzed the 2018 field data and the results of the survey outlined below.

Total exploration expenditures for the six months ended September 30, 2018 were \$1,680,738.

Subsequent Activities

Subsequent to the period end, the Company commissioned a high-definition airborne magnetic survey over a key target area on the North Kimberley Diamond Project. The survey is designed to identify targets similar to 1804 in an area of the property where high-interest kimberlite indicator minerals have been recovered.

Approximately 7,000 line-kilometres of magnetic data is expected to be collected using a helicopter-based system. The survey area measures approximately 300 square kilometres and will include the 1804 kimberlite. Data will be collected along 50 metre spaced survey lines oriented in a N-S direction, with a maximum sensor height of 25 metres and control lines spaced at 500 metres. The survey is designed to acquire low level, high-resolution data over a large area and could eliminate the need for costly follow-up ground surveys.

Data from the survey will be used to identify and define drill targets for the 2019 field season.

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Liquidity and Resources

The Company generates cash solely through financing activities. During the six-month period ended September 30, 2018, the Company did not engage in financing activities. The Company received total gross proceeds of \$45,775 through the exercise of warrants. At September 30, 2018, the Company had cash of \$2,375,803 and working capital of \$1,986,955.

The Company's working capital is being used to fund, among other things, initial exploration of Lithoquest's North Kimberley Diamond Project in Western Australia and the general corporate and working capital expenses of the Company.

Under existing plans, the Company believes that it currently has sufficient capital resources available to meet its working capital needs for the balance of the fiscal year. The Company is involved in early stage exploration and data analysis. It has no current sources of revenue and does not anticipate receiving revenue in the foreseeable future. It is highly likely that it will continue to depend on equity financings in the future. The availability of future funding will depend on factors that include market conditions and the Company's exploration results.

As of the date of this MD&A, the Company has completed the planned 2018 field season. Follow-up work consisting of a high-definition airborne magnetic survey, with an expenditure commitment of approximately \$200,000, has been undertaken and is expected to be completed by mid-December 2018. The Company has no other material commitments.

Risks and Uncertainties

Mining Risks

Mineral exploration is a speculative venture necessarily involving substantial risk and there can be no guarantee that mineable deposits will be discovered or developed. Mining operations involve significant risks that even a combination of careful evaluation, experience and knowledge may not eliminate or adequately mitigate. There is no certainty that the expenditures made by the Company on any given project will result in discoveries of commercial quantities of minerals. If mineable deposits are discovered, substantial expenditures are required to establish reserves through drilling, to develop processes to extract the resources and, to develop the extraction and processing facilities and infrastructure at any site chosen for extraction. Although substantial benefits may be derived from the discovery of a major deposit, no assurance can be given that resources will be discovered in sufficient quantities to justify commercial operations or that the funds required for development can be obtained on terms acceptable to the operator or at all.

The Company is subject to the operating risks typical in the mining business including unusual and unexpected geological formations, rock bursts, particularly as mining moves into deeper levels, cave-ins, flooding and other conditions involved in the drilling and removal of material as well as environmental damage and other hazards; risks that intended drilling schedules or estimated costs will not be achieved; and risks of fluctuations in the price of commodities and currency exchange rates. Mineral prices are subject to volatile price movements over short periods of time and are affected by numerous factors, all of which are beyond the Company's control, including expectations of inflation, levels of interest rates, sale of gold by central banks, the demand for commodities, global or regional political, economic and banking crises and production rates in major producing regions. The aggregate effect of these factors is impossible to predict with any degree of certainty.

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Business Risks

Natural resources exploration, development, production and processing involve a number of business risks, some of which are beyond the Company's control. These can be categorized as operational, financial and regulatory risks.

Operational risks include finding and developing reserves economically, marketing production and services, product deliverability uncertainties, changing governmental law and regulation, hiring and retaining skilled employees and contractors and conducting operations in a cost effective and safe manner. The Company continuously monitors and responds to changes in these factors and adheres to all regulations governing its operations.

Financial risks include commodity prices, interest rates and foreign exchange rates, all of which are beyond the Company's control.

Regulatory risks include possible delays in getting regulatory approval to the transactions that the Board of Directors believe to be in the best interest of the Company and include increased fees for filings as well as the introduction of ever more complex reporting requirements, the cost of which the Company must meet to maintain its exchange listing.

Competition

The mineral exploration and mining business is competitive in all its phases. The Company will compete with numerous other companies and individuals, including competitors with greater financial, technical and other resources, in the search for and the acquisition of attractive exploration and evaluation properties. The Company's ability to acquire properties in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable prospects for mineral exploration or development. There is no assurance that the Company will be able to compete successfully with others in acquiring such prospects.

No Operating History and Financial Resources

The Company does not have an operating history and has no operating revenues and is unlikely to generate any in the foreseeable future. It anticipates that its cash resources will be sufficient to cover its projected funding requirements for the current fiscal year. If its exploration program is successful, additional funds will be required for further exploration to prove the existence of economic deposits and to bring such deposits to production. Additional funds will also be required for the Company to acquire and explore other mineral interests. The Company has limited financial resources and there is no assurance that sufficient additional funding will be available to it fulfill its obligations or for further exploration and development, on acceptable terms or at all. Failure to obtain additional funding on a timely basis could result in delay or indefinite postponement of further exploration and development and could cause the Company to forfeit its interests in some or all of its properties or to reduce or terminate its operations.

Price Volatility and Lack of Active Market

In recent years, the securities markets in Canada and elsewhere have experienced a high level of price and volume volatility, and the market prices of securities of many public companies have experienced significant fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. It may be anticipated that any quoted market for the Company's securities will be subject to such market trends and that the value of such securities may be affected accordingly.

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Key Executives

The Company is dependent on the services of key executives and a small number of highly skilled and experienced consultants and personnel, whose contributions to the immediate future operations of the Company are likely to be of importance. Locating mineral deposits depends on a number of factors, not the least of which is the technical skill of the exploration personnel involved. Due to the relatively small size of the Company, the loss of these persons or the Company's inability to attract and retain additional highly skilled employees or consultants may adversely affect its business and future operations. The Company does not currently carry any key man life insurance on any of its executives.

Potential Conflicts of Interest

Certain directors and officers of the Company are, and may continue to be, involved in the mining and mineral exploration industry through their direct and indirect participation in corporations, partnerships or joint ventures which are potential competitors of the Company. Situations may arise in connection with potential acquisitions in investments where the other interests of these directors and officers may conflict with the interests of the Company. Directors and officers of the Company with conflicts of interest will be subject to and will follow the procedures set out in applicable corporate and securities legislation, regulation, rules and policies.

Dividends

The Company has no earnings or dividend record and is unlikely to pay any dividends in the foreseeable future as it intends to employ available funds for mineral exploration and development. Any future determination to pay dividends will be at the discretion of the Board of Directors of the Company and will depend on the Company's financial condition, results of operations, capital requirements and such other factors as the Board of Directors of the Company deem relevant.

Nature of the Securities

The purchase of the Company's securities involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks. The Company's securities should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in the Company's securities should not constitute a major portion of an investor's portfolio.

Forward-Looking Statements & Cautionary Factors that may Affect Future Results

Certain statements contained in this MD&A constitute forward-looking statements, within the meaning of Canadian securities regulations. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, assumptions or future events or performance (often using words such as "plan", "estimate", "expect", "will", "believe" and similar expressions) are not statements of historical fact and may be forward-looking statements. Forward-looking statements contained in this MD&A include but are not limited to statements relating to the sufficiency of the Company's capital resources, exposure to exchange rate fluctuations, plans for and the duration of the exploration field work program, and expected expenditures of the Company. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth above. The Company assumes no obligation to update or revise forward looking statements to reflect new events or circumstances except as required by law.

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Qualified Person

The technical contents of this MD&A have been reviewed and approved by Bruce Counts, P. Geo., President, CEO and a Director of Lithoquest Diamonds Inc. and Qualified Person under National Instrument 43-101.

Additional Information

Additional information relating to the Company is available on the SEDAR website, www.sedar.com.