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Management's Discussion and Analysis

For the Three Months and Nine Months Ended September 30, 2015

TSXV: KDI

KENNADY DIAMONDS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015

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This management's discussion and analysis of the financial condition and result of operations ("MD&A") for Kennady Diamonds Inc. ("Kennady Diamonds" or the "Company") was prepared as at November 13, 2015 and is intended to supplement and complement the Company's unaudited condensed interim financial statements and the related notes for the three and nine months ended September 30, 2015. The unaudited condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian dollars unless otherwise stated. This MD&A should also be read in conjunction with the Company's audited financial statements for the year ended December 31, 2014 available on SEDAR at <http://sedar.com/> and on the Company's website at www.kennadydiamonds.com. The following MD&A has been approved by the Audit Committee on behalf of the Board of Directors on that date.

Technical information included in this MD&A regarding the Company's mineral property has been reviewed by Carl Verley, a Director of the Company and a Qualified Person as defined by National Instrument 43-101 - Standards of Disclosure for Mineral Properties ("NI 43-101").

COMPANY OVERVIEW

Kennady Diamonds was incorporated on February 27, 2012 under the laws of the Province of Ontario. The Company's registered office and its principal place of business is 161 Bay Street, Suite 2315, P.O. Box 216, Toronto, ON, Canada, M5J 2S1. The Company's shares are listed on the Toronto Venture Exchange under the symbol 'KDI'.

Kennady Diamonds is a Canadian resource company and holds a 100% interest in 16 federal leases and 58 claims in the Kennady North diamond project located in the Northwest Territories of Canada.

Drilling and bulk sampling is currently underway on the Company's properties. At this time there are no revenues from the Project.

HIGHLIGHTS

- **On October 19, 2015**, the Company announced the results of a preliminary valuation of diamonds recovered from the Kelvin kimberlite.

Four separate diamond parcels were valued by WWW International Diamond Consultants ("WWW"), representing Zone A (442.82 carats), Zone B (447.05 carats), Zone C (80.44 carats) and a small mixed parcel (16.79 carats). For Zone A, WWW has recommended using an average modeled price of US\$56 per carat and for Zone B US\$70 per carat. The parcel from Zone C was too small for WWW to create modeled values, so an average price of US\$123 per carat was reported. It is not yet possible to report an average modeled value for the composite Kelvin kimberlite due to the small size of the Zone C parcel. The results are sufficiently encouraging to warrant proceeding with a second stage 500 tonne bulk sample in early 2016.

- **On October 8, 2015**, the Company announced the closing of the second and final tranche of the previously announced non-brokered private placement of common shares for gross proceeds of \$33,280,539. The Company issued 11,731,105 common shares at a price of \$2.75 per share and 300,000 flow-through common shares at a price of \$3.40 per share. The shares are subject to a four month hold period, expiring on February 9, 2016.
- **On October 1, 2015**, the Company announced the closing of the first tranche of a non-brokered private placement for gross proceeds of approximately \$15 million. The Company issued 3,672,773 common shares at a price of \$2.75 per share and 1,393,235 flow-through common shares at a price of \$3.40 per share. The shares are subject to a four month hold expiring on January 31, 2016.
- **On August 26, 2015**, the Company announced the diamond recovery results from the Kelvin 2015 bulk sample. The 443 tonne bulk sample was processed by dense media separation at the Geoanalytical Laboratories Diamond Services of the Saskatchewan Research Council ("SRC") returning a sample grade of 2.02 carats per tonne for diamonds of commercial size.
- **On August 12, 2015**, the Company closed the previously announced non-brokered private placement of common shares for gross proceeds of approximately \$4 million.

The Company issued 1,176,735 common shares at a price of \$3.40 per share. The shares are subject to a four month hold period expiring on December 13, 2015.

- **On July 15, 2015**, the Company announced the diamond recovery results from the Faraday 2 2015 spring core drilling program. Approximately 0.93 tonnes of kimberlite from the southeast lobe of Faraday 2 was processed by caustic fusion at SRC and returned a sample grade of 1.93 carats per tonne for diamonds of commercial size.

- **On June 22, 2015**, the Company announced the diamond recovery results from the Kelvin 2015 winter core drilling program. Approximately 2.7 tonnes of kimberlite from the Kelvin North Lobe was processed by SRC and returned a sample grade of 2.74 carats per tonne for diamonds of commercial size.
- **On April 23, 2015**, the Company announced diamond recovery results from the Kelvin 2014 summer/fall core drilling program. Approximately 1.83 tonnes of kimberlite from the Kelvin South Lobe and 47.62 kilograms from the Kelvin Sheet was processed by caustic fusion at the SRC. The sample grades for diamonds of commercial size were 3.69 carats per tonne for the Kelvin South Lobe and 5.95 carats per tonne for the Kelvin Sheet.
- **On March 10, 2015**, the Company closed the third tranche of a non-brokered private placement and issued 651,312 common shares at a price of \$3.55 per share for gross proceeds of \$2,312,158.

The Company has issued 4,405,947 common shares and 600,000 flow-through shares for aggregate gross proceeds of \$18,641,112. The Company paid a cash finder's fee of \$34,826 on a portion of the offering.

- **On January 26, 2015**, the Company announced diamond recovery results from the Kelvin 2014 summer/fall mini-bulk sample program. The mini-bulk sample was recovered by drilling along the North Lobe of the Kelvin kimberlite.

Approximately 18.88 tonnes of kimberlite was processed by dense media separation ("DMS") at the SRC and a further 5 tonnes was processed by caustic fusion, with 3.77 tonnes being processed at the SRC and 1.23 tonnes being processed at the Rio Tinto diamond laboratory in Thunder Bay, Ontario.

KENNADY NORTH DIAMOND PROJECT

Overview

The Kennady North diamond project is located to the west, south and north of the four leases controlled by the Gahcho Kué Joint Venture ("Gahcho Kué JV") between De Beers Canada Inc. (51%) and Mountain Province Diamonds Inc. ("Mountain Province") (49%) located approximately 300 kilometers north-east of Yellowknife in Canada's Northwest Territories. The Kennady North diamond district has an area of approximately 61,000 hectares.

Exploration at Kennady North commenced in the late 1990's and resulted in the discovery of the diamond-bearing Kelvin, Faraday, MZ and Doyle kimberlites. The number of diamonds recovered from the Kelvin and Faraday kimberlites and the size-frequency distribution indicated that they may be of comparable grade to the 5034 (1.77 carats per tonne) and Hearne (2.10 carats per tonne) kimberlites at the Gahcho Kué JV.

The known kimberlites at Kennady North do not explain all the kimberlitic indicators previously recovered from glacial till sampling. Mountain Province recommenced exploration at Kennady North in 2011 with a 50-meter line-spacing airborne gravity gradiometer ("AGG") survey over 123.6 square kilometers.

Exploration drilling conducted in 2012 and 2013 confirmed that the Kelvin and Faraday kimberlites have the potential to host high grade diamond resources. Ground geophysics and delineation drilling conducted in 2013 and 2014 also confirmed the tonnage potential of the Kelvin and Faraday kimberlites.

Exploration

In October 2011, Mountain Province announced that the AGG survey was successfully completed, and included a total of 2,793 line-kilometres flown over the Kennady North diamond project.

In February 2012, Mountain Province announced that the final analysis of the AGG survey resulted in the identification of 106 geophysical targets, and that a 560 line-kilometre total magnetic field ground (“MAG”) survey was commencing over the geophysical targets identified by the AGG survey. The MAG survey was conducted at 20 metre line-spacing, and the results enabled Mountain Province to prioritize the geophysical targets for drilling. The MAG survey was managed by Aurora Geosciences Ltd. (“Aurora”) and was completed in April 2012.

In June 2012, Mountain Province announced that Kennedy Diamonds, its wholly-owned subsidiary at the time, had received a Type A Land Use Permit from the Mackenzie Valley Land and Water Board in respect of the Kennedy North diamond project, which cleared the way for Kennedy Diamonds to commence a summer drill program at the Kennedy North diamond project.

Summer Drill Program - 2012

In July 2012, the Company commenced drilling at the Kennedy North diamond project.

In the same month, the Company entered into an Exploration Agreement with the Lutsel K’e Dene First Nation (“Lutsel K’e”). The Exploration Agreement established the basis for Kennedy Diamonds and Lutsel K’e to work collaboratively to advance exploration at Kennedy North.

Kimberlite recovered during the 2012 summer drill program was sent to the the Geoanalytical Laboratories Diamond Services at the SRC for diamond analysis using caustic fusion.

In October, 2012, the Company announced the diamond recovery results from samples of drill core from the Kelvin – Faraday kimberlite cluster.

The combined caustic fusion diamond results for samples taken from the Faraday, Faraday South and Kelvin kimberlites are summarized below in Table 1.

Table 1 - Kelvin/Faraday 2012 Summer Diamond Recovery Results

Total Weight (Kg)	Numbers of Diamonds According to Sieve Size Fraction (mm)										Total Diamonds
	+0.075 - 0.106	+0.106 - 0.150	+0.150 - 0.212	+0.212 - 0.300	+0.300 - 0.425	+0.425 - 0.600	+0.600 - 0.850	+0.850 - 1.180	+1.180 - 1.700	+1.700 - 2.360	
394.44	570	528	316	241	123	22	67	12	9	1	1,889

**Total carat weight of the sample is 0.92.*

The above results compared favorably with results from earlier drilling at Kennedy North when 444 diamonds were recovered from a 184 kg sample taken from Kelvin and 74 diamonds were recovered from a 40 kg sample taken from Faraday.

Besides the high diamond count, approximately 70 percent of the recovered diamonds were classified as white and transparent. Almost all the white diamonds had either no inclusions or only minor inclusions. In addition, approximately five percent of the diamonds were classified as yellow and transparent with either no or only minor inclusions. Together with grade, these characteristics are key value drivers.

Based on these encouraging results, Kennedy Diamonds commenced planning for a significantly larger 5,000 meter 2013 winter drill program at Kennedy North. The program focused on infill drilling at the Kelvin – Faraday kimberlite cluster as well as testing of newly discovered kimberlite targets.

Winter Drill Program - 2013

Mobilization to a satellite exploration camp at Kennedy North commenced in early February to complete ground geophysics, including ground gravity and horizontal-loop electromagnetic (HLEM) surveys over the Kelvin-Faraday

kimberlite corridor. Data from these surveys assisted the Company in selecting final drill targets for the winter drill program.

On May 28, 2013, the Company announced the successful completion of the 5,000 meter Kennady North winter drill program. Kimberlite was intersected in 24 out of 26 drill holes completed at the Kelvin and Faraday kimberlites with most intercepts ranging from a few meters to approximately 100 meters.

Kimberlite recovered from the 2013 winter drill program was dispatched to the SRC for the recovery of diamonds by caustic fusion. The results of the analysis are summarized in tables 2 and 3 below.

Table 2 - Kelvin/Faraday 2013 Winter Diamond Recovery Results

Total Weight (Kg)	Number of Diamonds According to Sieve Size Fraction (mm)													Total Diamonds
	+0.075	+0.106	+0.150	+0.212	+0.300	+0.425	+0.600	+0.850	+1.180	+1.700	+2.360	+3.350	+4.750	
1,103	3,139	2,285	1,283	823	552	289	199	78	40	13	4	2	1	8,708

Diamond recoveries for each of the kimberlites are provided in Table 3 below.

Table 3 - Kelvin/Faraday 2013 Winter Diamond Recovery Results

Kimberlite	Sample Weight (Kg)	Macro Diamonds Recovered (>500 microns)	Micro Diamonds Recovered (<500 microns)	Macro Diamonds Weight (carats)*	Sample Grade (carats/tonne)
Kelvin	987.24	393	6,687	8.024511	8.13
Faraday	115.86	67	1,561	1.292030	11.23

*Total weight of the sample is 10.06 carats

[Summer Drill Program - 2013](#)

In July 2013, the Company commenced a 2,500 meter drill program focussing on land-based drilling at the northwest lobe of the Kelvin kimberlite.

Approximately 3,454 kilograms of kimberlite was recovered from 21 holes drilled at the northwest lobe. The kimberlite was processed at the SRC.

The 2013 Kelvin summer drill program, with results summarized in Table 4 below, returned an average sample grade of 3.64 carats per tonne for diamonds greater than 0.85mm.

Table 4 - Kelvin 2013 Summer Diamond Recovery Results

Total Weight (Kg)	Number of Diamonds According to Sieve Size Fraction (mm)												Total Diamonds
	+0.106	+0.150	+0.212	+0.300	+0.425	+0.600	+0.850	+1.180	+1.700	+2.360	+3.350	+4.750	
3,314	3,753	3,219	1,996	1,349	713	432	214	94	43	7	4	0	11,824

*Total weight of diamond greater than 0.85mm: 11.43 carats

*Sample grade of diamonds greater than 0.85mm: 3.64 carats per tonne

A total of 4.3 tonnes of kimberlite was recovered from Kelvin in 2013 containing more than 16,000 diamonds of which 474 are “commercial” size diamonds. Diamonds larger than 0.85mm can be sorted into categories with different price points and are considered, under Canadian Institute of Mining (“CIM”) guidelines, to have “commercial” characteristics.

These results confirmed that the Kelvin kimberlite has both a coarse diamond size distribution as well as the potential to host a high grade diamond resource.

As announced on August 6, 2013, the 2013 Kelvin winter drill program (summarized in Table 5 below) returned a sample grade of 7.24 carats per tonne for diamonds greater than 0.85mm, which included a 2.48 carat diamond.

Table 5 - Kelvin 2013 Winter Diamond Recovery Results

Total Weight (Kg)	Number of Diamonds According to Sieve Size Fraction (mm)												Total Diamonds
	+0.106 -0.150	+0.150 -0.212	+0.212 -0.300	+0.300 -0.425	+0.425 -0.600	+0.600 -0.850	+0.850 -1.180	+1.180 -1.700	+1.700 -2.360	+2.360 -3.350	+3.350 -4.750	+4.750	
987	1,590	1,043	668	468	246	170	65	32	9	3	2	1	4,297

**Total weight of diamonds greater than 0.85mm 7.15 carats*

**Sample grade of diamonds greater than 0.85mm: 7.24 carats/tonne*

Table 6 below summarizes the total 2013 Kelvin diamond recovery results, combining the 2013 winter and summer results.

Table 6 - Kelvin 2014 Diamond Recovery Results

Total Weight (Kg)	Number of Diamonds According to Sieve Size Fraction (mm)												Total Diamonds
	+0.106 -0.150	+0.150 -0.212	+0.212 -0.300	+0.300 -0.425	+0.425 -0.600	+0.600 -0.850	+0.850 -1.180	+1.180 -1.700	+1.700 -2.360	+2.360 -3.350	+3.350 -4.750	+4.750	
4,301	5,343	4,262	2,664	1,817	959	602	279	126	52	10	6	1	16,121

**Total weight of diamonds greater than 0.85mm: 18.58 carats*

** Sample grade of diamonds greater than 0.85mm: 4.32 carats/tonne*

Approximately 60 percent of the diamonds recovered from Kelvin during 2013 are classified as white and transparent. Most of the white diamonds have either no inclusions or only minor inclusions. Approximately 2 percent of the diamonds are classified as yellow and transparent with either no or only minor inclusions. The bulk of the remaining diamonds are classified as off-white and transparent.

[Winter Drill Program - 2014](#)

On February 7, 2014, the Company commenced its 2014 winter exploration program, which was completed on May 27, 2014. A range of geophysics programs, including ground-penetrating radar and Ohmmapper was completed at both the Kelvin and Faraday kimberlites prior to commencing the delineation and infill drill program. A total of approximately 10,200 meters of drilling was completed, resulting in the recovery of over 25 tonnes of kimberlite from Kelvin and over one tonne of kimberlite from Faraday.

The Faraday one tonne kimberlite sample was sent to the SRC for processing. On August 5, 2014, the Company announced the results of the diamond recoveries from the Faraday kimberlite, which are summarized in Table 7 below.

Table 7 - Faraday 2014 Winter Diamonds Recovery Results

Total Weight (Kg)	Number of Diamonds According to Sieve Size Fraction (mm)												Total Diamonds
	+0.106 -0.150	+0.150 -0.212	+0.212 -0.300	+0.300 -0.425	+0.425 -0.600	+0.600 -0.850	+0.850 -1.180	+1.180 -1.700	+1.700 -2.360	+2.360 -3.350	+3.350 -4.750	+4.750	
933.08	1,879	1,180	741	420	207	104	59	25	6	7	0	0	4,628

**Total weight of diamonds greater than 0.85mm: 3.62 carats*

**Sample grade of diamonds greater than 0.85mm: 3.88 carats per tonne*

The Kelvin 25 tonne mini-bulk sample was shipped to Yellowknife where detailed logging and analysis took place prior to dispatch to the SRC for processing. Four distinct kimberlite phases were identified in the mini-bulk sample core, which are described in Table 8 below.

Table 8 – Kelvin Kimberlite Phases

Zone 1	Coherent pyroclastic kimberlite (PK)
Zone 2	Pyroclastic kimberlite with small (1-3cm) and medium (1-8cm) xenoliths
Zone 3	Pyroclastic kimberlite with rock flour and large (+10cm) xenoliths
Zone 4	Coherent transitional pyroclastic kimberlite

On October 6, 2014, the Company announced the diamond recovery results from the Kelvin 25 tonne mini-bulk sample from the winter/spring drill program. The sample was processed by dense media separation at the SRC. Table 9 below summarizes the diamond recovery results from the four Kelvin kimberlite phases and provides details of the total sample grade.

Table 9 – Kelvin 2014 Winter/Spring Diamond Recovery Results

Batch	Sample Weight (tonnes)	Number of Diamonds According to Sieve Size Fraction (mm)							Total	Carats	Sample Grade (c/t)
		+0.850 - 1.180	+1.180 - 1.700	+1.700 - 2.360	+2.360 - 3.350	+3.350 - 4.750	+4.750 - 6.700	+6.700 - 9.500			
Zone 1	6.12	70	133	71	23	1	0	0	298	18.13	2.96
Zone 2	5.60	45	95	43	9	2	1	0	195	11.91	2.13
Zone 3	9.20	44	60	18	10	1	0	0	133	7.76	0.84
Zone 4	4.05	32	54	15	7	1	0	0	109	6.32	1.56
Total*	24.97	200	347	149	49	5	1	0	751	44.64	1.79

*Includes DMS and recovery cleanup

The three largest diamonds recovered from the Kelvin mini-bulk sample are described by the SRC as:

- 1.27 carat off-white, transparent, broken, irregular with inclusions;
- 1.00 carat white/colorless, transparent, dodecahedron, twin with minor inclusions; and
- 0.70 carat white/colorless, transparent, dodecahedron, twin with minor inclusions.

[Kelvin Summer/Fall Program mini-bulk sample program – 2014](#)

On December 24, 2014, the Company announced the diamond recovery results from the Kelvin summer/fall mini-bulk sample program. The mini-bulk sample was recovered by drilling at the north lobe of the Kelvin kimberlite and was processed by dense media separation at the SRC.

Under the guidance of SRK Consultants, Vancouver, B.C., three zones of kimberlite were defined at the Kelvin kimberlite, described as zones A, B and C. Zone B was further subdivided. The thickness of the zones is variable along strike. Each of the zones was processed separately in order to understand the variability in diamond size and grade.

The 2014 summer/fall mini-bulk sample grade of 2.59 carats per tonne was approximately 40 percent higher than the 25 tonne mini-bulk sample recovered in winter/spring of 2014. The summer/fall mini bulk sample was recovered from the north lobe of the Kelvin kimberlite, while the winter/spring sample was recovered from the shallower and partly outcropping southeast lobe.

Table 10 below summarizes the diamond recovery results from the summer/fall mini-bulk sample.

Table 10 – Kelvin 2014 Summer/Fall Diamond Recovery Results

Batch	Sample Weight (dry tonnes)	Number of Diamonds According to Sieve Size Fraction (mm)							Total Diamonds	Carats	Sample Grade (c/t) +0.85mm
		+0.850 - 1.180	+1.180 - 1.700	+1.700 - 2.360	+2.360 - 3.350	+3.350 - 4.750	+4.750 - 6.700	+6.700 - 9.500			
Zone A	5.87	87	152	76	25	7	1	0	348	24.71	4.21
Zone B1	3.75	47	85	32	10	4	0	0	178	11.00	2.93
Zone B1(a)	1.67	12	28	14	4	2	0	0	60	5.16	3.09
Zone B2	1.90	11	18	3	1	0	0	0	33	1.15	0.61
Zone B3	2.62	2	13	4	1	0	0	0	20	0.97	0.37
Zone B3(a)	1.90	12	17	6	4	2	0	0	41	3.74	1.97
Zone C	1.17	5	24	4	3	0	0	0	36	1.97	1.68
TOTAL	18.88	177	339	140	48	15	1	0	720	48.84	2.59

*Includes DMS recovery cleanup

Table 11 below describes the kimberlite zones present in the Kelvin kimberlite.

Table 11 - Kelvin kimberlite zones

Zone	Kimberlite textural classification	Comments
A	Hypabyssal kimberlite with less common pyroclastic kimberlite	
B1	Pyroclastic kimberlite	Less than 50% dilution
B2/3	Pyroclastic kimberlite	More than 50% dilution
C	Hypabyssal kimberlite and pyroclastic kimberlite	

The four largest diamonds recovered from the Kelvin mini-bulk sample are described by the SRC as:

- 1.11 carat off-white, transparent, aggregate with inclusions;
- 1.10 carat white/colorless, transparent, irregular with inclusions;
- 0.95 carat off-white, transparent, octahedral, no inclusions; and
- 0.90 carat white/colorless, transparent, dodecahedron, no inclusions.

A total of approx. 27,200 meters was drilled at the Kelvin – Faraday kimberlite corridor in 2014, resulting in the recovery of approx. 55 tonnes of kimberlite. In addition to the results from the mini-bulk sample detailed above, approximately five tonnes of kimberlite from Kelvin was processed by caustic fusion at the SRC, and approximately one tonne was processed by caustic fusion at the Rio Tinto diamond laboratory in Thunder Bay, Ontario.

Table 12 below summarizes the caustic fusion diamond recovery results from the Kelvin 2014 summer/fall sample.

Table 12 – Kelvin 2014 Summer/Fall Diamond Recovery Results

	Number and Weight of Diamonds According to Sieve Size Fraction (mm)												Totals
	+0.106 -0.150	+0.150 -0.212	+0.212 -0.300	+0.300 -0.425	+0.425 -0.600	+0.600 -0.850	+0.850 -1.180	+1.180 -1.700	+1.700 -2.360	+2.360 -3.350	+3.350 -4.750	+4.750	
Number of Diamonds	4,556	3,176	2,041	1,257	772	462	218	105	35	7	4	0	12,633
Weight (carats)	0.15	0.26	0.39	0.69	1.19	1.98	2.53	3.25	3.11	1.16	2.80	0.00	17.51

**Total sample weight 5.001 tonnes*

**Total weight of recovered diamonds greater than 0.85mm: 12.85 carats*

**Sample grade of diamonds greater than 0.85mm: 2.57 carats per tonne*

Table 13 below summarizes the DMS diamond recovery results from the summer/fall mini-bulk sample, which were announced on December 24, 2014.

Table 13 – Kelvin 2014 Summer/Fall Diamond Recovery Results

Sample Weight (Tonnes)	Number of Diamonds According to Sieve Size Fraction (mm)							Total Diamonds
	+0.850 - 1.180	+1.180 - 1.700	+1.700 - 2.360	+2.360 - 3.350	+3.350 - 4.750	+4.750 - 6.700	+6.700 - 9.500	
18.88	177	339	140	48	15	1	0	720

**Total weight of recovered diamonds greater than 0.85 mm: 48.84 carats*

**Sample grade: 2.59 carats per tonne*

The three largest diamonds recovered from the Kelvin caustic fusion sample are described as:

- 0.73 carat off-white, transparent, octahedral with minor inclusions;
- 0.61 carat white/colorless, transparent, octahedral with minor inclusions; and
- 0.48 carat white/colorless, transparent, octahedral with minor inclusions.

Up to the end of 2014 Kennady Diamonds had recovered a total of 53.15 tonnes of kimberlite from Kelvin by drilling. Processing of that kimberlite by DMS and caustic fusion methods yielded 124.90 carats greater than 0.85mm for a total Kelvin “commercial” sample grade of 2.35 carats per tonne. The largest diamond recovered from that sample weighed 2.48 carats.

On April 23, 2015, the Company announced further diamond recovery results from the Kelvin 2014 summer/fall core drilling program. Approximately 1.83 tonnes of kimberlite from the Kelvin South Lobe and 47.62 kilograms from the Kelvin Sheet was processed by caustic fusion at SRC. The 1.83 tonne Kelvin South Lobe sample was recovered by HQ diamond drilling and these core holes also served as pilot holes for the 2015 Kelvin bulk sample that was recovered using large diameter reverse-circulation drill rigs.

Table 14 below summarizes the caustic fusion diamond recovery results from the Kelvin South Lobe.

Table 14 – Kelvin South Lobe 2014 Caustic Fusion Diamond Recovery Results

Sample Weight (dry tonnes)	Number and Weight of Diamonds According to Sieve Size Fraction (mm)												Total diamonds
	+0.106	+0.150	+0.212	+0.300	+0.425	+0.600	+0.850	+1.180	+1.700	+2.360	+3.350	+4.750	
	-0.150	-0.212	-0.300	-0.425	-0.600	-0.850	-1.180	-1.700	-2.360	-3.350	-4.750		
1.8376	1,679	1,150	693	425	235	121	72	35	15	3	2	1	4,431

**Total weight of recovered diamonds greater than 0.85mm: 6.68 carats*

**Sample grade of diamonds greater than 0.85mm: 3.64 carats per tonne*

The four largest diamonds recovered from the Kelvin South Lobe sample are described as:

- 1.36 carat off-white, transparent, made with inclusions;
- 0.68 carat off-white, transparent, broken tetra-hexahedron with inclusions;
- 0.44 carat off-white, transparent, fragment with minor inclusions; and
- 0.44 carat off-white, transparent, octahedral with inclusions.

Table 15 below summarizes the caustic fusion diamond recovery results from the Kelvin Sheet.

Table 15 – Kelvin Sheet 2014 Caustic Fusion Diamond Recovery Results

Sample Weight (dry kilograms)	Number and Weight of Diamonds According to Sieve Size Fraction (mm)												Total diamonds
	+0.106	+0.150	+0.212	+0.300	+0.425	+0.600	+0.850	+1.180	+1.700	+2.360	+3.350	+4.750	
	-0.150	-0.212	-0.300	-0.425	-0.600	-0.850	-1.180	-1.700	-2.360	-3.350	-4.750		
47.62	53	46	25	15	5	2	3	1	2	0	0	0	152

**Total weight of recovered diamonds greater than 0.85mm: 0.28 carats*

**Sample grade of diamonds greater than 0.85mm: 5.95 carats per tonne*

The largest diamond recovered from the Kelvin Sheet sample is described as a 0.12 carat white/colorless, transparent octahedral with minor inclusions.

As with previous Kelvin samples the number of transparent white/colorless and off-white diamonds is very high. Of the 366 individual diamonds from the above samples described by the SRC, 46 percent are described as white/colorless and 51 percent as off-white. Six are described as yellow and only 5 as brown. There are no gray diamonds in the sample.

[Kelvin Winter drilling program – 2015](#)

On June 22, 2015 the Company announced the diamond recovery results from the Kelvin 2015 winter core drilling program. Approximately 2.7 tonnes of kimberlite from the Kelvin North Lobe was processed by caustic fusion at the SRC and returned a sample grade of 2.74 carats per tonne for diamonds of commercial size.

Table 16 below summarizes the caustic fusion diamond recovery results from the Kelvin North Lobe 2015 winter drill program.

Table 16 – Kelvin North Lobe 2015 Winter Caustic Fusion Diamond Recovery Results

Sample Weight (dry tonnes)	Number and Weight of Diamonds According to Sieve Size Fraction (mm)												Total diamonds
	+0.106	+0.150	+0.212	+0.300	+0.425	+0.600	+0.850	+1.180	+1.700	+2.360	+3.350	+4.750	
	-0.150	-0.212	-0.300	-0.425	-0.600	-0.850	-1.180	-1.700	-2.360	-3.350	-4.750		
2.6874	3,312	2,098	1,208	751	435	245	133	53	21	9	1	0	8,266

**Total weight of recovered diamonds greater than 0.85mm: 7.37 carats*

**Sample grade of diamonds greater than 0.85mm: 2.74 carats per tonne*

The three largest diamonds recovered from the Kelvin North Lobe sample are described as:

- 0.47 carat off-white, transparent, fragment with inclusions;
- 0.39 carat off-white, transparent, broken tetra-hexahedron with inclusions; and
- 0.25 carat white/colorless, transparent, broken macle with minor inclusions.

A total of 662 individual diamonds from the above sample were described by the SRC. Ninety-five percent are described as white/colorless (36%) and off-white (59%). Fourteen diamonds are described as yellow, 12 as brown and only 4 as gray.

[Faraday Spring drilling program – 2015](#)

On July 15, 2015 the Company announced the diamond recovery results from the Faraday 2 2015 spring core drilling program. Approximately 0.93 tonnes of kimberlite from the southeast lobe of Faraday 2 was processed by caustic fusion at the SRC and returned a sample grade of 1.93 carats per tonne for diamonds of commercial size.

Table 17 below summarizes the caustic fusion diamond recovery results from the Faraday 2 Southeast Lobe 2015 spring drill program.

Table 17 – Faraday 2 Southeast Lobe 2015 Spring Caustic Fusion Diamond Recovery Results

Sample Weight (dry tonnes)	Number and Weight of Diamonds According to Sieve Size Fraction (mm)												Total diamonds
	+0.106	+0.150	+0.212	+0.300	+0.425	+0.600	+0.850	+1.180	+1.700	+2.360	+3.350	+4.750	
	-0.150	-0.212	-0.300	-0.425	-0.600	-0.850	-1.180	-1.700	-2.360	-3.350	-4.750		
0.9337	1,275	872	488	283	179	99	48	16	3	3	0	0	3,266

**Total weight of recovered diamonds greater than 0.85mm: 1.81 carats*

**Sample grade of diamonds greater than 0.85mm: 1.93 carats per tonne*

The three largest diamonds recovered from the Faraday 2 sample are described as:

- 0.22 carat off-white, transparent octahedral with minor inclusions;
- 0.22 carat off-white, transparent aggregate with inclusions; and
- 0.21 carat brown, transparent, broken macle with inclusions.

A total of 247 individual diamonds from the above sample were described by the SRC. Ninety-three percent are described as transparent and white/colorless (37%) or off-white (56%). Ten diamonds are described as yellow, six as brown and just two as gray.

On August 26, 2015, the Company announced the diamond recovery results from the Kelvin 2015 bulk sample. The 443 tonne bulk sample was recovered by large diameter reverse circulation drilling at the southeast lobe of the Kelvin kimberlite and was processed by dense media separation at SRC.

Table 18 below summarizes the caustic fusion diamond recovery results from the southeast lobe of the Kelvin kimberlite.

Table 18 – Kelvin 2015 Bulk Sample Diamond Recovery Results

Batch	Sample Weight (tonnes)	Number of Diamonds According to Sieve Size Fraction (mm)							Total Diamonds	Carats	Sample Grade (c/t) +0.85mm
		+0.850 - 1.180	+1.180 - 1.700	+1.700 - 2.360	+2.360 - 3.350	+3.350 - 4.750	+4.750 - 6.700	+6.700 - 9.500			
Zone A	143.35	2,307	3,563	1,350	373	78	8	-	7,679	409.21	2.85
Zone B	119.13	1,357	2,496	925	254	50	10	1	5,093	292.83	2.46
Zone Bx	143.04	623	1,095	315	106	27	1	-	2,167	117.39	0.82
Zone C	37.02	362	639	234	60	10	3	-	1,308	73.43	1.98
TOTAL	442.54	4,649	7,793	2,824	793	165	22	1	16,247	892.86	2.02

The above summary excludes 14.76 carats recovered from overburden samples and 1.65 carats recovered from granulometry samples. The 3.95 carat diamond listed below was recovered from the overburden samples.

The five largest diamonds recovered from the Kelvin bulk sample are described by the SRC as:

- 4.22 carat white/colorless, transparent macle with no inclusions;
- 3.95 carat brown, transparent aggregate with inclusions;
- 2.79 carat light brown, transparent aggregate with minor inclusions;
- 2.63 carat white/colorless, transparent octahedral with inclusions; and
- 2.59 carat white/colorless, transparent dodecahedron with no inclusions.

A total of 35 diamonds larger than 1 carat were recovered from the bulk sample.

On October 19, 2015, the Company announced the results of a preliminary valuation of diamonds recovered from the Kelvin kimberlite.

Four separate diamond parcels were valued by WWW International Diamond Consultants (“WWW”), representing Zone A (442.82 carats), Zone B (447.05 carats), Zone C (80.44 carats) and a small mixed parcel (16.79 carats). For Zone A, WWW has recommended using an average modeled price of US\$56 per carat and for Zone B US\$70 per carat. The parcel from Zone C was too small for WWW to create modeled values, so an average price of US\$123 per carat was reported. It is not yet possible to report an average modeled value for the composite Kelvin kimberlite due to the small size of the Zone C parcel.

WWW noted that while there are only 88 diamonds greater than 0.66 carats per stone in the combined parcel, “it is encouraging to see so many good colour white gem stones especially in the C sample, with five of the eight stones being good colour and gem quality.” The three highest value diamonds are:

1. 4.22 carat diamond from Zone B valued at US\$1,603 per carat;
2. 2.58 carat diamond from Zone C valued at US\$1,366 per carat; and

3. 2.38 carat diamond from Zone C valued at US\$1,196 per carat.

OUTLOOK

Drilling, sampling and modeling over the past three years has provided the data required for the Company to prepare the first NI 43-101 resource statement for the Kelvin kimberlite, which is expected in late 2015 or early 2016 depending on the speed with which remaining samples can be processed at the SRC. Drilling to extend the strike of the Kelvin kimberlite beyond the 600 meters modeled to date is continuing.

Drilling, sampling and modeling of the Faraday 1 and Faraday 2 kimberlites continues with a view to being able to declare a NI 43-101 resource statement for these kimberlites by 2017.

Exploration drilling at the MX and Doyle kimberlites commenced in the last quarter and will continue in 2016. Testing of new kimberlite targets at the Kennady North project will continue.

FINANCIAL REVIEW

For the three and nine months ended September 30, 2015 compared to the three and nine months ended September 30, 2014

For the three and nine months ended September 30, 2015, the Company recorded a net loss of \$8,385,608 or \$0.29 and \$26,172,661 or \$0.94 per share, compared to a net loss of \$5,634,538 or \$0.25 and \$13,955,414 or \$0.61 per share for the same period in 2014. The increase over 2014 is mainly as a result of \$24,485,692 being spent on exploration and evaluation expenses compared to \$13,572,472 for the same period in 2014. The other notable increase was share-based payment expenses, which increased from \$1,194,028 in 2014 to \$1,902,694 for the same period in 2015.

Quarterly financial information for the past 8 quarters is shown in Table 1.

SUMMARY OF QUARTERLY RESULTS

Table 1 - Quarterly Financial Data

Unaudited	Three months ended			
	September 30 2015	June 30 2015	March 31 2015	December 31 2014
	\$	\$	\$	\$
Earnings and Cash Flow				
Interest and other income	2,830	11,634	871,133	(9,304)
Expenses	(8,388,064)	(7,068,586)	(11,600,498)	(4,102,643)
Net loss for period	(8,385,608)	(7,057,322)	(10,729,731)	(4,112,267)
Cash flow from operations	(7,724,352)	(7,047,892)	(9,013,379)	(10,660,686)
Basic and diluted loss per share	(0.29)	(0.25)	(0.42)	(0.78)
Investing activities	(61,308)	(1,488,366)	1,873,895	1,473,149
Financing activities	18,649,472	-	18,540,916	4,954,297
Balance Sheet				
Total assets	18,554,705	6,488,826	13,894,156	4,511,282

Unaudited	Three months ended			
	September 30 2014	June 30 2014	March 31 2014	December 31 2013
	\$	\$	\$	\$
Earnings and Cash Flow				
Interest and other income	153,096	642,932	484,443	24,237
Expenses	(5,787,313)	(4,740,481)	(4,707,140)	(824,617)
Net loss for period	(5,634,538)	(4,097,865)	(4,223,011)	(800,489)
Cash flow from operations	1,249,998	(5,428,543)	(2,435,136)	(1,516,238)
Basic and diluted loss per share	(0.25)	(0.18)	(0.18)	(0.04)
Investing activities	3,245,687	5,440,374	5,368	(11,959,075)
Financing activities	-	-	-	15,797,584
Balance Sheet				
Total assets	9,229,376	7,882,198	13,187,213	15,516,089

COSTS AND EXPENSES

The costs and expenses for the three and nine months ended September 30, 2015 compared to the three and nine months ended September 30, 2014 are similar except for the following:

Exploration and evaluation expenses

Exploration and evaluation expenses for the three and nine months ended September 30, 2015 were \$8,107,279 and \$24,485,692 compared to \$5,663,089 and \$13,572,472 for the same period in 2014. The increase in exploration and evaluation expenses is a result of an extensive winter and spring drilling program on the Kennady North Project.

Professional fees

Professional fees for the three and nine months ended September 30, 2015 were \$10,701 and \$49,713 compared to \$9,000 and \$34,831 for the same period in 2014. This is mainly due to audit and legal fees incurred and are consistent with the prior period.

Share-based payment expense

Share-based payment expense for the three and nine months ended September 30, 2015 were \$Nil and \$1,902,694 compared to \$6,353 and \$1,194,028 for the same period in 2014. During the first quarter of 2015, 685,000 options were granted compared to 350,000 options granted for the same period in 2014. These options vested immediately.

Interest income

Interest income for the three and nine months ended September 30, 2015 were \$2,830 and \$15,597 compared to \$38,858 and \$116,979 respectively for the same period in 2014. The decrease is a result of redemption of guaranteed investment certificates to fund exploration and evaluation expenses.

Other income

Other income for the three and nine months ended September 30, 2015 were \$Nil and \$870,000 compared to \$114,238 and \$1,163,492 respectively for the same period in 2014. In 2015, exploration expenditures were

renounced relating to the flow-through common shares from the February 2015 private placement. For the same period in 2014, exploration expenditures were renounced relating to flow-through common shares from the October 2013 and December 2013 private placements and as a result, the flow-through premiums were recognized in the statement of comprehensive loss as other income.

INCOME AND RESOURCE TAXES

The Company is subject to mining and income taxes in Canada with the statutory income tax rate at 26.50%.

No deferred tax asset has been recorded in the financial statements as a result of the uncertainty associated with the ultimate realization of these tax assets.

The Company is subject to assessment by Canadian authorities, which may interpret tax legislation in a manner different from the Company. These differences may affect the final amount or the timing of the payment of taxes. When such differences arise the Company makes provision for such items based on management's best estimate of the final outcome of these matters.

FINANCIAL POSITION AND LIQUIDITY

Operating Activities

Cash used in operating activities for the nine months ended September 30, 2015 were \$23,785,623 compared with \$6,613,681 for the comparative period in 2014. This is a result of increased exploration and evaluation activities in 2015.

Investing Activities

Investing activities for the nine months ended September 30, 2015 amounted to \$324,221 compared to \$8,691,429 for the comparative period in 2014. During the period ended September 30, 2015, property and equipment totalling \$1,694,138 was purchased. Offsetting this was the redemption of short-term investments totalling \$2,002,762 and interest income of \$15,597 to fund operations.

Financing Activities

Financing activities for the nine months ended September 30, 2015 amounted to \$37,190,388 compared to \$Nil for the comparative period in 2014. In February 2015, the Company issued by way of a private placement 5,005,947 common shares (4,405,947 common shares at a price of \$3.55 per share and 600,000 flow-through common shares at a price of \$5.00 per share) for gross proceeds of \$18,641,112. Share issuance costs of \$100,196 were incurred in connection with the private placement. In August 2015, the Company issued by way of a private placement 1,176,735 common shares at a price of \$3.40 per share for gross proceeds of \$4,000,899. Share issuance costs of \$35,780 were incurred in connection with the private placement. In September 2015, the company issued by way of a private placement 5,066,008 common shares (3,672,773 common shares at a price of \$2.75 per share and 1,393,235 flow-through common shares at a price of \$3.40 per share) for gross proceeds of \$14,837,125. Share issuance costs of \$151,397 were incurred in connection with the private placement. The total net proceeds from all private placements net of share issuance costs for 2015 is \$37,190,388 compared to \$Nil for the comparative period.

Cash Resources and Liquidity

At September 30, 2015, the Company reported a working capital of \$11,100,578 (\$1,641,205 at December 31, 2014). Included in working capital at September 30, 2015 was cash of \$14,236,794 (cash and short-term investments of \$2,510,570 at December 31, 2014). The short-term investments reflected in December 31, 2014 were held in guaranteed investment certificates ("GIC's") with a major Canadian financial institution with nominal counter party

credit risk associated with the bank. At September 30, 2015 and December 31, 2014, the Company had no long-term debt.

The Company's budgeted expenditures for the H1 2016 program are approximately \$20 million. Cash raised subsequent to the quarter end is sufficient to fund the remainder of the 2015 exploration program as well as the planned 2016 and 2017 exploration and evaluation programs and general and administrative expenses.

These unaudited condensed interim financial statements have been prepared on the basis that the company will continue as a going concern, and do not reflect adjustments to assets and liabilities that would be necessary if the going concern assumption was not appropriate, which may be material.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's unaudited financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The unaudited financial statements include estimates, which, by their nature, are uncertain and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

i) Significant Judgments in Applying Accounting Policies

The areas which require management to make significant judgments in applying the Company's accounting policies in determining carrying values include, but are not limited to:

a) *Impairment analysis – Mineral Properties*

The Company reviews its mineral properties for impairment based on results to date and when events and changes in circumstances indicate that the carrying value of the assets may not be recoverable. IFRS 6 - *Exploration for and evaluation of mineral resources* requires the Company to make certain judgments in respect of such events and changes in circumstances, and in assessing their impact on the valuations of the affected assets. The Company's assessment is that as at September 30, 2015, no indicators of an impairment in the carrying value of its mineral properties had occurred.

ii) Significant Accounting Estimates and Assumptions

The areas which require management to make significant estimates and assumptions in determining carrying values include, but are not limited to:

a) *Impairment analysis – Mineral Properties*

The Company reviews its mineral properties for impairment based on results to date and when events and changes in circumstances indicate that the carrying value of the assets may not be recoverable. If indicators of impairment are identified, management will perform an impairment test in accordance with IAS 36 – *Impairment of assets* ("IAS 36"). IAS 36 requires the Company to make certain judgments, assumptions, and estimates in determining the estimate of the net recoverable amount. Impairments are recognized when the carrying values exceed management's estimate of the net recoverable amounts associated with the affected assets. The values shown on the balance sheet for Mineral Properties represents the Company's assumption that the amounts are recoverable. As a result of the numerous variables associated with the Company's

judgments and assumptions, the precision and accuracy of estimates of recoverable amount is subject to significant uncertainties, and may change significantly as additional information becomes known.

b) Stock options

The stock option pricing model requires the input of highly subjective assumptions including the expected life and volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

c) Provision for decommissioning and restoration

The decommissioning and restoration liability and the accretion recorded are based on estimates of future cash flows, discount rates, and assumptions regarding timing. The estimates are subject to change and the actual costs for the decommissioning and restoration liability may change significantly.

d) Deferred taxes

Deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and on unused losses carried forward, and are measured using the substantively enacted tax rates that are expected to be in effect when the differences are expected to reverse or losses are expected to be utilized. Deferred tax assets are recorded to recognize tax benefits only to the extent that, based on available evidence, including forecasts, it is probable that they will be realized. The Company has not recorded the benefit of any tax losses or deductible temporary differences.

STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN ADOPTED EARLY BY THE COMPANY

At the date of this MD&A, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company.

The Company anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's financial statements and are therefore not discussed below.

Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments ("IFRS 9") bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The extent of the impact of adoption of IFRS 9 has not yet been determined.

FINANCIAL INSTRUMENTS

The Company's financial instruments are described in Note 4 to the Company's 2014 audited financial statements.

RELATED PARTY TRANSACTIONS

In accordance with IAS 24 *Related Parties*, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The Company's related parties include its key management, the Company's directors, and their close family members. Mountain Province and the Gahcho Kué Joint Venture, in which Mountain Province holds an interest, are also related parties since the Company and Mountain Province have common members of key management and certain directors.

None of the transactions with related parties incorporate special terms and conditions, and no guarantees were given or received. Related party transactions are recorded at their exchange amount, being the amount agreed to by the parties. Outstanding balances are generally settled in cash.

The Company had the following transactions and balances with its related parties including key management personnel, and Mountain Province which includes the monthly management fee charged by Mountain Province for the reimbursement of expenses incurred on the Company's behalf by Mountain Province. The transactions with key management personnel are in the nature of remuneration which are paid directly by the Company and are not included in the monthly management fee charged by Mountain Province.

The balances as at September 30, 2015 and December 31, 2014 were as follows:

	September 30, 2015	December 31, 2014
Payable to key management personnel	\$ 10,000	\$ 100,000

The transactions for the three and nine months ended September 30, 2015 and 2014 were as follows:

	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
The total of the transactions:				
Management fee and reimburseable expenses charged by Mountain Province	\$ 22,500	\$ 22,500	\$ 67,500	\$ 67,500
Remuneration of key management personnel	154,822	56,177	2,192,363	1,293,741

The remuneration expense of directors and other members of key management personnel for the three and nine month period ended September 30, 2015 and 2014 were as follows:

	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Consulting fees	\$ 154,822	\$ 49,892	\$ 289,669	\$ 106,066
Share-based payments	-	6,285	1,902,694	1,187,675
	\$ 154,822	\$ 56,177	\$ 2,192,363	\$ 1,293,741

CONTRACTUAL OBLIGATIONS

The Company has no contractual obligations at September 30, 2015 other than a management services agreement with Mountain Province, for an annual amount of approximately \$90,000. The contract can be terminated at any time by either party without penalty.

SUBSEQUENT EVENT

On October 8, 2015, the Company closed the final tranche of a non-brokered private placement of flow-through common shares and non-flow-through common shares, at the prices of \$3.40 per share and \$2.75 per share, respectively. The Company issued a total of 15,403,878 common shares and 1,693,235 flow-through common shares for aggregate gross proceeds of \$48,117,663.50.

OTHER MANAGEMENT DISCUSSION AND ANALYSIS REQUIREMENTS

RISKS

Kennady Diamond's business of exploring and developing mineral resources involves a variety of operational, financial and regulatory risks that are typical in the mining industry. The Company attempts to mitigate these risks and minimize their effect on its financial performance, but there is no guarantee that the Company will be profitable in the future, and investing in the Company's common shares should be considered speculative.

Kennady Diamond's business of exploring and developing mineral properties is subject to a variety of risks and uncertainties, including, without limitation:

- risks and uncertainties relating to the interpretation of drill results, the geology, grade and continuity of mineral deposits;
- mining exploration risks, including risks related to accidents, equipment breakdowns or other unanticipated difficulties with or interruptions in production;
- the potential for delays in exploration activities or the completion of studies;
- risks related to the inherent uncertainty of exploration and cost estimates and the potential for unexpected costs and expenses;
- risks related to foreign exchange fluctuations and prices of diamonds;
- risks related to commodity price fluctuations;
- the uncertainty of profitability based upon the Company's limited life and resultant losses;
- risks related to failure of the Company to obtain adequate financing on a timely basis and on acceptable terms, particularly given recent volatility in the global financial markets;
- risks related to environmental regulation, permitting and liability;
- political and regulatory risks associated with mining and exploration;
- aboriginal rights and title;
- failure of plant, equipment, processes and transportation services to operate as anticipated;
- possible variations in ore grade or recovery rates, permitting timelines, capital expenditures, reclamation activities, land titles, and social and political developments, and other risks of the mining industry; and
- other risks and uncertainties related to the Company's prospects, properties and business strategy.

As well, there can be no assurance that any further funding required by the Company will become available to it, and if so, that it will be offered on reasonable terms, or that the Company will be able to secure such funding. Furthermore, there is no assurance that the Company will be able to secure new mineral properties or projects, or that they can be secured on competitive terms.

DISCLOSURE OF OUTSTANDING SHARE DATA

The Company's common shares are listed on the TSX Venture Exchange under the symbol KDI. There are an unlimited number of common shares without par value authorized to be issued by the Company.

At November 13, 2015, there are 46,906,970 shares outstanding, and 1,785,000 options granted by the Company.

DISCLOSURE CONTROLS AND PROCEDURES

As a TSX Venture Issuer, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited condensed interim financial statements as at September 30, 2015, and this accompanying Management's Discussion and Analysis.

In contrast to the certificates under National Instrument 52-109 ("NI 52-109") (Certification of Disclosure in an Issuer's Annual and Interim Filings), the Venture Issuer Basic Certification does not require representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial

reporting as defined in NI 52-109, and management has not completed such an evaluation. The inherent limitations on the ability of the certifying officers to design and implement disclosure controls and procedures and internal control over financial reporting as defined in NI 52-109 for the issuer may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

Certain of the statements made and information contained herein is “forward-looking information” within the meaning of the Ontario Securities Act. Forward-looking information may include, but is not limited to, statements with respect to the success of exploration activities, future mineral exploration, permitting time lines, requirements for additional capital, sources and uses of funds, the estimation of mineral reserves and mineral resources, the realization of mineral reserve and mineral resource estimates, future remediation and reclamation activities, the timing of activities and the amount of estimated revenues and expenses. Forward-looking information is based on various assumptions including, without limitation, the expectations and beliefs of management, the assumed long term price of diamonds; that the Company can access financing, appropriate equipment and sufficient labour and that the political environment where the Company operates will continue to support the development and operation of mining projects. Should underlying assumptions prove incorrect, or one or more of the risks and uncertainties described below materialize, actual results may vary materially from those described in forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements.

Forward-looking information is subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking information, including, without limitation, risks and uncertainties relating to foreign currency fluctuations; risks inherent in mining including environmental hazards, industrial accidents, unusual or unexpected geological formations, ground control problems and flooding; delays or the inability to obtain necessary governmental permits or financing; risks associated with the estimation of mineral resources and reserves and the geology, grade and continuity of mineral deposits; the possibility that future exploration, development or mining results will not be consistent with the Company’s expectations; the potential for and effects of labor disputes or other unanticipated difficulties with or shortages of labor or interruptions in production; failure of plant, equipment or processes to operate as anticipated; actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses, diamond price fluctuations; uncertain political and economic environments; changes in laws or policies, and other risks and uncertainties, including those described under Risks.

Historical results of operations and trends that may be inferred from the following discussions and analysis may not necessarily indicate future results from operations. The Company undertakes no obligation to publicly update or review the forward-looking statements whether as a result of new information, future events or otherwise, other than as required under applicable securities laws.

Cautionary Note to U.S. Investors – Information Concerning Preparation of Resource Estimates

This MD&A has been prepared in accordance with the requirements of the securities laws in effect in Canada, which differ from the requirements of United States securities laws. Unless otherwise indicated, all resource and reserve estimates included in this MD&A have been prepared in accordance with NI 43-101 and the Canadian Institute of Mining and Metallurgy Classification System. NI 43-101 is a rule developed by the Canadian Securities Administrators which establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects.

Canadian standards, including NI 43-101, differ significantly from the requirements of Industry Guide 7 promulgated by the United States Securities and Exchange Commission (“SEC”) under the United States Securities Act of 1933, as amended, and resource and reserve information contained herein may not be comparable to similar information disclosed by U.S. companies. In particular, and without limiting the generality of the foregoing, the term “resource”

does not equate to the term “reserves”. Under U.S. standards, mineralization may not be classified as a “reserve” unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. The SEC’s disclosure standards under Industry Guide 7 do not define the terms and normally do not permit the inclusion of information concerning “measured mineral resources”, “indicated mineral resources” or “inferred mineral resources” or other descriptions of the amount of mineralization in mineral deposits that do not constitute “reserves” by U.S. standards in documents filed with the SEC. U.S. Investors should also understand that “inferred mineral resources” have a great amount of uncertainty as to their existence and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an “inferred mineral resource” will ever be upgraded to a higher category. Under Canadian rules, estimated “inferred mineral resources” may not form the basis of feasibility or pre-feasibility studies except in rare cases. Investors are cautioned not to assume that all or any part of an “inferred mineral resource” exists or is economically or legally mineable.

Disclosure of “contained ounces” (or “contained carats”) in a resource is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute “reserves” by SEC standards as in place tonnage and grade without reference to unit measures. The requirements of NI 43-101 for identification of “reserves” are also not the same as those of the SEC’s Industry Guide 7, and reserves reported by the Company in compliance with NI 43-101 may not qualify as “reserves” under Industry Guide 7 standards. Accordingly, information concerning mineral deposits set forth herein may not be comparable with information made public by companies that report in accordance with U. S. standards.

On behalf of the Board of Directors,

“Patrick Evans”

Patrick Evans
President & CEO
November 13, 2015