MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE SIX MONTHS ENDED JUNE 30, 2014

This Management's Discussion and Analysis ("MD&A") provides a review of the financial performance of Kennady Diamonds Inc. (the "Company" or "Kennady Diamonds" or "KDI") and should be read in conjunction with the MD&A for the year ended December 31, 2013, the unaudited condensed interim financial statements and the notes thereto for the three and six months ended June 30, 2014 and the audited financial statements for the year ended December 31, 2013. The following MD&A is prepared as of August 13, 2014 and has been approved by the Audit Committee on behalf of the Board of Directors on that date.

The Company's unaudited condensed interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. Except as disclosed below in the section "standards, amendments and interpretations to existing standards", these condensed interim financial statements follow the same accounting policies and methods of computation as the audited financial statements for the year ended December 31, 2013 which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

All amounts are expressed in Canadian dollars unless otherwise stated.

Technical information included in this MD&A regarding the Company's mineral projects 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").

Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com or at the Company's website, www.kennadydiamonds.com

COMPANY HIGHLIGHTS

- **On July 24, 2014,** the Company announced the latest results from the 2014 summer drill program at the Company's 100 percent controlled Kennady North diamond project located in Canada's Northwest Territories that commenced in May 2014. Both delineation (DEL) and mini-bulk sample (MBS) drilling is currently underway at the northwest lobe of the Kelvin kimberlite. Delineation drill hole KDI-14-039 drilled over 183 meters of kimberlite—all to the north and outside the current Kelvin geological model. The 183 meter kimberlite intersect is the longest to date at Kennady North.

  Based on the encouraging results to date and with the mobilization of a third drill rig, Kennady Diamonds has doubled the estimate for the summer drill program to approximately 10,000 meters. The focus remains on mini-bulk sample and delineation drilling at the Kelvin and Faraday kimberlites, as well as exploration drilling at the MZ and Doyle kimberlites and at least four new exploration targets.

- **On May 27, 2014,** the Company announced the successful completion of the 2014 winter/spring 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 1 tonne of kimberlite from Faraday.

- **On March 10, 2014,** the Company announced the appointment to the board of Mr. Robert Parsons a retired Chartered Accountant and Partner of PricewaterhouseCoopers.

- **On February 17, 2014,** the Company announced that the two exploration camps at Kennady North (Bob Camp and Kelvin Camp) opened on February 7, 2014, with geophysics crews mobilized to site shortly afterwards. A range of geophysics programs, including ground-penetrating radar and Ohmmapper, are currently underway at both the Kelvin and Faraday kimberlites aimed at better defining the extent of the

kimberlite emplacement prior to the start of the 2014 drill program. The geophysics crews will move to new kimberlite targets as soon as the Kelvin/Faraday geophysics program is completed. All the planned geophysics at the Kelvin – Faraday kimberlite corridor was completed in March.

The Company also announced that it has acquired 100-percent control over an additional 59 leases and claims to the west and south of the Kennady North project, thereby increasing the Company's diamond exploration land position in the Kennady district to approximately 61,000 hectares. Two diamond-bearing kimberlites, the Doyle kimberlite and MZ kimberlite, are located within the newly acquired exploration ground, which also hosts numerous untested kimberlite targets.

COMPANY OVERVIEW

Kennady Diamonds is a Canadian diamond exploration Company that has its exploration activities in the Northwest Territories ("NWT") of Canada. The Company was incorporated on February 27, 2012 to effect the transfer of Mountain Province Diamonds Inc.'s ("Mountain Province") Kennady North Project assets and operations to a new company under the Mountain Province plan of arrangement, which was completed on July 6, 2012. As part of the transaction, the Company issued 16,143,111 Kennady Diamonds common shares to Mountain Province shareholders, with one share held by Mountain Province, and in return received assets of $35,238, which were capitalized to mineral properties as well as $3,000,000 of cash from Mountain Province, as contemplated by the Arrangement.

KENNADY NORTH DIAMOND PROJECT

OVERVIEW

The Kennady North diamond project comprises 16 federal leases and 58 claims 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 (51%) and Mountain Province (49%) located approximately 300 kilometers north-east of Yellowknife in Canada's Northwest Territories. The Kennady North diamond project 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 and Hobbes kimberlites. It has since been established that the Hobbes kimberlite is an extension of the Kelvin kimberlite. The number of diamonds recovered from these 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 the entire 123.6 square kilometer project area.

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 also confirmed the tonnage potential of the Kelvin kimberlite.

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 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 Kennady 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 Kennady

North diamond project, which cleared the way for Kennady Diamonds to commence a summer drill program at the Kennady North diamond project. Mountain Province further announced that Kennady Diamonds had retained Yellowknife-based Northtech Drilling Ltd to conduct a 2,500 meter drill program. Two drill rigs were mobilized with the first rig focussed on infill drilling along the Kelvin-Faraday kimberlite corridor, where a number of high priority drill targets had been identified, and the second drill rig was to focus on mostly land-based newly discovered kimberlite targets accessible in the summer.

Summer Drill Program - 2012

In July 2012, the Company announced that drilling had commenced at the Company's 100%-controlled Kennady North diamond project.

In late July, 2012, the Company announced that it had entered into an Exploration Agreement with the Lutsel K'e Dene First Nation ("Lutsel K'e"). The Exploration Agreement established the basis for Kennady Diamonds and Lutsel K'e to work collaboratively to advance exploration at Kennady North. The Company announced that the Chief and Elders of Lutsel K'e visited Kennady North on July 25, 2012 to gain an insight into the current work program and future prospects for the Kennady North project. Mr. Evans commented within the news release: "Our success at Kennady North is dependent upon a mutually beneficial and respectful relationship. We are committed to working in partnership with the Lutsel K'e."

In August, 2012, the Company announced that seven geophysical targets – the majority land-based – to the north and west of the Kelvin-Faraday corridor were tested but kimberlite was not intersected at any of those targets. More than twenty newly discovered geophysical targets remain to be tested. Most of these targets are lake-based and can only be drilled from ice.

Kimberlite recovered during the Kennady North summer drill program was sent to the the Geoanalytical Laboratories Diamond Services at the Saskatchewan Research Council , which is accredited to the ISO/IEC 17025 standard by the Standards Council of Canada as a testing laboratory 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

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**

Diamond recoveries broken down for each of the three kimberlites are provided in Table 2 below.

Table 2

Kimberlite	Sample Weight (Kg)	Macro Diamonds Recovered	Micro Diamonds Recovered	Macro Diamond Weight (carats)
Kelvin	329.74	38	912	0.2620
Faraday South	57.12	44	791	0.4465
Faraday	7.58	7	97	0.0483
Total	**394.44***	**89**	**1,800**	**0.7568****

**Excludes approx. 35.5 kg's of country rock xenoliths*

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

The above results compared favorably with results from earlier drilling at Kennady 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. The diamond recovery results confirmed that the Kennady North kimberlites could have a grade of over 2 carats per tonne, which compares to the Hearne kimberlite (2.10 carats per tonne) at the Gahcho Kué diamond project.

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, Kennady Diamonds commenced planning for a significantly larger 5,000 meter 2013 winter drill program at Kennady 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

Since the completion of the 2012 summer drill program, the Company's geological and geophysical consultant, Aurora Geosciences, completed a comprehensive review and analysis of the exploration data for the Kennady North Project, which guided preparations for the Company's planned 5,000-meter winter drill program.

Mobilization to a satellite exploration camp at Kennady 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 March 26, 2013, the Company announced that the 2013 winter drill program had commenced with drill targets selected using the results of the ground geophysics work completed over the previous month. The first phase of the planned 5,000-meter drill program focussed primarily on infill drilling along the Kelvin-Faraday kimberlite corridor to further define the Kelvin and Faraday kimberlites to a level sufficient to prepare the first resource statements for Kennady North, as well as drill testing newly identified geophysical targets within the corridor.

On May 28, 2013, the Company announced the successful completion of the 5,000 meter Kennady North 2013 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.

A preliminary interpretation of the drill results suggests the Kelvin kimberlite body and the Faraday kimberlite body should be treated separately. Both the Kelvin and Faraday kimberlites each have a strike of over 1 kilometer, trending southwest to the northeast, and appeared to be shallow dipping dyke structures.

Of significance in the main Kelvin kimberlite area were the broad intersections of 33.04 meters, 99.13 meters and 51.6 meters in three different holes (KDI-13-001, KDI-13-025 and KDI-13-027, respectively). The geometry of this area had yet to be confirmed, but indications were that the wide intersections were due to possible blows along the dyke system or the main Kelvin kimberlite may be coincident with a small kimberlite pipe.

The Faraday kimberlite contained two reasonable intersections of 19.31 meters and 6.43 meters in KDI-13-009 and KDI-13-012, respectively, both in the same central section. The geometry of the Faraday kimberlite is not yet as well understood as the Kelvin kimberlite. The full strike length of both the Kelvin and Faraday kimberlites has yet to be determined, but the results of the winter drill program aided in defining the strike length to a higher degree of confidence.

Kimberlite recovered from the 2013 winter drill program was dispatched to the Saskatchewan Research Council Geoanalytical Laboratories for the recovery of diamonds by caustic fusion. The results of the analysis are summarized in tables 3 and 4 below.

Table 3

Total Weight (Kg)	Number 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	+2.360 -3.350	+3.350 -4.750	+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 4 below.

Table 4

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	**1,103.10**	**460**	**8,248**	**9.316541***	**8.44**

***Total weight of the sample is 10.06 carats**

Summer Drill Program - 2013

During the week of July 15, 2013 the Company commenced a 2,500 meter drill program focussing both on land-based drilling at the north-west 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 Geoanalytical Laboratories Diamond Services at the Saskatchewan Research Council.

The 2013 Kelvin summer drill program, with results summarized in Table 5 below, returned an average sample grade of 4.56 carats per tonne.

Table 5

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	
3,314	**3,753**	**3,219**	**1,996**	**1,349**	**713**	**432**	**214**	**94**	**43**	**7**	**4**	**0**	**11,824**

*Total weight of sample 15.11 carats
*Sample grade: 4.56 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.

The Kelvin summer drill program returned a sample grade of 4.56 carats per tonne and the winter program returned a sample grade of 8.13 carats per tonne, for a combined 2013 sample grade of 5.38 carats per tonne. These results confirm that the Kelvin kimberlite has both a coarse diamond size distribution as well as the potential to host a high grade diamond resource.

Table 6 below provides details of the number and weight of the plus 0.85mm "commercial" size diamonds recovered from the Kelvin summer drill program.

Table 6

	Sieve Size Fraction (mm)							
	+0.850 - 1.180	**+1.180 - 1.700**	**+1.700 - 2.360**	**+2.360 - 3.350**	**+3.350 - 4.750**	**+4.750**	**Total**	**Sample Grade (carats/ tonne)**
Number of Diamonds	214	94	43	7	4	0	**362**	
Weight (ct.)	2.1069	2.2354	2.0089	2.1726	2.9033	0	**11.4271**	**3.4481**

*Total sample weight 3,314kg

*Total sample grade 4.56 carats/tonne

Table 7 below provides details of the characteristics of some of the largest diamonds recovered from the Kelvin 2013 summer drill program.

Table 7

Weight (carats)	Length (mm)	Width (mm)	Height (mm)	Description
1.06	7.00	4.50	3.30	Off-white, transparent, broken aggregate, inclusions
0.83	5.40	4.00	3.40	White/colorless, transparent, octahedral, broken, inclusions
0.53	4.80	4.00	2.70	Off-white, transparent, octahedral, **no inclusions**
0.49	5.00	3.60	3.00	Off-white, transparent, octahedral, minor inclusions
0.42	4.00	3.00	2.50	Off-white, transparent, octahedral, **no inclusions**

A total of 362 commercial size diamonds were extracted from 3,314 kilograms of kimberlite from the Kelvin 2013 summer drill program. By comparison, 112 commercial size diamonds were recovered from approximately 1,000 kilograms from the Kelvin 2013 winter drill program. This illustrates a high degree of consistency between the 2013 summer and winter samples of approximately one commercial size diamond for every nine kilograms of kimberlite.

While the 362 commercial size diamonds from the 2013 Kelvin summer drill program were recovered from the northwest of the Kelvin kimberlite, the 110 commercial size diamonds recovered from the 2013 winter program came from sixteen different drill holes across the approximate one kilometer strike of the Kelvin kimberlite. Based on this, it is apparent that the Kelvin kimberlite hosts commercial size diamonds across the length and breadth of the kimberlite.

As announced on August 6, 2013, the 2013 Kelvin winter drill program (summarized in Table 8 below) returned a sample grade of 8.13 carats per tonne, which included a 2.48 carat diamond.

Table 8

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 the sample 8.02 carats
*Sample grade 8.13 carats/tonne

Table 9 below provides details of the number and weight of the plus 0.85mm "commercial" size diamonds recovered from the 2013 Kelvin winter drill program.

Table 9

	Sieve Size Fraction (mm)							
	+0.850 - 1.180	+1.180 - 1.700	+1.700 - 2.360	+2.360 - 3.350	+3.350 - 4.750	+4.750	**Total**	**Sample Grade (carats/ tonne)**
Number of Diamonds	65	32	9	3	2	1	**112**	
Weight (ct)	0.7383	0.9922	0.7283	0.5598	1.6504	2.4789	**7.1479**	**7.2420**

*Total sample weight 987kg
*Total sample grade 8.13 carats/tonne

Table 10 below summarizes the total 2013 Kelvin diamond recovery results, combining the 2013 winter and summer results.

Table 10

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 sample 23.13 carats

*Total sample grade 5.38 carats/tonne

Table 11 below provides details of the total number and weight of the plus 0.85mm "commercial" size diamonds recovered in total during 2013.

Table 11

	Sieve Size Fraction (mm)							
	+0.850 - 1.180	+1.180 - 1.700	+1.700 - 2.360	+2.360 - 3.350	+3.350 - 4.750	+4.750	**Total**	**Sample Grade (carats/tonne)**
Number of Diamonds	279	126	52	10	6	1	**474**	
Weight (ct)	2.8452	3.2276	2.7372	2.7324	4.5537	2.4789	**18.5750**	**4.3188**

*Total sample weight 4,301kg
*Total sample grade 5.38 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, which better defined the extent of the kimberlite emplacement, prior to commencing the delineation and infill drill program at the Kelvin kimberlite. 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 1 tonne of kimberlite from Faraday.

Table 12 below provides details from the final seven Kelvin larger diameter drill holes, where drilling was focused on the recovery of a mini-bulk sample.

Table 12

Drill Hole	**Target**	**Azimuth**	**Inclination from Horizontal**	**Kimberlite Intercepts (m) Approximate**			**End of Hole (m)**
				From	**To**	**Intercept**	
KDI-14-017b	Kelvin	295	-90	45.38	112.52*	**62.38**	121
KDI-14-018a	Kelvin	295	-80	35.43	124.78*	**71.17**	133
KDI-14-018b	Kelvin	295	-90	28.64	117.18*	**85.66**	136
KDI-14-019a	Kelvin	295	-80	48.37	116.07*	**65.74**	121
KDI-14-019b	Kelvin	295	-90	33.04	88.00*	**46.16**	100
KDI-14-020a	Kelvin	295	-80	24.21	121.31*	**92.42**	130
KDI-14-020b	Kelvin	295	-90	46.00	109.11*	**61.06**	118

***Includes minor country rock intercepts**

Table 13 below provides details of the results from the final five delineation drill holes at the Faraday kimberlite. Drill hole KDI-14-030 was the final delineation hole drilled at the Faraday 3 "blow". Drill holes KDI-14-031/032/035 and 036 were drilled to define the dyke structure at Faraday 1, which is at the north of the Faraday kimberlite.

Table 13

Drill Hole	Target	Azimuth	Inclination from Horizontal	Kimberlite Intercepts (m) Approximate			End of Hole (m)
				From	To	Intercept*	
KDI-14-030	Faraday	235	-90	25.30	69.15**	**42.89**	125
KDI-14-031	Faraday	145	-45	43.54	52.46**	**2.76**	151
KDI-14-032	Faraday	145	-65	41.41	50.70**	**5.49**	64
KDI-14-035	Faraday	145	-45	55.20	58.53	**3.33**	154
KDI-14-036	Faraday	145	-65	53.35	58.27	**4.92**	67

*Not true widths

**Includes minor country rock intercepts

The Faraday one tonne kimberlite sample was sent to the Geoanalytical Laboratories Diamond Services at the Saskatchewan Research Council for processing. Subsequent to the quarter, on August 5 2014 the Company announced the results of the diamond recoveries from the Faraday kimberlite, which are summarized in Table 14 below.

Table 14

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 sample 4.76 carats

***Sample grade: 5.10 carats per tonne**

Table 15 below summarized the commercial size diamond recoveries from the Faraday 2014 winter drill program

Table 15

	Sieve Size Fraction (mm)							
	+0.850 - 1.180	+1.180 - 1.700	+1.700 - 2.360	+2.360 - 3.350	+3.350 - 4.750	+4.750	**Total**	**Sample Grade (carats/tonne)**
Number of Diamonds	59	25	6	7	0	0	**97**	
Weight (ct.)	0.6828	0.9028	0.4591	1.5783	0	0	**3.6230**	**3.88**

*Total sample weight 933.08 kg

*Total sample grade 5.10 carats/tonne

The Kelvin 25 tonne mini-bulk sample was been shipped to Yellowknife where detailed logging and analysis took place prior to dispatch to the SRC for processing. Results from the Kelvin mini-bulk sample are expected in the fourth quarter of 2014.

OUTLOOK

Following the successful completion of the Kennady North winter/spring exploration program, and subsequent to the quarter, the 2014 summer exploration program is commenced. The summer program will include:

1. at least 10,000 meters of core drilling;
2. wide-spaced overburden till sampling by reverse circulation (RC) drilling at approx. 270 sites across the entire Kennady North project area;
3. ground geophysics, including Ohmmapper, ground-penetrating radar and ground gravity surveys;
4. LiDAR airborne mapping of the entire Kennady North project area; and
5. Infrastructure upgrades to support an expanded 2015 winter exploration program.

FINANCIAL REVIEW

For the three and six months ended June 30, 2014 compared to the three and six months ended June 30, 2013

For the three and six months ended June 30, 2014, the Company recorded a net loss of $4,097,865 or $0.18 and $8,320,876 or $0.36 per share, compared to a net loss of $2,358,262 or $0.13 and $3,017,630 or $0.16 per share for the same period in 2013.

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

SUMMARY OF QUARTERLY RESULTS

Table 1 - Quarterly Financial Data

	Three months ended			
	June 30	March 31	December 31	September 30
Unaudited	**2014**	**2014**	**2013**	**2013**
	$	$	$	$
Earnings and Cash Flow				
Interest and other income	642,932	484,443	24,237	11,852
Expenses	(4,740,481)	(4,707,140)	(824,617)	(2,041,124)
Net loss for period	(4,097,865)	(4,223,011)	(800,489)	(2,029,380)
Cash flow from operations	(5,428,543)	(2,435,136)	(1,516,238)	(868,669)
Basic and diluted loss per share	(0.18)	(0.18)	(0.30)	(0.11)
Investing activities	5,440,374	5,368	(11,959,075)	(156,466)
Financing activities	-	-	15,797,584	1,480,255
Balance Sheet				
Total assets	7,882,198	13,187,213	15,516,089	1,243,526

	Three months ended			
	June 30	March 31	December 31	September 30
Unaudited	**2013**	**2013**	**2012**	**2012**
	$	$	$	$
Earnings and Cash Flow				
Interest and other income	5,943	69,193	5,900	3,510
Expenses	(2,364,205)	(728,561)	(781,265)	(1,985,224)
Net loss for period	(2,358,262)	(659,368)	(775,365)	(1,981,714)
Cash flow from operations	(3,063,944)	(575,744)	(207,652)	(1,789,354)
Basic and diluted loss per share	(0.13)	(0.04)	(0.04)	(0.13)
Investing activities	2,780,704	290,476	(3,493,678)	3,510
Financing activities	-	-	2,938,080	3,000,000
Balance Sheet				
Total assets	1,158,088	3,479,997	4,117,733	1,357,234

COSTS AND EXPENSES

The costs and expenses for the three and six months ended June 30, 2014 compared to the three and six months ended June 30, 2013 are comparable except for the following:

Exploration and evaluation expenses

Exploration and evaluation expenses for the three and six months ended June 30, 2014 were $4,556,897 and $7,909,383 compared to $2,182,957 and $2,761,823 for the same period in 2013. During February 2014 the Company commenced an extensive winter drill program on the Kennady North Project resulting in increased exploration and evaluation expenses. The winter drill program was completed in May 2014.

Management fees

Management fees for the three and six months ended June 30, 2014 were $22,500 and $45,000 compared to $47,500 and $107,500 for the same period in 2013. Effective, June 1, 2013, management fees were reduced as it was felt that certain costs should be charged directly to the Company and not indirectly through the management fee.

Professional fees

Professional fees for the three and six months ended June 30, 2014 were $13,746 and $25,831 compared to $23,674 and $35,536 for the same period in 2013. 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 six months ended June 30, 2014 were $6,285 and $1,187,675 compared to $18,854 and $78,357 for the same period in 2013. During the first quarter of 2014, 350,000 options were granted which vested immediately compared to 150,000 options granted in the same period in 2013 which vested one third immediately, one third on the first anniversary and the balance vests on the second anniversary.

Interest and other income

Interest and other income for the three and six months ended June 30, 2014 were $642,932 and $1,127,375 compared to $5,943 and $75,136 for the same period in 2013. The increase is a result of funds raised in 2013 which were invested in guaranteed investment certificates and also, during the period ended June 30, 2014, exploration expenditures were renounced relating to the 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 totaling $1,049,254 compared to $59,038 for the same period in 2013.

INCOME AND RESOURCE TAXES

The Company is subject to 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 Cash Flow

Cash flow used for operations for the six months ended June 30, 2014 were $7,863,679 compared with $3,102,140 for the comparative period for 2013. This is a result of increased exploration and evaluation activities in 2014.

Investing Activities

Investing activities for the six months ended June 30, 2014 amounted to $5,455,742 compared to $2,818,900 for the comparative period in 2013. During the period ended June 30, 2014, reclamation deposits of $295,000 were made to the Mackenzie Valley Land and Water Board. Offsetting this was $5,672,621 of redemption of short-term investments to fund operating expenditures and $78,121 of income received from short-term investments. In the same period in 2013, $2,949,801 of redemption of short-term investments were made to fund operating expenditures, $149,999 of capital expenditures were incurred to acquire additional leases for the Kennady North Project and $19,098 of income received from short-term investments.

Financing Activities

During the three and six months ended June 30, 2014 and June 30, 2013, there were no sources of cash from financing activities.

Cash Resources and Liquidity

At June 30, 2014, the Company reported working capital of $6,420,366 ($13,847,937 working capital as at December 31, 2013), including cash and short-term investments of $6,937,407 ($15,017,965 at December 31, 2013). The short-term investments reflected in the June 30, 2014 and December 31, 2013 figures were guaranteed investment certificates held with a major Canadian financial institution with nominal counter party credit risk associated with the bank. At June 30, 2014 and December 31, 2013, the Company had no long-term debt.

Since incorporation and until the effective date of the Arrangement, July 6, 2012, the Company's capital resources were minimal. On July 6, 2012, under the Arrangement, Kennady Diamonds was funded with $3,000,000 of cash from Mountain Province.

In August 2013, the Company closed a non-brokered private placement of flow-through common shares and non-flow-through common shares, at the prices of $1.80 per share and $1.50 per share respectively. The Company issued 34,300 flow-through common shares for gross proceeds of $61,740, and 958,840 non flow-through common shares for gross proceeds of $1,438,260.

In October 2013, the Company, by way of a non-brokered and brokered private placement, raised gross proceeds of $14 million. The Company issued 1,157,100 flow-through common shares for gross proceeds of $6,364,050, and 1,608,621 non flow-through common shares for gross proceeds of $7,640,950.

In December 2013, the Company closed a non-brokered private placement of flow-through common shares for gross proceeds of $2,290,484.

Kennady Diamonds has no source of operating cash flows and has an ongoing requirement for investment to fund exploration of its mineral properties. The Company relies on the sale of equity securities to fund property acquisitions, exploration, capital investments and administrative expenses, among other things.

The Company's primary mineral asset is in the exploration stage and, as a result, the Company has no source of revenues. In the six months ended June 30, 2014, the Company incurred a loss, and had negative cash flow from operating activities, and will be required to obtain additional sources of financing to complete its business plans going into the future. The Company at August 13, 2014 has sufficient capital to finance its operations, including exploration, for the next twelve months.

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. These 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* and IAS 36 – *Impairment of assets* ("IAS 36") 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 June 30, 2014, there are no indicators of impairment in the carrying value of its mineral properties.

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. 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) 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 authorization of these condensed interim financial statements, 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 condensed interim financial statements and are therefore not discussed below.

IFRS 9 – Financial Instruments

The IASB issued IFRS 9 "Financial Instruments" ("IFRS 9") which proposes to replace IAS 39 "Financial Instruments: recognition and measurement". The replacement standard has the following significant components: establishes two primary measurement categories for financial assets — amortized cost and fair value; establishes criteria for classification of financial assets within the measurement category based on business model and cash flow characteristics; and eliminates existing held to maturity, available-for-sale, and loans and receivable categories.

In November 2013, the IASB issued an amendment to IFRS 9 which includes a new hedge model that aligns accounting more closely with risk management, as well as enhancements to the disclosures about hedge accounting and risk management. Additionally as the impairment guidance in IFRS 9, as well as certain limited amendments to the classification and measurement requirements of IFRS 9 is not yet complete, the tentative required effective date to apply IFRS 9 is January 1, 2018. Entities may apply IFRS 9 before the IASB completes the amendments, but are not required to. The Company will evaluate the impact of the change to its financial statements based on the characteristics of its financial instruments at the time of adoption.

FINANCIAL INSTRUMENTS

The Company's financial instruments are described in Note 4 to the Company's accompanying unaudited 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. The Company is charged a monthly management fee by Mountain Province which includes an allocation for the services of key management.

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, Mountain Province and the Gahcho Kué Joint Venture which includes the monthly management fee charged by Mountain Province, and reimbursement of expenses incurred on the Company's behalf by Mountain

Province and the Gahcho Kué Joint Venture. The transactions with key management personnel are in the nature of remuneration.

	Six months ended June 30, 2014	Year ended December 31, 2013
The total of the transactions:		
Management fee and reimburseable expenses charged by Mountain Province	**$ 45,000**	$ 152,500
Remuneration of key management personnel	**1,293,741**	233,684

The remuneration expense of directors and other members of key management personnel for the six month period ended June 30, 2014 and the year ended December 31, 2013 were as follows:

	Six months ended June 30, 2014	Year ended December 31, 2013
Consulting fees	**$ 106,066**	$ 117,205
Share-based payments	**1,187,675**	116,479
	$ 1,293,741	$ 233,684

CONTRACTUAL OBLIGATIONS

The Company has no contractual obligations at June 30, 2014 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.

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 August 13, 2014, there are 22,857,675 shares outstanding, and 1,100,000 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 June 30, 2014, 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
August 13, 2014