MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2013

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 audited financial statements and the notes thereto as at December 31, 2012 and for the period from incorporation on February 27, 2012 to December 31, 2012 and the MD&A for the period from incorporation on February 27, 2012 to December 31, 2012, and the unaudited condensed interim financial statements for the three and nine months ended September 30, 2013.

The following MD&A is prepared as of November 12, 2013 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 International Auditing Standards ("IAS") 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 as at December 31, 2012 and for the period from incorporation on February 27, 2012 to December 31, 2012 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 October 25, 2013,** the Company announced the closing of the previously announced brokered private placement ("Brokered Placement") of flow-through common shares, for gross proceeds of C$5.005 million.

  The Company has issued 914,000 flow-through common shares at a price of $5.50 per share. The shares are subject to a four month hold period, expiring on February 26, 2014. Proceeds of the private placement will be used for the Company's 2014 exploration program at the Kennady North project.

  Dundee Securities Ltd., the Lead Underwriter and Salman Partners Inc., (together, the "Underwriters") received a cash commission equal to 5.0% of the gross proceeds ($250,250) raised under the Offering.

- **On October 22, 2013,** the Company announced the closing of the previously announced non-brokered private placement of flow-through and non-flow-through common shares, for gross proceeds of C$9 million.

  The Company has issued 247,100 flow-through common shares at a price of $5.50 per share and 1,608,621 non-flow-through common shares at a price of $4.75 per share. The shares are subject to a four month hold period, expiring on February 21, 2014. Proceeds of the private placement will be used primarily for the Company's 2014 exploration program at the Kennady North project and for general working capital.

- **On October 10 and 16, 2013,** the Company announced that due to strong support from current shareholders, further increases from $7 million to $8 million and then $8 million to $9 million to its previously announced non-brokered private placement.

- **On October 9, 2013,** the Company announced the terms of a non-brokered private placement whereby the Company planned to raise approximately C$7M through the issuance of a combination of common shares and flow-through common shares. The common shares to be issued under the Non-brokered Placement were priced at $4.75 per share and the flow-through common shares at C$5.50 per share.

  Concurrent with the Non-brokered Placement, the Company entered into a letter of engagement with Dundee Securities Ltd., and Salman Partners Inc., (the "Underwriters"), under which the Underwriters agreed to purchase 728,000 flow-through common shares of the Company, by way of a private placement on a "bought deal" basis, subject to all required regulatory approvals, at a price per Flow-Through Share of $5.50, for total gross proceeds of $4,004,000.

  The Underwriters were granted the option to purchase up to an additional 182,000 Flow-Through Shares of the Offering, for additional gross proceeds of $1,001,000, exercisable in whole or in part at any time up to 48 hours prior to the Closing Date (the "Option"). In connection with the Offering, the Underwriters will receive a cash commission equal to 5.0% of the gross proceeds raised under the Offering, inclusive of the Option.

- **On September 18, 2013,** the Company announced that approximately 3,454 kilograms of kimberlite recovered during the 2013 summer exploration program had been dispatched to the Geoanalytical Laboratories Diamond Services at the Saskatchewan Research Council for recovery of diamonds by caustic fusion. The kimberlite was recovered from the 3,848 meter summer drill program. The first results are expected early in the fourth quarter and final results are expected before the end of November, 2013.

  Following the successful completion of the 2013 summer drill program, the Company also announced that preparations for the 2014 winter exploration program had commenced. This program is expected to include up to 10,000 meters of delineation and exploration drilling, including extraction of a mini-bulk sample of approximately 25 tonnes from the Kelvin kimberlite. The drilling will be preceded by further geophysics over the Kelvin and Faraday kimberlites, as well as new exploration targets outside of the Kelvin – Faraday kimberlite corridor.

- **On August 21, 2013,** the Company announced the closing of the previously announced non-brokered private placement ("Placement") of flow-through and non-flow-through common shares, for gross proceeds of $1.5 million. The Company issued 34,300 flow-through common shares at a price of $1.80 per share and 958,840 non-flow-through common shares at a price of $1.50 per share. The shares are subject to a four month hold period, expiring on December 15, 2013. Proceeds of the private placement will be used primarily for the Company's ongoing summer drill program at Kennady North and for working capital.

- **On August 6, 2013,** the Company announced exceptional diamond recovery results from a 1.1 tonne sample. A sample grade of 8.44 carats per tonne confirms that the Kelvin-Faraday kimberlite cluster has a coarse diamond size distribution as well as the potential to host a high grade diamond resource. The largest three diamonds recovered were a 2.48 carat off-white transparent octahedral, a 0.90 carat off-white transparent irregular, and a 0.75 carat off-white transparent octahedral.

- **On July 23, 2013,** the Company announced the terms of the non-brokered private placement. The Company planned to raise up to $1.5M through a combination of common shares and flow-through common shares. The common shares to be issued under the Placement were priced at $1.50 per share and the flow-through common shares at $1.80 per share.

- **On July 15, 2013**, the Company announced that preparations for the 2013 summer exploration program were well advanced with a 2,500 meter drilling program scheduled to commence in mid-July. The drill program focused both on land-based infill drilling at the north-west lobe of the Kelvin kimberlite as well as targeting approximately 10 geophysical targets identified to the northwest, west and east of the Kelvin – Faraday kimberlite corridor.

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

- **On March 26, 2013**, the Company announced that a 5,000-meter winter drill program had commenced, focusing primarily on infill drilling along the Kelvin-Faraday kimberlite corridor to further define the Hobbes, 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.

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 thirteen leases and claims located to the west 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 30,374 acres.

In addition to the thirteen leases and claims discussed above, the Company during the quarter ended September 30, 2013 acquired additional mineral leases in the vicinity of Kennady North.

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 indicate 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. Exploration samples from Kelvin and Faraday returned a relatively large number of macro diamonds with the two largest being a 0.4 carat diamond from Faraday and a 0.09 carat diamond from Kelvin.

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 gradiometry ("AGG") survey over the entire 123.6 square kilometer project area. The survey identified 106 geophysical targets of which 39 are high priority targets identified through the AGG and magnetic field ground ("MAG") surveys.

DESKTOP STUDY

The desktop study to compile and review all of the previous exploration work completed on Kennady North was conducted by Mountain Province in 2011. The results were used to design and implement the exploration program for Kennady North, commencing with the AGG survey.

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 the 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 approximately twelve 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.

On July 19, 2012, the Company announced the first new kimberlite intersect at the south end of Faraday Lake on trend between the previously discovered Faraday and Kelvin kimberlites.

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 establishes the basis for Kennady Diamonds and Lutsel K'e to work collaboratively to advance the current exploration program at Kennady North project in a constructive fashion. 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."

On July 30, 2012, the Company announced that the first drill hole at Kelvin Lake had intersected kimberlite over more than 70 meters from a down-hole depth of approximately 102 meters to a depth of approximately 173 meters. The inclined hole was drilled from the northwest shore of Kelvin Lake at an angle of approximately minus 45 degrees to the east-southeast.

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 also 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, which the Company plans for winter 2013.

Kimberlite recovered during the Kennady North summer drill program was sent to the Saskatchewan Research Council analytical laboratory for microdiamond testing by 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 compare very 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. After correcting for country rock xenoliths removed for cost efficiency purposes, all the diamond results to date indicate 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.

The diamond recovery results confirm that the Kelvin-Faraday kimberlite cluster has a coarse diamond size distribution as well as the potential to host a high grade diamond resource. Besides the high diamond count, approximately 70 percent of the recovered diamonds are 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 are 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. A successful winter drill program is expected to provide additional data to enable Kennady Diamonds to declare an initial resource for the Kevin – Faraday cluster.

Winter Drill Program - 2013

Since the completion of the 2012 summer drill program, the Company's geological and geophysical consultant, Aurora, 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, as mentioned in the highlight section above, 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 April 3, 2013, as mentioned in the highlight section above, the Company announced that the first drill hole, KDI-13-001, was drilled approximately 100 meters to the northwest of the main Kelvin kimberlite and intersected kimberlite over approximately 33 meters from a down-hole depth of approximately 62 meters, and that narrow seams of kimberlite were intersected intermittently from approximately 207 meters to 215 meters.

On May 28, 2013, as mentioned above, 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 infill drill holes completed at the Kelvin and Faraday kimberlites with most intercepts ranging from a few meters to approximately 100 meters. The results of the infill drill program have provided the Company with a significant data set which will enable the Company to commence modeling of the Kelvin and Faraday kimberlites in preparation for a maiden geological resource statement.

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 appear to be steep dipping dyke/sheet structures.

Of significance in the main Kelvin kimberlite area are 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 has yet to be confirmed, but indications are that these wide intersections are due to possible blows along the dyke/sheet system or the main Kelvin kimberlite may be coincident with a small kimberlite pipe.

The Faraday kimberlite contains 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 will aid in defining the strike length to a higher degree of confidence.

Table 3 below summarizes the Kennady North 2013 Drill Results.

Table 3

Drill hole	Target	Azimuth	Inclination from Horizontal	Kimberlite Intercepts (m)			End of Hole (m)
				From	To	Intercept*	
KDI-13-001	Kelvin	35	-60	61.70	95.10	**33.4**	230
				169.38	174.45	5.07	
				207.00	208.50	1.50	
KDI-13-002	Kelvin	35	-45	60.05	64.45	4.40	101
KDI-13-003	Kelvin	292	-80	53.35	58.95	5.60	324
KDI-13-004	Kelvin	88	-60	24.39	29.57	5.18	170
KDI-13-005	Kelvin	88	-70	26.00	29.16	3.16	98
KDI-13-006	Kelvin	85	-60	24.54	26.91	2.37	161
				36.78	38.87	2.09	
KDI-13-007	Kelvin	85	-70	36.40	41.00	4.60	71
KDI-13-008	Kelvin	130	-50	48.32	50.00	1.68	198
KDI-13-009	Faraday	86	-59	76.77	96.08	**19.31**	261
KDI-13-010	Kelvin	130	-70	38.60	50.43	**11.83**	98
KDI-13-011	Kelvin	130	-90	43.52	56.57	**13.05**	164

KDI-13-012	Faraday	86	-75	99.64	106.07	6.43	165
KDI-13-013	Kelvin	130	-45	163.42	166.95	3.53	236
KDI-13-014	Faraday	86	-90	120.58	121.21	0.63	150
				127.83	129.96	2.13	
KDI-13-015	Kelvin	113	-50	41.87	47.51	5.64	200
KDI-13-016	Faraday	90	-50	65.00	65.26	0.26	215
				65.72	67.03	1.31	
KDI-13-017	Kelvin	113	-70	29.90	30.17	0.27	202
				32.47	33.08	0.61	
				34.00	35.19	1.19	
				40.02	40.43	0.41	
				41.00	41.75	0.75	
				Total kimberlite		3.23	
KDI-13-018	Kelvin	88	-50	35.73	40.64	4.91	158
KDI-13-019	Faraday	90	-70	Hole abandoned			44
KDI-13-020	Faraday	87	-50	150.81	152.26	1.45	168.61
				155.28	155.43	0.15	
				156.46	157.17	0.71	
				Total kimberlite		2.31	
KDI-13-021	Kelvin	88	-70	27.07	28.50	1.43	83
				29.44	29.51	0.07	
				29.65	29.72	0.07	
				30.32	30.43	0.11	
				32.53	32.68	0.15	
				33.61	36.70	3.09	
				Total kimberlite		4.92	
KDI-13-022	Kelvin	90	-65	59.72	62.19	2.47	200
KDI-13-023*	Faraday	115	-50	50.12	53.91	3.79	56
KDI-13-023a	Faraday	115	-50	50.46	54.33	3.87	117
KDI-13-024	Kelvin	130	-50	No kimberlite			200
KDI-13-025	Kelvin	296	-70	18.23	117.36	**99.13**	284
				180.85	181.15	0.30	
KDI-13-026	New target	115	-50	No kimberlite			216
KDI-13-027	Kelvin	296	-90	16.42	68.02	**51.5**	120
KDI-13-028	New target	296	-90	Hole abandoned due to moving ice			28

*****Not true widths

*KDI-13-023 stopped at 56m due to drifting. Re-drilled as KDI-13-023a

All but two of the above drill holes were infill holes designed to define the Kelvin – Faraday kimberlite corridor. Two geophysical targets to the northwest of the Faraday kimberlite were selected for drill testing. The first drill hole (KDI-13-026) did not intersect kimberlite. Drilling of the second target (KDI-13-028) had to be abandoned on May 25, 2013, due to unstable ice conditions.

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 4 and 5 below.

The recovery of diamonds from the kimberlite intersects was undertaken by caustic fusion methods performed at the Geoanalytical Laboratories Diamond Services of 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. The combined caustic fusion diamond results for samples taken from the Kelvin and Faraday kimberlites are summarized below in Table 4.

Table 4

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 5 below.

Table 5

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**

This 1.1 tonne sample is the largest sample processed to date. During the winter drill program kimberlite was intersected in 24 out of 26 infill drill holes, with intersects of up to 100 meters. Interpretation of the drill results suggests that the Kelvin and Faraday kimberlites should be treated separately. Both kimberlites appear to have a strike of over 1 kilometer trending southwest to northeast. It is now apparent that the Hobbes kimberlite, which was identified during previous drilling, is in fact part of the larger Kelvin kimberlite.

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 infill drilling at the north-west lobe of the Kelvin kimberlite as well as targeting approximately 10 geophysical targets identified to the northwest, west and east of the Kelvin – Faraday kimberlite corridor. A total of 3,848 meters were drilled resulting in the recovery of approximately 3,454 kilograms of kimberlite, which far exceeded the original objectives of the drill program.

Kimberlite recovered during the summer drill program has been dispatched to the Geoanalytical Laboratories Diamond Services at the Saskatchewan Research Council for recovery of diamonds by caustic fusion. The results are expected to be announced by the end of November 2013.

OUTLOOK

Based on the encouraging results from the summer 2012 drilling program, the 2013 winter drilling program and the 2013 summer program, the Company is planning a winter 2014 program, which will include up to 10,000 meters of delineation and exploration drilling, including extraction of a mini-bulk sample of approximately 25 tonnes from the Kelvin kimberlite. The drilling will be preceded by further geophysics over the Kelvin and Faraday kimberlites, as well as new exploration targets outside of the Kelvin – Faraday kimberlite corridor. Depending on the results of the 2014 winter drill program, a follow-up 2014 summer drill program will be planned. The Company expects to be able to publish a maiden resource statement for Kennady North by the end of 2014.

FINANCIAL REVIEW

For the Three and Nine months ended September 30, 2013 compared to the three months ended September 30, 2012 and the period from February 27, 2012 (date of incorporation) to September 30, 2012

For the three and nine months ended September 30, 2013, the Company recorded a net loss of $2,029,380 or $0.11 and $5,047,010 or $0.27 per share, compared to a net loss of $1,981,714 or $0.13 and $1,981,714 or $0.31 per share for the three months ended September 30, 2012 and the period from February 27, 2012 (date of incorporation) to September 30, 2012.

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			
Unaudited	**September 30 2013**	**June 30 2013**	**March 31 2013**	**December 31 2012**
	$	**$**	**$**	**$**
Earnings and Cash Flow				
Interest and other income	11,852	5,943	69,193	5,900
Expenses	(2,041,124)	(2,364,205)	(728,561)	(781,265)
Net loss for period	(2,029,380)	(2,358,262)	(659,368)	(775,365)
Cash flow from operations	(868,669)	(3,063,944)	(575,744)	(207,652)
Basic and diluted loss per share	(0.11)	(0.13)	(0.04)	(0.04)
Investing activities	(156,466)	2,780,704	290,476	(3,493,678)
Financing activities	1,480,255	-	-	2,938,080
Balance Sheet				
Total assets	1,243,526	1,158,088	3,479,997	4,117,733

Unaudited	**September 30 2012**	**June 30 2012**	**February 27, 2012 (Date of Incorporation) To March 31, 2012**
	$	**$**	**$**
Earnings and Cash Flow			
Interest and other income	3,510	-	-
Expenses	(1,985,224)	-	-
Net loss for period	(1,981,714)	-	-
Cash flow from operations	(1,789,354)	-	-
Basic and diluted loss per share	(0.13)	-	-
Investing activities	3,510	-	-
Financing activities	3,000,000	-	-
Balance Sheet			
Total assets	1,357,234	1	1

COSTS AND EXPENSES

The costs and expenses for the three and nine months ended September 30, 2013 compared to the three months ended September 30, 2012 and the period from February 27, 2012 (date of incorporation) to September 30, 2012 are comparable except for the following:

Exploration and evaluation expenses

Exploration and evaluation expenses for the three and nine months ended September 30, 2013 were $1,923,942 and $4,685,765 compared to $1,881,629 and $1,881,629 for the three months ended September 30, 2012 and the period from February 27, 2012 (date of incorporation) to September 30, 2012, which is a result of the winter and summer drilling programs and geophysical work done on the Kennady North Project.

Management fees

Management fees for the three and nine months ended September 30, 2013 were $22,500 and $130,000 compared to $60,000 and $60,000 for the three months ended September 30, 2012 and the period from February 27, 2012 (date of incorporation) to September 30, 2012. Effective, June 1, 2013, management fees were reduced as there were direct costs incurred by the Company.

Professional fees

Professional fees for the three and nine months ended September 30, 2013 were $13,599 and $49,135 compared to $Nil and $Nil for the three months ended September 30, 2012 and the period from February 27, 2012 (date of incorporation) to September 30, 2012. This is mainly due to audit and legal fees incurred in the current period.

Share-based payment expense

Share-based payment expense for the three and nine months ended September 30, 2013 were $19,061 and $97,418 compared to $Nil and $Nil for the three months ended September 30, 2012 and the period from February 27, 2012 (date of incorporation) to September 30, 2012. In the six month period September 30, 2013, 150,000 options were granted of which one third vested immediately. No options were granted in the prior period.

Interest and other income

Interest and other income for the three and nine months ended September 30, 2013 was $11,852 and $86,988 compared to $3,510 and $3,510 for the three months ended September 30, 2012 and the period from February 27, 2012 (date of incorporation) to September 30, 2012. This is a result from the $3 million proceeds from the issuance of flow-through and non-flow through common shares, which closed in the last quarter of 2012 and was invested in short-term investments providing interest income of $17,660. Also, the expenditures were renounced relating to the flow-through common shares from the November 2012 and August 2013 private placements and as a result, the flow-through premiums were recognized in the statement of comprehensive loss as other income totaling $69,328.

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 three and nine months ended September 30, 2013 was $868,669 and $4,508,357 compared with $1,789,354 and $1,789,354 for the comparative period for 2012.

Investing Activities

Investing activities for the three months and nine months ended September 30, 2013 amounted to $156,466 and $2,914,714 compared to $3,510 and $3,510 for the comparative period in 2012. Capital expenditures of $201,589 for the nine months ended September 30, 2013 were mainly for a reclamation and additional leases for the Kennady North Project.

Financing Activities

During the three and nine months ended September 30, 2013, cash from financing activities was $1,480,255 and $1,480,255 compared to $3,000,000 and $3,000,000 for the comparative period in 2012. During the period ended September 30, 2012, $3,000,000 was received as per the terms of the spin-out arrangement. During 2013, the Company issued by way of a private placement 993,140 common shares for net proceeds of $1,480,255.

Cash Resources and Liquidity

At September 30, 2013, the Company reported working capital deficit of $1,744 ($3,709,364 working capital as at December 31, 2012), including cash and cash equivalents and short-term investments of $715,475 ($3,957,505 at December 31, 2012). The short-term investments reflected in the September 30, 2013 and December 31, 2012 figures were guaranteed investment certificates held with a major Canadian financial institution with nominal counter party credit risk associated with the bank. At September 30, 2013 and December 31, 2012, 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 October, 2012, the Company announced that it had arranged a non-brokered private placement of flow-through and non-flow-through common shares, for aggregate gross proceeds of $3,000,000, and that it would issue up to $300,000 of flow-through common shares at a price of $1.45 per share, and approximately $2,700,000 of non-flow-through common shares at a price of $1.15 per share. The proceeds of the private placement were used primarily for the Company's 5,000 meter winter drill program at Kennady North which commenced in March 2013.

The non-brokered private placement closed on November 7, 2012. The Company issued 196,793 flow-through common shares for gross proceeds of $285,350, and 2,360,564 non flow-through common shares for gross proceeds of $2,714,649.

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. Subsequent to the quarter ended September 2013, the Company by way of a non-brokered and brokered private placement raised gross proceeds of $14 million.

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 nine months ended September 30, 2013, 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 November 12, 2013 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 condensed interim 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 condensed interim 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) <u>Significant Judgments in Applying Accounting Policies</u>

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 September 30, 2013, there are no indicators of impairment in the carrying value of its mineral properties.

ii) <u>Significant Accounting Estimates and Assumptions</u>

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.

STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS

The following new accounting standards and amendments which the Company adopted and are effective for the Company's condensed interim and annual financial statements commencing January 1, 2013.

IFRS 13 *Fair Value Measurement*

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS statements. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. The disclosure required under IFRS 13 for the unaudited condensed interim financial statements have been included in Note 4.

At the date of authorization of the 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 unaudited condensed interim 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 unaudited condensed interim financial statements and are therefore not discussed below.

IFRS 9 *Financial Instruments*

The IASB aims to replace IAS 39 *Financial Instruments: Recognition and Measurement* in its entirety. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Two measurement categories continue to exist to account for financial liability in IFRS 9 – fair value through profit or loss ("FVTPL") and amortized cost. Financial liabilities held for trading are measured at FVTPL, and all other financial liabilities are measured at amortized cost unless the fair value option is applied. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Company is evaluating the impact of IFRS 9 on its financial statements.

FINANCIAL INSTRUMENTS

The Company's financial instruments are described in Note 4 to the Company's accompanying unaudited condensed interim 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.

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, Mountain Province and the Gahcho Kué Joint Venture which include 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.

		September 30, 2013		December 31, 2012
The total of the transactions:				
Management fee and reimburseable expenses				
charged by Mountain Province	**$**	**130,000**	$	120,940
Remuneration		**150,342**		-
The amount of outstanding balances:				
Fuel freight to be reimbursed to Gahcho Kue Joint Venture		**-**		165,000

The remuneration expense of key management personnel for the nine months ended September 30, 2013 and the year ended December 31, 2012 were as follows:

		Nine month ended September 30, 2013		Year ended December 31, 2012
Consulting fees	**$**	**52,924**	$	-
Share-based payments		**97,418**		-
	$	**150,342**	$	-

CONTRACTUAL OBLIGATIONS

The Company has no contractual obligations at September 30, 2013 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 EVENTS

On October 21, 2013, the Company closed the non-brokered private placement of flow-through and non-flow-through common shares, for gross proceeds of C$9 million.

The Company has issued 247,100 flow-through common shares at a price of $5.50 per share and 1,608,621 non-flow-through common shares at a price of $4.75 per share. The shares are subject to a four month hold period, expiring on February 21, 2014. Proceeds of the private placement will be used primarily for the Company's 2014 exploration program at the Kennady North project and for general working capital.

On October 25, 2013, the Company announced the closing of the previously announced brokered private placement of flow-through common shares, for gross proceeds of C$5.005 million.

The Company has issued 914,000 flow-through common shares at a price of $5.50 per share. The shares are subject to a four month hold period, expiring on February 25, 2014. Proceeds of the private placement will be used primarily for the Company's 2014 exploration program at the Kennady North project.

Dundee Securities Ltd., the Lead Underwriter and Salman Partners Inc. together, the Underwriters received a cash commission equal to 5.0% of the gross proceeds, or $250,250, raised under the Offering.

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 12, 2013, there are 22,459,330 shares outstanding, and 750,000 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, 2013, 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 12, 2013