WWW.KENNADYDIAMONDS.COM

Management's Discussion and Analysis

For the Year Ended December 31, 2015

TSXV: KDI

KENNADY DIAMONDS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2015

TABLE OF CONTENTS Page

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 for the years ended December 31, 2015 and 2014. Financial filings and 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

The Company's audited financial statements have been 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 property has been reviewed by Tom McCandless, a Director of the Company and a Qualified Person as defined by National Instrument 43-101 - Standards of Disclosure for Mineral Properties ("NI 43-101").

COMPANY OVERVIEW

Kennady Diamonds is a Canadian resource company that was incorporated on February 27, 2012 under the laws of the Province of Ontario. Kennady Diamonds currently holds a 100% interest in 16 federal leases and 58 claims in the Kennady North diamond project.

Drilling and bulk sampling is currently underway on the Company's properties. At this time the Company has not generated any revenue.

Kennady Diamonds commenced trading on the TSX Venture Exchange on July 10, 2012 under the ticker symbol "KDI". The Company's registered office and its principal place of business is 161 Bay Street, Suite 2315, P.O. Box 216, Toronto, ON, Canada, M5J 2S1.

HIGHLIGHTS

- The Company has appointed Dr. Rory Moore to the position of president, CEO and director effective May 1, 2016. Dr. Moore brings more than 30 years of diamond experience to Kennady Diamonds having held a number of positions in the industry, including as CEO of the Mineral Services Group of Companies, president and CEO of Canabrava Diamond Corp. and manager of diamond exploration for BHP Minerals. Dr. Moore has a Ph.D. in Geochemistry from the University of Cape Town and is a registered professional geoscientist in the Province of British Columbia.

- In March 2016, the Company announced that exploration drilling at the Kennady North project has resulted in the discovery of a third kimberlite body (Faraday 3) at the high-grade Faraday kimberlite cluster.

- In December 2015, the Company announced the successful conclusion of the 2015 field program with the completion of more than 33,400 meters of drilling. Highlights of the 2015 exploration program include the discovery of two pipe-like kimberlites at Faraday 1 and Faraday 2, as well as confirmation of continuity of the strike of the Kelvin kimberlite beyond the current geological model.

  The following diamond recovery results were reported from core drilling and bulk sampling during the year ended December 31, 2015:
  - At Kelvin South Lobe a 443 tonne bulk sample returned a sample grade of 2.05 carats per tonne for diamonds larger than 0.85mm;
  - At Kelvin North Lobe 12.8 tonnes of kimberlite was recovered by core drilling and returned a sample grade of 2.79 carats per tonne for diamonds larger than 0.85mm; and
  - At Faraday 2 a total of 6.43 tonnes was recovered by core drilling and returned a sample grade of 3.04 carats per tonne for diamonds larger than 0.85mm.

  The samples were processed at the Geoanalytical Laboratories Diamond Services of the Saskatchewan Research Council ("SRC").

- In October 2015, the Company announced the results of a preliminary valuation of diamonds recovered from the Kelvin kimberlite. Four separate diamond parcels were valued by WWW International Diamond Consultants ("WWW"), representing Zone A (442.82 carats), Zone B (447.05 carats), Zone C (80.44 carats) and a small mixed parcel (16.79 carats). For Zone A, WWW has recommended using an average modeled price of US$56 per carat and for Zone B US$70 per carat. The parcel from Zone C was too small for WWW to create modeled values, so an average price of US$123 per carat was reported. It is not yet possible to report an average modeled value for the composite Kelvin kimberlite due to the small size of the Zone C parcel. The Company is currently proceeding with a second stage 500 tonne bulk sample from the Kelvin North Lobe, which is expected to be completed by mid-2016.

- In the year ended December 31, 2015, the Company issued 23,279,795 common shares for total aggregate proceeds of $70,759,674 by way of five private placements completed in February, March, August, September and October.

KENNADY NORTH DIAMOND PROJECT

Overview

The Kennady North diamond project is located approximately 300 kilometers north-east of Yellowknife in Canada's Northwest Territories. The Kennady North diamond district has an area of approximately 61,000 hectares.

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

Exploration

In October 2011, an Airborne Gravity Gradiometry survey ("AGG"), which included a total of 2,793 line-kilometres flown over the Kennady North diamond project. This survey resulted in the identification of 106 geophysical targets, resulting in a 560 line-kilometre total magnetic field ground ("MAG") survey 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.

Kennady Diamonds has a Type A Land Use Permit from the Mackenzie Valley Land and Water Board in respect of the Kennady North diamond project, permits Kennady Diamonds conduct exploration drilling at the Kennady North diamond project.

The Company has 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 has completed a number of exploration and evaluation programs from the summer of 2012 through to December 2015 and at April 7, 2016 is conducting a winter/spring exploration program. Exploration and evaluation expenditure since 2012 is summarized below.

	Total	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012
Exploration and evaluation expenses	$53,325,958	$28,631,737	$17,415,440	$5,307,526	$1,971,255
Meters drilled	71,816	33,423	27,258	8,648	2,488

Below are the highlights of the exploration programs from 2012 to December 2015.

2012 Summer Drill Program

Based on the AGG survey results, exploration drilling at the Kennady North Project commenced in mid-2012. At that time it was unclear whether the Kelvin and Faraday kimberlites were contiguous or separate bodies. Land-based drilling took place at both kimberlites and the core was sent to the the SRC for diamond recovery by caustic fusion.

The combined Kelvin/Faraday diamond results are summarized below in Table 1.

Table 1 - Kelvin/Faraday 2012 Summer Diamond Recovery Results

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

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

2013 Winter Drill Program

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

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

Table 2 - Kelvin/Faraday 2013 Winter Diamond Recovery Results

Total Weight (Kg)	Number of Diamonds According to Sieve Size Fraction (mm)													Total Diamonds
	+0.075 -0.106	+0.106 -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 3 below.

Table 3 - Kelvin/Faraday 2013 Winter Diamond Recovery Results

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

**Total weight of the sample is 10.06 carats*

On August 6, 2013, the Company announced that the Kelvin winter drill program (summarized in Table 4 below) returned a sample grade of 7.24 carats per tonne for diamonds greater than 0.85mm, which included a 2.48 carat diamond.

Table 4 - Kelvin 2013 Winter Diamond Recovery Results

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

**Total weight of diamonds greater than 0.85mm 7.15 carats*
**Sample grade of diamonds greater than 0.85mm: 7.24 carats/tonne*

2013 Summer Drill Program

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

The 2013 Kelvin summer drill program, with results summarized in Table 5 below, returned an average sample grade of 3.64 carats per tonne for diamonds greater than 0.85mm.

Table 5 - Kelvin 2013 Summer Diamond Recovery Results

Total Weight (Kg)	Number of Diamonds According to Sieve Size Fraction (mm)												Total Diamonds
	+0.106 -0.150	+0.150 -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 diamond greater than 0.85mm: 11.43 carats*
**Sample grade of diamonds greater than 0.85mm: 3.64 carats per tonne*

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

Table 6 - Kelvin 2013 Winter and Summer Diamond Recovery Results

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

**Total weight of diamonds greater than 0.85mm: 18.58 carats*
** Sample grade of diamonds greater than 0.85mm: 4.32 carats/tonne*

2014 Winter Drill Program

In February, 2014**,** the Company commenced its 2014 winter exploration program. A range of geophysics programs, including ground-penetrating radar and Ohmmapper was completed at both the Kelvin and Faraday kimberlites prior to commencing the drill program. A total of approximately 10,200 meters of drilling was completed, resulting in the recovery of over 25 tonnes of kimberlite from Kelvin and over one tonne of kimberlite from Faraday. At this stage it was apparent that the Kelvin and Faraday kimberlites were separate bodies, but it was unclear whether the Faraday kimberlite occurrence represented one contiguous or separate bodies. It is now understood that Faraday 1 and Faraday 2 are two separate kimberlites.

The one tonne kimberlite sample from Faraday was processed at the SRC. On August 5, 2014, the Company announced the diamond recovery results from the Faraday kimberlite, which are summarized in Table 7 below.

Table 7 - Faraday 2014 Winter Diamond Recovery Results

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

**Total weight of diamonds greater than 0.85mm: 3.62 carats*
**Sample grade of diamonds greater than 0.85mm: 3.88 carats per tonne*

The Kelvin 25 tonne mini-bulk sample was shipped to Yellowknife where detailed logging and analysis took place under the guidance of SRK Consulting ("SRK") prior to dispatch to the SRC for processing through the dense-media separation (DMS) plant. Four distinct kimberlite phases were identified in the mini-bulk sample core, which are described in Table 8 below.

Table 8 – Kelvin Kimberlite Phases

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

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

Table 9 – Kelvin 2014 Winter/Spring Diamond Recovery Results

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

**Includes DMS and recovery cleanup*

2014 Kelvin Summer/Fall Program mini-bulk sample program

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

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

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

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

Table 10 – Kelvin 2014 Summer/Fall Diamond Recovery Results

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

*Includes DMS recovery cleanup

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

Table 11 - Kelvin kimberlite zones

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

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

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

Table 12 – Kelvin 2014 Summer/Fall Diamond Recovery Results

Sample Weight (Dry tonnes)	Number and Weight of Diamonds According to Sieve Size Fraction (mm)												Totals 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	
5.001	**4,556**	**3,176**	**2,041**	**1,257**	**772**	**462**	**218**	**105**	**35**	**7**	**4**	**0**	**12,633**

**Total weight of recovered diamonds greater than 0.85mm: 12.85 carats*
**Sample grade of diamonds greater than 0.85mm: 2.57 carats per tonne*

On April 23, 2015, the Company announced further diamond recovery results from the Kelvin 2014 summer/fall core drilling program. Approximately 1.83 tonnes of kimberlite from the southern portion of the Kelvin North Lobe and 47.62 kilograms from the Kelvin Sheet was processed by caustic fusion at SRC.

Table 13 below summarizes the caustic fusion diamond recovery results from the Kelvin South Lobe.

Table 13 – Kelvin South Lobe 2014 Caustic Fusion Diamond Recovery Results

Sample Weight (dry tonnes)	**Number and Weight of Diamonds According to Sieve Size Fraction (mm)**												Total diamonds
	+0.106 -0.150	+0.150 -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	
1.8376	**1,679**	**1,150**	**693**	**425**	**235**	**121**	**72**	**35**	**15**	**3**	**2**	**1**	**4,431**

**Total weight of recovered diamonds greater than 0.85mm: 6.68 carats*
****Sample grade of diamonds greater than 0.85mm: 3.64 carats per tonne***

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

Table 14 – Kelvin Sheet 2014 Caustic Fusion Diamond Recovery Results

Sample Weight (dry kilograms)	**Number and Weight of Diamonds According to Sieve Size Fraction (mm)**												Total diamonds
	+0.106 -0.150	+0.150 -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	
47.62	**53**	**46**	**25**	**15**	**5**	**2**	**3**	**1**	**2**	**0**	**0**	**0**	**152**

*Total weight of recovered diamonds greater than 0.85mm: 0.28 carats
****Sample grade of diamonds greater than 0.85mm: 5.95 carats per tonne**

2015 Kelvin Winter drilling program

On June 22, 2015 the Company announced the diamond recovery results from the Kelvin 2015 winter core drilling program. Approximately 2.7 tonnes of kimberlite from the Kelvin North Lobe was processed by caustic fusion at the SRC and returned a sample grade of 2.74 carats per tonne for diamonds greater than 0.85mm.

Table 15 below summarizes the caustic fusion diamond recovery results from the Kelvin North Lobe 2015 winter drill program.

Table 15 – Kelvin North Lobe 2015 Winter Caustic Fusion Diamond Recovery Results

Sample Weight (dry tonnes)	Number and Weight of Diamonds According to Sieve Size Fraction (mm)												Total diamonds
	+0.106 -0.150	+0.150 -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	
2.6874	**3,312**	**2,098**	**1,208**	**751**	**435**	**245**	**133**	**53**	**21**	**9**	**1**	**0**	**8,266**

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

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

2015 Kelvin Spring drilling program

On October 5, 2015 the Company announced the diamond recovery results from the Kelvin 2015 spring core drilling program. Approximately 2.42 tonnes of kimberlite from the Kelvin North Lobe was processed by caustic fusion at the SRC and returned a sample grade of 2.60 carats per tonne for diamonds greater than 0.85mm.

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

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

Sample Weight (dry tonnes)	Number and Weight of Diamonds According to Sieve Size Fraction (mm)												Total diamonds
	+0.106 -0.150	+0.150 -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	
2.416	**2,438**	**1,632**	**1,034**	**639**	**397**	**209**	**113**	**53**	**24**	**6**	**0**	**0**	**6,455**

**Total weight of recovered diamonds greater than 0.85mm: 6.29 carats*

****Sample grade of diamonds greater than 0.85mm: 2.60 carats per tonne***

2015 Kelvin Summer drilling program

On December 7, 2015 the Company announced the diamond recovery results from the Kelvin North 2015 core drilling program. Approximately 2.67 tonnes of kimberlite from the Kelvin North Lobe was processed by caustic fusion at the SRC and returned a sample grade of 3.40 carats per tonne for diamonds greater than 0.85mm.

Table 17 below summarizes the caustic fusion diamond recovery results from the Kelvin North Lobe 2015 summer drill program.

Table 17 – Kelvin North Lobe 2015 Spring Caustic Fusion Diamond Recovery Results

Sample Weight (dry tonnes)	Number and Weight of Diamonds According to Sieve Size Fraction (mm)												Total diamonds
	+0.106 -0.150	+0.150 -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	
2.674	**2,608**	**1,811**	**1,096**	**719**	**421**	**259**	**125**	**53**	**21**	**8**	**3**	**0**	**7,124**

**Total weight of recovered diamonds greater than 0.85mm: 9.10 carats*

****Sample grade of diamonds greater than 0.85mm: 3.40 carats per tonne***

On December 17, 2015 the Company announced the diamond recovery results from the Kelvin North 2015 core drilling program. Approximately 0.93 tonnes of kimberlite from the Kelvin North Lobe was processed by caustic fusion at the SRC and returned a sample grade of 3.55 carats per tonne for diamonds greater than 0.85mm.

Table 18 below summarizes the caustic fusion diamond recovery results from the Kelvin North Lobe 2015 summer drill program.

Table 18 – Kelvin North Lobe 2015 Summer Caustic Fusion Diamond Recovery Results

Sample Weight (dry tonnes)	Number and Weight of Diamonds According to Sieve Size Fraction (mm)												Total diamonds
	+0.106 -0.150	+0.150 -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	
0.926	**1,375**	**927**	**568**	**363**	**181**	**110**	**56**	**29**	**1**	**1**	**1**	**0**	**7,124**

**Total weight of recovered diamonds greater than 0.85mm: 3.29 carats*

****Sample grade of diamonds greater than 0.85mm: 3.55 carats per tonne***

2015 Faraday 2 Spring drilling program

On July 15, 2015, the Company announced the diamond recovery results from the Faraday 2 2015 spring core drilling program. Approximately 0.93 tonnes of kimberlite from the Southeast Lobe of Faraday 2 was processed by caustic fusion at the SRC and returned a sample grade of 1.93 carats per tonne for diamonds greater than 0.85mm.

Table 19 below summarizes the caustic fusion diamond recovery results from the Faraday 2 Southeast Lobe 2015 spring drill program.

Table 19 – Faraday 2 Southeast Lobe 2015 Spring Caustic Fusion Diamond Recovery Results

Sample Weight (dry tonnes)	Number and Weight of Diamonds According to Sieve Size Fraction (mm)												Total diamonds
	+0.106 -0.150	+0.150 -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	
0.9337	**1,275**	**872**	**488**	**283**	**179**	**99**	**48**	**16**	**3**	**3**	**0**	**0**	**3,266**

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

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

2015 Kelvin Bulk Sample

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

Table 20 below summarizes the caustic fusion diamond recovery results from the southeast lobe of the Kelvin kimberlite.

Table 20 – Kelvin 2015 Bulk Sample Diamond Recovery Results

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

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

- 4.22 carat white/colorless, transparent macle with no inclusions;
- 3.95 carat brown, transparent aggregate with inclusions;

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

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

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

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

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

1. 4.22 carat diamond from Zone B valued at US$1,603 per carat;
2. 2.58 carat diamond from Zone C valued at US$1,366 per carat; and
3. 2.38 carat diamond from Zone C valued at US$1,196 per carat.

OUTLOOK

Drilling, sampling and modeling over the past three years has provided the data required for the Company to prepare the first NI 43-101 resource statement for the Kelvin kimberlite, which is expected by mid- 2016.

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

Exploration drilling at the MZ and Doyle kimberlites commenced in the last quarter of 2015 and will continue in 2016. Testing of new kimberlite targets at the Kennady North project will also continue.

SELECTED FINANCIAL INFORMATION

	December 31, 2015	December 31, 2014
Interest income	$ 101,787	$ 107,675
Other income - flow through shares	1,634,855	1,163,492
Operating expenses	(31,536,109)	(19,337,577)
Other expenses	(1,484)	(1,271)
Net loss for the period	(29,800,951)	(18,067,681)
Basic and diluted loss per share	(0.92)	(0.78)
Cash flow from operations	(30,150,425)	(17,274,367)
Cash, end of year	41,068,805	507,808
Total assets	44,290,911	4,511,282
Long-term liabilities	247,568	147,016
Dividend declared	Nil	Nil

FINANCIAL REVIEW

For the three months and year ended December 30, 2015 compared to the three months and year ended December 31, 2014

For the three months and year ended December 31, 2015, the Company recorded a net loss of $3,628,290 or $0.08 per share and $29,800,951 or $0.92 per share, respectively, compared to a net loss of $4,112,267 or $0.18 and $18,067,681 or $0.78 per share for the same period in 2014. The increase over the year ended December 31, 2014 is mainly as a result of $28,631,737 being spent on exploration and evaluation expenses compared to $17,415,440 for the same period in 2014. During 2015 more drilling and bulk samples were undertaken than in 2014 resulting in the increase. The other notable increase was share-based payment expenses, which increased from $1,200,381 in 2014 to $1,902,694 for the same period in 2015.

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

SUMMARY OF QUARTERLY RESULTS

Table 1 - Quarterly Financial Data

	Three months ended			
Unaudited	**December 31 2015**	**September 30 2015**	**June 30 2015**	**March 31 2015**
	$	**$**	**$**	**$**
Earnings and Cash Flow				
Interest and other income	851,045	2,830	11,634	871,133
Expenses	(4,478,961)	(8,388,064)	(7,068,586)	(11,600,498)
Net loss for period	(3,628,290)	(8,385,608)	(7,057,322)	(10,729,731)
Cash flow from operations	(6,364,802)	(7,724,352)	(7,047,892)	(9,013,379)
Basic and diluted loss per share	(0.08)	(0.29)	(0.25)	(0.42)
Investing activities	116,190	(61,308)	(1,488,366)	1,873,895
Financing activities	33,080,623	18,649,472	-	18,540,916
Balance Sheet				
Total assets	44,290,911	18,554,705	6,488,826	13,894,156

	Three months ended			
Unaudited	**December 31 2014**	**September 30 2014**	**June 30 2014**	**March 31 2014**
	$	**$**	**$**	**$**
Earnings and Cash Flow				
Interest and other income	(9,304)	153,096	642,932	484,443
Expenses	(4,102,643)	(5,787,313)	(4,740,481)	(4,707,140)
Net loss for period	(4,112,267)	(5,634,538)	(4,097,865)	(4,223,011)
Cash flow from operations	(10,660,686)	1,249,998	(5,428,543)	(2,435,136)
Basic and diluted loss per share	(0.18)	(0.25)	(0.18)	(0.18)
Investing activities	1,473,149	3,245,687	5,440,374	5,368
Financing activities	4,954,297	-	-	-
Balance Sheet				
Total assets	4,511,282	9,229,376	7,882,198	13,187,213

COSTS AND EXPENSES

The costs and expenses for the three months and year ended December 31, 2015 compared to the three months and year ended December 31, 2014 are similar except for the following:

Exploration and evaluation expenses

Exploration and evaluation expenses for the three months and year ended December 31, 2015 were $4,136,295 and $28,620,904, respectively, compared to $3,842,968 and $17,415,440 for the same period in 2014. The increase in exploration and evaluation expenses is a result of an extensive winter/spring and summer drilling programs on the Kennady North Project.

	Three months ended December 31, 2015	Three months ended December 31, 2014	**Year ended December 31, 2015**	Year ended December 31, 2014
Lease payments	**$ 7,234**	$ 6,584	**$ 28,325**	$ 27,949
Aircraft support	**391,829**	753,344	**2,342,757**	3,424,624
Fuel	**(44,884)**	2,998	**1,502,523**	1,027,988
Geophysics	**19,139**	30,451	**139,214**	523,304
Drilling support	**137,585**	246,958	**475,518**	1,268,492
Exploration personnel and program support	**650,645**	344,013	**3,587,393**	1,512,858
Camp maintenance, supplies, mobilization, general costs	**760,155**	740,559	**4,614,370**	2,941,660
Site & logistical support	**427,567**	69,533	**2,210,130**	222,936
Environmental	**63,987**	13,609	**82,160**	48,379
Professional geological services	**169,176**	64,956	**732,703**	181,895
Drilling	**941,484**	773,736	**10,646,286**	5,390,558
Technical consultant	**(1,831)**	35,427	**119,783**	35,427
Laboratory analysis	**544,346**	609,091	**1,896,063**	809,370
Diamond valuation	**23,826**	-	**155,145**	-
Permitting	**52,537**	-	**88,534**	-
	$ 4,142,795	$ 3,691,259	**$ 28,620,904**	$ 17,415,440

Professional fees

Professional fees for the three months and year ended December 31, 2015 were $24,236 and $73,949, respectively, compared to $24,543 and $59,374 for the same period in 2014. This is mainly due to audit and legal fees incurred and are consistent with the prior period.

Share-based payment expense

Share-based payment expense for the three months and year ended December 31, 2015 were $Nil and $1,902,694, respectively, compared to $6,353 and $1,200,381 for the same period in 2014. During the first quarter of 2015, 685,000 options were granted compared to 350,000 options granted for the same period in 2014. These options vested immediately.

Interest income

Interest income for the three months and year ended December 31, 2015 were $86,190 and $101,787, respectively, compared to ($9,304) and $107,675 for the same period in 2014. For the three months ended December 31, 2014 interest was over accrued at September 30, 2014 resulting in the reversal during the last quarter. The increase is a result of the significant fourth quarter average cash balance due to the September and October private placement equity raises. The annual interest income is consistent with the prior period.

Other income

Other income for the three months and year ended December 31, 2015 were $764,855 and $1,634,855, respectively, compared to $Nil and $1,163,492 respectively for the same period in 2014. In 2015, exploration expenditures were renounced relating to the flow-through common shares from the February, September and October 2015 private placements. In 2014, exploration expenditures were renounced relating to flow-through common shares from the October 2013 and December 2013 private placements and as a result, the flow-through premiums were recognized in the statement of comprehensive loss as other income.

INCOME AND RESOURCE TAXES

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

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

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

FINANCIAL POSITION AND LIQUIDITY

Operating Activities

Cash used in operating activities for the year ended December 31, 2015 was $30,150,425 compared with $17,274,367 for the comparative period in 2014. This is a result of increased exploration and evaluation activities in 2015.

Investing Activities

Investing activities for the year ended December 31, 2015 amounted to $440,411 compared to $10,164,578 for the comparative period in 2014. During the year ended December 31, 2015, property and equipment totalling $1,694,138 was purchased. Offsetting this was the redemption of short-term investments totalling $2,002,762, the return of a Reclamation deposit totalling $30,000 and interest income of $101,787 to fund operations.

Financing Activities

Financing activities for the year ended December 31, 2015 amounted to $70,271,011 compared to $4,954,297 for the comparative period in 2014. During the year ended December 31, 2015, the Company issued by way of private placements 20,986,560 commons shares and 2,293,235 flow-through common shares for gross proceeds of $70,759,675. Share issuance costs of $488,664 were incurred in connection with all private placements during 2015.

During the year ended December 31, 2014 the Company issued by way of a private placement 769,500 common shares for net proceeds of $4,954,297.

Cash Resources and Liquidity

At December 31, 2015, the Company reported a working capital of $40,391,535 ($1,641,205 at December 31, 2014). Included in working capital at December 31, 2015 was cash of $41,068,805 (cash and short-term investments of $2,510,570 at December 31, 2014). The short-term investments reflected in December 31, 2014 were held in guaranteed investment certificates ("GIC's") with a major Canadian financial institution with nominal counter party credit risk associated with the bank. At December 31, 2015 and 2014, the Company had no long-term debt.

The Company's budgeted expenditures for the H1 2016 program is approximately $20 million. The $48 million raised during the third and fourth quarter is sufficient to fund the planned 2016 and 2017 exploration and evaluation programs and general and administrative expenses.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

i) Significant Judgments in Applying Accounting Policies

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

a) Impairment analysis – Mineral Properties

The Company reviews its mineral properties for impairment based on results to date and when events and changes in circumstances indicate that the carrying value of the assets may not be recoverable. IFRS 6 - *Exploration for and evaluation of mineral resources* requires the Company to make certain judgments in respect of such events and changes in circumstances, and in assessing their impact on the valuations of the affected assets. The Company's assessment is that as at December 31, 2015, no indicators of an impairment in the carrying value of its mineral properties had occurred.

ii) Significant Accounting Estimates and Assumptions

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

a) Impairment analysis – Mineral Properties

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

b) Stock options

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

c) *Provision for decommissioning and restoration*

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

d) *Deferred taxes*

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

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

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

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

Financial instruments

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

Leases

On January 13, 2016, the IASB issued International Financial Reporting Standard 16, Leases ("IFRS 16"). The new standard will replace existing lease guidance in IFRS and related interpretations, and requires companies to bring most leases on-balance sheet. The new standard is effective for years beginning on or after January 1, 2019. The Company is currently assessing the impact of IFRS 16.

FINANCIAL INSTRUMENTS

The Company's financial instruments are described in Note 4 to the Company's 2015 audited financial statements.

RELATED PARTY TRANSACTIONS

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

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

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

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

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

	December 31, 2015	December 31, 2014
Payable to key management personnel	$ -	$ 100,000
Payable to Mountain Province	**8,475**	-

The transactions for the years ended December 31, 2015 and 2014 were as follows:

	Year ended December 31, 2015	Year ended December 31, 2014
The total of the transactions:		
Management fee and reimburseable expenses charged by Mountain Province	**$ 90,000**	$ 90,000
Remuneration of key management personnel	**2,364,213**	1,457,887

The remuneration expense of directors and other members of key management personnel for the years ended December 31, 2015 and 2014 were as follows:

	Year ended December 31, 2015	Year ended December 31, 2014
Consulting fees	**$ 461,519**	$ 257,506
Share-based payments	**1,902,694**	1,200,381
	$ 2,364,213	$ 1,457,887

CONTRACTUAL OBLIGATIONS

The Company has no contractual obligations at December 31, 2015 other than a management services agreement with Mountain Province, for an annual amount of approximately $90,000. The contract can be terminated at any time by either party without penalty.

SUBSEQUENT EVENTS

Subsequent to the year-end, as detailed in the table below, stock options were granted by the Board of Directors. The fair values of the stock options have been estimated on the date of grant using the Black-Scholes option pricing model, using the assumptions below, and total $1,357,290. The expected volatility is calculated by reference to the weekly closing price for a period that reflects the expected life of the options.

Date of grant	January 1, 2016	January 13, 2016	March 1, 2016	April 6, 2016
Number of options granted	100,000	190,000	100,000	200,000
Fair value per option	$2.3010	$2.1510	$2.1410	$2.5220
Fair value total for grant	$230,100	$408,690	$214,100	$504,400
Term of option	10 years	10 years	10 years	10 years
Vesting	Immediate	Immediate	Immediate	See below*
Assumptions:				
Exercise price	$3.00	$2.81	$2.80	$3.30
Expected volatility	72.76%	72.76%	72.76%	72.76%
Expected option life (years)	10	10	10	10
Expected forfeiture	none	none	none	none
Expected option cancellation	none	none	none	none
Expected dividend yield	0%	0%	0%	0%
Risk-free interest rate	1.40%	1.27%	1.18%	1.16%

*50% of these options vest on May 1, 2016 and the remaining 50% vest on November 1, 2016

In March 2016, 100,000 stock options were exercised for gross proceeds of $127,000.

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 April 7, 2016, there are 47,006,970 shares outstanding, and 2,275,000 options granted by the Company.

DISCLOSURE CONTROLS AND PROCEDURES

Management has established processes to provide sufficient knowledge to support representations that it has exercised reasonable diligence that (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the financial statements, and (ii) the financial statements fairly present in all material respects the financial condition, results of operations and cash flow of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

(i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

(ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 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
April 7, 2016