Four diamonds identified in core during logging
Faraday 1 and 3 traced onto land

Shares Issued and Outstanding: 47,006,970
TSX-V: KDI

TORONTO, May 31, 2016 /CNW/ - Kennady Diamonds Inc. ("Kennady Diamonds", the "Company") (TSX-V: KDI) is pleased to announce that the 2016 winter drilling program has been successfully completed. A total of 10,712 meters of core drilling was completed with kimberlite intersected in each of the 74 drill holes comprising the program.

Dr. Rory Moore, president and CEO of Kennady Diamonds, noted: "The 2016 winter drill program was the Company's most successful to date. Highlights include the discovery of the Faraday 3 kimberlite, the subsurface delineation of both Faraday 1 and 3 up to and beyond the shoreline of Faraday Lake, the successful bulk sampling of the Kelvin North Lobe and the successful mini-bulk sampling of Faraday 2. The way is now clear for further land-based drilling at the Faraday kimberlites during the summer."

Table 1 below summarizes drill holes completed on the Faraday 1, 2 and 3 kimberlites since the Company's last update on May 17, 2016.

Table 1
Faraday 2016 Winter Drill Program

| Drill Hole | Target | Azimuth | Inclination | Kimberlite Intercepts (m) | | | End of Hole |
|---|---|---|---|---|---|---|---|
| | | | | From | To | Intercept* | (m) |
| KDI-16-033 | Faraday 1 | 322 | -90 | 21.00 | 47.12 | 26.12 | 100 |
| | | | | 57.88 | 74.28 | 16.40 | 100 |
| KDI-16-035 | Faraday 2 | 107 | -90 | 27.50 | 100.30 | 72.8 | 139 |
| | | | | 118.00 | 118.15 | 0.15 | 139 |
| KDI-16-032 | Faraday 3 | 247 | -89 | 94.19 | 136.30 | 42.11 | 169 |

* Intercepts not true widths

Of particular note in the above results is the 72.8 m kimberlite intersection achieved on drill hole KDI-16-035 completed on Faraday 2. This represents one of the longest kimberlite intercepts to date for any of the Faraday bodies. Updated plan and section maps for the Faraday kimberlites can be viewed on the media links page at the Company website.

Kennady Diamonds also drill-tested the Hobbes anomaly, which is located approximately 150 meters south of the Kelvin kimberlite. Volcaniclastic kimberlite was discovered at Hobbes during the winter of 2015, warranting further exploration. Drilling completed this season continued to intersect volcaniclastic kimberlite and further work is planned to fully resolve this anomaly.

Table 2 below summarizes the drill holes completed on Hobbes since the May 17, 2016 update.

Table 2
Hobbes 2016 Winter Drill Results

| Drill Hole | Target | Azimuth | Inclination | Kimberlite Intercepts (m) | | | End of Hole (m) |
|---|---|---|---|---|---|---|---|
| | | | | From | To | Intercept* | |
| KDI-16-031b | Hobbes | 128 | -71 | 41.29 | 46.60** | 3.90 | 99 |
| KDI-16-034a | Hobbes | 126 | -50 | 40.00 | 43.00 | 3.00 | 100 |
| KDI-16-034b | Hobbes | 127 | -71 | 41.48 | 46.00 | 4.52 | 82 |
| KDI-16-034c | Hobbes | 238 | -89 | 46.69 | 49.69 | 3.00 | 91 |
| | | | | 58.96 | 59.12 | 0.16 | 91 |

* Intercepts not true widths
** Includes minor country rock intercepts

Kennady Diamonds is also pleased to announce that four more diamonds were identified in core from four separate drill holes during detailed core logging operations. A description and the maximum dimension for each partially-exposed diamond in core is presented below:

- Faraday 1: a clear <1 mm irregular diamond identified in Hole KDI-16-029a at 77.8m.
- Faraday 1: a clear <0.5 mm irregular diamond identified in Hole KDI-16-033 @ 31.3 m
- Faraday 3: a clear 4 mm stepped octahedron identified in Hole KDI-16-023a at 115m.
- Faraday 3: a clear 2 mm stepped octahedron identified in Hole KDI-16-032 @ 105m.

Photos of the diamonds are available on the media links page at the Company website.

Dr. Moore commented: "What makes these diamond recoveries particularly exciting is that it is extremely rare to observe diamond in core, even in high grade kimberlites. The potential for high diamond grades in the Faraday bodies has already been demonstrated by the excellent microdiamond recoveries achieved on samples tested to date, and this development provides additional confidence that future bulk samples will confirm the high-grade nature of the Faraday bodies."

The recently completed 2016 bulk sampling program was successful in recovering 580 tonnes of kimberlite from the Kelvin North Lobe, together with approximately 40 tonnes from the Kelvin South Limb and approximately 23 tonnes from Faraday 2. All of the samples have been received at the Geoanalytical Laboratories Diamond Services of the Saskatchewan Research Council, and processing will begin in early June. It is expected that diamonds weighing more than 1,200 carats will be recovered from the Kelvin sample. The valuation of the diamond parcel, which will be used for revenue modeling of the Kelvin North Lobe, will be completed during Q3 2016.

The Company plans to release its maiden resource statement on the Kelvin body in Q3 of 2016 after the results of the 2016 winter drilling and bulk sampling program have been incorporated into the geological model. The updated geological model together with the combined 2015 and 2016 diamond grade and value estimates will then be incorporated into the Preliminary Economic Assessment being managed by JDS Energy and Mining, which is scheduled for completion in Q4 of 2016.

About Kennady Diamonds
Kennady Diamonds Inc. controls 100 percent of the Kennady North diamond project located in Canada's Northwest Territories immediately adjacent to the Gahcho Kué diamond mine currently under development by De Beers and Mountain Province Diamonds (T:MPV, NASDAQ:MDM).

Kennady Diamonds aims to identify a resource along the Kelvin – Faraday kimberlite corridor of between 13 million and 16 million tonnes at a grade of between 2 and 2.5 carats per tonne and also to identify new kimberlites outside of the corridor. The Kelvin – Faraday corridor is a target for further exploration. Tonnage estimates are based on the drilling completed to date. The potential quantity is conceptual in nature as there has been insufficient drilling to define a mineral resource and it is uncertain if further exploration will result in the target being delineated as a mineral resource.

Qualified Persons
This news release has been prepared under the supervision of Dr. Tom McCandless, P. Geo., an independent director of Kennady Diamonds and Qualified Person under National Instrument 43-101.

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