8.5 million tonnes at 1.6 carats per tonne and US$63 per carat

Shares Issued and Outstanding: 47,156,970
TSX-V: KDI

TORONTO, Dec. 12, 2016 /CNW/ - Kennady Diamonds Inc. ("Kennady", the "Company") (TSX-V: KDI) is pleased to announce the completion of a maiden Mineral Resource estimate for the Kelvin kimberlite, located at the Company's 100 percent owned Kennady North Project, NWT, Canada. An Indicated Mineral Resource of 13.62 million carats of diamonds is contained in 8.50 million tonnes of kimberlite, with an overall grade of 1.60 carats per tonne and an average value of US$63 per carat. The resource has been calculated with a 1mm diamond bottom cutoff size, which is considered a reasonable cutoff for a commercial mining scenario. The resource was determined through the collective efforts of Aurora Geosciences Ltd., Mineral Services Canada Inc., SRK Consulting Inc., and JDS Energy & Mining Inc., who were engaged by the Company to participate in the exercise.

President and CEO of Kennady Diamonds Dr. Rory Moore stated: "Our resource announcement represents the culmination of a focused evaluation program that was intensified over the past two years. The internal geology and diamond distribution within Kelvin are now so well-constrained that our model meets the stringent requirements to qualify as an indicated resource. I congratulate our team in taking Kelvin from discovery to a 13-million carat Indicated Resource in the first four years of our company; quite possibly a record timeframe in the history of Canadian diamond exploration."

Kelvin Indicated Mineral Resource

The Kelvin kimberlite is located approximately 280 kilometers east-northeast of Yellowknife, and is immediately adjacent to the Gahcho Kué Diamond Mine operated by the De Beers Group and Mountain Province Diamonds Inc. Kelvin was one of several small kimberlite dykes with associated volcaniclastic blows discovered by the De Beers-Mountain Province Joint Venture in 2000, and were only proven to have volume potential after drilling by Kennady Diamonds began in 2012. Kennady has defined Kelvin as an 'L-shaped' kimberlite pipe with a strike length 700 meters and a vertical thickness ranging from 70 meters in southeast limb, to 200 meters in the north limb. The body ranges from 30 to 70 meters in width with upper and lower contacts plunging 12 to 15 degrees to the north-northwest and remains open to the northwest.

The database that was used to evaluate Kelvin included 40,041 meters of core drilling from 175 holes, microdiamond samples totaling 20.23 tonnes, an initial 44.8 tonne mini-bulk sample, and two bulk sample drilling programs that collected 1,067 tonnes of kimberlite (the bulk sample mass differs slightly from the masses reported in news releases on August 26, 2015 and September 19, 2016; this is due to adjustments to the bulk density model for Kelvin on which the mass calculations are partly based). The bulk sampling recovered 2,262 carats (+1 DTC sieve class) of diamonds for valuation. Mineral Services Canada Inc. provided guidance on the evaluation program at Kelvin and recently completed a comprehensive review of geological, microdiamond, bulk sampling, and valuation results in order to estimate a maiden Indicated Mineral Resource for the Kelvin kimberlite, as provided in Table 1.

Table 1: Indicated Mineral Resource Estimate for the Kelvin Kimberlite.

Tonnes[1] (million tonnes)	Grade[2] (carats per tonne)	Carats (million carats)	Value[3] (US $/carat)
8.50	1.60	13.62	63

Notes: 1 – resource estimate represents the body delineated to a depth of roughly 510 meters; 2 – grades are expressed as recoverable diamonds above a 1mm bottom size cut-off. 3 – base average value is derived by applying a base case model (see news release, November 15, 2016) to recoverable diamond models for each geological domain in a mining scenario. Some rounding error may occur in the values reported.

The NI 43-101 standards and Canadian Institute of Mining and Metallurgy guidelines stipulate that a Mineral Resource needs to have a "reasonable prospect of economic extraction". Kennady engaged JDS Energy & Mining Inc. ("JDS") to assess whether this criterion is satisfied. Using Whittle™ open pit optimization software, JDS modeled a pit shell to demonstrate potential economic value of kimberlite resources to a depth of 330 meters, covering approximately 85% of the in-situ resources (6.8 million tonnes, 11.5 million carats). JDS then employed Maptek™ software to analyze the remaining 1.6 million tonne geologic resource below the open pit shell for potential economic extraction via underground mining. To determine the reasonable prospect of economic extraction, JDS assumed the use of both open pit and underground mining methods. Subsequently, JDS has concluded that the full 8.50 million tonne Indicated Mineral Resource satisfies the "reasonable prospect of economic extraction" criterion.

Mineral Resources with "reasonable prospects for eventual economic extraction" are not mineral reserves, and have no demonstrated economic viability. The JDS assessment does not support an estimate of mineral reserves, as a pre-feasibility or feasibility study is required for reporting of mineral reserve estimates.

Kennady will be filing a National Instrument (NI) 43-101 Technical Report on the Kelvin Indicated Resource within 45 days of this news release.

Status Update for the Preliminary Economic Assessment

The discovery of Faraday 3 in early 2016 and the addition of significant volume to Faraday 2 from drilling earlier this year, provides the option for the Faraday bodies to be further evaluated for economic potential. In view of this development, JDS has recommended that the Company advance the Faraday bodies to resource status before completing the Preliminary Economic Assessment ("PEA"). As a consequence, the Board of Kennady has approved the expansion of the PEA to include the Kelvin and Faraday bodies and the study is now expected to be completed in late-2017.

Winter Exploration Program

Kennady has committed to the recovery of a bulk sample from the Faraday kimberlites for the 2017 winter program, and preparation work is already underway. A geophysical program has also been designed to evaluate exploration targets on new mineral leases recently acquired from GGL Diamonds (see news release, August 18, 2016). Additional exploration drilling will be considered upon the successful completion of the bulk sampling program.

About Kennady Diamonds

Kennady Diamonds Inc. controls 100 percent of the Kennady North diamond project located in Canada's Northwest Territories. Kennady North is immediately to the north and west of the Gahcho Kué Diamond Mine, a joint venture between Beers Canada (51%) and Mountain Province (49%), which started production in late 2016.

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 by Dr. Rory Moore, P. Geo., President and CEO of Kennady Diamonds. The Indicated Mineral Resource estimate for the Kelvin kimberlite was prepared by Mineral Services Canada Inc. under the supervision of Dr. Tom Nowicki. Dr. Nowicki is a Professional Geologist and an independent, external Qualified Person to Kennady Diamonds under National Instrument 43-101. The statement of Reasonable Prospect of Economic Recovery was prepared by JDS Energy and Mining Inc. under the supervision of Mr. Daniel Johnson P. Eng. Mr. Johnson is a Professional Engineer and an independent, external Qualified Person to Kennady Diamonds under National Instrument 43-101. Dr. Nowicki and Mr. Johnson have reviewed this release and approve of its contents. The technical contents of this news release have been reviewed and approved by Dr. Tom McCandless, P. Geo., an independent director of Kennady Diamonds and Qualified Person under National Instrument 43-101.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) has reviewed or accepts responsibility for the adequacy or accuracy of this release.

FORWARD LOOKING INFORMATION

This news release includes certain information that may constitute "forward-looking information" under applicable Canadian securities legislation. Forward-looking information includes, but is not limited to, the Company's strategic plans, future operations, future work programs and objectives. Forward-looking information is necessarily based upon a number of estimates and assumptions that, while considered reasonable, are subject to known and unknown risks, uncertainties, and other factors which may cause the actual results and future events to differ materially from those expressed or implied by such forward-looking information. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. All forward-looking information contained in this press release is given as of the date hereof and is based upon the opinions and estimates of management and information available to management as at the date hereof. The Company disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

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