
Overview

This Management's Discussion and Analysis ("MD&A") of financial results and related data of Pangolin Diamonds Corp. ("Pangolin" or the "Company") is reported in Canadian dollars and has been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. To the extent which may be appropriate, this MD&A should be read in conjunction with the audited consolidated financial statements for the years ended June 30, 2016 and 2015. Additional information relating to the Company may be accessed through SEDAR at www.sedar.com.

This commentary is as of October 25, 2016. The reader should be aware that historical results are not necessarily indicative of future performance.

Forward-Looking Statements

This MD&A contains forward-looking information which may include, but is not limited to, statements with respect to the future financial or operating performance of the Company, future plans and objectives, competitive positioning, requirements for additional capital, government regulation of operations, environmental risks and the timing and possible outcome of litigation and regulatory matters. All statements other than statements of historical fact, included in this MD&A that address activities, events or developments that the Company expects or anticipates may occur in the future are forward-looking statements. Often, but not always, forward-looking statements can be identified by use of forward-looking words such as "may", "could", "would", "might", "will", "expect", "intend", "plan", "budget", "scheduled", "estimate", "anticipate", "believe", "forecast", "future" or "continue" or the negative thereof or similar variations. Forward-looking statements are based on certain assumptions and analyses made by the Company, in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances.

Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. Readers are cautioned not to put undue reliance on such forward-looking statements, which are not a guarantee of performance and are subject to a number of uncertainties and known and unknown risks, many of which are outside the control of the Company, which could cause actual results to differ materially from those expressed or implied by such forward-looking statements. Important factors which could cause actual results to differ materially from those expressed or implied by such forward-looking statements include, among other things, general business, economic, competitive, political and social uncertainties, the actual results of current operations, industry conditions, research and development activities, intellectual property and other proprietary rights, production risks, liabilities inherent in the mining industry, accidents, labour disputes, delays in obtaining regulatory approvals or financing and general market factors, including interest rates, currency exchange rates, equity markets, business competition, changes in government regulations. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in the forward looking statements, there may be other factors that cause results to differ from those anticipated. Forward-

looking statements contained in this MD&A are made as of the date hereof and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events, results or otherwise, except as required by applicable securities laws.

Business Background

Pangolin Diamonds Corp. (the "Company" or "Pangolin") was incorporated under the Ontario Business Corporations Act on November 9, 2011. The Company is currently engaged in the acquisition, exploration and development of mineral properties in Botswana. The head office and principal address of the Company is 25 Adelaide Street East, Suite 1614, Toronto, Ontario M5C 3A1.

On December 22, 2011, the Company acquired all of the issued and outstanding common shares of Pangolin Diamonds Limited ("PDL"), a private company incorporated under the laws of the Republic of Seychelles. PDL holds, through its subsidiaries Pangolin Diamonds (Pty) Limited ("Pangolin Botswana") and Geocontracts Botswana (Pty) Limited ("Geocontracts"), prospecting licences relating to diamonds in Botswana. As a result of this transaction, the prior shareholders of PDL obtained a majority interest in the issued and outstanding shares of Pangolin Diamonds Corp.

On March 4, 2013, the Company closed its amalgamation with Key Gold Holding Inc. ("Key Gold"). At shareholder meetings for each of Key Gold and PDL held on January 15, 2013, the amalgamation of Key Gold and PDL, pursuant to an amalgamation agreement dated November 26, 2012, was approved (the "Amalgamation"). In connection with the Amalgamation, Key Gold shareholders received one common share of the Company ("Pangolin Share") for each two outstanding common shares in the capital of Key Gold and PDL shareholders received one Pangolin Share for each outstanding common share in the capital of PDL.

Pangolin Botswana and Geocontracts are wholly-owned subsidiaries of PDL and were incorporated on January 22, 1987 and March 15, 1989, respectively, under the laws of the Republic of Botswana and have a head office and a registered office at Plot 337/338, Corner Khama Street / Selous Street, Francistown, Botswana. They currently manage and execute Pangolin's day to day operations and their interest in the Pangolin Botswana Prospecting Licences and Geocontracts Prospecting Licences (as such terms are defined below).

Properties

Pangolin, through its wholly-owned subsidiaries, holds title to various properties (herein, the "Pangolin Properties"). The Pangolin Properties consist of: (i) three (3) diamond prospecting licences (PL529/2014, PL083/2015, PL086/2015) granted by the Minister of Minerals, Energy and Water Resources of the Republic of Botswana (herein, the "Ministry") in favour of Pangolin Botswana (the "Pangolin Botswana Prospecting Licences"). and (ii) eleven (11) diamond prospecting licences (PL228/2014, PL229/2014, PL247/2014, PL516/2014, PL170/2015, PL 004/2016, PL 005/2016, PL 006/2016, PL 007/2016, PL 008/2016, PL 009/2016) granted by the Ministry in favour of Geocontracts, (the "Geocontracts Prospecting Licences").

In the event of a viable diamond deposit being discovered, it is necessary to negotiate the terms of any mining lease with the Botswana Government. Important principles governing such negotiations are that the Botswana Government will maximize the return to the People of Botswana, subject to the licensee receiving a reasonable return on investment. In the case of large, rich deposits such as De Beers' Jwaneng and Orapa Diamond Mines, the Botswana Government has acquired a 50% interest in the deposit via a holding company, Debswana. History has shown that the working interests negotiated range between a 0% or no interest up to a 50% interest.

The Botswana Government retains a 10% royalty on the gross market value of produced diamonds and can select to participate in development by contributing its share of development costs. Nomathata Diamonds, a company incorporated in the Republic of the Seychelles, which is controlled by a major shareholder, Dr. Leon Daniels, who is also a director as well as the Chief Executive Officer and President of the Company, holds a 1.2% net smelter royalty on new diamond deposit discoveries – calculated on the same basis as the Botswana Government's royalty.

Malatswae Project

Property Description and Location

Pangolin's Malatswae Diamond Property is located in the northeast of the Republic of Botswana. It is comprised of four contiguous Prospecting Licences issued by the Ministry in terms of the Mines and Minerals Act 1999 ("the Act") with a total area of 2,261 km². The Licences are issued for "precious stones" only, in effect for diamonds, and carry no right to any other mineral.

Under the Act, a Prospecting Licence is issued for an initial period of up to three years, and then may be twice renewed for periods not exceeding two years each, giving a maximum possible validity of seven years. At least 50% of the area of a Licence must be relinquished at first and second renewals, except that physically contiguous and co-dated Licences may be treated as one area.

The holder of a Prospecting Licence is expected to carry out an agreed exploration program which is described in the Licence document, and to spend not less than amounts set out in the Licence during each year of the Licence validity. Failure to do so may result in an application for the renewal of the Licence being refused.

Prospecting Licences are administered by The Director, Department of Mines, to whom applications are made, and to whom work done on the Licence must be reported on a quarterly basis. The Licence holder is required to pay a rental of BWP5.00/km²/year during the validity of the Licence (subject to certain minimums). The maximum permissible area for a Prospecting Licence is 1,000 km², but blocks of multiple licences are permitted.

A Prospecting Licence does not give the right to mine, and diamonds recovered during the course of prospecting operations are the property of the State, and may not be sold.

The Act is currently the subject of a review and some material changes may be effected in the course of 2016 or 2017.

Current Malatswae Prospecting Licences

The Malatswae Property is situated in northeast Botswana within the Central (administrative) District. The Property is made up of four Licences as described in Table 1 below.

Table 1. Malatswae Prospecting Licences

Licence	Held by	Issued	Expires	Pangolin interest	Area (km²)
247/2014	Geocontracts Botswana (Pty) Ltd	01/07/2014	30/06/2018	100%	839
529/2014	Pangolin Diamonds (Pty) Ltd	01/04/2015	31/03/2018	100%	651
083/2015	Pangolin Diamonds (Pty) Ltd	01/04/2015	31/03/2018	100%	359
086/2015	Pangolin Diamonds (Pty) Ltd	01/04/2015	31/03/2018	100%	412
Total					2,261

Exploration to Date

Pangolin previously held PLs 561/2009 and 562/2009 which partly overlap with the present Malatswae Property. These were not renewed at first renewal in 2012, but were succeeded by PLs 247/2014 and 529/2014.

Pangolin also previously held PLs 063/2011, which lay to the north of PL 561/2014, and PL 100/2011 which lay to the west of PL 247/2014. PL 100/2011 was prospected for possible alluvial diamonds in channels in the basal Kalahari Group. PLs 063/2011 and 100/2011 lapsed on 30 June 2016 and no renewal applications were submitted.

The first diamond in the area of the MSC grid was found in samples collected under PL 562/2009 but not processed before the licence lapsed. This prompted the re-application for the area, now PL 247/2014.

Pangolin's exploration approach has been based primarily on soil sampling for kimberlite indicator minerals. This has been supplemented with the interpretation of government aeromagnetic data, plus ground magnetic and gravity surveys. Experiments have been done with soil geochemistry and with other geophysical methods ground penetrating radar (GPR) and controlled source audio-magnetotellurics (CSAMT). Borehole siting to date has been largely based on geophysics on targets proximal to indicator mineral recoveries. The Company has carried out very extensive soil sampling and to date the complete record of the soil samples, both historical and by Pangolin, totals 7,250 samples from within the Malatswae Property. The historical database is from the work of De Beers and Kukama Exploration.

A large regional soil survey was completed in 2015 on PL247/2014 following the discovery of a diamond during 2013.

Within the survey detailed sampling, geophysics (magnetics and gravity) and core drilling were completed to follow up the recovery of diamonds and kimberlite indicators in a focused area known as the MSC Grid.

In addition, eighteen percussion holes have been drilled. No kimberlite has been intersected.

A GPR survey has been completed over several aeromagnetic targets. Gravity surveys have been completed over the same targets. Recently a CSAMT survey has been conducted within the MSC Grid area. The results are being assessed in conjunction with groundmagnetic, gravity and GPR surveys conducted in the same area.

Several blocks of soil sampling have been completed and areas of significant kimberlite indicator mineral (KIM) concentrations have been identified. The surface textures on the recovered KIM's are consistent with sources proximal to a number of the soil samples. The kimberlitic ilmenite compositions from the Malatswae area are distinct from the Orapa kimberlites further to the northwest.

High density, detailed loam sample grids have been established over a number of areas and the soil sampling has been completed. Nine diamonds have been reported from the MSC Grid area. Four survey blocks have been covered with detailed gravity surveys.

Results of Operations

Regional soil sampling in late 2013 located a single diamond in the project area. An application was presented to the Department of Mines for a Prospecting Licence over a large area centred on the diamond's location. Follow-up close-spaced soil sampling recovered a further eight diamonds, several pyrope garnets, numerous picro-ilmenites, olivines and a fragment of mantle-derived garnet peridotite. This subsequent set of indicator minerals feature primary textures suggesting a proximal source.

Detailed gravity surveys have been completed over areas where proximal indicators have been recovered. Several targets selected from the gravity, groundmagnetic and soil sample data were drilled. No kimberlite was intersected in the MSC Grid area. It has been established that the sub-Kalahari Formation geology in the area is complex and the current model for the area is that the kimberlites in the area are post Karoo sediment, but pre-basalt in age. The current model for the area is that the kimberlites producing the diamonds and indicators within the MSC Grid area are significantly older than the Orapa kimberlites 105 kilometres to the northwest. Several geophysical techniques are being applied to the area to assist in identifying future drill targets.

Sampling in the PL 529/2014 have produced more than 300 kimberlitic garnets from the MTS Grid in an area of less than 2 km². An assessment of the surfaces of the garnets suggests more than one source within the sampled area. Three diamonds have been recovered from soil samples collected within the MTS Grid. The MTS Grid has been covered with a detailed gravity and groundmagnetic surveys as well as a single orientation CSAMT survey.

The MTS Grid area has a paucity of kimberlitic ilmenites. In contrast the MSC Grid area is characterised by more abundant ilmenite. It is concluded that different kimberlite groups are the sources of the indicators and diamonds at the two Grid areas.

Exploration Planning

The MSC Grid area is an area of exploration focus. All available exploration data which include detailed geophysics, soil sampling and drilling data, will be used to remodel the area to determine the drill positions for the next drilling campaign in the area. It is possible that additional soil sampling and geophysical surveys may be required to refine the modeling data. Particularly, it is anticipated that larger 500 litre soil samples will be collected to develop a nucleated indicator anomaly.

The soil sampling results from the MTS Grid in PL 529/2014 have not determined the out limit of the kimberlite indicator anomaly. Additional soil sampling is in progress. Once the outer limits of the MTS indicator anomaly have been established, extensions of the current geophysical surveys may be required.

In addition to the focus of the two Grids above, the remainder of the prospecting licences within the Malatswae Project area will be systematically sampled for anomalous concentrations of kimberlite indicator minerals. In particular, selected aeromagnetic anomalies will be selected for soil sampling. Any aeromagnetic anomaly returning positive soil sample results will be covered by detailed ground-based geophysical surveys and additional high density soil sampling.

Regional sampling on a 1km x 1km density will be undertaken to sample the entire PL 083/2015 and 086/2015.

Motloutse Diamond Project

Property Description and Location

The project comprises one diamond PL located in the Central District of eastern Botswana, namely:

PL 229/2014 - which is a three year prospecting licence issued for the period 1 April 2015 to 30 March 2018. The Prospecting Licence covers an area of 946.3km².

Exploration to Date

Historically, the first authenticated diamonds in Botswana were discovered within the boundaries of PL 229/2014. The source of the diamonds has not been discovered.

A number of diverse aeromagnetic targets were followed up on the ground with both soil sampling and geophysical surveys. This programme was undertaken to filter different types of

aeromagnetic anomalies identified within the Prospecting Licence area. Three aeromagnetic anomalies were followed up with percussion drilling.

A soil sample grid has been established over an area where a diamond was independently reported from during an exploration programme in 1996. A total of 132 samples are being collected on a 50m x 50m x 100 litre basis. The sampling programme is in progress.

Results of Operations

Positive kimberlite indicators were identified from soil samples collected at aeromagnetic anomalies within the Prospecting Licence area. Drilling at these targets did not discover kimberlite. Two specific types of aeromagnetic anomalies have been discounted from future follow-up programmes as they are not related to kimberlite intrusions.

Exploration Planning

The presence of positive kimberlite indicator minerals in soil samples associated with different types of aeromagnetic anomalies within Prospecting Licence 229 has not been resolved through the limited drilling programme undertaken. Soil sampling programmes extending the area previously sampled to determine the extent of the distribution of the indicators will be undertaken. Geophysical surveys will be undertaken where nuclei of kimberlite indicators are identified.

Jwaneng South Project

Property Description and Location

The project comprises one diamond PL located in Southern District of Botswana, namely:

PL 170/2015- which is a three year prospecting licence issued for the period 1 July 2015 to 30 June 2018. The Prospecting Licence covers an area of 720 km².

Pangolin also previously held PL 044/2011, which lay to the north of PL 170/2015. PL 044/2011 lapsed on 30 June 2016 and no renewal applications were submitted.

Exploration to Date

A systematic regional soil sampling programme covering the entire area of PL 170/2015 on a 1 km x 1 km grid basis has commenced and is in progress.

Results of Operations

No results from the regional soil sampling programme are available.

Exploration Planning

The regional soil sampling programme embarked on will be continued until the entire Prospecting Licence has been sampled. Detailed soil sampling grids will be established where positive kimberlite indicator minerals are identified.

Rehoboth Project

Property Description and Location

The project comprised four diamond PL's located in Ghanzi/Kgalagadi District of Botswana, namely:

PL 516/2014;
PL 517/2014;
PL 518/2014; and
PL 519/2014.

The four Prospecting Licences covered an area of 985.0, 839.0, 980.0 and 979.0 km², respectively for three year periods beginning on 1 January 2015.

Three of the Prospecting Licences (PL 517/2014, 518/2014 and 519/2014) were relinquished during the reporting period. Regional soil sampling programmes covering the three relinquished Prospecting Licences produced no positive kimberlite indicators.

Exploration to Date

A total of 49 samples have been collected from PL 516/2014 and are being processed. The programme is in progress.

Machaneng South Project

Property Description and Location

The project comprises one diamond PL located in the Southern District of Botswana, namely: PL 228/2014.

The Prospecting Licence covers 999.0 km² beginning on 1 April 2015 for a period of three years.

Exploration to Date

A detailed remote imaging assessment over the area has been completed and several targets have been selected. The ground follow-up soil sampling of these target areas has commenced and is in progress.

Exploration Planning

The systematic location and soil sampling of selected targets will continue.

Moenyenana Project

The Moenyenana Project comprises six diamond PL's issued to Geocontracts Botswana and located in the Central District of Botswana, namely;

PL 004/2016;

PL 005/2016;

PL 006/2016;

PL 007/2016;

PL 008/2016; and

PL 009/2016.

The six Prospecting Licences cover areas of 483.2, 995.3, 999, 1000, 985, and 1000 km² respectively and are valid for a three year period from 01 January 2016.

Exploration to Date

The public domain aeromagnetic data covering the entire prospecting licence block comprising all six licences have been acquired and processed. The aeromagnetic surveys are being assessed for potential kimberlite targets. Two specific areas have been followed up to date.

A detailed soil sampling programme was undertaken at the MG08 target area in PL 007/2016. Historical soil sampling had indicated the presence of kimberlite indicators associated with a linear geophysical anomaly. A total of 225 samples were collected on a 50m x 100m grid. Kimberlitic ilmenites and garnets were recovered from the soil samples.

Detailed groundmagnetic and gravity surveys were conducted over the aeromagnetic anomalies.

Drill targets were identified from the soil sampling and geophysical results. A total of eight holes were drilled. No kimberlite was discovered.

The M6/01 aeromagnetic anomaly in PL 006/2016 was followed up on the ground with a combination of soil sampling, groundmagnetics and a limited gravity survey. Two percussion holes were drilled and no kimberlite was intersected.

Exploration Planning

The source of the kimberlite indicators at both the MG08 and M6/01 aeromagnetic anomalies are unexplained. Both areas will be covered by extended, higher density soil sampling surveys to determine the location of the source of the kimberlite indicator minerals.

The systematic location and soil sampling of selected aeromagnetic anomalies will continue. Targets that produce positive kimberlite indicator samples will be followed up with ground geophysics and additional high density sampling grids.

Additional Disclosure for Venture Issuers Without Significant Revenue

During the years ended June 30, 2016 and 2015, the Company incurred the following exploration and evaluation expenditures:

	2016	2015
Exploration drilling	\$ 120,290	\$ 180,411
Exploration sample analysis	35,791	33,321
Fuels and oils	24,239	23,329
Motor vehicle expenses	21,420	26,453
Field consumables and equipment	18,947	5,626
Repairs and maintenance	6,585	9,449
General exploration expenses	289,007	311,303
	\$ 516,269	\$ 589,892

Results of Operations

Selected Annual Information

Key Financial Data and Comparative Figures (\$ 000's)	Audited	Audited	Audited
	30-Jun	30-Jun	30-Jun
	2016	2015	2014
Net Loss	1,336	1,478	1,772
Balance Sheet			
Cash	421	97	442
Working capital (deficit)	129	(201)	200
Capital assets	21	29	105
Total assets	543	246	632
Shareholders' equity (deficiency)	150	(172)	304
Basic loss per share	(0.01)	(0.02)	(0.03)
Weighted average number of shares outstanding - basic and diluted (000's)	101,459	79,808	66,625

Selected Quarterly Information

The quarterly information presented below is that of Pangolin which is the continuing entity for accounting purposes.

Quarterly data	2016				2015			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net income (loss)	(471)	(312)	(281)	(272)	(342)	(279)	(316)	(541)
Basic income (loss) per share	(0.01)	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)	(0.01)

Revenue

Pangolin did not have any revenue for the year ended June 30, 2016.

Share-Based Compensation

Share-based compensation for the years ended June 30, 2016 and 2015 totalled \$330,700 and \$281,000, respectively.

Costs and Expenses

Costs and expenses for the years ended June 30, 2016 and 2015 were \$1,336,039 and \$1,538,748, respectively and included the following categories: exploration and evaluation expenditures, consulting and professional fees, administration and office, travelling and investor relations expenses, reflecting the time and effort of management in launching operations and reviewing operations in Botswana.

Loss

Pangolin had a net loss of \$1,336,039 or \$0.01 per common share and 1,477,572 or \$0.02 per common share for the years ended June 30, 2016 and 2015, respectively. These losses are a result of exploration activities and administrative costs.

Liquidity

Pangolin has financed its operations to date exclusively by the issuance of common shares. The Company presently has no debt or other operating credit facilities. Pangolin had a working capital of \$129,450 and cash of \$420,530 as at June 30, 2016 as compared to a working capital deficiency of \$201,375 and cash of \$97,138 as at June 30, 2015. On September 3, 2015, the Company closed a private placement for gross proceeds of \$628,621. On April 19, 2016, the Company closed a private placement for gross proceeds of \$693,453. Further financing will be required for working capital and exploration expenditures. The Company is uncertain whether it can obtain, in the current environment, financing to complete

its current work programs. This and other conditions reflect material uncertainties that cast significant doubt about the Company's ability to continue as a going concern.

Quarterly Results

Revenue

Pangolin did not have any revenue for the quarter ended June 30, 2016.

Share-Based Compensation

Share-based compensation for the quarter ended June 30, 2016 totalled \$304,380.

Costs and Expenses

Costs and expenses for the quarter ended June 30, 2016 were \$470,865 and included the following categories: Exploration and evaluation expenditures, consulting and professional fees, administration and office, travelling and investor relations expenses.

Loss

Pangolin had a net loss of \$470,865 for the quarter ended June 30, 2016. Exploration activities accounted for \$54,747, consulting fee recovery of \$14,495, administrative costs \$88,488, investor relations, promotion and travel of \$29,257, professional fees of \$13,183, foreign exchange gain of \$15,726, and depreciation of \$11,031. Stock-based compensation for the quarter represented \$304,380 of the total quarterly loss.

Capital Resources

Pangolin has no sources of revenue. The availability of equity capital, and the price at which additional equity could be issued, will be dependent upon the success of Pangolin's exploration activities, and upon the state of the capital markets generally. Additional financing may not be available on terms favourable to Pangolin or at all.

Off-Balance Sheet Arrangements

Pangolin does not have any off-balance sheet arrangements.

Transactions with Related Parties

In accordance with IAS 24, 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.

Compensation of Key Management Personnel of Company:

The remuneration of directors and other key members of management personnel during the years ended June 30, 2016 and 2015 were as follows:

		2016	2015
Share-based payments	\$	255,510	\$ 195,600
Consulting fees	\$	159,600	\$ 150,135
Consulting fees included in exploration expenses	\$	86,461	\$ 175,924

Related party transactions:

As at June 30, 2016 and June 30, 2015, respectively, the Company had the following balances receivable from (payable to) related parties that are not subsidiaries of the Company:

		2016	2015
Shareholders' loans	\$	(19,620)	\$ (13,431)

Shareholders' loans payable are unsecured, non-interest bearing and due on demand.

During the year ended June 30, 2016, the Company incurred legal fees of \$23,067 (2015 - \$13,281) charged by a law firm of which a director of the Company is a partner. Included in accrued liabilities as at June 30, 2016 was \$2,000 (June 30, 2015 - \$nil) owing to this law firm. This amount is subject to the Company's normal trade accounts payable terms.

During the year ended June 30, 2016, the Company incurred rent expense of \$18,000 (2015 - \$21,130) charged by a director of the Company for use of a facility in Botswana. As at June 30, 2016, \$19,500 (2015 - \$5,600) was included in accounts payable and accrued liabilities pertaining to rent and expenses incurred.

In connection with the private placement which closed September 3, 2015, the Company's Chief Executive Officer and Chief Financial Officer subscribed for shares for consideration of \$22,013, and \$17,610 respectively, or \$39,623 in aggregate. Such amounts were accrued and owing by the Company to these individuals and were converted at the issue price of this private placement.

In connection with the private placement which closed April 19, 2016, the Company's Chief Executive Officer and Chief Financial Officer subscribed for shares for consideration of \$74,600, and \$27,000 respectively, or \$101,600 in aggregate. Such amounts were accrued and owing by the Company to these individuals and were converted at the issue price of this private placement.

Contingency

Environmental contingencies

The Company's exploration activities are subject to various federal and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and are generally becoming more restrictive. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

Finder's agreement

Effective December 22, 2011, the Company entered into a finder's agreement with Aberdeen Gould Capital Markets Ltd. ("Aberdeen Gould"), a corporation controlled by a shareholder of the Company. Pursuant to this agreement, Pangolin granted Aberdeen Gould a right of first refusal for a period of fifty-four months from the date of the agreement, to act as the exclusive finder for Pangolin in respect to all financings of Pangolin. Pangolin may pay Aberdeen Gould a cash fee to be determined, but subject to a maximum of 10% of the gross proceeds raised. Pangolin may also issue to Aberdeen Gould, finder warrants to be determined, but subject to a maximum of 10% of the number of securities issued and sold, at the same purchase price and terms of the offered securities.

Pursuant to a share purchase agreement dated December 22, 2011, as amended November 8, 2012, relating to the reverse acquisition, the Company has agreed to pay Leon Daniels, the former majority shareholder of PDL and a current director and officer of the Company, \$1,200,000 only in the event that the Company discovers at least five Kimberlites in connection with its properties, payable within 24 months of the discovery of such Kimberlites and further assuming such discovery of Kimberlites is verified by a qualified person. On December 1, 2013, the parties to the share purchase agreement have agreed that the \$1.2 million payment obligation will now be payable within 24 months of the discovery of the 10th (not 5th) Kimberlite, provided that each such Kimberlite is "diamondiferous" as verified by a Qualified Person (as such term is defined in NI 43-101). In addition, the parties have agreed that for a Kimberlite to be diamondiferous, it must be a Kimberlite in which a "macro" diamond is contained – namely a diamond being greater than 0.5 mm in size. If a known diamondiferous Kimberlite is acquired by the Company, it will not be counted as one of the 10 as described above.

Corporate finance advisory agreement

On July 17, 2012, the Company entered into an agreement with Aberdeen Gould whereby Aberdeen Gould was engaged to perform corporate financial advisory services for a monthly fee of \$6,000. This agreement was effective for a period of twenty-four months and will continue thereafter until such time as a three month termination notice is provided in writing. Effective April 1, 2015, the monthly amount was reduced to \$2,000. As of January 1, 2016 terms of service were amended, increasing the monthly fee to \$4,000.

Consulting agreement

On September 7, 2012, the Company entered into a consulting agreement with an individual to perform functions as the Chief Financial Officer of the Company for a monthly fee of \$6,000, effective March 4, 2013, the close of the amalgamation with Key Gold.

Proposed Transactions

Pangolin has not entered into and has no current plans to enter into any asset or business acquisitions or dispositions.

Forward Looking Information (additional disclosure)

The following information provides further clarification with respect to the Company's forward looking information.

Forward-looking statements	Assumptions	Risk factors
Potential of the Company's properties to contain diamond deposits	Financing will be available for future exploration and development of the Company's properties; the actual results of the Company's exploration and development activities will be favourable; operating, exploration and development costs will not exceed the Company's expectations; the Company will be able to retain and attract skilled staff; all requisite regulatory and governmental approvals for exploration projects and other operations will be received on a timely basis upon terms acceptable to the Company, and applicable political and economic conditions are favourable to the Company; the price of diamonds and applicable interest and exchange rates will be favourable to the Company; no title disputes exist with respect to the Company's properties	Diamonds price volatility; uncertainties involved in interpreting geological data and confirming title to acquired properties; the possibility that future exploration results will not be consistent with the Company's expectations; availability of financing for and actual results of the Company's exploration and development activities; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic and political conditions; the Company's ability to retain and attract skilled staff
<p>The Company's ability to meet its working capital needs at the current level for the twelve-month period ending June 30, 2017</p> <p>The Company expects to incur further losses in the development of its business</p> <p>Should the Company not raise sufficient capital, it may cease to be a reporting</p>	The operating and exploration activities of the Company for the twelve-month period ending June 30, 2017, and the costs associated therewith, will be consistent with the Company's current expectations; debt and equity markets, exchange and interest rates and other applicable economic conditions are favourable to the Company	Changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions

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The Company's ability to carry out anticipated exploration on its property interests	The exploration activities of the Company for the twelve-month period ending June 30, 2017, and the costs associated therewith, will be consistent with the Company's current expectations; debt and equity markets, exchange and interest rates and other applicable economic conditions are favourable to the Company	Changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions; receipt of applicable permits
Plans, costs, timing and capital for future exploration and development of the Company's property interests, including the costs and potential impact of complying with existing and proposed laws and regulations	Financing will be available for the Company's exploration and development activities and the results thereof will be favourable; actual operating and exploration costs will be consistent with the Company's current expectations; the Company will be able to retain and attract skilled staff; all applicable regulatory and governmental approvals for exploration projects and other operations will be received on a timely basis upon terms acceptable to the Company; the Company will not be adversely affected by market competition; debt and equity markets, exchange and interest rates and other applicable economic and political conditions are favourable to the Company; the price of diamonds will be favourable to the Company; no title disputes exist with respect to the Company's properties	Diamond price volatility, changes in debt and equity markets; timing and availability of external financing on acceptable terms; the uncertainties involved in interpreting geological data and confirming title to acquired properties; the possibility that future exploration results will not be consistent with the Company's expectations; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic and political conditions; the Company's ability to retain and attract skilled staff
Management's outlook regarding future trends	Financing will be available for the Company's exploration and operating activities; the price of diamonds will be favourable to the Company	Diamond price volatility; changes in debt and equity markets; interest rate and exchange rate fluctuations; changes in economic and political conditions
Prices and price volatility for diamonds	The price of diamonds will be favourable; debt and equity markets, interest and exchange rates and other economic factors which may impact the price of diamonds will be favourable	Changes in debt and equity markets and the spot price of diamonds; interest rate and exchange rate fluctuations; changes in economic and political conditions

Significant Accounting Policies

Significant Accounting Judgments and Estimates

The preparation of these consolidated financial statements requires management to make 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 consolidated financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, 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 the revision affects both current and future periods.

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

(i) Assets' Carrying Values and Impairment Charges

In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

(ii) Income, Value Added, Withholding and Other Taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

(iii) Existence of Decommissioning and Restoration Costs and the Timing of Expenditure

Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements and constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities

that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

(iv) Share-based Payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Future Accounting Changes

The following standards have not yet been adopted and are being evaluated to determine their impact on the Company.

- (i) IFRS 9 Financial Instruments ("IFRS 9") was issued by the IASB in October 2010 and will replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). 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. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 will be effective as at January 1, 2018. Earlier adoption is permitted.
- (ii) IFRS 10 Consolidated Financial Statements ("IFRS 10") and IAS 28 – Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The amendments are effective for annual periods beginning on or after January 1, 2016.
- (iii) IAS 1 Presentation of Financial Statements ("IAS 1") was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016.
- (iv) In January 2016, the IASB issued IFRS 16, Leases ("IFRS 16"). IFRS 16 is effective for periods beginning on or after January 1, 2019, with early adoption permitted. IFRS 16

eliminates the current dual model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting.

Management's Responsibility for Financial Statements

The preparation of these financial statements is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the financial statements. Management maintains a system of internal controls to provide reasonable assurance that Pangolin's assets are safeguarded and to facilitate the preparation of relevant and timely information.

RISK FACTORS RELATING TO PANGOLIN

Pangolin's common shares should be considered highly speculative due to the nature of Pangolin's business and the present stage of its development and the location of its properties in Botswana. The following risk factors are not an exhaustive list of all risk factors associated with an investment in Pangolin or in connection with Pangolin's operations.

Nature of Mineral Exploration

Resource exploration and development is a speculative business and involves a high degree of risk which even a combination of experience, knowledge and careful evaluation may not be able to overcome. The properties in which Pangolin holds an interest are without a known mineral resource. Each of the Company's proposed programs on its properties is an exploratory search for resources. There can be no assurance that commercial quantities of resources will be discovered. There can also be no assurance that even if commercial quantities of resources are discovered, a mineral property will be brought into commercial production. The discovery of mineral deposits is dependent upon a number of factors not the least of which is the technical skill of the exploration personnel involved. The commercial viability of a mineral deposit, once discovered, is also dependent upon a number of factors, some of which are the particular attributes of the deposit, such as size, grade and proximity to infrastructure, metal prices and government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection. Most of the above factors are beyond the control of Pangolin.

Limited Operating History

Pangolin has no history of generating revenue or profits, and has no experience of placing a resource property into commercial production. There can be no assurance that it will generate profits in the future.

Requirement for Further Financing

Pangolin has relied to date, on equity financing to fund its operations. Pangolin does not have sufficient financial resources to undertake all of its currently planned exploration programs. There can be no assurance that Pangolin will be able to raise the financing required or that such financing can be obtained without substantial dilution to its shareholders. Failure to obtain additional financing on a timely basis could cause Pangolin to reduce or terminate its operations or lose its interest in its properties.

Fluctuation in Mineral Prices

The mining industry in general is intensely competitive and there is no assurance that, even if commercial quantities of mineral resource are discovered, a profitable market will exist for the sale of same or those mineral prices will be such that Pangolin's properties can be mined at a profit. Factors beyond the control of Pangolin may affect the ability of Pangolin to attract investors and receive further funds for exploration. Mineral prices have experienced volatile and significant price movements over short periods of time, and are affected by numerous factors beyond the control of Pangolin, including international economic and political trends, expectations of inflation, currency exchange fluctuations (specifically, the Botswana Pula relative to other currencies), interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods. In particular, the supply of and demand for diamonds are affected by, among other factors, political events, economic conditions and production costs in major diamonds producing regions and governmental policies.

No Assurance of Titles or Boundaries

Pangolin believes it has good and valid title to its mineral properties, but this cannot be construed as a guarantee of title. Other parties may dispute title to any of Pangolin's mineral properties and any of Pangolin's properties may be subject to prior unregistered agreements or transfers and title may be affected by undetected encumbrances or defects or governmental actions.

Uninsurable Risks

In the course of exploration of mineral properties, certain detrimental events and, in particular, unexpected or unusual geological conditions including rock bursts, cave-ins, fires, flooding, and earthquakes may occur. It is not always possible to fully insure against such risks and Pangolin may decide not to take out insurance against such risks as a result of the high cost of premiums or for other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of Pangolin.

Environmental and Other Regulatory Requirements

All phases of Pangolin's operations are subject to environmental regulation. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and

employees. There can be no assurance that future changes in environmental regulation, will not adversely affect Pangolin's activities. Environmental hazards may exist on the properties in which Pangolin holds interests - which are unknown to Pangolin at the present – but have been caused by previous or existing owners or operators of the properties.

Government approvals and permits are required in connection with Pangolin's activities. To the extent such approvals are required and not obtained; Pangolin may be restricted or prohibited from proceeding with planned exploration of mineral properties. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions there under, including orders issued by regulatory or judicial authorities causing activities to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in exploration may be required to compensate those suffering loss or damage by reason of such activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of exploration companies, or more stringent implementation of existing laws, could have a material adverse impact on Pangolin and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new exploration properties.

Competition

Pangolin will compete with other exploration companies which have greater financial resources and technical facilities for the acquisition of mineral concessions, claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees.

Pangolin's ability to locate and increase reserves in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select, acquire and develop suitable properties or prospects.

Further, the gross disparity in size between large and small mining producers in Botswana restricts small producers in that they have limited influence to secure access to Botswana's transportation infrastructure. This access is necessary for producers to access international export markets for its production and to competitively sell Botswana minerals in international markets. Pangolin may have difficulties successfully accessing transportation infrastructure necessary to export the minerals it may produce in the future.

Conflicts of Interest

Certain directors and officers of Pangolin are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of Pangolin are required by law to act honestly and in good faith with a view to the best interests of Pangolin and to disclose any interest which they may have in any project or opportunity of Pangolin. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict is required under the OBCA to disclose his interest and to abstain from voting on such matter.

Dependence on Key Management Employees

Pangolin's development to date has depended, and in the future will continue to depend, on the efforts of key management employees. The loss of any key management employees could have a material adverse effect on Pangolin. Furthermore, at present, Pangolin does not have key man insurance in place.

Foreign Currency Fluctuations

Pangolin's current and proposed exploration operations in Botswana render it subject to foreign currency fluctuations, which may materially affect its financial position and results. Specifically, Pangolin sends funds to Botswana in CDN dollars and converts these funds into Botswana Pula. The important exchange rates for Pangolin are currently the rate between the CDN dollar and the Botswana Pula. While Pangolin is funding work in Botswana, Pangolin's results could be impaired by adverse changes in the CDN dollar to the Botswana Pula exchange rate.

Unreliable Historical Data

Pangolin has compiled technical data in respect of its properties, much of which was not prepared by Pangolin. While the data represents a useful resource for Pangolin, much of it must be verified by Pangolin before being relied upon in formulating exploration programs.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect Pangolin's operations, financial condition and results of operations.

Government Regulation

The mineral exploration activities of Pangolin are subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people and other matters. Although Pangolin's exploration and development activities are currently carried out in material compliance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be introduced and, if introduced, complied with. Amendments to current laws and regulations governing operations and activities of exploration, mining and milling or more stringent implementation thereof could have an adverse impact on Pangolin.

Enforcement of Civil Liabilities

Substantially all of the assets of Pangolin are located outside of Canada and certain of the directors and officers of Pangolin are residents outside of Canada. As a result, it may be difficult or impossible to enforce judgments granted by a court in Canada against the assets of Pangolin or the directors and officers of Pangolin residing outside of Canada.

Market Price of Pangolin's Shares

Securities of micro-cap and small-cap companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally and market perceptions of the attractiveness of particular industries. The price of Pangolin's common shares is also likely to be significantly affected by short-term changes in mineral prices and its financial condition or results of operations. Other factors unrelated to Pangolin's performance that may have an effect on the price of the Pangolin's common shares include the following: the extent of analytical coverage available to investors concerning Pangolin's business may be limited if investment banks with research capabilities do not follow Pangolin's securities; decreasing in trading volume and lack of general market interest in Pangolin's securities may affect an investor's ability to trade significant numbers of Pangolin Shares; the size of Pangolin's public float may limit the ability of some institutions to invest in Pangolin's securities; and a substantial decline in the price of the Pangolin's common shares that persists for a significant period of time could cause Pangolin's securities, if listed on an exchange, to be delisted from such exchange, eliminating market liquidity.

As a result of any of these factors, the price of Pangolin's common shares at any given point in time may not accurately reflect Pangolin's long-term value.

Dividend Policy

No dividends on the Pangolin Shares have been paid by Pangolin to date and none are expected to be paid for the foreseeable future. Payment of any future dividends will be at the discretion of Pangolin's board of directors after taking into account many factors, including the Company's operating results, financial condition and current and anticipated cash needs.

Future Sales of Shares by Existing Shareholders

Sales of a large number of the Company's common shares in the secondary markets, or the potential for such sales, could decrease the trading price of its shares.

Share Capital

As at the date of this MD&A, there are 121,783,079 common shares outstanding, 47,590,719 warrants outstanding at an exercise price of between \$0.05 and \$0.12 per share and 11,275,000 stock options outstanding at an exercise price of between \$0.10 and \$0.25.

Trends

Pangolin is not aware of any trend, commitment, event or uncertainty that is reasonably expected to have a material effect on Pangolin's business, financial condition or results of operations as of the date of this MD&A, except as otherwise disclosed herein or except in the ordinary course of business.

SUBSEQUENT EVENTS

On August 15, 2016, the Company announced the closing of a non-brokered private placement financing for aggregate gross proceeds of \$560,794 (the "Offering").

The Offering consisted of 5,607,944 units of the Company at a price of \$0.10 per unit, with each unit consisting of one common share in the capital of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to acquire one common share at a price of \$0.15 for a period of sixty (60) months from the date hereof. Insiders of Pangolin participated in an aggregate amount of \$94,000 representing 16.7% of the total Offering.

On August 15, 2016, the Company issued 2,000,000 options with an exercise price of \$0.15 and a five year term to a director of the Company.