PRIMA DIAMOND CORP

TSX-V: PMD

Management Discussion & Analysis for the Three Months Ended January 31, 2016

The following discussion and analysis of the financial position and results of operations for PRIMA DIAMOND CORP. (the "Company" or "Prima") should be read in conjunction with the condensed interim financial statements for the three months ended January 31, 2016. The Company prepared these financial statements using accounting policies consistent with International Financial Reporting Standards ("IFRS"), and in accordance with International Accounting Standard 34 ("IAS 34").

The effective date of this report is March 16, 2016.

All financial figures presented herein are expressed in Canadian Dollars (CDN$) unless otherwise specified.

The Company is a reporting issuer in British Columbia and Alberta and files all public documents on http://www.sedar.com

Nature of Business

Prima was incorporated on October 1, 2009, under the laws of British Columbia, and listed as a Capital Pool Company ("CPC") as defined by Policy 2.4 (the "CPC Policy") of the TSX Venture Exchange ("TSX-V").

On May 21, 2010, the Company completed an Initial Public Offering ("IPO") in British Columbia and Alberta of 6,000,000 common shares for gross proceeds of $600,000. On May 27, 2010, the common shares of the Company commenced trading on the TSX-V as a CPC under stock symbol "CRN.P."

On May 8, 2012, the Company entered into a property option agreement with Strategic Metals Ltd. ("Strategic"), whereby the Company can acquire a 100-percent interest in the King Gold-Copper Property (the "Property") located in the Yukon Territory, Canada. The transaction constituted Prima's Qualifying Transaction in accordance with the CPC Policy. On August 14, 2012, the TSX-V accepted the Company's Qualifying Transaction and the Company commenced trading as a Tier 2 Mining Issuer on the TSX-V under the symbol "CRN". On July 12, 2013, the Company provided notice of termination of the Option Agreement to Strategic and impaired the property.

On September 21, 2012, the Company entered into an agreement in principal to acquire 100-percent of 0941680 BC Ltd. ("0941680 BC") (formerly Prima Fluorspar Corp., a private company incorporated in British Columbia on May 29, 2012) to focus on confirming and expanding the historic mineral resource of approximately 3.2 million tonnes averaging 32-percent fluorspar at its 100-percent-owned, 22,588-hectare (55,816-acre) Liard Fluorspar Property in northern British Columbia, Canada.

On April 18, 2013, the Company completed a reverse takeover with 0941680 BC in which Prima issued 11,515,000 common shares to all 0941680 BC's shareholders on a one for one basis, subject to escrow agreements pursuant to National Policy 46-201. Consequently, the Company is deemed to be a continuation of 0941680 BC Ltd. and Prima is deemed to have been acquired in consideration for its issued and outstanding shares prior to the reverse takeover transaction. A Special Shareholders Meeting for Prima was held on February 20, 2013 to approve the purchase agreement, approve the change of the Company name to Prima Fluorspar Corp. and elect new directors. The resulting company commenced trading as a Tier 2 Mining Issuer under the symbol "PF" on April 19, 2013.

On June 26, 2014, the Company expanded its focus from fluorspar to include diamonds and accordingly changed its name to Prima Diamond Corp., trading under the symbol "PMD".

Events After the Reporting Period

i. Subsequent to January 31, 2016, the company has entered into settlement agreements (the "Settlement Agreements") with various creditors of the Company whereby the company would issue shares of the Company at a deemed price of $0.05 per share on a post consolidated basis representing a settlement of the amounts owing to such creditors (the "Shares for Debt Settlement"). Pursuant to the Settlement Agreements, CDN$791,000 would be settled and a total of 15,820,000 common shares would be issued to the creditors. The Settlement Agreements are subject to acceptance by the Exchange. All the securities issued under the Settlement Agreements are subject to voluntary 4 month hold and where required, escrow under applicable securities legislation.

ii. On February 18, 2016, the Company announced that it has called an Annual and Special Meeting of shareholders scheduled for March 21, 2016 (the "Meeting") with record date being February 12, 2016. As part of that Meeting, shareholders of the Company will be asked to approve a special resolution (the "Consolidation Resolution") approving the consolidation of the issued and outstanding common shares of the Company on a one new (1) for five old (5) basis (the "Consolidation"). The 32,573,500 common shares of the Company outstanding would reduce to approximately 6,516,700 common shares, once approved by shareholders. The Board of Directors believes that the Consolidation will provide the Company with the opportunity to complete a financing in the near future and to advance future projects. The details of the share consolidation are included in the information circular posted on SEDAR.

iii. On February 18, 2016, the Company announced that it has proposed a non-brokered private placement (the "Private Placement") of up to 15,000,000 units (the "Units") post consolidation at a price of $0.05 per Unit to raise gross proceeds of up to $750,000. Each Unit will consist of one common share of the Company and one transferable share purchase warrant (a "Warrant"). Each whole Warrant shall be exercisable to acquire one additional common share of the Company (a "Warrant Share") for a period of 24 months at a price of $0.075 per Warrant Share in the first 12 months and $0.10 in the second 12 months. The proceeds from the Unit sale will be used by the Company to fund exploration on the Green Energy property in Utah as well as general administrative purposes. The Private Placement is subject to acceptance by the TSX Venture Exchange. All the securities issued under the Private Placement are subject to resale restrictions under applicable securities legislation.

iv. On February 18, 2016, the Company announced that it has entered into an agreement to acquire a 100% interest in the Green Energy Lithium Property (the "Property") located in Grand County, Utah. In consideration for a 100% interest in the Property, Prima has entered into an acquisition agreement with Zimtu Capital Corp. (Zimtu) and Mesa Exploration Corp. (Mesa), collectively the "Vendors". Prima will reimburse Zimtu $10,000 acquisition costs and issue 3,000,000 post-consolidated shares to Mesa 1,500,000 shares issuable within 5 days of TSX

Venture Exchange (Exchange) approval and 1,500,000 shares issuable one year from Exchange approval.

Diamond Properties

On June 27, 2014, the company entered into a property option agreement (the "Agreement") with DG Resource Management Ltd. ("DG Resource"), whereby the Company can acquire an undivided 100% interest in and to 46 mineral claims covering more than 42,000 ha (104,000 acres) in the southern portion of the Slave Province, Northwest Territories. The claims are called the Godspeed Lake Diamond Property ("Godspeed"). In consideration of the grant of the option, the Company will pay to DG Resource an aggregate of $150,000 cash and the issuance of 4,500,000 common shares of the Company. DG Resource will also retain a 2.5% Gross Overriding Royalty ("GORR") on all diamond production. The Company shall be entitled at any time to purchase 1% GORR for $2,000,000 in respect of all minerals other than diamonds. The Agreement is subject to final acceptance of the Exchange.

On July 25, 2014, the Company entered into a property option agreement (the "Agreement") to acquire the Munn Lake Diamond Property located in the Slave Province, Northwest Territories from DG Resource Management Ltd. ("DG Resource") and Zimtu Capital Corp. ("Zimtu") whereby the Company can acquire an undivided 100% interest in and to 19 mineral claims covering more than 14,000 ha (34,000 acres). The Munn Lake Diamond Property is located approximately 35 km east of the Snap Lake Diamond Mine and 40 km northwest of the Gahcho Kué Project scheduled to commence diamond production in 2016. In consideration of the grant of the option, the Company will pay to DG Resource and Zimtu an aggregate of $50,000 cash and the issuance of 4,500,000 common shares of Prima payable divided equally between the vendors. DG Resource and Zimtu will also retain a 3% GORR on all diamond production divided equally between the vendors. The Company shall be entitled at any time to purchase 1% GORR for $2,000,000 in respect of all minerals other than diamonds. The Agreement is subject to final acceptance of the Exchange.

During the three months ended January 31, 2016, the Company determined it would not pursue the acquisition of the above mentioned diamond properties and impaired the value of the Godspeed Lake Property.

Fluorspar

Fluorspar is the commercial name for the industrial mineral fluorite, also known as calcium fluoride (CaF_2). Both the US Department of Defense and some European countries have designated fluorspar a critical strategic mineral. In most applications, Fluorspar has no substitutes.

Fluorspar is classified into one of two grades: metallurgical grade ("metspar") and acid grade ("acidspar"). Lower-grade and less expensive metspar is used to make ceramics, glass and cement, and as a flux for smelting iron, steel and aluminum. Acidspar comprises about 60% to 70% of the fluorspar market. Grading at least 97% CaF_2, acidspar is essential to the refrigerants used in cooling refrigerators, freezers and air conditioners. Not only is demand for these products expected to increase, but the proportion of fluorspar used to produce them has been increasing as CFCs (chlorofluorocarbons) were replaced by HFCs (hydrofluorocarbons) and then by HFOs (hydrofluoro-olefins), all requiring greater amounts of acidspar. It also finds uses in fluoropolymer products like Teflon non-stick cooking ware, Gore-Tex clothing, fuel cells and batteries.

Additionally, acidspar forms a significant component of most modern medicines and is used to refine petrochemicals and upgrade uranium.

Exploration Updates

The 2013 exploration at the Liard project consisted of line clearing and geophysical surveying to test the applicability of the gravity method in identifying new fluorspar showings as well as extending known fluorspar showings under cover. There was also trail clearing along historic access and collection of surface samples for preliminary mineralogical and geochemical characterization in areas of higher historic grades.

Liard Fluorspar Property

The Company's Liard Fluorspar Property includes mineral claims purchased in four separate transactions and staked by the Company which are listed in detail below:

Zimtu/Heyman/Brookes Property

On June 7, 2012, the Company entered into a Mineral Property Option Agreement with Zimtu Capital Corp. ("Zimtu"), Dave Heyman ("Heyman"), and Clive Brookes ("Brookes") to purchase a 100% interest in and to the fifteen mineral claims in Northern British Columbia, known as the Liard Fluorspar Property. The consideration payable by the Company and to be issued pursuant to this agreement shall be:

(a) The sum of $40,000 payable 30 days from the date of signing of the agreement (paid);

(b) 2,000,000 common shares of the Company issued 30 days from signing of the agreement (issued at $0.05 per share).

The common shares issued under this agreement are subject to a three year escrow release.

The Company is not required to incur any exploration expenditures in order to exercise the Option. There is a 2% Net Smelter Return ("NSR") royalty on the Property payable to the Vendors upon the commencement of commercial production.

Schuss Property

On June 7, 2012, the Company entered into a Mineral Property Option Agreement with Michael Schuss ("Schuss") (the "Optioner") to purchase a 100% interest in and to the twelve mineral claims in Northern British Columbia, known as the Schuss Property. In consideration, the Company issued 250,000 common shares at $0.05 per share. The common shares issued under this agreement are subject to a three year escrow release. Ten claims had lapsed as at October 31, 2015. The deemed value was minimal and no impairment was recognized in profit and loss.

CIM Property

On August 13, 2012, the Company entered into a Mineral Property Option Agreement with Canadian Intl Minerals Inc. ("CIN") (the "Optioner") to purchase a 100% interest in and to the fourteen mineral claims in Northern British Columbia, known as the CIM Property. In consideration, the Company paid $10,000. As at October 31, 2015, the Company impaired the property to $Nil.

Dickson Property

On June 6, 2012, the Company entered into a Mineral Property Option Agreement with Zimtu to purchase a 100% interest in and to the one mineral claim in Northern British Columbia, known as the Dickson Property. In consideration, the Company issued 750,000 common shares at $0.05 per share. The common shares issued under this agreement are subject to a three year escrow release.

Claims acquired by staking

During the year ended October 31, 2012, the Company acquired 20 claims by staking in Northern British Columbia. Nine of these claims lapsed and were impaired in 2014, and the remaining claims were impaired in 2015.

Selected Financial Information

Annual Information

The following table provides a summary of the Company's financial operations for the last three fiscal years. For more detailed information, refer to the Company's audited financial statements:

	For the year ended October 31, 2015	For the year ended October 31, 2014	For the year ended October 31, 2013
	$	$	$
Total revenues	Nil	Nil	Nil
Loss from continuing operations	(299,702)	(962,186)	(1,790,903)
Loss from continuing operations (per share)	(0.01)	(0.03)	(0.09)
Loss from continuing operations (per share, diluted)	(0.01)	(0.03)	(0.09)
Net loss	(299,702)	(962,186)	(1,790,903)
Net loss (per share, basic and diluted)	(0.01)	(0.03)	(0.09)
Comprehensive income (loss) for the period	(299,702)	(962,186)	(1,790,903)
Net comprehensive income (loss) (per share, diluted)	(0.01)	(0.03)	(0.09)
Total assets	711,695	810,927	818,795
Total long term financial liabilities	Nil	Nil	Nil
Cash dividend declared per share	Nil	Nil	Nil

The high level of expenditures during the year ended October 31, 2013 was due to the completion of the reverse takeover with 0941680 BC, thereby acquiring the Liard Fluorspar Property. During the first half of the year ended October 31, 2014, the Company was pursuing an agreement for the acquisition of fluorspar property interests in Mongolia, which did not result in a completed transaction. Since June 2014, the Company has expanded its focus to included diamonds. However, as the Company will need to raise capital to pursue these projects, the management team has been working on reducing costs wherever possible, until that occurs.

Overall Performance

At January 31, 2016, the Company had $2,417 (October 31, 2015 - $2,417) in cash and cash equivalents and working capital deficiency of $997,120 (October 31, 2015 - $997,120). The Company has not been successful in finding the capital necessary to finance the Company's expenses and potential property payments. The Company has been able to maintain its listing with the support of Zimtu Capital Corp., through their management services and short-term loans for regulatory expenses. The Company is exploring its financing options for the future.

The Company incurred a net loss of $45,216 during the three months ended January 31, 2016 (January 31, 2015 - $110,652), which is a significant reduction from the prior period, due to cost saving measures.

As at January 31, 2016, the Company has total assets of $679,298 (October 31, 2015 - $711,695), including cash and cash equivalents of $2,628 (October 31, 2015- $2,417), GST/HST receivable of $1,992 (October 31, 2015 - $1,986), and exploration and evaluation assets of $674,678 (October 31, 2015 - $707,292). The Company has accounts payable and accrued liabilities of $200,521 (October 31, 2015 - $220,645), loans payable of $172.230 (October 31, 2015 - $157,230), due to related parties of $641,591 (October 31, 2015 - $623,648), and no long-term liabilities. The Company will have to raise funds to discharge its liabilities, advance its current Liard project, or move forward with the potential diamond property acquisitions. At this time, the Company has no property commitments.

Liquidity and Solvency

The financial statements have been prepared on a going concern basis which assumes that the Company will be able realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. The Company has not been successful in attracting additional investors to finance the Company's potential diamond properties. The Company has been relying on the management services provided by Zimtu Capital Corp. In addition, Zimtu has also been extending short-term loans to the Company to cover the costs of maintaining its listing on the TSX-V while it explores its financing options. The Company has not pledged any of its assets as security for loans or otherwise and is not subject to any debt covenants.

Net cash used in operating activities for the three months ended January 31, 2016 was $14,789. This amount consists of a net operating loss of $45,216, adjustments for non-cash items for impairment of $32,614, changes in non-cash working capital including a decrease in HST/GST receivable of $6, a decrease in accounts payable and accrued liabilities of $20,124, and an increase of $17,943 in due to related parties. During the prior year, net cash used in operating activities was $18,942.

Net cash provided by investing activities during the three months ended January 31, 2016 was $nil (January 31, 2015 - $2,179), of which $nil (January 31, 2015 - $5,750) was provided by a redeemed short-term investment and $nil (January 31, 2015 - $3,571) was used in the exploration of mineral properties.

Net cash provided from financing activities during the three months ended January 31, 2016 was $15,000 (January 31, 2015 – $23,500) which was provided from loans.

Results of Operations

The net loss for the three months ended January 31, 2016, was $45,216, compared to a net loss of $110,652 for the three months ended January 31, 2015, for a difference of $65,436. The significant changes in the Company's expenses between the two periods are detailed below:

- Advertising and promotion expenses of $nil (2015: $40,578) are lower in the current period due to the reduction of promotional spending to conserve funds;
- Legal fees of $nil (2015: $5,635) are lower due to the legal expenses incurred to work towards completion of proposed projects in the prior period;
- Salaries and consulting fee recovery of $27,328 (2015: $21,844 expense) due to the reversal of an accrual of wages for the former President of the company;
- Travel expenses of $nil (2015: $2,779) are lower as the Company reduced spending traveling to the property, meeting potential investors, and promoting the company at tradeshows to conserve funds;
- Deferred income tax recovery of $nil (2015: $1,631) is lower due to the renunciation of flow through expenditures in the prior period; and
- Impairment of mineral properties of $32,614 (2015: $nil) due to impairment of the Godspeed Lake Property.

Quarterly Results

The following are the results for the eight most recent quarterly periods which are expressed under IFRS:

For the Quarterly Periods ended:	January 31, 2016 (Q1)	October 31, 2015 (Q4)	July 31, 2015 (Q3)	April 30, 2015 (Q2)
	$	$	$	$
Total revenues	0	0	0	0
Income (Loss) before other items	(12,602)	(44,707)	(44,406)	(77,493)
Income (Loss) per common share before other items, basic and diluted	(0.00)	(0.00)	(0.00)	(0.01)
Net Income (Loss) for the period	(45,216)	(67,151)	(44,406)	(77,493)
Income (Loss) per share, basic and diluted	(0.00)	(0.00)	(0.00)	(0.01)

For the Quarterly Periods ended:	January 31, 2015 (Q1)	October 31, 2014 (Q4)	July 31, 2014 (Q3)	April 30, 2014 (Q2)
	$	$	$	$
Total revenues	0	0	0	0
Income (Loss) before other items	(112,323)	(190,313)	(233,092)	(229,882)
Income (Loss) per common share before other items, basic and diluted	(0.00)	(0.01)	(0.01)	(0.01)
Net Income (Loss) for the period	(110,652)	(190,488)	(233,092)	(229,882)
Income (Loss) per share, basic and diluted	(0.00)	(0.01)	(0.01)	(0.01)

Over the course of the Company's previously completed eight quarters, there has been a significant reduction in expenses. In Q2 2014, the Company was actively pursuing property interests in Mongolia, incurring significant expenses on that potential opportunity. In Q3 2014, the Mongolia letter of intent was terminated and the Company began to work towards significantly reducing its expenses to conserve capital starting in Q4 2014, and has been effective in minimizing its expenses since that time.

Related Party Transactions

The Company incurred the following fees and expenses in the normal course of operations:

		Three months ended January 31,	
Related parties	**Type of Service**	**2016**	**2015**
Robert Bick	Salaries and consulting services	(30,000)	10,000
Zimtu Capital Corp.	Administrative services	37,500	37,500
Zimtu Capital Corp.	Advertising expenses	-	12,000

Due to (from) related parties	**January 31, 2016**	**October 31, 2015**
	$	**$**
Andrew Davidson (a)	69,300	69,300
Robert Bick (b)	-	30,000
Zimtu Capital Corp. (c)	572,291	524,348
Total	641,591	623,648

a) During the year ended October 31, 2012, the Company entered into an agreement with Andrew Davidson ("Mr. Davidson"), whereby Mr. Davidson was appointed CFO of the Company and agreed to provide consulting services for a period of one year, renewing annually, for $6,000 per month. On July 30, 2014, Mr. Davidson resigned as the Company's CFO and accepted a position as a director.

b) On April 19, 2013, the Company entered into an agreement with Robert Bick ("Mr. Bick"), whereby Mr. Bick was appointed president, CEO and director of the Company and agreed to provide management services throughout the employment period for a minimum of $10,000 per month. On January 15, 2015, Robert Bick resigned as the Company's president.

c) Zimtu is a significant shareholder of the Company, holding 23.58% (October 31, 2015 – 23.58%) of the issued and outstanding share capital and provides monthly administrative and managerial services (see Note 10). On January 15, 2015, David Hodge, the president of Zimtu, was appointed the President of the Company.

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties. The amounts due to related parties are unsecured, non-interest bearing, and have no specific terms of repayment.

Share Capital

For additional details of the Company's share capital transactions, refer to the condensed interim financial statements for the three months ended January 31, 2016.

Commitments

Effective May 1, 2013, the Company signed a Management Services Agreement with Zimtu at a rate of $12,500 per month for one year, expiring on April 30, 2014. On May 1, 2014, the Company extended this agreement for an additional seven months, expiring November 30, 2014. On December 1, 2014, the agreement was renewed for twelve months, expiring on November 30, 2015. On December 1, 2015, the Company renewed its Management Services Agreement with Zimtu for an additional 12 month term. Zimtu is a significant shareholder of the Company, holding 23.58% (October 31, 2015 – 23.58%) of the issued and outstanding share capital.

Capital Resources

The capital resources of the Company are comprised of the Company's shareholders' equity and any debt it may issue. The Company has had to rely upon the sale of equity securities for the cash required for capital acquisitions, exploration and development, and administration, among other things.

The Company will continue to require funds to meet obligations and, as a result, will have to continue to rely on equity and debt financing during such period. There can be no assurance that financing, whether debt or equity, will always be available to the Company in the amount required at any particular time or for any particular period or, if available, that it can be obtained on terms satisfactory to the Company.

The Company's properties are in the exploration stage only and are without known bodies of commercial ore. Development of the Liard Fluorspar will only follow upon obtaining satisfactory results. Exploration and development of natural resources involve a high degree of risk and few properties which are explored are ultimately developed into producing properties. There is no assurance that the Company's exploration and development activities will result in any discoveries of commercial bodies of ore. The long term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors.

The Company's revenues, if any, are expected to be in large part derived from the extraction and sale of base and precious metals from the property. The price of base and precious metals has fluctuated widely, particularly in recent years, and is affected by numerous factors beyond the

Company’s control such as including international, economic and political trends, expectations of inflation, currency exchange fluctuations and interest rates.

Outstanding Share Data

The Company has an authorized share capital of an unlimited number of common shares without par value. The following table describes the issued and outstanding share capital of the Company:

	March 16, 2016	January 31, 2016	October 31, 2015
Common shares	32,573,500	32,573,500	32,573,500
Stock options	1,850,000	1,850,000	1,850,000
Warrants	3,200,000	3,200,000	3,975,000
Agent warrants	12,000	12,000	70,000
Fully Diluted Shares	37,635,500	37,635,500	38,468,500

Escrow shares: As at January 31, 2016, 5,936,600 (October 31, 2015 – 5,936,600) common shares of the Company are held in escrow and to be released pro-rata to the shareholders as to different release schedules. These escrow shares may not be transferred, assigned or otherwise dealt with without the consent of the regulatory authorities.

Financial Instruments

The Company is exposed in varying degrees to a variety of financial instrument-related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

(a) Credit risk

Credit risk is the risk of loss associated with a counter party’s inability to fulfill its payment obligations. The Company’s credit risk is primarily attributable to its cash balances. The Company manages its credit risk on bank deposits by holding deposits in high credit quality banking institutions in Canada.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company’s normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company’s access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

(c) Foreign exchange risk

The Company is not exposed to foreign currency risk on fluctuations considering that its assets and liabilities are stated in Canadian dollars.

(d) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. With respect to financial assets, the Company's practice is to invest cash in cash equivalents in order to maintain liquidity. Fluctuations in interest rates affect the fair value of cash equivalents.

(e) Capital management

Capital is comprised of the Company's shareholders' equity and any debt it may issue. As at January 31, 2016, the Company's shareholders' equity deficit was $335,044 (October 31, 2015 - $289,828). The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support its operations and business development. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company has not generated any revenues and cash flows since its inception; therefore, the Company is dependent on external financing to fund its future intended business plan. The capital structure of the Company currently consists of working capital and shareholders' equity. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements. The Company is not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

(f) Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The following is an analysis of the Company's financial assets measured at fair value as at January 31, 2016 and October 31, 2015:

	As at January 31, 2016		
	Level 1	**Level 2**	**Level 3**
Cash and cash equivalents	$ 2,628	$ -	$ -
Total	$ 2,628	$ -	$ -

	As at October 31, 2015					
	Level 1		Level 2		Level 3	
Cash and cash equivalents	$	2,417	$	-	$	-
Total	$	2,417	$	-	$	-

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Critical Accounting Estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates on the resulting effects of the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

Accounting Policies and Standards

For details of the Company's Accounting Policies and Standards, including future accounting standards, accounting standards not yet adopted, new accounting standards adopted, and accounting standards amended but not yet effective, please refer to Note 4 of the Company's audited financial statements for the year ended October 31, 2015.

Risks Related to Our Business

The Company, and the securities of the Company, should be considered a highly speculative investment. The following risk factors should be given special consideration when evaluating an investment in any of the Company's securities:

The Company has a very limited history of operations, is in the early stage of development and has received no revenues other than insignificant interest revenues. As such, the Company is subject to many risks common to such enterprises. There can be no assurance that the Company will be able to obtain adequate financing in the future or, if available, that the terms of such financing will be favourable.

Although the Company has taken steps to verify the title to mineral properties in which it has acquired an interest, no assurance whatsoever can be given that the Company's interests may not be challenged by third parties. If challenged, and if the challenge is sustained, it will have an adverse effect on the business of the Company. Title to mineral properties may be subject to unregistered prior agreements or transfers, and may also be affected by undetected defects or the rights of indigenous peoples.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the properties may be diminished or negated.

The exploration of mineral properties involves significant risks which even experience, knowledge and careful evaluation may not be able to avoid. The price of metals has fluctuated widely, particularly in recent years as it is affected by numerous factors which are beyond the Company's control including international economic and political trends, expectations of inflation or deflation, currency exchange fluctuations, interest rate fluctuations, global or regional consumptive patterns, speculative activities and increased production due to new extraction methods. The effect of these factors on the price of metals, and therefore the economic viability of the Company's interests in the mineral properties cannot be accurately predicted. Furthermore, changing conditions in the financial markets, and Canadian Income Tax legislation may have a direct impact on the Company's ability to raise funds for exploration expenditures. A drop in the availability of equity financings will likely impede spending. As a result of all these significant risks, it is quite possible that the Company may lose its investments in the Company's mineral property interests.

Forward-Looking Statements

Certain statements contained herein are "forward-looking" and are based on the opinions and estimates of management, or on opinions and estimates provided to and accepted by management. Forward-looking statements are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those expressed or implied. Readers are therefore cautioned not to place reliance on any forward-looking statement.

Directors and Officers

As at the date of this report, the Company had the following directors and officers:

David Hodge – President and CEO
Robert Bick – Director
Andrew Davidson* – Director
Sean Charland* – Director
Dusan Berka – Director
Jody Bellefleur – CFO

*Member of the Company's Audit Committee

Approval

The Board of Directors of Prima has approved the disclosure contained in this MD&A.

Other MD&A Requirements

Additional information relating to the Company is available on the SEDAR website: http://www.sedar.com under "Prima Diamond Corp."