Effective Date

This Management's Discussion and Analysis ("MD&A") provides relevant information on the operations and financial results of Gem International Resources Inc. (the "Company") for the year ended September 30, 2016. This MD&A is a complement and supplement to the audited consolidated financial statements for the year ended September 30, 2016. It should be read in conjunction with the Company's audited annual consolidated financial statements for year ended September 30, 2016 and related notes thereto. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and can be found on SEDAR at www.sedar.com and the Company's website www.gemdiamondmining.com.

All monetary amounts in this MD&A and in the Company's consolidated financial statements are expressed in Canadian dollars, unless otherwise stated.

The effective date of this MD&A is January 30, 2017.

Forward-Looking Statements

This MD&A contains forward-looking statements that are based on the Company's current expectations and estimate. Forward-looking statements are frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate", "suggest", "indicate" and other similar words or statements that certain events or conditions "may" or "will" occur. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause actual events or results to differ materially from estimated or anticipated events or results implied or expressed in such forward-looking statements. Such factors include, among others: the actual results of current exploration activities; conclusions of economic evaluations; changes in project parameters as plans to continue to be refined; possible variations in ore grade or recovery rates; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing; and fluctuations in metal prices. There may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Forward-looking statements are not guarantees of future performance and accordingly undue reliance should not be put on such statements due to the inherent uncertainty therein.

Description of Business and Overall Performance

The Company was incorporated on September 25, 1985 under the laws of British Columbia, Canada and is a junior natural resource company listed on the TSX Venture Exchange under the trading symbol "GI".

The Company is a resource company engaged in the acquisition, exploration and development of mineral properties with its principal focus on diamond, gold and other precious metals. Activities include acquiring mineral properties and conducting exploration programs. Back in 2009, the Company sought opportunities in Tanzania, East Africa. The Company had identified several projects in Tanzania and conducted preliminary exploration work. Due to uneconomic prospects, the Company abandoned individual properties and wrote off all related costs in 2012 and 2013 respectively. The Company continued to search for potential properties to acquire.

On September 23, 2015, the Company entered into a letter agreement with Global Gems International Limited ("Global Gems") for an option to acquire 50% of the issued and outstanding shares of Global Gems (the "Option") and thereby attain 50% of a 45% interest in the Dala project, which 50% interest shall be held by Global Gems on behalf of the Company. The Dala project is located south of Saurimo, the capital of the Lunda Sul Province in Angola. In exchange for the Option, the Company has agreed to, over a two-year period, raise an aggregate cash of US$800,000, issue an aggregate 2,750,000 common shares of the Company to the vendors and contribute an aggregate US$5,000,000 towards the exploration expenditures.

On March 29, 2016, the Company's letter agreement with Global Gems for an option to acquire 50% of the issued and outstanding shares of Global Gems was terminated. Concurrently, the Company entered into a new agreement with Global Gems for an option to acquire 91.5% of the issued and outstanding shares of Global Gems and thereby attain 91.5% of a 45% interest in the Dala project. In exchange for the option, the Company has agreed to, over a two-year period, make total cash option payments of US$800,000(including US$300,000 being the initial working capital as part of the exploration expenditures), issue a total of 5,000,000 million common shares of the Company to the vendors and contribute a total of US$5,000,000 toward the exploration expenditures.

Dala is located in the heart of a highly prospective and productive diamond region of Angola, only 25 kilometres south of the world-class Catoca diamond mine, the world's fourth largest, and immediately adjacent to the regional centre of Saurimo. Dala is an early stage project with excellent potential for the discovery of both alluvial and kimberlite deposits. Two of the area's most productive alluvial diamond hosting rivers, Luachimo and Tchicapa flow northward through the license with over 100 km of combined drainage length, and there are numerous areas of currently active artisanal diamond production along these drainages and their tributaries.

The Company and its operating partner Global Gems have started the initial field and technical programs to prioritize start up areas for alluvial gravel testing. This includes establishment of a camp logistics base in Saurimo, as well as procurement of mining, diamond production and infrastructure equipment. Over 30 high priority areas have been identified where there are classic trap sites in active drainages and accumulations of river gravels preserved in old meanders and terraces. Observation of the extensive active and historical artisanal work areas by local garimpeiros at Dala indicate that extensive areas of Calonda Formation may be present. The Calonda Formation is a regional basal gravel and sheet wash unit in the Lunda Provinces that is often very diamondiferous and productive.

The Company is in the process of reviewing an extensive database of information for both alluvial and kimberlite exploration by a previous operator at Dala with the objective of acquiring this information to assist the current work. With data for over 900 alluvial sample sites and extensive information from kimberlite exploration this database will speed up the ability to prioritize initial work areas. It is known that at least 5 new kimberlite pipes were located at Dala and numerous other untested kimberlite targets are known to be present. The alluvial diamonds currently being mined there are likely to have sources in diamond bearing kimberlites on the Dala License. GGI staff is also reviewing and have access to, all known technical data for Dala held by Endiama the Angolan state diamond organization. It is known that historical alluvial sampling data from over 900 sites on the license are available, as well as information filed by a previous company for their kimberlite exploration program. This information will be invaluable in determining high priority area to begin the work program.

A diamond recovery plant is being sourced will be installed on site later this season. The smaller volume gravel pumping operations will utilize jig type diamond recovery equipment using an x-ray recovery system on the concentrates and all tailings will be passed over diamond grease tables as a final recovery procedure. Oversize waste will be stockpiled for later processing. It is known that diamonds of over 40 carats in weight have been recovered at Dala from the artisanal operations and the recovery procedures will be set up to maximize the ability of the system to recover larger stones . A rigorous diamond security system will be implemented for all stages of the diamond recovery operations.

On January 23, 2017, the Company entered into an agreement (the "Amendment Agreement") with Global Gems to amend its existing arrangement for the earn-in of an interest in the Dala diamond exploration Project in the Lunda Sul Province in Angola.

The Amendment Agreement provides that the Dala Project would be enlarged to include exploration and exploitation rights for kimberlites within the Dala License including the 6 known kimberlite pipes located by previous operators. These only received very limited exploration and have not been fully evaluated. Numerous magnetic kimberlite targets remain untested at Dala and an extensive data base exists,

Under the Amendment Agreement the Company may acquire 88% of Global Gems' 45% interest in the restructured Dala Project by paying to Global Gems the amounts of US$300,000 on or before each of the 3rd and 4th anniversaries of TSX Venture approval and US$400,000 on or before the 5th anniversary of such approval. The Company would also be required to incur US$13,000,000 in exploration and development expenditures over 5 years (US$3,000,000 for each of year 1 (which must be raised and paid by May 31, 2017) and year 2, US$2,000,000 for year 3, and US$2,500,000 for each of years 4 and 5). The US$300,000 already provided to Global Gems as start-up capital would be credited against year 1 expenditures. The Company shall be entitled to a share of any revenues generated from saleable products, if any, from the property prorated to the proportion of expenditures spent to the total expenditures to be spent under the Amendment Agreement.

The Company will also be required issue to the principals of Global Gems 30,000,000 shares (10,000,000 shares on each of the 3rd, 4th and 5th anniversaries of TSX Venture approval). After completing the private placement of not less than CDN$500,000, the Company will pay to Global Gems the amount of US$150,000 (the "Payment"), which also will be credited against year 1 expenditures.

Accordingly, the Company intends to carry out a private placement (the "Financing") to raise proceeds of up to CDN$500,000 from the sale of up to 10,000,000 units at a price of CDN$0.05 per unit. Each unit will consist of one common share and one non-transferable share purchase warrant for the purchase of one further common share of the Company within two years of the date of grant at the price of $0.15 per such common share. The funds raised will be used for Company working capital, the Payment, and the preparation of legal documents and regulatory approval costs related to the closing of the Amending Agreement. A maximum allowable finder's fee for funds raised may be payable in cash, shares or warrants in accordance with the policies of the TSX Venture Exchange.

The amendment agreement and financing is subject to regulatory approval.

Financing

During the year ended September 30, 2016, the Company strived to raise funds by offering for the sale of up to 24.5 million units at a price of $0.05 per unit. The Company had completed the private placement and raised gross proceeds of $1,206,000 through the issuance of 24,120,000 units. Each unit consisted of one common share and one non-transferable share purchase warrant for the purchase of one further common share of the Company within two years of the date of grant at the price of $0.15 per such common share. A portion of the net proceeds US$300,000 had been used for a non-refundable deposit used by Global Gems for establishment of office, staff and geologist infrastructure. The balance of the funds has been used for NI 43-101 report writing, research, legal fees for supporting legal opinions, audit fees, travelling expenses for corporate travel to raise balance financing to finance the first phase of work and unallocated working capital.

Selected Annual Information

The following financial data is derived from the Company's audited consolidated financial statements for the years ended September 30, 2016, 2015 and 2014.

		As at and for the Years Ended September 30,		
		2016	2015	2014
(a)	Interest income	$194	$196	$53
(b)	Net loss	$ (594,446)	$ (504,870)	$ (187,139)
	Loss per share	$ (0.03)	$ (0.05)	$ (0.07)
(c)	Total Assets	$628,278	$13,762	$21,184

Results of Operations

For the Years Ended September 30, 2016 and 2015

For the year ended September 30, 2016, the Company reported a net loss of $594,446 as compared to $504,870 in prior year, an increase in net loss by $89,576. During the year, the Company continued to actively investigate the mineral exploration opportunity in Angola and incurred additional consulting fees, property investigation cost and higher travel expenses. Moreover, the Company granted stock options to certain directors and recorded non-cash stock-based compensation expenses. As a result of these corporate activities, the general and administrative expenses increased to $594,016 from $519,002 in fiscal 2015.

Major expenses and their respective changes are as follows:

- Audit, accounting and legal fees were $79,371 (2015 - $80,989);
- Consulting fees were $172,125 (2015 - $112,000);
- Marketing and investor relations were $72,791 (2015 - $57,960);
- Property investigation costs were $36,851 (2015 - $30,880);

- Rent was $18,000 which remained the same as last year;
- Stock-based compensation were $96,313 (2015 - $138,244);
- Travelling and promotion were $85,174 (2015 - $47,740)

For the Three Months (Fourth Quarter) Ended September 30, 2016 and 2015

In the fourth quarter of 2015, the Company incurred a net loss of $333,533 as compared to a net loss of $106,756 for the same quarter in 2015, an increase in net loss by $226,777. The increase was primarily attributed to an increase in consulting fees, property investigation costs and travelling expense while the Company conducted due diligence on the Dala diamond project in Angola.

Summary of Quarterly Results

The following table summarizes information derived from the Company's financial statements for each of the eight most recently completed quarters:

Quarter Ended	Sep 30	Jun 30	March 31	Dec 31	Sep 30	Jun 30	March 31	Dec 31
Year	2016	2016	2016	2015	2015	2015	2015	2014
	$	$	$	$	$	$	$	$
Interest Income	159	31	1	3	7	89	88	12
Net Loss	(333,533)	(114,808)	(68,722)	(77,383)	(106,756)	(128,982)	(228,091)	(41,041)
Basic & Diluted Loss per share	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	(0.01)	(0.00)	(0.00)

Significant variances in the Company's reported loss from quarter to quarter most commonly arise from: (i) decisions to write off acquisition and deferred exploration costs when management concludes there has been an impairment in the carrying value of a mineral property or the property is abandoned, and (ii) the granting of stock options, which results in the recording of non-cash charge for stock-based compensation expense that can be quite large in relation to other general and administrative expenses incurred in any given quarter. Other than these, the level of operating expenditures driving the net losses for the periods reflect the ongoing corporate activities to develop the properties as discussed above.

The Company did not write-off any capitalized property acquisition and exploration costs during the most recent eight quarters. For the quarter ended March 31, 2015 and September 30, 2016, the Company recognized stock-based compensation expense of $138,244 and $96,313 respectively.

Liquidity and Capital Resources

At September 30, 2016, the Company had net working capital of $38,335 as compared to net working capital deficiency of $57,757 at September 30, 2015. The Company had cash on hand of $26,364 as compared to $11,169 as at September 30, 2015.

The Company has financed its operations through equity issuances. Although the Company has been successful in raising funds in the past, there can be no assurance that equity funding will be accessible to the Company at the times and in the amounts required to fund the Company's activities. The Company is dependent upon the equity markets to finance all of its activities and it is anticipated that it will continue to rely on this source of funding for its exploration expenditures and to meet its ongoing working capital requirements.

Off-Balance Sheet Arrangement

The Company has no long term debt, does not have any used lines of credit or other arrangements in place to borrow funds, and has no off-balance sheet arrangements. The Company has no current plans to use debt financing and does not use hedges or other derivatives.

Transaction with Related Parties

During the year ended September 30, 2016, the Company entered into the following transactions with related parties:

a) Office rent of $18,000 (2015 - $18,000) and accounting fees of $36,000 (2015 - $36,000) were incurred by a company related to a director of the Company; (1)

b) Consulting fees of $60,000 (2015 - $60,000) were incurred by a company owned by a director of the Company; (2)

c) Consulting fees of $15,000 (2015 -$nil) were incurred by a company owned by a director & CEO of the Company; (3)

d) Consulting fees of $1,500 (2015 - $6,000) were incurred and as at September 30, 2016, $6,000 (2015 - $4,500) remained payable to a former director of the Company; (4)

e) Consulting fees of $6,000 (2015 - $6,000) were incurred and as at September 30, 2016, $2,500 (2015 - $4,500) remained payable to a director of the Company; (5)

f) Accrued accounting fees of $10,000 (2015 - $10,000) for accounting services provided by the CFO of the Company and as at September 30, 2016, $2,500 (2015: $2,500) remained payable.

The above transactions with related parties, occurring in the normal course of operations, were measured at the exchange amount which represented the amount of consideration established and agreed to by the related parties.

Key Management Compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include executive and non-executive directors. Key management personnel compensation disclosed above comprised the follow:

	September 30, 2016	September 30, 2015
Key management personnel:		
CEO	**$ 60,000**	$ 60,000
CFO	**10,000**	10,000
Directors	**22,500**	12,000
	$ 92,500	$ 82,000

(1) The Company shares office space and other accounting services with other companies who may have similar officers or directors. The costs associated with this space and services are administered by 794267 B.C. Ltd., a management company owned by an individual related to a director of the Company.

(2) The amounts were paid to Elite Vantage Development Ltd., which is controlled by Simon Tam, President and director of the Company. Elite charges $5,000 per month for the management and consulting services provided to the Company.

(3) The amounts were paid to Frontier Asset Management Ltd., which is controlled by Denis Hayes, CEO and director of the Company.

(4) The amounts were incurred with respective to the Company's non-executive directors, Mr. Tai Chen for his services provided to the Company.

(5) The amounts were incurred with respective to the Company's non-executive directors, Mr. Craig Walker for his services provided to the Company.

New Accounting Standards Adopted

As of October 1, 2015, the Company adopted the new and amended IFRS pronouncements in accordance with transitional provisions outlined in the respective standards. The Company has adopted the following new standard without any significant effect on its financial statements.

IFRS 7, Financial Instruments - Disclosure

Amended to require additional disclosures on transition from IAS 39 to IFRS 9.

New Standards Not Yet Adopted

IFRS 9 – Financial Instruments ("IFRS 9")

New standard IFRS 9, Financial Instruments, classification and measurement is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, "Financial Instruments: Recognition and Measurement." IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit and loss. This standard is effective for years beginning on or after January 1, 2018.

IFRS 15 – Revenue from Contracts with Customers ("IFRS 15")

The IASB issued IFRS 15, Revenue from Contracts with Customers, which provides a single principle-based framework to be applied to all contracts with customers. IFRS 15 replaces the previous revenue standard IAS 18, Revenue, and the related Interpretations on revenue recognition. The standard scopes out contracts that are considered to be lease contracts, insurance contracts and financial instruments. The new standard is a control-based model as compared to the existing revenue standard which is primarily focused on risks and rewards. Under the new standard, revenue is recognized when a customer obtains control of a good or service. Transfer of control occurs when the customer has the ability to direct the use of and obtain the benefits of the good or service. This standard is effective for reporting periods beginning on or after January 1, 2018

IFRS 16 – Leases ("IFRS 16")

IFRS 16 was issued in January 2016 and specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. This standard is effective for reporting periods beginning on or after January 1, 2019.

The Company has not early adopted these revised standards and are currently assessing the impact that these standards will have on the financial statements.

Financial Instruments and Other Instruments

All significant financial assets, financial liabilities and equity instruments of the Company are either recognized or disclosed in the financial statements together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk and credit risk.

The Company's financial instruments comprise of cash, receivables, marketable securities, accounts payable and accrued liabilities.

The fair value of cash and marketable securities are based on level 1 input of the fair value hierarchy. The carrying values of receivables and accounts payable and accrued liabilities approximate their fair values due to their short-term maturity.

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest rate risk, currency risk and/or credit risk arising from these financial instruments.

Management's Responsibility for the Financial Statements

Information provided in this MD&A, including financial information extracted from the Financial Statements, is the responsibility of management. In the preparation of the Financial Statements, estimates are sometimes necessary to make a determination of future value for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying Financial Statements.

Critical Accounting Estimates

The financial statements prepared in accordance with IFRS requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates relate to assessments of the recoverability and carrying value of exploration and evaluation assets, assumptions used in determining the fair value of share-based payments, recognition and valuation of deferred income tax amounts as well as provision for restoration and environmental costs. Due to the inherent uncertainty involved with making such estimates, actual results could differ from these estimates. Future events and risk factors inherent in the mining industry could result in changes in these estimates and assumptions.

Outstanding Share Data

As at the date of this MD&A, the Company had the following securities issued and outstanding:

(1) Common shares – 40,065,539
(2) Share purchase warrants – 27,120,000
(3) Stock options – 3,100,000

Risk Factors relating to the Company's Business

Mineral exploration and mining involve considerable financial and technical risk. Substantial expenditures are usually required to establish ore reserves, to evaluate metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current exploration programs planned by the Company will result in profitable commercial mining operations. Unusual or unexpected geological formations, unstable ground conditions that could result in cave-ins or land slides, floods, power outages or fuel shortages, labour disruptions, fire, explosions, and the inability to obtain suitable or adequate machinery, equipment or labour are risks associated with the conduct of exploration programs and the operation of mines. At this point, the Company has no experience in the development and operation of mines and in the construction of facilities required to bring mines into production, and may rely upon consultants for expertise with respect to the construction and operation of a mining facility.

Future exploration and development activities on the Company's properties will require additional financing. There is no assurance that additional funding will be available to the Company when need or that, if available, the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the property interests of the Company with the possible dilution or loss of such interests. The effects of these cannot be accurately predicted, but any of these issues could impede development or render it uneconomic.

The Company expects that uncertainty remains with respect to global economy, available capital and exploration risk to the resource industry. The Company intends to manage its cash resources and review opportunities as circumstances demand.

Additional Information

Additional information pertaining to the Company can be found on SEDAR at **www.sedar.com** and the Company's website **www.gemdiamondmining.com**

Directors and Officers

Simon Tam – Director and President
Denis Hayes – Director and CEO
Craig Walker - Director
Eric Schjelderup – Director
Simon Ma – CFO