



Mountain Province
DIAMONDS

Management's Discussion and Analysis

For the Year Ended December 31, 2015

TSX: MPV | NASDAQ:MDM

MOUNTAIN PROVINCE DIAMONDS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015

TABLE OF CONTENTS	<u>Page</u>
Company Overview	3
Highlights Year to Date	3
Gahcho Kué Diamond Mine	3
Financing Transactions during 2015	13
Results of Operations	16
Selected Annual Information	16
Financial Review	17
Summary of Quarterly Results	17
Costs and Expenses	18
Income and Resource Taxes	19
Financial Position and Liquidity	19
Off-Balance Sheet Arrangements	20
Financial Instruments Risks	20
Significant Accounting Judgments, Estimates and Assumptions	22
Standards and Amendments to Existing Standards	23
Related Party Transactions	23
Contractual Obligations	24
Other MD&A Analysis Requirements	25
Disclosure of Outstanding Share Data	27
Controls and Procedures	28
Cautionary Note Regarding Forward-Looking Statements	28

This Management's Discussion and Analysis ("MD&A") of March 29, 2016 provides a review of the financial performance of Mountain Province Diamonds Inc. (the "Company" or "Mountain Province" or "MPV") and should be read in conjunction with the audited consolidated financial statements and the notes thereto as at December 31, 2015 and 2014 and for the years ended December 31, 2015, 2014 and 2013.

The Company's audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

All amounts are expressed in Canadian dollars unless otherwise stated.

Technical information included in this MD&A regarding the Company's mineral property has been reviewed by Carl Verley, a Director of the Company and a Qualified Person as defined by National Instrument 43-101 - Standards of Disclosure for Mineral Properties ("NI 43-101").

Additional information, related to the Company is available on SEDAR at <http://sedar.com/> and on EDGAR at <http://www.sec.gov/edgar.shtml>.

COMPANY OVERVIEW

Mountain Province is a Canadian-based resource company listed on the Toronto Stock Exchange under the symbol 'MPV' and on the NASDAQ under the symbol 'MDM'. The Company's registered office and its principal place of business is 161 Bay Street, Suite 2315, P.O. Box 216, Toronto, ON, Canada, M5J 2S1. The Company through its wholly owned subsidiaries 2435572 Ontario Inc. and 2435386 Ontario Inc. holds a 49% interest in the Gahcho Kué Diamond Mine, located in the Northwest Territories of Canada. De Beers Canada Inc. ("De Beers") holds the remaining 51% interest. The Joint Arrangement between the Company and De Beers is governed by the 2009 amended and restated Joint Arrangement Agreement. The Company's primary asset is its 49% interest in the Gahcho Kué Diamond Mine, which is currently being constructed and targeted to be completed in 2016 and ramp up to first production in September 2016 and commercial production by January 2017.

The Company's strategy is to mine and sell its 49% share of the rough diamonds through a well-established and reputable diamond broker at the maximum value on the day. Mountain Province's long term view of the rough diamond market remains positive, based on its outlook for a tightening rough diamond supply and growing demand, particularly in developing markets such as China and India, resulting in real, long term price growth. In this context the Company believes it is well positioned having completed a \$95 million Rights Offering on March 31, 2015 and closed a US\$370 million Term Loan Facility ("Loan Facility") on April 7, 2015, as discussed below in 'Financing Transactions' to fund its 49% share of the remaining capital and operating costs to commercial production of the Gahcho Kué Diamond Mine. At March 29, 2016, the Company has no sources of revenue, however, overall progress of the Gahcho Kué Diamond Mine is estimated to stand at 89% complete with commencement of commercial production targeted for January 2017.

HIGHLIGHTS YEAR TO DATE

- At December 31, 2015, the construction of the Gahcho Kué Diamond Mine remained on track to be completed as planned with pre-commercial production commencing in H2 2016.
- At December 31, 2015, overall project progress stood at 83%. On site manpower during the month of December 2015 averaged approximately 466 workers and peaked at 610 workers.
- Site wide construction continued largely to plan. Approximately 98% of the Capital and Commissioning spares have been purchased and approximately 90% of the Operational spares will have been delivered by the end of the 2016 winter road period.
- The hiring schedule remains on track with 187 employees at December 31, 2015.
- On April 9, 2015 the first drawdown from the US\$370 million Loan Facility discussed in 'Financing Transactions' took place with nine subsequent drawdowns. The total amount drawn from the Loan Facility at December 31, 2015 was US\$158 million and at March 29, 2016 is US\$231 million.

GAHCHO KUÉ DIAMOND MINE

Gahcho Kué Joint Venture Agreement

The Gahcho Kué Diamond Mine is located in the Northwest Territories, about 300 kilometers northeast of Yellowknife. The Project covers approximately 10,353 acres, and encompasses four mining leases (numbers 4341, 4199, 4200, and 4201) held in trust by the Operator, De Beers. The Project hosts four primary kimberlite bodies – Hearne, Tuzo, Tesla, and 5034. The four main kimberlite bodies are within two kilometers of each other.

The Company's interest in the Gahcho Kué Diamond Mine is governed by an unincorporated Joint Arrangement between De Beers (51%) and Mountain Province (49%) through its wholly owned subsidiaries. The Company accounts for the Project as a joint operation in accordance with International Financial Reporting Standard 11. Mountain Province holds an undivided 49% ownership interest in the assets, liabilities and expenses of the Gahcho Kué Diamond Mine.

On July 3, 2009, the Company entered into an amended and restated Joint Arrangement Agreement with De Beers (jointly, the "Participants") under which:

- (a) The Participants' continuing interests in the Gahcho Kué Diamond Mine will be Mountain Province 49% and De Beers 51%, except for normal dilution provisions which are applicable to both Participants. On October 2, 2014, Mountain Province assigned its 49% interest to its wholly-owned subsidiary 2435386 Ontario Inc. to the same extent as if 2435386 Ontario Inc. had been the original party to the Joint Venture Agreement;
- (b) Each Participant will market their own proportionate share of diamond production in accordance with their participating interest;
- (c) Each Participant will contribute their proportionate share to the future project development and operating costs;
- (d) Material strategic and operating decisions, including plans and budgets, will be made by consensus of the Participants as long as each Participant has a participating interest of 40% or more;
- (e) The Participants have agreed that the sunk historic costs to the period ending on December 31, 2008 will be reduced and limited to \$120 million;
- (f) The Company will repay De Beers \$58.8 million (representing 49% of the agreed sum of \$120,000,000) plus interest compounded on the outstanding amounts in settlement of the Company's share of the agreed historic sunk costs. At December 31, 2015, the following amounts remain to be settled and will not be accrued until specified milestones have been achieved:
 - \$10 million following the commencement of commercial production (commencement of commercial production means the first day of the calendar month following the first thirty consecutive days (excluding maintenance days) that the mine has achieved and maintained 70% of rated production specified in the Feasibility Study). This amount will be paid out of the US\$370 million Loan Facility; and
 - An amount of approximately \$24.4 million plus accumulated interest of approximately \$25.8 million within 18 months following commencement of commercial production, which is targeted for January 2017. At December 31, 2015, accumulated interest is approximately \$19.1 million. Accumulated interest is calculated at the prevailing LIBOR rate plus 5%. The remaining \$24.4 million plus the accumulated interest will be paid out of future cash flows.

Since these payments are contingent upon certain events occurring, and/or work being completed, they will be recorded as the payments become due.

2435386 Ontario Inc. has agreed that the Company's marketing rights under the 2009 Agreement may be diluted if the Company defaults on the remaining repayments described above, if and when such payments become due.

The 2009 Agreement's provision for consensus decision-making for material strategic and operating decisions provides the Company with joint control of the Project with De Beers.

The underlying value and recoverability of the amounts shown in the consolidated financial statements for the Company's Mineral Properties is dependent upon the ability to complete the successful construction of the mine, have access to necessary financing and future profitable production. Failure to meet the obligations for the Company's share in the Gahcho Kué Diamond Mine may lead to dilution of the interest in the Gahcho Kué Diamond Mine and may require the Company to write off costs capitalized to date.

In 2014 and 2015, the Company and De Beers signed agreements allowing the Operator to utilize De Beers' credit facilities to issue reclamation and restoration security deposits to the federal and territorial governments. In accordance with these agreements, the Company agreed to a 3% fee for the share of the security deposits issued. As at December 31, 2015, the Company's share of the security deposits issued were \$14,378,228 (2014 - \$18,133,951).

Gahcho Kué Independent Feasibility Study

On April 2, 2014, the Company announced the results of the updated “2014 Feasibility Study NI 43-101 Technical Report” on the Gahcho Kué diamond project dated March 31, 2014. JDS and Hatch Ltd. compiled and prepared the feasibility study NI 43-101 technical report for Mountain Province.

The following are project highlights from the 2014 Feasibility Study Revision and Update for both Participants share of the Project.

- Mine operational life 12 years
- Average annual production 3 million tonnes
- Total diamond production 53.4 million carats
- Average annual diamond production 4.45 million carats
- Escalated capital cost in Canadian dollars \$1,019 million
- Average annual production for the first three years (2017 – 2019) 5.6 million carats

Table 1 summarizes the \$1,019 million capital cost by Work Breakdown Structure (WBS).

Table 1
Capital Cost Estimate by WBS

WBS	Description	BUDGET CAD (M) As per Estimate	BUDGET CAD (M) Escalation reallocated
1000	Mine Operations	188.8	197.3
2000	Site Development & Roadworks	10.3	10.6
3000	Process Facilities	134.4	140.1
4000	Utilities	48.9	50.2
5000	Ancillary Buildings	51.8	53.1
6000	Waste & Water Management	6.1	6.3
7000	Off-site Facilities	0.4	0.4
Subtotal - Direct Costs =		440.7	458.0
8000	<i>Owner's Management Costs</i>	100.2	104.2
9000	<i>Indirect Costs</i>	360.5	375.7
Subtotal – Owners + Indirect Costs =		460.7	479.9
9900	Contingency	75.6	81.1
9910	Escalation	42.0	-
Total - Projects		1,019.0	1,019.0

Table 2 below summarizes the average annual operating cost estimate and average Life of Mine unit costs for the Gahcho Kué Diamond Mine in Q3 2013 Canadian dollars. The target accuracy of the operating cost estimate is - 5%/+15%, which represents a Feasibility Study Budget/Class 3 Estimate.

Table 2
Operating Cost Estimate Summary in Q3 2013 Canadian dollars

WBS	Description	Average Annual Cost (\$)	Average Mined (\$/t)	Average Processed (\$/t)
A	Mine	98,505,321	3.49	33.24
B	Process	22,118,252	0.78	7.46
C	Power	17,886,381	0.63	6.04
D	Freight	18,646,525	0.66	6.29
E	G&A	41,701,193	1.48	14.07
F	Contingency	7,198,648	0.27	2.43
G	Management Fee	6,361,794	0.23	2.15
-	Total	212,418,114	7.54	71.68

Note: Unit costs per tonne mined are presented against materials mined in the operational phase only. Cleaning/Sorting cost at \$0.546/ct (\$0.83/t processed) is in addition to the \$71.68/t processed (\$72.51/t processed). The costs indicated in table 4 below were prepared by the Operator of the Project.

Gahcho Kué Capital Program

Original Budget

The budgeted escalated capital cost as per the *2014 Feasibility Study NI 43-101 Technical Report* from January 2013 to completion was \$1,019 million, excluding a management fee of 3% payable to De Beers who are not only a Participant, but also the Operator of the Project. The Company's share is \$499.3 million plus a 3% management fee of \$14.9 million.

The capital budget from inception to December 31, 2015 was \$762.9 million. During this period the Participants transferred their respective share of cash totaling \$755.6 million (excluding management fee) to the Operator, to settle the Joint Arrangement obligations. The 2014 capital program focused on completing detailed engineering design, final permitting, site preparation, construction and procurement for the 2015 winter road.

In addition to the \$762.9 million transferred by the Participants to the Operator from inception, an additional \$19.3 million (excluding management fee) was transferred by the Participants to cover negative movements of the Canadian dollar against other currencies and some minor out-of-scope changes. The additional \$9.4 million plus management fees, being the Company's share of the \$19.3 million, was provided for in the US\$370 million Loan Facility discussed below.

The capital budget for 2016 is \$255 million (excluding management fee). This amount excludes any negative movements of the Canadian dollar against other currencies and any minor out-of-scope items. The Operator is calling for approximately \$262 million from the Participants, which includes approximately \$7.3 million owing from prior years as discussed above.

The capital budget for 2017 is approximately \$1.1 million (excluding management fee). This amount excludes any negative movements of the Canadian dollar against other currencies and any minor out-of-scope items.

Forecast

During the quarter ended December 31, 2015, the Operator of the Gahcho Kué Diamond Mine established through a Quantitative Risk Analysis (“QRA”) that additional funding of approximately \$37.5 million may be required to complete the construction of the Gahcho Kué Diamond Mine. This amount excludes any minor out-of-scope purchases and movements in foreign exchange. Included in the \$37.5 million is \$14.7 million relating to identified capital items where costs increased against the original budget, and \$22.8 million relating to additional contingency, which may be spent in part or in whole to complete the Gahcho Kué Diamond Mine.

The Operator also estimated that an additional \$5.6 million will be required for minor out-of-scope purchases and movements in foreign exchange. The Canadian dollar moved significantly against the U.S. dollar and other currencies over the past year.

On finalizing the US\$370 million Loan Facility, the lenders agreed to fund \$10.9 million (the Company’s 49% share of \$22.2 million out of the \$24.9 million relating to minor out-of-scope purchases and movements in foreign exchange) within the Facility. The Company will fund approximately \$18.4 million (49% of the additional \$37.5 million that may be required to complete to project) from the \$93.3 million Cost Overrun Reserve Account. This would represent a 3.7% variance from the Company’s share of the original budget of \$1,019 million.

For the period January 1, 2016 to December 31, 2016, approximately \$384.5 million (excluding management fee) will be required by the Operator. Included in the \$384.5 million is \$262 million relating to the capital budget of \$1,019 million, \$37.5 million relating to the QRA as discussed above, \$5.6 million relating to the remaining minor out-of-scope purchases and movements in foreign exchange, ramp-up operating costs of \$56.4 million, \$631,120 for sustaining capital and advanced working capital of \$22.4 million. The Company will contribute approximately \$194.0 million, which includes a management fee of approximately \$5.7 million. Of the \$194.0 million an amount of \$173.7 million will be funded from the Loan Facility and the remaining \$20.3 million from the Cost Overrun Reserve Account.

For the period January 1, 2017 to February 28, 2017, funding of approximately \$32.6 million (excluding management fee) will be required by the Operator. Included in this amount is ramp-up operating costs of \$28.8 million, \$1.1 million for sustaining capital, \$1.2 million for working capital and the remaining \$1.5 million for original capital related costs. The Company will fund approximately \$16.5 million, which includes a management fee of approximately \$526,000, from the Loan Facility.

Table 3 below compares the original budget against the forecast.

Table 3
Capital Forecast by WBS

WBS	Description	CAD (M)	
		ORIGINAL BUDGET	FORECAST
1000	Mine Operations	197.3	244.7
2000	Site Development & Roadworks	10.6	22.2
3000	Process Facilities	140.1	157.5
4000	Utilities	50.2	56.4
5000	Ancillary Buildings	53.1	44.7
6000	Waste & Water Management	6.3	5.9
7000	Off-site Facilities	0.4	0.4
	Subtotal - Direct Costs =	458.0	531.8
8000	<i>Owner's Management Costs</i>	104.2	102.0
9000	<i>Indirect Costs</i>	375.7	399.9
	Subtotal – Owners + Indirect Costs =	479.9	501.9
9900	Contingency	81.1	22.8
9910	Escalation	-	-
	Total - Projects	1,019.0	1,056.5
	Management Reserve	-	24.9
	Total – Projects and Management Reserve	1,019.0	1,081.4

Gahcho Kué Operating Cost Forecast

The updated average annual operating cost estimate and average Life of Mine unit costs for the Gahcho Kué Diamond Mine prepared by the Operator are summarised in Table 4 in 2015 Canadian dollars.

Table 4
Operating Cost Forecast Summary in 2015 Canadian dollars

WBS	Description	Average Annual Cost (\$)	Average Mined (\$/t)	Average Processed (\$/t)
A	Mine	101,244,341	3.79	35.64
B	Process	21,870,142	0.82	7.67
C	Power	18,504,242	0.68	6.43
D	Freight	20,849,308	0.78	7.28
E	G&A	46,004,924	1.71	16.11
F	Contingency	-	-	-
G	Management Fee	6,503,256	0.24	2.28
H	Sorting Costs	2,657,492	0.10	0.92
-	Total	217,633,705	8.12	76.33

Gahcho Kué Mineral Reserve

On April 2, 2014, Mountain Province announced a Mineral Reserve estimate for the Gahcho Kué Diamond Mine. The Mineral Reserve is the Indicated Resource contained in the proposed open pit mine that can be mined and processed profitably and is scheduled for treatment in the feasibility study life of mine plan. The Gahcho Kué mineral reserve estimate is summarized in Table 5 below.

Table 5
Gahcho Kué Mineral Reserve Estimate
(JDS, March 2014 FS)

Pipe	Classification	Tonnes(Mt)	Grade (carats per tonne)	Carats(Mct)
5034	Probable	13.4	1.74	23.2
Hearne	Probable	5.6	2.07	11.7
Tuzo	Probable	16.4	1.25	20.6
Total	Probable	35.4	1.57*	55.5

* Fully diluted mining grade

Gahcho Kué Tuzo Deep Project

Following completion of the Tuzo Deep drill program in 2012, which was managed by De Beers, an updated National Instrument (NI) 43-101 resource estimate for Tuzo Deep (Table 6 below) was prepared by Mineral Services Canada Inc. This estimate incorporates information from geological data updates completed since the previous NI 43-101 Technical Report released in 2009.

Table 6

Pipe	Year	Resource Classification	Volume (Mm3)	Tonnes (Mt)	Carats (Mct)	Grade (cpht)
Tuzo Deep	2013	Indicated	1.5	3.6	6.0	167
Tuzo Deep	2013	Inferred	3.7	8.9	14.4	161

Notes:

- 1) Mineral Resources are reported at a bottom cut-off of 1.0 mm
- 2) cpht = carats per hundred tonnes
- 3) Volume, tonnes, and carats are rounded to the nearest 100,000
- 4) Tuzo volumes and tonnes exclude 0.6Mt of a granite raft

Table 6 above reflects the updated Tuzo Deep mineral resource. There has been no change in the geological data for the Tuzo Upper, 5034 and Hearne kimberlites since the 2009 Technical Report.

Table 7 below incorporates the updated Tuzo Deep mineral resource estimate into the existing Gahcho Kué mineral resource estimate.

Table 7

Pipe	Resource Classification	Volume (Mm3)	Tonnes (Mt)	Carats (Mct)	Grade (cpht)
5034	Indicated	5.1	12.7	23.9	188
	Inferred	0.3	0.8	1.2	150
Hearne	Indicated	2.3	5.3	11.9	223
	Inferred	0.7	1.6	2.9	180
Tuzo	Indicated	6.6	15.8	20.8	132
	Inferred	3.7	8.9	14.4	161
Summary	Indicated	14.0	33.8	56.6	167
	Inferred	4.7	11.3	18.5	164

The updated Tuzo Deep resource estimate indicates an approximate 12% percent increase in the Gahcho Kué indicated resource from 30.2 million tonnes to 33.8 million tonnes and an approximate 88% increase in inferred resource from 6 million tonnes to 11.3 million tonnes. The diamond content of the indicated resource increased by approximately 12% from 50.5 million carats to 56.6 million carats and the diamond content of the inferred resource increased by approximately 80% from 10.3 million carats to 18.5 million carats. The reasons for these increases are the upgrading of the 300 to 360 meter zone in Tuzo from inferred resource to indicated resource and also the inclusion of the newly defined Tuzo inferred resource from a depth of 360 meters to 564 meters below surface, which was delineated during the 2011/12 Tuzo Deep drill program.

The Tuzo Deep resource update released in mid-2013 defined a resource at the Tuzo kimberlite to a depth of 560 meters, with the kimberlite remaining open to depth. A follow-up deep drilling program commenced in February 2014 to test the Tuzo kimberlite to a depth of at least 750 meters. On June 30, 2014, the Company announced the results of the 2014 Tuzo Deep drill program, which confirmed the continuation of kimberlite to a depth of more than 740 meters below surface. On March 4, 2015, the Company announced the diamond recovery results from the 2014 Tuzo Deep drill program.

Table 8 below summarizes the diamond recovery results from the 2014 Tuzo Deep drill program.

Table 8 – Tuzo Deep Caustic Fusion Diamond Recovery Results

	Number and Weight of Diamonds According to Sieve Size Fraction (mm)												Totals
	+0.106 -0.150	+0.150 -0.212	+0.212 0.300	+0.300 -0.425	+0.425 0.600	+0.600 -0.850	+0.850 -1.180	+1.180 1.700	+1.700 2.360	+2.360 3.350	+3.350 4.750	+4.750	
Number of Diamonds	946	592	410	267	122	95	48	26	7	1	0	0	2,514
Weight (carats)	0.02	0.03	0.07	0.13	0.17	0.36	0.53	0.87	0.63	0.43	0.00	0.00	3.24

*Total sample weight 0.434 tonnes

*Total weight of recovered diamonds greater than 0.85mm: 2.46 carats

*Sample grade of diamonds greater than 0.85mm: 5.67 carats per tonne

Qualified Person

The Qualified Person for the updated Tuzo Deep estimate is Mr. Tom Nowicki, PhD, P Geo, a Mineral Services employee. The estimation and classification of the mineral resources conform to industry-best practices and meet the requirements of CIM (2005).

Gahcho Kué Independent Diamond Valuation

WWW provided an updated independent valuation of the diamonds recovered from the Gahcho Kué Diamond Mine. All diamond values presented below are based on the WWW Price Book as at August 8, 2014. It is estimated that average rough diamond prices have weakened by approximately 15% since the last valuation. During the same period the Canadian dollar (the Company's functional currency) has weakened from a rate of \$1.0971/US\$1 to \$1.3840/US\$1 at December 31, 2015 or by approximately 26.15%.

Table 9 below reflects the actual price per carat for the parcel of 8,317.29 carats of diamonds recovered from the Project as of August 8, 2014.

Table 9

Actual Price US\$/carat				
Pipe	Zone	Total Carats	US\$/Carat	Total Dollars
5034	Centre/East Lobe	1,957.54	204	400,264
	West Lobe	1,132.14	108	122,607
Hearne		2,905.76	92	266,423
Tuzo		2,321.85	311	722,687
Total		8,317.29	US\$182	\$1,511,981

Note: Total Dollars are the result of rounding.

In their report WWW stated: "The most valuable stone is in the Tuzo sample. This 25.13 carat stone is the largest stone in all of the bulk samples. The stone is an octahedron of H/I color which WWW valued at \$20,000 per carat giving a total value of \$502,600".

WWW added: "The stone with the highest value per carat in the sample is a 9.90 carat stone in the 5034 C/E sample. This is a makeable stone of high color (D/E) which WWW valued at \$23,000 per carat giving a total value of \$227,700".

Besides the high-value 25.13 and 9.9 carat diamonds, several other large high-value diamonds of gem quality have been recovered from Gahcho Kué, including 7.0 carat, 6.6 carat and 5.9 carat diamonds from the 5034 kimberlite and 8.7 carat, 6.4 carat and 4.9 carat diamonds from the Hearne kimberlite. The presence of larger diamonds is an important driver of overall diamond value at Gahcho Kué. Table 10 below presents models of the August 2014 average price per carat (US\$/carat) for each kimberlite. The modeled price per carat is determined using statistical methods to estimate the average value of diamonds that are likely to be recovered from future production at Gahcho Kué.

Table 10

Pipe	High Model	Base Model	Low Model
5034 Centre	177	139	119
5034 West	181	138	123
5034 North/East	204	149	126
Hearne	144	112	102
Tuzo	141	105	99
Average	US\$163	US\$123	US\$113

*Note: 1 mm nominal square mesh
Diamond values are in U.S. Dollars*

For mine feasibility studies, WWW recommends using the base case models for defining the resources and reserves. The "high" and "low" models are included for sensitivity analysis.

The WWW averaged modeled price per carat for the Gahcho Kué kimberlites is US\$123. The WWW models use size distribution models (carats per size class) developed by De Beers.

Diamond Outlook

The Global Diamond Report 2015 published by Bain & Company Inc., reported that during 2015, the diamond industry suffered the effect from the mild decline in consumer demand for diamond jewelry that started in 2014 in Greater China. That slowdown led to a notable drop in demand for polished and rough diamonds, which in turn led to price decreases for polished and rough diamonds of 12% and 23%, respectively, since May 2014 and 8% and 15%, respectively, since the beginning of 2015. The weaker-than-expected growth in customer demand initially affected demand for polished diamonds as retailers built up inventories and reduced purchases of polished diamonds. The slowdown then extended to rough-diamond producers as mid-market companies built up their inventories and reduced their purchases of rough diamonds despite declining prices. It is expected that regular circulation of diamonds through the pipeline should be restored as soon as the midmarket and retail segments clear their excess inventories.

The report indicates that the long-term outlook for the diamond market remains positive, with demand expected to outpace supply starting in 2019. Until then, the rough-diamond supply-demand balance will be tight. They expect demand for rough diamonds to recover from the recent downturn and return to a long-term growth trajectory of about 3% to 4% per year on average, relying on strong fundamentals in the U.S. and the continued growth of the middle class in India and China.

Gahcho Kué Diamond Mine Update

The first blast in the quarry at the Gahcho Kué Diamond Mine occurred on December 13, 2013 and production of aggregate material for infrastructure foundations, roads and the landing strip commenced.

During February and March 2015, 2,193 truckloads, which included the diamond plant, mining equipment, construction materials, explosives and fuel was delivered to the Gahcho Kué Diamond Mine on the ice road. As at March 29, 2016, the overall project development is progressing according to plan. Construction of the Gahcho Kué Diamond Mine is targeted to be completed by H1 2016, following which commissioning of the diamond plant will commence. The Gahcho Kué Diamond Mine is targeted to be completed in 2016 with ramp up to first production by September 2016 and commercial production by January 2017.

Procurement Progress

As at December 31, 2015 procurement is currently on target at 99%. During the year ended December 31, 2015 with the various equipment and construction material at site, the focus is on the close-out of the various procurement packages and managing site contracts.

Since commencing construction in December 2013, materials, equipment and services totaling \$827 million of the original \$1,019 million budget have, at December 31, 2015, been ordered and received at site, which represents approximately 81.2% of the total material, equipment and services costs for the construction of the Project.

Construction Progress

On April 1, 2014, De Beers, the Operator of the Gahcho Kué Diamond Mine signed an Engineering Procurement and Construction Management Services Agreement ("Hybrid EP") with Hatch Ltd. to construct the mine.

At December 31, 2015, overall project progress stands at 83% complete and remains on track for first production in H2 2016.

Calendar 2015 construction activities represent approximately 67% of the total execution plan, with approximately 33% of work scheduled for early 2016. No lost time incidents were recorded for the year ended December 31, 2015.

A key construction milestone achieved during the year was the commencement and completion of the principal concrete pour for the foundations of the process plant. Concrete pouring commenced during April 2015 and by the end of December 2015 approximately 11,500 cubic meters of structural concrete had been produced and poured at site. All concrete activities are now complete. At December 31, 2015 structural steel progress was 100% complete.

Measures are underway to ensure contractors meet their costs and schedules to minimize the risk of Project cost overruns. Construction of the 3 million tonnes per annum process plant facility represents the project's critical path activity. The plant building was completed and heated during October 2015, allowing the final installation of equipment, cables and instrumentation from October 2015 through to May 2016. Production is scheduled to commence during H2 2016 with a four month ramp-up to commercial production by the end of January 2017. The project remains on schedule to achieve these milestones.

The project's accommodation and administration facilities were completed during 2014 and temporary accommodation to accommodate the peak construction staff was completed in May 2015. The Camp occupancy was at 466 personnel at December 31, 2015 but went over 609 during the month. The Camp capacity for single occupancy is 478. Double-occupancy began in August 2015 and will continue through March 2016.

Gahcho Kué Capital Cost Summary

At December 31, 2015, the Operator of the Gahcho Kué Diamond Mine issued purchase orders of \$962 million of the approved \$1,019 million budget. As mentioned above approximately \$827 million of materials, equipment and services had been received leaving a balance of approximately \$135 million of the remaining commitments to be received or incurred. Based on the approved budget, approximately \$57 million remains uncommitted or \$94.5 million against the \$1,056.5 forecast (before out-of-scope items and foreign exchange). These orders will be placed from January 2016 to completion.

FINANCING TRANSACTIONS DURING 2015

Equity

On March 31, 2015, the Company announced the successful completion of a \$95 million rights offering (the "Offering"). A total of 135,204,550 rights were exercised for 23,761,783 common shares.

Under the terms of the Offering, every 5.69 Rights entitled the holder thereof to purchase one common share at a subscription price of \$4.00 per common Share. The subscription price of \$4.00 per common share was equal to a discount of approximately 16% from the volume weighted average trading price of the common shares on the TSX for the 5 day period ending on February 17, 2015.

Mr. Dermot Desmond, an insider of the Company and principal owner of Bottin (International) Investments Ltd. ("Bottin"), provided a standby guarantee to the Company whereby he agreed to purchase any rights not otherwise subscribed for by shareholders. Mr. Desmond received a standby fee of 3%, which following shareholder approval at the Annual Special Meeting held on June 16, 2015 was settled through the issuance on June 25, 2015 of 712,500 common shares of the Company.

Loan Facility

On April 2, 2015, the Company through its subsidiary, 2435572 Ontario Inc. entered into a Loan Facility of US\$370 million with a syndicate of lenders led by Natixis S.A., Scotiabank and Nedbank Ltd. and including ING Capital LLC, Export Development Canada and the Bank of Montreal. On April 29, 2015, Société Générale joined the lender syndicate. The Lenders hold security over the Company's 49% interest in the Gahcho Kué Diamond Mine held through the Company's subsidiaries. The term of the Loan Facility is seven years and the interest rate is U.S. dollar

LIBOR plus 5.5 percent. The Loan Facility has a drawdown schedule that commenced on April 7, 2015 and ends on March 31, 2017 to correspond with the projected construction period. When the Company reaches the earlier of commercial production or September 30, 2017, it will be subject to certain financial and insurance covenants. The Company would be subject to certain financial and insurance covenants in certain special scenarios including the event of default.

Drawdowns under the Loan Facility are subject to certain conditions, including approval of a quarterly cost to complete report prepared by an independent technical consultant. The Company has funded a Cost Overrun Reserve Account, which is restricted to fund potential cost overruns of the project, and use of this account must be approved by the lenders. A cost to complete shortfall would exist if available funding remaining under the Loan Facility is less than the projected costs to completion of the project. Such shortfall would represent a cost overrun. If the Lenders are satisfied that the cost overrun can be funded with amounts in the Cost Overrun Reserve Account then no event of default would have occurred, and the lenders would approve further drawdown against the Loan Facility. If the available resources under the Loan Facility plus the Cost Overrun Reserve Account were insufficient to fund the project to completion, additional funding would be required and no amounts would be available to be drawn until such shortfall was remedied.

The Loan Facility will be used to fund the Company's share of the remaining construction cost of the Gahcho Kué Diamond Mine, associated fees, operating costs during the build-up to commercial production, general and administrative costs, interest costs and repayment of \$10 million of sunk costs, which becomes payable to De Beers Canada on achievement of commercial production, targeted in January 2017. At March 29, 2016, the Company had drawn US\$231 million against the US\$370 million Loan Facility.

Included in the US\$370 million Loan Facility is an amount of \$10.9 million Canadian dollars (49% of the \$22.2 million as discussed above), which on April 7, 2015 was provided for by the Lenders to take into account the negative movement of the Canadian dollar against various currencies and some other minor out-of-scope items.

The terms of the Loan Facility required the Company to arrange a US\$75 million cost overrun facility or maintain funds in a restricted cost overrun account. On April 8, 2015, the Company deposited \$93,345,000 into a restricted cost overrun account in 2435572 Ontario Inc. At December 31, 2015, \$451,087 has been used to fund some minor out-of-scope items approved by the Joint Venture Management Committee. As at December 31, 2015, interest totaling \$627,435 has been earned in the restricted cost overrun account.

On April 7, 2015, the Company entered into U.S. dollar interest rate swaps ("IRS") to manage interest rate risk associated with the U.S. dollar variable rate Loan Facility (Note 9) and entered into foreign currency forward strip contracts to mitigate the risk that a devaluation of the U.S. dollar against the Canadian dollar would reduce the Canadian dollar equivalent to the U.S. dollar Loan Facility and the Company would not have sufficient Canadian dollar funds to develop the Gahcho Kué Diamond Mine. On July 10, 2015, the Company entered into additional foreign currency forward strip contracts from August 4, 2015 to February 1, 2017. The interest rate swaps and forward strip contracts are secured on an equal basis with the Loan Facility and documented in the form of International Swaps Derivatives Association Master agreements.

These derivatives have been classified as "non-hedge derivatives". Changes in the fair value of the IRS and foreign currency forward strip contracts are recognized in the Statement of Comprehensive Loss as gains or losses on derivatives.

Interest Rate Swap Contracts

The Company has entered into U.S. dollar floating-to-fixed interest rate swaps intended to economically fix the interest rate on 75% of the outstanding principal of the balance of the Loan Facility based on the forecast loan drawdown schedule up to a maximum of US\$277 million. The interest rate swaps terminate on March 31, 2020. The Company will pay a fixed rate of 1.827% and will receive a variable rate based on the 3 month LIBOR forward curve, reset quarterly. Payments are settled on a quarterly basis in March, June, September, and December of each year.

The table below provides a summary of the interest rate swap contracts outstanding as at December 31, 2015:

Period of Interest Rate Contracts	Notional Amount (USD)
January 1, 2016 to December 31, 2016	\$ 224,693,146
January 1, 2017 to December 1, 2017	277,500,000
January 1, 2018 to December 31, 2018	161,932,194
January 1, 2019 to December 31, 2019	41,995,998
January 1, 2020 to March 31, 2020	5,877,827

Foreign Currency Forward Strip

On April 7, 2015, the Company executed foreign currency forward strip contracts to buy Canadian dollars and sell U.S. dollars for the period from April 7, 2015 to February 1, 2017 for notional amounts of \$219,125,894 or US\$175,666,949, with a weighted average price of \$1.2474/US\$1 and on July 10, 2015, the Company executed foreign currency forward strip contracts to buy Canadian dollars and sell U.S. dollars for the period from August 4, 2015 to February 1, 2017 for notional amounts of \$54,832,365 or US\$43,130,678, with a weighted average price of \$1.27131/US\$1. At December 31, 2015 notional amounts of \$132,925,735 or US\$106,299,141 had been executed against the strip contracts.

The table below provides a summary of currency contracts outstanding as at December 31, 2015:

Period of Currency Contracts	Notional Amount (CAD)	Weighted Average Price (USD)	Notional Amount (USD)
January 1, 2016 to December 31, 2016	\$ 130,485,120	\$ 1.2544	\$ 104,024,890
January 1, 2017 to February 1, 2017	10,547,404	1.2447	8,473,595
	\$ 141,032,524	\$ 1.2536	\$ 112,498,485

At December 31, 2015, US\$158 million (\$218,672,000 Canadian) was outstanding under the Loan Facility using an exchange rate of \$1.3840/US\$1. The loan is carried at amortized cost on the balance sheet.

As at December 31, 2015, financing costs totaling \$29,181,602 consisting primarily of fees payable to the lenders, legal and financial advisory fees, other financing related expenses and commitment fees relating to the Loan Facility have been deferred. The loan has been reduced by a pro-rata portion of the deferred financing costs relative to what has been drawn to date, which is being amortized over the life of the Loan Facility using the effective interest method. The resulting balance of financing costs as at December 31, 2015 is \$13,891,403 (December 31, 2014 - \$2,570,914) and will be allocated to future drawdowns and amortized over the life of the Loan Facility using the effective interest rate method.

Of the US\$158 million drawn at December 31, 2015, US\$127.0 million was used for capital related costs, US\$30.3 million for costs listed below and the remainder of approximately US\$0.7 million for funds held in restricted accounts discussed below.

- US\$13.4 million paid to the lenders for fees and various agency roles;
- US\$4.1 million used to fund various legal, advisory fees and other financing and related expenses incurred to arrange the Loan Facility;
- US\$2.7 million used to fund general and administration costs;
- US\$10.1 million interest and commitment fees.

At December 31, 2015, the Company had US\$374,277 in the restricted U.S. dollar proceeds account and \$472,672 or US\$341,526 equivalent of in the restricted Canadian dollar proceeds account. These amounts are restricted to the Project and related expenditure and may only be released on completion of utilization requests approved by the Facility Agent.

The following table shows the expected repayment schedule for the Loan Facility, assuming the entire US\$370 million is drawn:

Year	Principal repayment
2017	US \$ 24,791,085
2018	93,845,271
2019	100,948,191
2020	46,778,076
2021	63,039,904
2022	40,597,473
Total	US \$ 370,000,000

RESULTS OF OPERATIONS

The expenditures directly attributable to the development of the Gahcho Kué Diamond Mine are capitalized. The total original budgeted cost to construct the mine was \$1,019 million (excludes exchange rate movement, out-of-scope purchases and adjustments resulting from the QRA as discussed above). The revised forecast is \$1,081.4 million as discussed above.

Management believes that the Company's cash resources and Loan Facility will enable it to fund its share of the remaining construction costs of the Gahcho Kué Diamond Mine and does not expect to raise additional cash. The Company currently does not generate cash from operations.

SELECTED ANNUAL INFORMATION

	December 31, 2015	December 31, 2014	December 31, 2013
Interest income	\$ 1,130,419	\$ 458,659	\$ 355,428
Management fees	90,000	90,000	152,500
Operating expenses	(6,316,576)	(4,726,839)	(27,087,984)
Other expenses	(38,072,814)	(214,211)	(23,882)
Net loss for the period	(43,168,971)	(4,394,079)	(26,603,938)
Basic and diluted loss per share	(0.28)	(0.04)	(0.28)
Cash flow from operating activities	(4,243,550)	(6,547,129)	(32,619,536)
Cash, end of year	9,081,791	3,779,907	11,344,472
Total assets	582,848,108	300,994,512	110,367,203
Long-term liabilities	230,226,813	7,996,825	5,224,662
Dividend declared	Nil	Nil	Nil

FINANCIAL REVIEW

Three months and year ended December 31, 2015 compared to the three months and year ended December 31, 2014

For the three months ended December 31, 2015, the Company recorded a net loss of \$10,247,682 or \$0.06 per share, compared to \$458,431 net loss or \$0.00 per share for the three months ended December 31, 2014. For the year ended December 31, 2015, the Company recorded a net loss of \$43,168,971 or \$0.28 per share, compared to \$4,394,079 net loss or \$0.04 per share for the year ended December 31, 2014. For the year ended December 31, 2015 stock based compensation of \$2,268,263 was incurred, compared to \$316,018 and derivative loss of \$17,241,753 was incurred compared to \$Nil for the same period in 2014.

Three months and year ended December 31, 2014 compared to the three months and year ended December 31, 2013

For the three months ended December 31, 2014, the Company recorded a net loss of \$458,431 or \$0.00 per share, compared to \$6,839,466 net loss or \$0.07 per share for the three months ended December 31, 2013. For the year ended December 31, 2014, the Company recorded a net loss of \$4,394,079 or \$0.04 per share, compared to \$26,603,938 net loss or \$0.28 per share for the year ended December 31, 2013.

Quarterly financial information for the past eight quarters is shown in Table 1.

SUMMARY OF QUARTERLY RESULTS

Table 1 - Quarterly Financial Data

	December 31	Three months ended		
	2015	September 30	June 30	March 31
	2015	2015	2015	2015
	\$	\$	\$	\$
Earnings and Cash Flow				
Interest income	457,389	241,928	297,166	133,936
Operating expenses	(2,367,544)	(676,617)	(2,588,372)	(684,043)
Net loss for the period	(10,247,682)	(26,590,291)	(5,760,241)	(570,757)
Basic and diluted loss per share	(0.06)	(0.17)	(0.04)	(0.00)
Cash flow from operating activities	(1,591,933)	(369,311)	(1,586,871)	(695,435)
Cash flow from investing activities	(57,622,213)	(23,496,193)	(186,756,514)	12,127,757
Cash flow from financing activities	36,315,623	32,484,728	104,313,186	92,076,884
Balance Sheet				
Total assets	582,848,108	553,299,200	510,358,416	409,428,267

	Three months ended			
	December 31	September 30	June 30	March 31
	2014	2014	2014	2014
	\$	\$	\$	\$
Earnings and Cash Flow				
Interest income	260,229	97,195	41,746	59,489
Operating expenses	(658,851)	(1,011,609)	(1,734,587)	(1,231,792)
Net loss for the period	(458,431)	(965,881)	(1,743,911)	(1,225,856)
Basic and diluted loss per share	(0.00)	(0.01)	(0.02)	(0.01)
Cash flow from operating activities	(4,387,710)	(1,061,639)	5,048,459	(8,457,794)
Cash flow from investing activities	(100,645,017)	(14,145,955)	(54,118,175)	4,184,666
Cash flow from financing activities	94,767,451	(50,172)	50,266,368	21,034,953
Balance Sheet				
Total assets	300,994,512	200,818,322	185,200,584	153,622,916

COSTS AND EXPENSES

The costs and expenses for the three months and years ended December 31, 2015, December 31, 2014 and December 31, 2013 are comparable except for the following:

Consulting fees

Consulting fees for the three months ended December 31, 2015, 2014 and 2013 respectively were \$1,727,384, \$538,171 and \$509,589. For the years ended December 31, 2015, 2014, and 2013 consulting fees respectively were \$4,123,689, \$1,550,392 and \$2,527,607. Included in these amounts for the years ended December 31, 2015, 2014 and 2013 respectively were \$2,268,263, \$316,018 and \$1,240,821 relating to stock based compensation.

Exploration and evaluation expenses

Exploration and evaluation expenses for the three months ended December 31, 2015, 2014 and 2013 respectively were \$6,463, (\$179,813) and \$5,456,405. For the years ended December 31, 2015, 2014 and 2013 exploration and evaluation expenses respectively were \$32,001, \$1,508,329 and \$21,837,083. The decrease from 2015 compared to 2014 and 2013 are as a result of all Gahcho Kué development costs being capitalized, effective December 31, 2013.

Gahcho Kué Project management fees

Gahcho Kué Project management fees for the three months ended December 31, 2015, 2014 and 2013 respectively were \$Nil, \$Nil and \$460,104. For the years ended December 31, 2015, 2014 and 2013 Gahcho Kué Project management fees respectively were \$Nil, \$Nil and \$1,113,848. The decrease for the same period in 2015 and 2014 is as a result of all Gahcho Kué development costs being capitalized, effective December 31, 2013.

Office and administration

Office and administration expenses for the three months ended December 31, 2015, 2014 and 2013 respectively were \$133,340, \$98,462 and \$69,004. For the years ended December 31, 2015, 2014 and 2013 office and administration respectively were \$499,676, \$385,326 and \$318,735. Insurance and other costs have increased during 2015.

Professional fees

Professional fees for the three months ended December 31, 2015, 2014 and 2013 respectively were \$309,582, \$118,738 and \$74,115. For the years ended December 31, 2015, 2014 and 2013 professional fees respectively were \$678,842, \$423,752 and \$344,701. The increase in 2015 compared to 2014 relates to various legal and audit related matters.

Transfer agent and regulatory fees

Transfer agent and regulatory fees for the three months ended December 31, 2015, 2014 and 2013 respectively were \$63,655, \$42,778 and \$36,819. For the years ended December 31, 2015, 2014 and 2013 transfer agent and regulatory fees respectively were \$408,834, \$232,772 and \$180,412. At the end of 2014, the Company listed on the NASDAQ which resulted in an increase in listing fees and additional fees relating to the amendment of the stock option plan.

Interest income

Interest income for the three months ended December 31, 2015, 2014 and 2013 respectively were \$457,389, \$260,229 and \$60,810. For the years ended December 31, 2015, 2014 and 2013 interest income respectively were \$1,130,419, \$458,659 and \$355,428. The increase in 2015 is as a result of a higher interest rate being obtained on a higher balance (cost overrun account of approximately \$93 million) than in 2014.

Derivative loss

Derivative loss for the three months ended December 31, 2015, 2014 and 2013 respectively were \$991,720, \$Nil and \$Nil. For the years ended December 31, 2015, 2014 and 2013 derivative loss respectively were \$19,408,350, \$Nil and \$Nil. In 2015, foreign exchange and interest rate swap contracts were entered into on April 7, 2015 and on July 10, 2015 additional foreign exchange contracts were executed.

Foreign exchange loss

Foreign exchange loss for the three months ended December 31, 2015, 2014 and 2013 respectively were \$7,296,986 \$Nil and \$Nil. For the years ended December 31, 2015, 2014 and 2013 foreign exchange loss respectively were \$18,224,300, \$Nil and \$Nil. The increase in 2015 is a result the translation of the Loan Facility and U.S. dollar cash balances at the spot rate at the year end.

INCOME AND RESOURCE TAXES

The Company is subject to income and mining taxes in Canada with the statutory income tax rate at 26.5%.

No deferred tax asset has been recorded in the financial statements as a result of the uncertainty associated with the ultimate realization of these tax assets.

The Company is subject to assessment by Canadian authorities, which may interpret tax legislation in a manner different from the Company. These differences may affect the final amount or the timing of the payment of taxes. When such differences arise the Company makes provision for such items based on management's best estimate of the final outcome of these matters.

FINANCIAL POSITION AND LIQUIDITY

The Company is in the process of developing the Gahcho Kué Diamond Mine in conjunction with De Beers. The underlying value and recoverability of the amounts shown as "Property and Equipment" are dependent upon the successful development and commissioning, and upon future profitable production and proceeds from disposition of the Company's mineral properties. Failure to meet the obligations for the Company's share in the Gahcho Kué

Diamond Mine may lead to dilution of the interest in the Gahcho Kué Diamond Mine and may require the Company to write off costs capitalized to date. As discussed above the Company believes it has arranged the necessary financing to fund its remaining share of the construction costs of the Gahcho Kué Diamond Mine and does not believe that it will require additional funding. The Company currently has no source of revenue.

Cash flow used in operating activities, including change in non-cash working capital for the years ended December 31, 2015, 2014 and 2013 respectively were \$4,243,550, \$8,858,684 and \$32,619,536. The decrease in cash flow in 2015 and 2014 is a result of changes in non-cash operating working capital.

Investing activities for the years ended December 31, 2015, 2014 and 2013 respectively were (\$255,747,331), (\$164,724,481) and \$14,322,371. For the years ended December 31, 2015, 2014 and 2013 respectively, the outflow for the purchase of equipment and the capitalization of expenditures directly related to the development of the Gahcho Kué Diamond Mine were \$239,795,590, \$112,267,464 and \$9,108,832. Development activity has been increasing steadily since December 2013 when the Mackenzie Valley Land and Water Board approved a pioneer Land Use Permit for the Gahcho Kué Diamond Mine, which allowed land-based site works to commence. Cash flows used in investing activities for December 31, 2015 include \$94,512,019 in restricted cash, \$239,795,590 in property and equipment and offset by \$77,261,842 redemption of short-term investments. In 2014, \$112,267,464 was used for property and equipment and the purchase of \$52,918,620 in short-term investments. In 2013, \$9,108,832 was used for property and equipment and the redemption of \$23,075,775 in short-term investments.

Financing activities for the years ended December 31, 2015, 2014 and 2013 respectively were \$265,190,421, \$166,018,600 and \$29,366,941. Cash flows from financing activities for the year ended December 31, 2015 relate to cash draws of US\$158 million or approximately \$200 million Canadian dollar equivalent (foreign exchange contract rates and spot rates) from April 9, 2015 to December 31, 2015 from the Loan Facility, net of financing costs, approximately \$27.7 million used in payment of financing costs, and approximately \$95 million from a Rights Offering whereby 23,761,783 shares were issued at a price of \$4.00.

Comparatively, in 2014, the Company closed a bought-deal private placement and a non-brokered private placement for common shares for gross proceeds of \$28,244,672. The Company issued 5,538,171 common shares at a price of \$5.10 per share. Transaction costs in the amount of \$1,058,942 were paid in relation to the bought-deal and non-brokered private placements and other share issuance costs of \$150,775 were incurred in connection with the bought-deal and non-brokered private placements. On September 28, 2014, the Company closed a non-brokered private placement for common shares for gross proceeds of \$45,525,140. The Company issued 9,105,028 common shares at a price of \$5.00 per share. Transaction costs in the amount of \$755,250 were incurred in relation to the non-brokered private placement which included 60,000 common shares at a price of \$5.00 per share which were issued subsequent to the quarter end and other share issuance costs of \$269,799 which were incurred in connection with the non-brokered private placement.

For the year ended December 31, 2013, the Company closed a non-brokered private placement of common shares for gross proceeds of \$29,446,000. The Company issued 5,889,200 common shares at a price of \$5.00 per share. Transaction costs in the amount of \$567,330 were paid in relation to the private placement and share issuance costs of \$71,169 were incurred in connection with the private placement.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

FINANCIAL INSTRUMENTS RISKS

The Company examines the various financial risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include credit risk, liquidity risk, foreign currency risk and interest rate risk.

Credit risk

Credit risk is the risk of a loss associated with counterparty's inability to fulfill its contractual payment obligations. The Company's financial assets are primarily composed of cash and restricted cash. To mitigate exposure to credit risk, the Company has adopted strict investment policies, which prohibit any equity or money market investments. All of the Company's cash and restricted cash are held with reputable financial institutions. The Company believes it has no significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. Additional funds from the Loan Facility (Note 9) will be required to fund its share of the construction of the Gahcho Kué Diamond Mine. The Company's approach to managing liquidity risk is to monitor forecast cash flows so that it will have sufficient liquidity to meet liabilities when due. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support its ongoing requirements. The Company coordinates this planning and budgeting process with its financing activities through its capital management process. Drawdowns under the Loan Facility are subject to certain conditions, including approval of a quarterly cost to complete report prepared by an independent technical consultant.

Foreign currency risk

The Company is exposed to financial risk related to foreign exchange rates. The Company operates in Canada and has foreign currency exposure to transactions in U.S. dollars. The majority of development costs of the Gahcho Kué Diamond Mine will be in Canadian dollars, but funded through the U.S. dollar Loan Facility. The Company has entered into foreign currency forward strip contracts to mitigate the risk that a devaluation of the U.S. dollar against the Canadian dollar would reduce the Canadian dollar equivalent to the U.S. dollar Loan Facility and the Company would not have sufficient Canadian dollar funds to develop the Gahcho Kué Diamond Mine. The foreign currency forward strip contracts increase the exposure to financial risk related to foreign exchange rates. Currency risk relates to the U.S. dollar Loan Facility, foreign currency forward strip contracts and cash and restricted cash denominated in U.S. dollar.

As at December 31, 2015, the Company had cash and restricted cash, derivative liabilities and the Loan Facility that are in U.S. dollars.

Cash	\$	2,400,000
Restricted cash		500,000
Derivative liabilities		(17,200,000)
Loan facility		(218,700,000)
Total	\$	(233,000,000)

A 10% appreciation or depreciation of the Canadian dollar relative to the U.S. dollar at December 31, 2015 would have resulted in an increase or decrease to net loss of approximately \$23.3 million.

Interest rate risk

The Company is exposed to interest rate risk on its outstanding borrowings, interest rate swap contracts and short-term investments. The Company has entered into interest rate swaps to fix its interest rate exposure for 75% of its U.S. dollar Loan Facility and therefore has interest rate exposure to the remaining 25%. As at December 31, 2015, the total Loan Facility drawn was US\$158 million and interest rate swaps of US\$117.7 million are currently in effect.

At December 31, 2015, a 100 basis point increase in the LIBOR interest rate for the 75% interest rate swap portion would have resulted in a decrease to interest by approximately \$9.96 million. A 100 basis point decrease in the LIBOR interest rate for the 75% interest rate swap portion would have resulted in an increase to interest by approximately \$10.15 million.

At December 31, 2015, a 100 basis point increase in LIBOR interest rate for the 25% floating portion would have resulted in an increase to interest by approximately \$53,100. A 100 basis point decrease in LIBOR interest rate for the 25% floating portion would have resulted in a decrease to interest by approximately \$53,100.

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's unaudited condensed consolidated interim financial statements requires management to make judgments, 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. These unaudited condensed consolidated interim financial statements include estimates, which, by their nature, are uncertain 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 future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

i) Significant Judgments in Applying Accounting Policies

The areas which require management to make significant judgments in applying the Company's accounting policies in determining carrying values include, but are not limited to:

a) *Impairment analysis – mineral properties*

As required under IAS 36 – Impairment of Assets (“IAS 36”), the Company reviews its mineral properties for impairment based on results to date and when events and changes in circumstances indicate that the carrying value of the assets may not be recoverable. The Company is required to make certain judgments in assessing indicators of impairment. The Company's assessment is that as at December 31, 2015, 2014 and 2013 no indicator of an impairment in the carrying value of its mineral properties had occurred.

ii) Significant Accounting Estimates and Assumptions

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

a) *Mineral reserves and resources*

Mineral reserve and resource estimates include numerous uncertainties and depend heavily on geological interpretations and statistical inferences drawn from drilling and other data, and require estimates of future price for the commodity and future cost of operations. The mineral reserve and resources are subject to uncertainty and actual results may vary from these estimates. Results from drilling, testing and production, as well as material changes in commodity prices and operating costs subsequent to the date of the estimate, may justify revision of such estimates. Changes in the proven and probable mineral reserves or measured and indicated and inferred mineral resources estimates may impact the carrying value of the properties.

b) *Provision for decommissioning and restoration*

The decommissioning and restoration liability and the accretion recorded are based on estimates of future cash flows, discount rates, and assumptions regarding timing. The estimates are subject to change and the actual costs for the decommissioning and restoration liability may change significantly.

c) *Stock options*

The stock option pricing model requires the input of highly subjective assumptions including the expected life and volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

d) Deferred taxes

Deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and on unused losses carried forward, and are measured using the substantively enacted tax rates that are expected to be in effect when the differences are expected to reverse or losses are expected to be utilized. Deferred tax assets are recorded to recognize tax benefits only to the extent that, based on available evidence, including forecasts, it is probable that they will be realized. The Company has not recorded the benefit of tax losses or deductible temporary differences.

STANDARDS AND AMENDMENTS TO EXISTING STANDARDS

At the date of preparation of this MD&A, certain new standards and amendments to existing standards have been published but are not yet effective, and have not been adopted early by the Company. The Company anticipates that all of the relevant standards will be adopted by the Company in the first period beginning after the effective date of the standard. Information on new standards and amendments that are expected to be relevant to the Company's financial statements is provided below.

Financial instruments

In July 2014, the IASB issued the final version of International Financial Reporting Standard 9, Financial Instruments ("IFRS 9"), bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. The mandatory effective date of IFRS 9 is annual periods beginning on or after January 1, 2018, with early adoption permitted. We are currently assessing the impact of adopting IFRS 9 on the consolidated financial statements along with timing of adoption of IFRS 9.

Leases

On January 13, 2016, the IASB issued International Financial Reporting Standard 16, Leases ("IFRS 16"). The new standard will replace existing lease guidance in IFRS and related interpretations, and requires companies to bring most leases on-balance sheet. The new standard is effective for years beginning on or after January 1, 2019. The Company is currently assessing the impact of IFRS 16.

RELATED PARTY TRANSACTIONS

The Company's related parties include the operator of the Gahcho Kué Diamond Mine, Dermot Desmond, Bottin, key management and their close family members, and the Company's directors. Kennady Diamonds Inc. ("Kennady Diamonds") is also a related party since the Company and Kennady Diamonds have common members of key management.

Related party transactions are recorded at their exchange amount, being the amount agreed to by the parties. Outstanding balances are settled in cash.

The Company had the following transactions and balances with its related parties including key management personnel and the Company's directors, Dermot Desmond, Bottin, the operator of the Gahcho Kué Diamond Mine, and Kennady Diamonds. The transactions with key management personnel are in the nature of remuneration. The transactions with the operator of the Gahcho Kué Diamond Mine relate to the funding of the Company's interest in the Gahcho Kué Diamond Mine for the current year's expenditures, capital additions and management fee. The transactions with Kennady Diamonds are for a monthly management fee charged by the Company and reimbursement of expenses paid on behalf of Kennady Diamonds.

As discussed in Note 11, the Company issued 712,500 common shares or the equivalent of \$2,850,000 to Mr. Dermot Desmond as a standby fee.

The balances as at December 31, 2015 and 2014 were as follows:

	December 31, 2015	December 31, 2014
Payable to the operator of the Gahcho Kué Diamond Mine*	\$ 1,210,408	\$ 1,345,183
Receivable from Kennady Diamonds	8,475	-
Payable to key management personnel	-	398,895

*included in accounts payable and accrued liabilities

The transactions for the years ended December 31, 2015, 2014 and 2013 were as follows:

	Year ended December 31, 2015	Year ended December 31, 2014	Year ended December 31, 2013
The total of the transactions:			
Kennady Diamonds	\$ 90,000	\$ 90,000	\$ 152,500
Remuneration to key management personnel	3,843,355	1,426,256	2,457,759
Asset purchase from De Beers Canada Inc.	32,945	70,560	-
Management fee charged by the operator of the Gahcho Kué Diamond Mine	6,522,109	4,067,683	1,113,848

The remuneration expense of directors and other members of key management personnel for the years ended December 31, 2015, 2014 and 2013 were as follows:

	Year ended December 31, 2015	Year ended December 31, 2014	Year ended December 31, 2013
Consulting fees, director fees, bonus and other short-term benefits	\$ 1,575,092	\$ 1,110,238	\$ 1,216,938
Share-based payments	2,268,263	316,018	1,240,821
	\$ 3,843,355	\$ 1,426,256	\$ 2,457,759

In accordance with International Accounting Standard 24 Related Parties, 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.

CONTRACTUAL OBLIGATIONS

The Company has consulting agreements with the President and CEO and the VP Finance, CFO and Corporate Secretary for their services in these capacities.

The following table summarizes the contractual maturities of the Corporation's significant financial liabilities and capital commitments, including contractual obligations:

	Less than 1 Year	1 to 3 Years	4 to 5 Years	After 5 Years	Total
Operating lease obligations	\$ 142,256	\$ 11,855	\$ -	\$ -	\$ 154,111
Gahcho Kué Diamond Mine commitments	66,169,607	-	-	-	66,169,607
Trade and other payables	28,193,849	-	-	-	28,193,849
Loan facility - Principal	-	164,192,718	54,479,282	-	218,672,000
Loan facility - Interest	15,670,300	26,084,400	1,398,300	-	43,153,000
Interest Rate Swap Contracts:					
Outflows	2,628,750	1,227,392	(289,119)	(7,286)	3,559,737
Forward Exchange Contracts*:					
(Inflows)	(130,485,120)	(10,547,404)	-	-	(141,032,524)
Outflows	143,970,448	11,727,455	-	-	155,697,903
	\$ 126,290,090	\$ 192,696,416	\$ 55,588,463	\$ (7,286)	\$ 374,567,683

*The foreign exchange contracts inflows and outflows have been signed with the syndicate of lenders. In the scenario where one or more of these lenders are unable to pay, the Company could be exposed to the outflow of agreed upon funds for the remaining contracts at that time. Any offsetting would be at the discretion of the lenders. The Company believes it has no significant credit risk.

OTHER MANAGEMENT DISCUSSION AND ANALYSIS REQUIREMENTS

Risks

Mountain Province's business of exploring, permitting and developing mineral resources involves a variety of operational, financial and regulatory risks that are typical in the mining industry. The Company attempts to mitigate these risks and minimize their effect on its financial performance, but there is no guarantee that the Company will be profitable in the future, and investing in the Company's common shares should be considered speculative.

Mountain Province's business of exploring, permitting and developing mineral properties is subject to a variety of risks and uncertainties, including, without limitation:

- risk that the development of the mine will not be consistent with the Company's expectation;
- risks and uncertainties relating to the interpretation of drill results, the geology, grade and continuity of mineral deposits;
- results of initial feasibility, pre-feasibility and feasibility studies, and the possibility that future exploration, development or mining results will not be consistent with the Company's expectations; mining exploration risks, including risks related to accidents, equipment breakdowns or other unanticipated difficulties with or interruptions in production;
- risks related to foreign exchange fluctuations and prices of diamonds;
- risks related to commodity price fluctuations;
- the uncertainty of profitability based upon the Company's history of losses;
- risks related to failure of its joint venture partner to continue to obtain adequate financing on a timely basis and particularly given recent volatility in the global financial markets;
- development and production risks including and particularly risks for weather conducive to the building and use of the Tibbitt to Contwoyto Winter Road;
- risks related to environmental regulation, permitting and liability;
- risks related to legal challenges to construction and/or operating permits that are approved and/or issued;
- political and regulatory risks associated with mining, exploration and development;
- the ability to develop and operate the Company's Gahcho Kué Diamond Mine on an economic basis and in accordance with applicable timelines;

- aboriginal rights and title;
- failure of plant, equipment, processes and transportation services to operate as anticipated;
- possible variations in ore grade or recovery rates, permitting timelines, capital expenditures, reclamation activities, land titles, and social and political developments, and other risks of the mining industry; and
- other risks and uncertainties related to the Company's prospects, properties and business strategy.

As well, there can be no assurance that any further funding required by the Company will become available to it, and if so, that it will be offered on reasonable terms, or that the Company will be able to secure such funding. Furthermore, there is no assurance that the Company will be able to secure new mineral properties or projects, or that they can be secured on competitive terms.

Disclosure of Corporate Governance Practices

Amendments to National Instrument 58-101 *Corporate Governance Disclosure* adopted by the Ontario Securities Commission on December 31, 2014 provide for the disclosure of the following matters on an annual basis:

- policies regarding the representation of women on the board,
- the board's or nominating committee's consideration of the representation of women in the director identification and selection process,
- the Company's consideration of the representation of women in executive officer positions when making executive officer appointments,
- targets regarding the representation of women on the board and in executive officer positions, and
- the number of women on the board and in executive officer positions.

The Company's information circular dated May 21, 2015 for the annual special and general meeting of shareholders inadvertently did not include this disclosure.

Policies Regarding the Representation of Women on the Board

Disclose whether the Company has adopted a written policy relating to the identification and nomination of women Directors. If the Company has not adopted such a policy, disclose why it has not done so.

The Board has not adopted a written policy relating to the identification and nomination of women directors. The directors of the Corporation have a fiduciary duty to act in the best interests of the Corporation. As part of that duty, the Board believes that it should be able to select and nominate for election or appointment as directors those individuals who will best serve the interests of the Corporation, regardless of gender, race, creed or gender identity. The Board believes that implementing such a policy will potentially restrict the Board's ability to select those individuals that will best serve the interests of the Corporation.

Consideration of Women in the Director Identification and Selection Process

Disclose whether and, if so, how the Board or nominating committee considers the level of representation of women on the Board in identifying and nominating candidates for election or re-election to the Board. If the Company does not consider the level of representation of women on the Board in identifying and nominating candidates for election or re-election to the Board, disclose the Company's reasons for not doing so.

The Board considers the level of representation of women on the board in identifying and nominating candidates for the appointment or election to the Board. In identifying and nominating candidates for election or appointment to the Board, the Board considers various factors, including, but not limited to: (i) the individual merits of each potential candidate, including their skills, education, background, experience and any previous contributions to the Corporation; (ii) the number and qualities of potential candidates and whether any such candidates are women; (iii) the current composition of the Board; and (iv) the needs of the Corporation. The ultimate selection will be based on serving the best interests of the Corporation.

Consideration Given to the Representation of Women in Executive Officer Appointments

Disclose whether and, if so, how the Company considers the level of representation of women in executive officer positions when making executive officer appointments. If the Company does not consider the level of representation of women in executive officer positions when making executive officer appointments, disclose the Company's reasons for not doing so.

The Corporation considers the level of representation of women in executive officer positions when making executive officer appointments. In making executive officer appointments, the Corporation considers various factors, including, but not limited to: (i) the merits of each potential candidate, including their skills, education, background, experience and any previous contributions to the Corporation; (ii) the number and qualities of potential candidates and whether any such candidates are women; (iii) the composition of the executive officers; and (iv) the needs of the Corporation. The ultimate selection will be based on serving the best interests of the Corporation.

Company's Targets Regarding the Representation of Women on the Board in Executive Officer Positions

Disclose whether the Company has adopted targets regarding women on the Company's Board or in executive officer positions of the Company. If the Company has not adopted targets, disclose why it has not done so.

The Corporation has not adopted specific targets for gender or other dimensions of diversity at the Board or executive officer level due to the relatively small size of these groups. In addition, the Corporation believes that it is important that each appointment to the Board and at the executive officer level be made, and be perceived as being made, based on the merits of the individual and the needs of the Corporation at the relevant time. If specific targets were adopted based on specific criteria, including gender, race, creed or gender identity this could limit the Corporation's ability to ensure that the overall composition of the Board and its team of executive officers meets the needs of the Corporation.

Number of Women on the Board and in Executive Officer Positions

Disclose the number and proportion (in percentage terms) of Directors on the Company's Board who are women. Disclose the number and proportion (in percentage terms) of executive officers of the Company, including all major subsidiaries of the Company, who are women.

Currently, the Board does not have any Directors who are women (0%). The Company does not have any executive officers who are women (0%).

DISCLOSURE OF OUTSTANDING SHARE DATA

The Company's common shares are traded on the Toronto Stock Exchange (TSX) under the symbol MPV and on the NASDAQ under the symbol MDM.

At March 29, 2016, there were 159,678,833 shares issued and 2,950,000 stock options outstanding.

There are an unlimited number of common shares without par value authorized to be issued by the Company.

CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES

The Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13(a)-15(e) and 15(d)-15(e) under the "Exchange Act" as of December 31, 2015 (the "Evaluation Date"). Based on such evaluation, such officers have concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures are effective. Such disclosure controls and procedures are designed to ensure that the information required to be disclosed by the Company in reports that it files or submits to the Securities and Exchange Commission under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in applicable rules and forms, and includes controls and procedures designed to ensure information relating to the Company required to be included in our reports filed or submitted under the Exchange Act is accumulated and communicated to the Company's management to allow timely decision regarding disclosure.

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Reference is made to our Management's Report on page 100 of our Annual Report on Form 20-F for the year ended December 31, 2015. Our auditors, KPMG LLP, an independent registered public accounting firm, have issued an audit report on our internal control over financial reporting as of December 31, 2015. This report appears on page 100 of such Annual Report.

CHANGES IN INTERNAL CONTROLS

There have not been any changes in the Company's Internal Control Over Financial Reporting or in other factors that occurred during the year ended December 31, 2015, that has materially affected, or is reasonably likely to materially affect, the Company's Internal Control Over Financial Reporting.

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

Certain of the statements made and information contained herein is "forward-looking information" within the meaning of the Ontario Securities Act. Forward-looking information may include, but is not limited to, statements with respect to the success of exploration activities, future mineral exploration, permitting time lines, requirements for additional capital, sources and uses of funds, the estimation of mineral reserves and mineral resources, the realization of mineral reserve and mineral resource estimates, future remediation and reclamation activities, the timing of activities and the amount of estimated revenues and expenses. Forward-looking information is based on various assumptions including, without limitation, the expectations and beliefs of management, the assumed long term price of diamonds; that the Company can access financing, appropriate equipment and sufficient labour and that the political environment where the Company operates will continue to support the development and operation of mining projects. Should underlying assumptions prove incorrect, or one or more of the risks and uncertainties described below materialize, actual results may vary materially from those described in forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements.

Forward-looking information is subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking information, including, without limitation, risks and uncertainties relating to foreign currency fluctuations; risks inherent in mining including environmental hazards, industrial accidents, unusual or unexpected geological formations, ground control problems and flooding; delays or the inability to obtain necessary governmental permits or financing; risks associated with the estimation of mineral resources and reserves and the geology, grade and continuity of mineral deposits; the possibility that future exploration, development or mining results will not be consistent with the Company's expectations; the potential for and effects of labor disputes or other unanticipated difficulties with or shortages of labor or interruptions in production; failure of plant, equipment or processes to operate as anticipated; actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses, diamond price fluctuations; uncertain political and economic environments; changes in laws or policies, and other risks and uncertainties, including those described under Risk Factors. Historical results of operations and trends that may be inferred from the following above discussions and analysis may not necessarily indicate future results from operations. The Company undertakes no obligation to publicly update or review the forward-looking statements whether as a result of new information, future events or otherwise, other than as required under applicable securities laws.

Cautionary Note to U.S. Investors – Information Concerning Preparation of Resource Estimates

This MD&A has been prepared in accordance with the requirements of the securities laws in effect in Canada, which differ from the requirements of United States securities laws. Unless otherwise indicated, all resource and reserve estimates included in this MD&A have been prepared in accordance with NI 43-101 and the Canadian Institute of Mining and Metallurgy Classification System. NI 43-101 is a rule developed by the Canadian Securities Administrators which establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects.

Canadian standards, including NI 43-101, differ significantly from the requirements of Industry Guide 7 promulgated by the United States Securities and Exchange Commission ("SEC") under the United States Securities Act of 1933, as amended, and resource and reserve information contained herein may not be comparable to similar information disclosed by U.S. companies. In particular, and without limiting the generality of the foregoing, the term "resource" does not equate to the term "reserves". Under U.S. standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. The SEC's disclosure standards under Industry Guide 7 do not define the terms and normally do not permit the inclusion of information concerning "measured mineral resources", "indicated mineral resources" or "inferred mineral resources" or other descriptions of the amount of mineralization in mineral deposits that do not constitute "reserves" by U.S. standards in documents filed with the SEC. U.S. Investors should also understand that "inferred mineral resources" have a great amount of uncertainty as to their existence and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an "inferred mineral resource" will ever be upgraded to a higher category. Under Canadian rules, estimated "inferred mineral resources" may not form the basis of feasibility or pre-feasibility studies except in rare cases. Investors are cautioned not to assume that all or any part of an "inferred mineral resource" exists or is economically or legally mineable.

Disclosure of "contained ounces" (or "contained carats") in a resource is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute "reserves" by SEC standards as in place tonnage and grade without reference to unit measures. The requirements of NI 43-101 for identification of "reserves" are also not the same as those of the SEC's Industry Guide 7, and reserves reported by the Company in compliance with NI 43-101 may not qualify as "reserves" under Industry Guide 7 standards. Accordingly, information concerning mineral deposits set forth herein may not be comparable with information made public by companies that report in accordance with U. S. standards.