MOUNTAIN PROVINCE DIAMONDS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013

Mountain Province
DIAMONDS

This Management's Discussion and Analysis ("MD&A") 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, 2013 and 2012 and for the years ended December 31, 2013, 2012 and 2011.

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 www.sedar.com, and on EDGAR at http://sec.gov/edgar.shtml, and on the Company's website at www.mountainprovince.com.

COMPANY HIGHLIGHTS

On March 12, 2014, the Company has increased the size of its previously announced public offering to 3,500,000 common shares (the "Common Shares"), at a price of $5.10 per Common Share for gross proceeds of $17,850,000 (the "Offering"). The Offering is being led by BMO Capital Markets.

On March 11, 2014, the Company announced that it has entered into an agreement with a syndicate of underwriters led by BMO Capital Markets, under which the underwriters have agreed to buy, on a bought deal basis by way of private placement, 3,000,000 common shares (the "Common Shares") of the Company, at a price of $5.10 per Common Share for gross proceeds of $15,300,000 ("the Offering").

Concurrent with the bought deal private placement, the Company intends undertaking a non-brokered private placement ("Non-brokered Private Placement") of Common Shares of the Company at a price not less than $5.10 per Common Share. The Non-brokered Private Placement may be sold to Bottin (International) Investments Ltd. (controlled by Dermot Desmond) ("Bottin") and other qualified investors.

The Company intends to use the net proceeds of the Offering for the continued development of the Company's Gahcho Kué Project ("Project") and for general corporate purposes.

On February 18, 2014, De Beers Canada Inc. ("De Beers ") and the Company announced that De Beers, as Operator ("Operator") of the Project, entered into an Impact Benefit Agreement (IBA) with the Yellowknives Dene First Nation for the proposed Gahcho Kué mine. The agreement puts in place a framework for De Beers and the Yellowknives Dene First Nation ("Yellowknives") to work together over the life of the mine and it enables participation by the Yellowknives in the opportunities that the mine provides.

This agreement provides certainty that training, employment and business opportunities are made available to Yellowknives and it includes financial provisions necessary for ensuring fair participation in opportunities the project will provide.

On January 27, 2014, De Beers and the Company announced that the Operator of the Project, has entered into an Impact Benefit Agreement with the Tłı̨chǫ Government ("Tłı̨cho") for the proposed Gahcho Kué mine. The agreement puts in place a framework for De Beers and the Tłı̨chǫ to work together over the life of the mine enabling participation by the Tłı̨chǫ in the opportunities that the mine provides.

This agreement will provide training, employment and business opportunities from the Project for Tłı̨chǫ and also includes financial provisions that enable the Tłı̨chǫ to participate in the opportunities that the Project provides.

On December 2, 2013, De Beers and the Company announced that the Mackenzie Valley Land and Water Board has approved a pioneer Land Use Permit for the Gahcho Kué diamond mine. The pioneer Land Use Permit allows land-based site works to commence in preparation for deliveries planned for the 2014 winter road season.

Approval of the permit allows Gahcho Kué to position itself for the start of full construction pending the receipt of the full Land Use Permit and Water License expected in 2014.

On November 27, 2013, the Company announced the closing of the previously announced non-brokered private placement of common shares for gross proceeds of $29.4 million. The Company issued 5,889,200 common shares at a price of $5.00 per share. The shares are subject to a four month hold period, expiring on March 26, 2014.

Proceeds of the private placement are being used to support the Company's share of initial capital expenditures at Gahcho Kué, the 2014 Tuzo Deep drill program and for general corporate purposes. A finder's fee in the amount of $567,330 was paid in relation to the private placement.

On October 22, 2013, De Beers and the Company announced that the Minister of Aboriginal Affairs and Northern Development Canada, the Hon. Bernard Valcourt, had approved the development of the Gahcho Kué diamond mine as recommended by the Mackenzie Valley Environmental Impact Review Board on July 22, 2013.

On August 19, 2013, the Company announced that a National Instrument (NI) 43-101 Technical Report on the Gahcho Kué project has been filed on SEDAR and EDGAR.

The updated NI 43-101 resource estimate was prepared by Mineral Services Canada Inc. ("Mineral Services") and the results were announced on July 2, 2013.

On July 10, 2013, De Beers and the Company announced that the Operator of the Project, entered into its first Impact Benefit Agreement with the North Slave Métis Alliance ("North Slave Metis") for the proposed Gahcho Kué mine.

The agreement sets in place a framework for De Beers and the North Slave Métis to optimize the participation of the North Slave Métis in the Gahcho Kué mine through employment, business opportunities, training and development, and financial benefits.

On July 2, 2013, the Company announced the results of the updated independent mineral resource estimate completed for the Project.

Following completion of the Tuzo Deep drill program in 2012, which was managed by the Operator, an updated National Instrument (NI) 43-101 resource estimate for Tuzo Deep was prepared by Mineral Services and filed on SEDAR and EDGAR on August 13, 2013. This estimate incorporates information from geological data updates completed since the previous NI 43-101 Technical Report released in 2009.

The updated resource estimate indicates an approximate 12% percent increase in the Project indicated resource from 30.2 million tonnes to 33.8 million tonnes and an approximate 90% 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.

On June 28, 2013 De Beers and Mountain Province announced that the Operator of the Joint Venture, had entered into a Socio Economic Agreement ("SEA") with the Government of the Northwest Territories ("GNWT"). The agreement formalizes commitments made with respect to employment, training, business opportunities and other related benefits for NWT residents. It also establishes measures to monitor possible socio-economic impacts related to the mine and establishes the mechanism to work with communities close to the mine site to ensure an adaptive management approach to socio-economic performance of the mine.

FINANCIAL POSITION

As at December 31, 2013, Mountain Province had cash and short-term investments of $35,687,694 and a working capital balance of $35,133,368. See Financial Position and Liquidity below.

OVERVIEW

Mountain Province was incorporated on December 2, 1986 under the British Columbia Company Act. The Company amended its articles and continued incorporation under the Ontario Business Corporation Act effective May 8, 2006. The Company's registered office and its principal place of business is 161 Bay Street, Suite 2315, PO Box 216, Toronto, ON, Canada, M5J 2S1. The Company's shares are listed on the Toronto Stock Exchange under the symbol 'MPV' and on the New York Stock Exchange – MKT under the symbol 'MDM'.

Mountain Province is a Canadian resource company and holds a 49% interest in the Gahcho Kué Project, located in the Northwest Territories of Canada and De Beers Canada holds the remaining 51% interest. The Arrangement between the Company and De Beers Canada is governed by the 2009 Agreement. The Company's primary asset is its 49% interest in the Project.

Drilling, bulk sampling, environmental and engineering studies have been completed. A Definitive Feasibility Study demonstrates an economically viable project. The Project is currently in the development stage. At this time there are no revenues from the Project.

OUTLOOK

The development of the Project remains a priority. The Project feasibility study ("GK Feasibility Study", "Feasibility Study") of December 3, 2010 is currently being updated and is scheduled for completion by the end of March, 2014. A NI 43-101 compliant technical report will be posted on SEDAR and EDGAR within 45 days following completion and announcement of the updated results.

Following the completion of deep drilling at the Tuzo kimberlite to a depth of 560 meters, the Company retained Mineral Services Canada Inc. to prepare an independent NI 43-101 resource statement, which was released in Q3, 2013. Further deep drilling to potentially extend the Tuzo resource to 750 meters is currently underway. Drilling on ten exploration targets was completed during Q2 2013. Kimberlite was intercepted in only one of the ten holes drilled.

The Company is in discussion with a number of potential lenders and is currently assessing various financing proposals, which include project financing, off-take financing and a variety of other financing instruments. These are being considered together with alternatives available to finance the ongoing operations of the Company. See Financial Position and Liquidity below.

JOINT VENTURE AGREEMENT

The Gahcho Kué Project is an unincorporated Joint Arrangement between De Beers (51%) and Mountain Province (49%). The Company accounts for the Project as a joint operation in accordance with IFRS 11. Mountain Province holds an undivided 49% ownership interest in the assets, liabilities and expenses of the Project.

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 Project will be Mountain Province 49% and De Beers 51%, except for normal dilution provisions which are applicable to both Participants;
(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 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 $59 million (representing 49% of an agreed sum of $120 million) plus accrued interest in settlement of the Company's share of the agreed historic sunk costs on the following schedule:
  - $200,000 on execution of the 2009 Agreement (the Company's contribution to the 2009 Arrangement expenses to date of execution of the 2009 Agreement) – paid and expensed;
  - Up to $5.1 million in respect of De Beers' share of the costs of the feasibility study (paid - $4,417,421 to December 31, 2012, included in "Mineral Properties"; no further payments are expected);
  - $10 million upon the completion of a feasibility study with at least a 15% IRR and approval of the necessary development work for a mine (as defined in the 2009 Agreement) - paid March 15, 2011;
  - $10 million following the issuance of the construction and operating permits;
  - $10 million following the commencement of commercial production; and
  - The balance of approximately $24.4 million plus accumulated interest within 18 months following commencement of commercial production. Accumulated interest is being calculated at the prevailing LIBOR rate plus 5%.

Since these payments are contingent upon certain events occurring, and/or work being completed, they will be recorded as the payments become due or are made. As these contingent payments are made, they are being capitalized to Mineral Properties as "acquired exploration and evaluation".

Mountain Province has agreed that the Company's marketing rights under the 2009 Agreement may be diluted if the Company defaults on the 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, and the Company accounts for the Project as a joint operation.

The underlying value and recoverability of the amounts shown for the Company's Mineral Properties is dependent upon the ability of the Project to complete the successful design, permitting, funding and construction of the mine, and future profitable production. Failure to achieve the above will require the Company to write-off costs capitalized to date.

GAHCHO KUÉ PROJECT

The Project is located in the Northwest Territories, about 300 kilometres 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 kilometres of each other.

Technical Feasibility and Commercial Viability

The key factors management uses in determining technical feasibility and commercial viability of the Project are demonstrable, are the following;

- Completion of a feasibility study;
- Obtaining required permits to construct and operate the Gahcho Kué mine;
- Completion of an evaluation of the financial resources required to construct the Gahcho Kué mine;
- The availability of financial resources necessary to commence development activities to construct the Gahcho Kué mine;
- Management's determination that a satisfactory return on investment, in relation to the risks to be assumed, is likely to be obtained.

Independent Feasibility Study

On October 21, 2010, in a press release titled *"Mountain Province Announces Positive Gahcho Kué Independent Feasibility Study"*, Mountain Province announced the results of the independent feasibility study on the Gahcho Kué diamond project dated October 15, 2010. JDS Energy and Mining Inc. led and prepared the feasibility study, which was presented to the Participants. The Company filed a detailed summary of the Feasibility Study, dated December 1, 2010, as the NI 43-101 Technical Report on SEDAR on December 3, 2010. As noted above, the Project feasibility study of December 3, 2010 is currently being updated.

The following are the financial and project highlights from the 2010 Feasibility Study:

• Project IRR* including sunk costs	20.7%**
• Project IRR excluding sunk costs	33.9%
• Initial project capital	$549.5M
• Working capital	$49.4M
• Sustaining capital including mine closure	$36.1M
• Operating costs	$48.68 per tonne
• Project mine life	11 years
• Average annual production	3 million tonnes
• Total diamond production	49 million carats
• Average annual diamond production	4.45 million carats
• Revenue	US$102.48 per carat***

*Internal Rate of Return ("IRR")

**After taxes/royalties and unleveraged

***The base case model uses an average realized diamond price of US$102.48 per carat derived from the mean average between the modeled values of De Beers and WWW International Diamond Consultants (based on their respective April 2010 price books) inclusive of a real 1% escalation over LOM less an assumed 4% marketing fee.

The feasibility study delivers an economically viable, technically credible and environmentally sound development plan for the Project. Also, the IRR exceeds the minimum 15% required under the Joint Arrangement Agreement to support a decision by the Participants to proceed to development.

On June 14, 2011, the Participants announced that they had approved the Gahcho Kué feasibility study with agreed revisions and clarifications; approved the execution of the necessary development work for the Project; and mandated the Operator to prepare a plan and budget for the development of the first mine at Gahcho Kué.

Gahcho Kué Mineral Reserve

On October 21, 2010, Mountain Province announced a Mineral Reserve estimate for the Project. 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 1 below.

Table 1
Gahcho Kué Mineral Reserve Estimate

Pipe	Classification	Tonnes(Mt)	Grade (carats per tonne)	Carats(Mct)
5034	Probable	13.2	1.77	23.3
Hearne	Probable	5.4	2.10	11.5
Tuzo	Probable	12.6	1.13	14.2
Total	**Probable**	**31.3**	**1.57***	**49.0**

* Fully diluted mining grade

Independent Diamond Valuation

Mountain Province retained WWW International Diamond Consultants Ltd. ("WWW") to provide an updated independent valuation of the diamonds recovered from the Project. All diamond values presented below are based on the WWW Price Book as at February 24, 2014.

Table 2 below reflects the actual price per carat for the parcel of 8,317.29 carats of diamonds recovered from the Project.

Table 2

Actual Price US$/carat				
Pipe	**Zone**	**Total Carats**	**$/Carat**	**Total Dollars**
5034	Centre/East Lobe West Lobe	1,957.54 1,132.14	196 102	383,561 115,767
Hearne		2,905.76	88	254,935
Tuzo		2,321.85	298	690,805
Total		**8,317.29**	**$174**	**$1,445,068**

Note: Total Dollars are the result of rounding.

In their report to Mountain Province, 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 colour which WWW valued at $19,000 per carat giving a total value of $477,470".

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 colour (D/E) which WWW valued at $22,000 per carat giving a total value of $217,800".

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.

The results of the 2014 independent diamond valuation indicated that there was a 6.7 percent decline from the previous valuation conducted in March 2012. In their report, WWW state: "The valuations have fallen by more than the WWW overall rough price index because, due to the size of the samples there were only 10 percent of the carats in the 3 to 8 grainer size fractions, and these sizes have seen significant price increases since March 2012. The prices of the two most valuable stones have also been reduced by over 5 percent.

Table 3 below presents models of the February 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 3

Pipe	High Model	Base Model	Low Model
5034 Centre	167	**132**	114
5034 West	172	**131**	118
5034 North/East	194	**142**	120
Hearne	137	**107**	97
Tuzo	134	**101**	95
Average	**$160**	**$120**	**$110**

Note: 1 mm nominal square mesh
Diamond values are in US 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$120 , which represents a 40 percent increase over the WWW April 2010 average modeled price, which was the base case used in the 2010 feasibility Study. The WWW models use size distribution models (carats per size class) developed by De Beers.

The 2010 independent definitive feasibility study, under which the revenue assumption was based on the mean average of the April 2010 WWW and De Beers modeled diamond prices, reported a 33.9 percent IRR excluding sunk costs. Further, sensitivity analysis shows that a 10 percent increase in modeled diamond prices results in an approximate 3 percent increase in the project IRR.

Permitting

On July 22, 2013, De Beers and the Company announced that the Mackenzie Valley Environmental Impact Review Board had concluded the Gahcho Kué Environmental Impact Review and recommended approval of the proposed Gahcho Kué diamond mine subject to measures and follow-up programs.

On October 22, 2013 the Minister of Aboriginal Affairs and Northern Development Canada, the Hon. Bernard Valcourt, approved the development of the Gahcho Kué diamond mine as recommended by the Mackenzie Valley Environmental Impact Review Board and on December 2, 2014, the Mackenzie Valley Land and Water Board has approved a pioneer Land Use Permit for the Gahcho Kué diamond mine, which allowed land-based site works to commence in preparation for deliveries planned for the 2014 winter road season.

Issuance of the full Class A Land Use Permit is expected in mid-2014 and issuance of a Class A Water License is expected in Q3 2014.

Gahcho Kué Development

The first blast in the quarry at Gahcho Kué occurred on December 13, 2013. Production of aggregate material for infrastructure foundations, roads and the landing strip is underway. Deliveries of machinery, equipment, fuel tanks, the main camp and other supplies are underway. Approximately 600 truck loads are planned for delivery to Gahcho Kué on the 2014 ice road. Full construction activities will commence upon receipt of the full Class A Land Use Permit. Subject to the receipt of all necessary permits, construction of the Gahcho Kué mine is expected to be completed by late 2015/early 2016, following which commissioning of the diamond plant will commence. Production is expected to commence during the second half of 2016.

Tuzo Deep Project

Following completion of the Tuzo Deep drill program in 2012, which was managed by the Operator, an updated National Instrument (NI) 43-101 resource estimate for Tuzo Deep (Table 4 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. The 2009 resource estimate for Tuzo Deep is included for reference purposes.

Table 4

Pipe	Year	Resource Classification	Volume (Mm3)	Tonnes (Mt)	Carats (Mct)	Grade (cpht)
Tuzo Deep	2009	Inferred	1.5	3.5	6.2	175
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 4 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 5 below incorporates the updated Tuzo Deep mineral resource estimate into the existing Gahcho Kué mineral resource estimate.

Table 5

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

As discussed in the Highlight Section, 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 90% 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. Drilling of three planned vertical holes has commenced. The 2,250 meter drill program is expected to be completed by May, 2014.

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 Capital Program

On May 28, 2012, the Company announced that the Participants had approved the initial capital of $31.3 million to advance the Gahcho Kué diamond mine in preparation for development and in January 2013 approved additional $85.6 million. The 2014 budget is currently under review.

The 2012 and 2013 budget focused on advancing:

1. Preparation work for the construction and operating permit applications;
2. Front-end engineering and design (FEED);
3. Preparations and procurement for the 2013 winter road;
4. Detailed engineering;
5. Purchase of critical long-lead equipment; and
6. Feasibility study update.

As mentioned above, an update of the 2010 feasibility study is currently underway, which will incorporate agreed revisions and clarifications, design refinements and cost adjustments to reflect changes since completion of the 2010 feasibility study and is expected to be filed within 45 days after the draft results are released on March 28, 2014.

RESULTS OF OPERATIONS

The financial results for the years ended December 31, 2013, 2012 and 2011 are reported under IFRS as issued by the IASB, as well as for the quarterly interim periods.

Selected Annual Information

	December 31, 2013	**December 31, 2012**	**December 31, 2011**
Other income	$ 355,428	$ 10,869,407	$ 792,835
Operating expenses	(26,935,484)	(14,179,216)	(12,268,455)
Other expenses	(23,882)	(27,801)	(63,315)
Net loss for the period	(26,603,938)	(3,337,610)	(11,538,935)
Basic and diluted loss per share	(0.28)	(0.04)	(0.15)
Cash flow used in operations	(32,619,536)	(13,786,541)	(13,672,048)
Cash, end of year	11,344,472	274,696	21,546
Total assets	110,367,203	95,590,052	65,839,943
Long-term liabilities	5,224,662	6,284,770	6,178,004
Dividends declared	Nil	Nil	Nil

FINANCIAL REVIEW

Three and Twelve months ended December 31, 2013 compared to the Three and Twelve months ended December 31, 2012

For the three months ended December 31, 2013, the Company recorded a net loss of $6,839,466 or $0.07 per share, compared to $3,089,892 net loss or $0.04 per share for the three months ended December 31, 2012. For the twelve months ended December 31, 2013, the Company recorded a net loss of $26,603,938 or $0.28 per share, compared to $3,337,610 net loss or $0.04 per share for the twelve months ended December 31, 2012.

Three and Twelve months ended December 31, 2012 compared to the Three and Twelve months ended December 31, 2011

For the three months ended December 31, 2012, the Company recorded a net loss of $3,089,892 or $0.04 per share, compared to $5,347,662 net loss or $0.07 per share for the three months ended December 31, 2011. For the twelve months ended December 31, 20123, the Company recorded a net loss of $3,337,610 or $0.04 per share, compared to $11,538,935 net loss or $0.15 per share for the twelve months ended December 31, 2011.

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

SUMMARY OF QUARTERLY RESULTS

Table 1 - Quarterly Financial Data

	Three months ended			
	December 31	September 30	June 30	March 31
Unaudited	**2013**	**2013**	**2013**	**2013**
	$	$	$	$
Earnings and Cash Flow				
Interest income	60,810	69,974	99,300	125,344
Expenses	(6,894,257)	(8,666,472)	(6,418,760)	(4,955,995)
Net loss for period	(6,839,466)	(8,602,452)	(6,325,415)	(4,836,605)
Cash flow from operations	(17,625,994)	(5,448,390)	(7,447,742)	(2,097,410)
Basic and diluted loss per share	(0.07)	(0.09)	(0.07)	(0.05)
Investing activities	(6,186,388)	5,555,729	11,537,319	3,415,711
Financing activities	29,366,941	-	-	-
Balance Sheet				
Total assets	110,368,408	81,072,132	86,194,722	96,795,427

	Three months ended			
	December 31	September 30	June 30	March 31
Unaudited	2012	2012	2012	2012
	$	$	$	$
Earnings and Cash Flow				
Interest income	44,313	8,047	43,994	51,408
Expenses	(3,127,198)	(2,521,631)	(4,078,554)	(4,451,833)
Gain on asset transfer to Kennady Diamonds Inc.	-	10,721,645	-	-
Net income (loss) for period	(3,089,892)	8,201,130	(4,041,492)	(4,407,356)
Cash flow from operations	(2,285,124)	(4,656,841)	(4,479,813)	(712,577)
Basic and diluted earnings (loss) per share	(0.04)	0.10	(0.05)	(0.05)
Investing activities	(44,446,197)	8,132,745	6,013,355	672,956
Financing activities	43,062,632	-	88,200	516,000
Balance Sheet				
Total assets	95,590,052	52,856,175	60,312,633	64,470,663

COSTS AND EXPENSES

The costs and expenses for the three and twelve months ended December 31, 2013, December 31, 2012 and December 31, 2011 are comparable except for the following:

Consulting fees

Consulting fees for the three months ended December 31, 2013, 2012 and 2011 respectively were $509,589, $316,101 and $353,188. For the twelve months ended December 31, 2013, 2012 and 2011 consulting fees respectively were $2,459,140, $1,434,917 and $1,631,188. Included in these amounts for the twelve months ended December 31, 2013, 2012 and 2011 respectively were $1,240,821, $463,500 and $487,085 relating to stock based compensation.

Exploration and evaluation expenses

Exploration and evaluation expenses for the three months ended December 31, 2013, 2012 and 2011 respectively were $5,456,405, $2,617,266 and $4,462,899. For the twelve months ended December 31, 2013, 2012 and 2011 exploration and evaluation expenses respectively were $21,837,083, $10,651,622 and $9,032,585. The increase from 2011 through 2013 is a result of increased work being conducted by various engineering companies in preparation for the construction of the mine at Gahcho Kué.

Gahcho Kué Project management fees

Gahcho Kué Project management fees for the three months ended December 31 2013, 2012 and 2011 respectively were $460,104, $80,663 and $106,269. For the twelve months ended December 31, 2013, 2012 and 2011 Gahcho Kué Project management fees respectively were $1,113,848, $311,076 and $236,464. The increase for the same period in 2012 is mainly as a result of increased activity and expenditure being incurred at the Company's Gahcho Kué Project. The management fee is payable to the Operator and is expected to increase during construction of the Project.

Professional fees

Professional fees for the three and twelve months ended December 31 2013, 2012 and 2011 respectively were $74,115, ($43,288) and $56,669. For the twelve months ended December 31, 2013, 2012 and 2011 professional fees respectively were $344,701, $664,878 and $361,148. During 2012, the Company incurred significant professional fees relating to the spin-out of Kennady Diamonds Inc.

Interest income

Interest income for the three and twelve months ended December 31 2013, 2012 and 2011 respectively were $60,810, $44,313 and $118,658. For the twelve months ended December 31, 2013, 2012 and 2011 interest income respectively were $355,428, $147,762 and $303,354 respectively. The increase in 2013 is as a result of the $47 million proceeds from the Rights Offering, which closed in late 2012 being invested in short-term investments.

Gain on asset transfer to Kennady Diamonds Inc.

The gain on asset transfer to Kennady Diamonds of $10,721,645 in the twelve months ended December 31, 2012 resulted from the spin out of the Kennady North Project.

INCOME AND RESOURCE TAXES

The Company is subject to income 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

Since inception, the Company's capital resources have been limited. The Company has had to rely upon the sale of equity securities to fund property acquisitions, exploration, capital investments and administrative expenses, among other things.

The Company reported working capital of $35,133,368 at December 31, 2013 ($46,653,539 as at December 31, 2012), including cash and short-term investments of $35,687,694 ($47,693,693 at December 31, 2012). The short-term investments reflected in the December 31, 2013 and 2012 figures were guaranteed investment certificates held with a major Canadian financial institution with nominal counter party credit risk associated with the bank.

The Company had no long-term debt at December 31, 2013 and 2012. The Company's required payments to De Beers, described within Note 8 to the Company's audited consolidated financial statements for December 31, 2013, are contingent on certain events occurring such as receipt of permits, and production.

As at December 31, 2013, the Company has not achieved profitable operations and continues to be dependent upon its ability to obtain external financing to meet the Company's liabilities as they become payable. The Company's ability to continue operations beyond the next twelve months is dependent on the successful permitting, the ability of the Company to obtain necessary financing to fund its operations, the successful construction of the mine, and the future production or proceeds from developed properties.

The Company's mineral asset, the Gahcho Kué Project was in the exploration and evaluation stage. On December 2, 2013**,** the approval of a pioneer Land Use Permit for the Gahcho Kué diamond mine was obtained. Based on this approval the Company believes that all further permits will be of a procedural nature and when considered in connection with the other identified criteria to demonstrate technical feasibility and commercial viability (Note 3(vii)) of the consolidated financial statements) of the Gahcho Kué Project, the Company will now capitalize all future development expenditures incurred related to the Gahcho Kué Project.

The Company currently has no source of revenues. In the years ended December 31, 2013, 2012 and 2011, the Company incurred losses, had negative cash flows from operating activities, and will be required to obtain additional sources of financing to complete its business plans going into the future. Although the Company had working capital of $35,133,368 at December 31, 2013, including $35,687,694 of cash and short-term investments, the Company has insufficient capital to finance its operations and the Company's share of development costs of the Gahcho Kué Project (Note 8) over the next 12 months. The Company is currently investigating various sources of additional funding to increase the cash balances required for ongoing operations over the foreseeable future. These additional sources include, but are not limited to, share offerings, private placements, rights offerings, credit and debt facilities, as well as the exercise of outstanding options. However, there is no certainty that the Company will be able to obtain financing from any of those sources. These conditions indicate the existence of a material uncertainty that results in substantial doubt as to the Company's ability to continue as a going concern.

The Company's audited consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, and do not reflect adjustments to assets and liabilities that would be necessary if the going concern assumption were not appropriate. These adjustments could be material.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

SUBSEQUENT EVENTS

On February 14, 2014, the Company issued 200,000 stock options to officers and employees of the Company at an exercise of $5.29 per option, expiring on February 13, 2019.

The fair value of the stock options has been estimated on the date of the grant using the Black-Scholes option pricing model, using the assumptions below, and total $274,600. The expected volatility is calculated by reference to the weekly closing price for a period that reflects the expected life of the options, recalculated for each of the grants.

Date of grant		February 14, 2014
Number of options granted		200,000
Fair Value per option	$	1.373
Fair Value total for grant	$	274,600
Term of option		5 years
Vesting		immediate
Assumptions:		
Exercise price		$5.29
Expected volatility		38.19%
Expected option life (years)		3
Expected forfeiture		none
Expected option cancellation		none
Expected dividend yield		0%
Risk-free interest rate		1.21%

On March 11, 2014, the Company entered into an agreement with a syndicate of underwriters, under which the underwriters have agreed to buy, on a bought deal basis by way of private placement, 3,000,000 common shares of the Company, at a price of $5.10 per Common Share for gross proceeds of $15,300,000 ("the Offering").

On March 12, 2014, the Company has increased the size of its Offering to 3,500,000 common shares, at a price of $5.10 per Common Share for gross proceeds of $17,850,000.

Concurrent with the bought deal private placement, the Company is undertaking a non-brokered private placement ("Non-brokered Private Placement") of Common Shares of the Company at a price not less than $5.10 per Common Share. The Non-brokered Private Placement may be sold to Bottin (International) Investments Ltd. (controlled by Dermot Desmond) ("Bottin") and other qualified investors.

The Company intends to use the net proceeds of the offering for the continued development of the Company's Project and for general corporate purposes.

The Offering and the Non-brokered Private Placement are expected to close on or about March 28, 2014 and are subject to the Company receiving all necessary regulatory approvals, including the approval of the Toronto Stock Exchange and NYSE MKT.

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's audited consolidated 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 audited consolidated 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) Mineral reserves

The information relating to the geological data on the size, depth and shape of the ore body requires complex geological judgments to interpret the data. Changes in the proven mineral reserves or measured and indicated and inferred mineral estimates may impact the carrying value of the properties.

b) Impairment analysis – mineral properties

As required under IFRS 6 – Exploration for and evaluation of mineral resources and IAS 36 – Impairment of assets ("IAS 36"), the Company reviewed 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, 2013, no impairment in the carrying value of its mineral properties had occurred.

c) Determination of development phase

The Company applies significant judgment when determining and assessing its criteria used to determine technical feasibility and commercial viability is demonstrable. The Company determined that the Gahcho Kué Project has met the key factors used by management and, accordingly, that all costs of development activities will be capitalized to mineral properties.

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) Impairment analysis - mineral properties

As required under IFRS 6 – Exploration for and evaluation of mineral resources and IAS 36 – Impairment of assets ("IAS 36"), the Company reviewed 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. Upon the Company's determination of technical feasibility and commercial viability an impairment test of the capitalized costs related to the Gahcho Kué Project was completed. IAS 36 requires the Company to make certain estimates in respect of recoverability of the asset, including estimated development costs, life of mine, discount rates and diamond prices. The Company's assessment is that there is no impairment in the carrying value of its mineral properties.

c) 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.

d) 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.

e) 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 any tax losses or deductible temporary differences.

STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN ADOPTED EARLY BY THE COMPANY

At the date of authorization of these financial statements, certain new standards, amendments and interpretations 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 relevant pronouncements will be adopted in the Company's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's financial statements and are therefore not discussed below.

IFRS 9 – Financial Instruments

The IASB issued IFRS 9 "Financial Instruments" ("IFRS 9") which proposes to replace IAS 39 "Financial Instruments: recognition and measurement". The replacement standard has the following significant components: establishes two primary measurement categories for financial assets — amortized cost and fair value; establishes criteria for classification of financial assets within the measurement category based on business model and cash flow characteristics; and eliminates existing held to maturity, available-for-sale, and loans and receivable categories.

In November 2013, the IASB issued an amendment to IFRS 9 which includes a new hedge model that aligns accounting more closely with risk management, as well as enhancements to the disclosures about hedge accounting and risk management. Additionally as the impairment guidance in IFRS 9, as well as certain limited amendments to the classification and measurement requirements of IFRS 9 is not yet complete, the previously mandated effective date of IFRS 9 of January 1, 2015, has been removed. Entities may apply IFRS 9 before the IASB completes the amendments, but are not required to. The Company has not yet determined the impact of adoption of IFRS 9 and will evaluate the impact of the change to its financial statements based on the characteristics of its financial instruments at the time of adoption.

IFRIC 21 – Levies

IFRIC 21 Levies ("IFRIC 21") was issued in May 2013 and is an interpretation of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("obligating event"). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014. The Company is assessing the impact of this new standard, if any, on the consolidated financial statements.

IAS 32 – Offsetting Financial Assets and Liabilities

IAS 32 was amended to clarify that an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event; and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. This amendment also clarifies when a settlement mechanism provides for net settlement or gross settlement that is equivalent to net settlement. Amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014. The Company intends to adopt the amendments to IAS 32 in its consolidated financial statements for the annual period beginning January 1, 2014. The Company does not expect the amendments to have a material impact on the consolidated financial statements.

RELATED PARTY TRANSACTIONS

The Company's related parties include the operator of the Gahcho Kué Project, Bottin (International) Investments Ltd. ("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.

None of the transactions with related parties incorporate special terms and conditions, and no guarantees were given or received. 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, Bottin, the operator of the Gahcho Kué Project, and Kennady Diamonds. The transactions with key management personnel are in the nature of remuneration. The transactions with the operator of the Gahcho Kué Project relate to the funding of the Company's interest in the Gahcho Kué Project for the current year's expenditures and capital additions. 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.

	December 31, 2013	December 31, 2012	December 31, 2011
The total of the transactions:			
Bottin - Stand-by Fee under Stand-by Agreement	**$ -**	$ 706,261	$ -
Kennady Diamonds	**152,500**	120,940	-
Remuneration	**2,457,759**	1,477,715	1,450,068
Payable to the operator of the Gahcho Kué Project	**5,647,892**	685,290	-
Payable to key management personnel	**357,967**	30,180	313,000

The remuneration expense of directors and other members of key management personnel for the years ended December 31, 2013, 2012 and 2011 were as follows:

		Year ended December 31 2013		Year ended December 31, 2012		Year ended December 31, 2011
Consulting fees, director fees, bonus and other short-term benefits	$	**1,216,938**	$	1,014,215	$	962,983
Share-based payments		**1,240,821**		463,500		487,085
	$	**2,457,759**	$	1,477,715	$	1,450,068

In accordance with IAS 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.

For the year ended December 31, 2013, the Company's proportional interest (49%) of purchase commitments relevant to project expenditure by the operator of the Gahcho Kué Project is $31,609,307.

		2014		2015		2016		Total
Future Gahcho Kué Project commitments	**$**	**25,296,426**	**$**	**6,164,608**	**$**	**148,273**	**$**	**31,609,307**

The total future minimum lease payments for office space by the Company under non-cancellable operating leases are as follows:

		2014		2015		2016		2017		Total
Future minimum lease payments	**$**	**142,256**	**$**	**142,256**	**$**	**142,256**	**$**	**11,855**	**$**	**438,623**

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:

- 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;
- the potential for delays in exploration activities or the completion of feasibility studies;
- risks related to the inherent uncertainty of exploration and cost estimates and the potential for unexpected costs and expenses;
- 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 the Company and/or its joint venture partner to obtain adequate financing on a timely basis and on acceptable terms, 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;
- geological and technical conditions at the Company's Gahcho Kué Project being adequate to permit development;
- the ability to develop and operate the Company's Gahcho Kué Project 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 OUTSTANDING SHARE DATA

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

At March 25, 2014, there were 100,501,351 shares issued and 1,400,000 stock options outstanding. There were no warrants 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 the end of the period covered by this annual report (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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management, under the supervision of the Chief Executive Officer and Chief Financial Officer, are responsible for establishing and maintaining the Company's Internal Control Over Financial Reporting ("ICFR"). Management has conducted an evaluation of internal control over financial reporting based on the framework established in "Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") as at December 31, 2013. There have not been any changes in the Company's ICFR or in other factors during 2013 or that have been identified in connection with the evaluation that occurred during the year ended December 31, 2013, that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Management has designed such internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Because of its inherent limitations, the Company's internal control over financial reporting may not prevent or detect all possible misstatements or frauds. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

To evaluate the effectiveness of the Company's internal control over financial reporting, Management has used the Internal Control – Integrated Framework (1992), which is a suitable, recognized control framework established by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Management has assessed the effectiveness of the Company's internal control over financial reporting and concluded that such internal control over financial reporting is effective as of December 31, 2013. The Company's independent auditors, KPMG LLP, have issued an unqualified opinion on the effectiveness of 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 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.

On behalf of the Board of Directors,

"Patrick Evans"

Patrick Evans
President & CEO
March 25, 2014