Mountain Province

DIAMONDS

Management’s Discussion and Analysis

For the Year Ended December 31, 2018

TSX: MPVD   NASDAQ: MPVD

MOUNTAIN PROVINCE DIAMONDS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2018

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This Management's Discussion and Analysis ("MD&A") as of March 20, 2019 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, 2018 and for the years ended December 31, 2018 and 2017. The following MD&A has been approved by the Board of Directors.

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

All amounts are expressed in thousands of Canadian dollars, except share and per share amounts, unless otherwise noted.

The disclosure in this MD&A of scientific and technical information regarding exploration projects on Mountain Province's mineral properties has been reviewed and approved by Tom McCandless, Ph.D., P.Geo., while that regarding mine development and operations has been reviewed and approved by Keyvan Salehi, P.Eng., MBA, both of whom are Qualified Persons 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.

HIGHLIGHTS

- Earnings from mine operations for the years ended December 31, 2018 and 2017 amounted to $81,031 and $52,133, respectively.

- Net (loss) income for the years ended December 31, 2018 and 2017 were ($18,934) and $17,152 respectively, or ($0.10) loss per share and $0.11 earnings per share (basic and diluted), respectively. Adjusted EBITDA for those periods were $139,157 and $103,376, respectively (Adjusted EBITDA is not defined under IFRS and therefore may not be comparable to similar measures presented by other issuers; refer to the Non-IFRS Measures section).

- Cash at December 31, 2018 was $30,708 with net working capital of $87,194; US$50,000 revolving credit facility remains undrawn. Cash at December 31, 2017 was $43,129 with a net working capital of $96,830, and the US$50,000 revolving credit facility was undrawn.

- During the year ended December 31, 2018, the Company repurchased $26,366 (US$20,060) of outstanding secured notes payable.

- In the year ended December 31, 2018, the Company declared and paid a dividend of $0.04 per common share totaling $8,400.

- The Company concluded three sales in the fourth quarter of 2018 totaling 823,000 carats and recognized revenue of $70,477 at an average realized value of $86 per carat (US$65). Revenue for the year ended December 31, 2018 totaled $310,969 at an average realized value of $96 per carat (US$74). Revenue was primarily realized through ten sales conducted by the Company through its diamond broker based in Antwerp, Belgium, with the balance realized through direct sales to De Beers Canada Inc. ("De Beers") in instances where production split bids for fancies and specials were won by De Beers.

- Mining of waste and ore in the 5034 and Hearne open pits for the year ended December 31, 2018 was approximately 28.2 million tonnes and 13.2 million tonnes, respectively, for a total of 41.4 million tonnes with 11.4 million tonnes mined in the fourth quarter. Ore mined for the year totalled 2,908,000 tonnes, with approximately 554,000 tonnes of ore stockpile available at quarter end on a 100% basis of the GK mine of which MPV holds 49%.

- For the year ended December 31, 2018, the GK Mine treated approximately 3,194,000 tonnes of ore and recovered approximately 6,937,000 carats on a 100% basis for an average recovered grade of approximately 2.17 carats per tonne ("cpt"). This recovered grade is approximately 4% above the original budget for the year ended December 31, 2018. For the three months ended December 31, 2018, the GK Mine treated approximately 751,000 tonnes of ore and recovered approximately 1,546,000 carats on a 100% basis for an average recovered grade of approximately 2.06 cpt. The Company's 49% attributable share of diamond production for the three months ended December 31, 2018 was approximately 758,000 carats and 3,399,000 carats for the year ended December 31, 2018.

- Rough diamond market prices in 2018 remained firm for the white gem categories contributing the majority of Gahcho Kué's production value. Market demand for lower value articles remains weak and is influencing prevailing price levels for these goods.

- Customer participation at the Company's 2018 sales increased over 2017. The Company's product offering in 2018 included a large number of fancies and specials, which generated considerable market interest and competition. In the fifth sale of 2018, the Company sold an exceptional 95 carat white gem stone which was the highest value individual diamond recovered to date from Gahcho Kué mine.

- Despite widely reported decreases in demand for smaller, lower quality and brown diamonds during H2 2018, Mountain Province's sales platform achieved 100% sell through of all rough diamonds presented for sale in 2018.

- Cash costs of production, including capitalized stripping costs, for the three-month period and year ended December 31, 2018 were $126 and $101 per tonne respectively, and $61 and $47 per carat recovered, respectively (cash costs of production per tonne and per carat are not defined under IFRS and therefore may not be comparable to similar measures presented by other issuers; refer to the Non-IFRS Measures section). The reason the average cost increase was due to the focused sampling in the fourth quarter. The Company also faced the challenge of learning the effects of Hearne ore going through the plant, which involved the higher use of consumables. These costs are generally in line with expectations, with the exception of slightly higher than expected mobile maintenance costs, and road and air freight costs. This was necessary due to a series of equipment failures, where the equipment was under warranty, and the Company agreed to fly up spare parts to reduce risk.

- On April 13, 2018, the Company successfully completed the acquisition of Kennady Diamonds Inc. ("Kennady"), pursuant to which the Company acquired all of the common shares of Kennady. The transaction adds diamondiferous bodies, which contain indicated resources of 13.62 million carats and inferred resources of 5.02 million carats. It also adds 67,164 hectares of highly prospective and 100% held exploration ground strategically surrounding the GK Mine.

The following table summarizes key operating highlights for the three months and years ended December 31, 2018 and 2017.

		Three months ended December 31, 2018	Three months ended December 31, 2017	**Year ended December 31, 2018**	Year ended December 31, 2017
GK operating data					
Mining					
*Ore tonnes mined	kilo tonnes	671	839	2,908	3,513
*Waste tonnes mined	kilo tonnes	10,695	7,825	38,536	29,523
*Total tonnes mined	kilo tonnes	11,366	8,664	41,444	33,036
*Ore in stockpile	kilo tonnes	554	840	554	840
Processing					
*Ore tonnes processed	kilo tonnes	751	693	3,194	2,775
*Average plant throughput	tonnes per day	8,168	7,703	8,751	7,603
*Average diamond recovery	carats per tonne	2.06	2.35	2.17	2.14
*Diamonds recovered	000's carats	1,546	1,628	6,937	5,934
Approximate diamonds recovered - Mountain Province	000's carats	758	798	3,399	2,908
Cash costs of production per tonne, net of capitalized stripping **	$	92	62	80	71
Cash costs of production per tonne of ore, including capitalized stripping**	$	126	62	101	73
Cash costs of production per carat recovered, net of capitalized stripping**	$	45	26	37	32
Cash costs of production per carat recovered, including capitalized stripping**	$	61	26	47	33
Sales					
Approximate diamonds sold - Mountain Province***	000's carats	823	1,006	3,253	2,656
Average diamond sales price per carat	US	$ 65	$ 60	$ 74	$ 70

* at 100% interest in the GK Mine including ramp-up period in 2017

**See Non-IFRS Measures section

***Includes the sales directly to De Beers for fancies and specials acquired by De Beers through the production split bidding process

COMPANY OVERVIEW

Mountain Province is a Canadian-based resource company listed on the Toronto Stock Exchange and NASDAQ under the symbol 'MPVD'. The Company's registered office and its principal place of business is 161 Bay Street, Suite 1410, 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 (the "GK Mine"), located in the Northwest Territories of Canada. De Beers Canada Inc. ("De Beers" or the "Operator") holds the remaining 51% interest. The Joint Arrangement between the Company and De Beers is governed by the 2009 amended and restated Joint Venture Agreement.

The Company's primary assets are its aforementioned 49% interest in the GK Mine and 100% owned Kennady North Project ("KNP"). On April 13, 2018, the Company completed the asset acquisition of Kennady Diamonds Inc. (formerly KDI.V on the TSX Venture exchange), which included 100% of the mineral rights of the Kennady North Project.

The Company's strategy is to mine and sell its 49% share of rough diamonds at the highest price on the day of the close of the sale. The Company's long-term view of the rough diamond market remains positive, based on the 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. The Company also expects to build value through exploration and development of the Kennady North Project which covers properties adjacent to the GK Mine.

During the year ended December 31, 2018, the Company held ten sales in Antwerp. Sales are held ten times per year, approximately every five weeks.

GAHCHO KUÉ DIAMOND MINE

Gahcho Kué Joint Venture Agreement

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

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

Between 2014 and 2016, 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 annually for their share of the letters of credit issued. As at December 31, 2018, the Company's share of the letters of credit issued were $23.4 million (2017 - $23.4 million).

Gahcho Kué Capital Program

During the GK Mine's first winter of operations in the last quarter of 2016 and the first quarter of 2017, extreme cold conditions affected the mine's conveyor systems which resulted in downtime and lowered throughput. In 2017, De Beers and the Company approved a capital project totalling $23 million on a 100% basis to install enclosures on two conveyors as well as to install dust collection systems at the primary crusher and plant feed bin. As of December 31, 2018, the project was complete.

Additional mining equipment purchased in 2018 to support higher anticipated mining rates include three additional Komatsu 830E haul trucks and a PC5500 shovel.

Mining and Processing

For the three months ended December 31, 2018, on a 100% basis, a total of 11.4 million tonnes of waste and ore had been extracted from the 5034 and Hearne open pits, compared to the original fourth quarter plan of approximately 11.3 million (101% of plan). Mining rates have increased as additional equipment has been commissioned. For the year ended December 31, 2018, on a 100% basis a total of 41.4 million tonnes of waste and ore had been extracted from the 5034 and Hearne open pit, compared to an original plan of approximately 43.3 million tonnes (96% of plan).

For the three months and year ended December 31, 2018, 751,000 tonnes and 3,194,000 tonnes of kimberlite ore were processed (compared to an original plan of 803,000 tonnes and 3,114,000 tonnes, respectively) with 1,546,000 carats and 6,937,000 carats, respectively (100% basis) being recovered at a grade of 2.06 carats per tonne and 2.17 carats per tonne, respectively. The main reason the tonnage was lower than the original plan in the fourth quarter of 2018, was due to focused sampling through the processing plant. Cash costs of production including capitalized stripping were $126 per tonne for the three months ended December 31, 2018 and $101 per tonne for the year ended December 31, 2018. The reduced mining treatment was due to the focused sampling in the fourth quarter, which did cause the average cost to increase. The Company also faced the challenge of learning the effects of Hearne ore going through the plant, which involved the higher use of consumables. These costs are generally in line with expectations, with the exception of slightly higher than expected mobile maintenance costs, and road and air freight costs. This was necessary due to a series of equipment failures, where the equipment was under warranty, and the Company agreed to fly up spare parts to reduce risk.

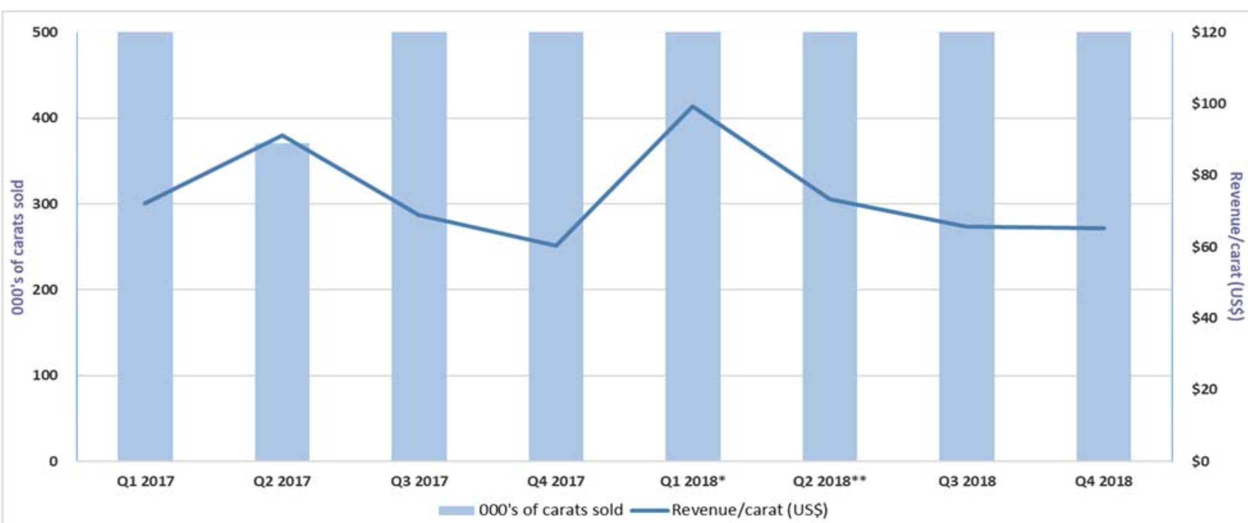
At December 31, 2018, there was approximately 554,000 tonnes (100% basis) of stockpiled ore. Sufficient ore is available from the stockpile and 5034 and Hearne pits to meet the planned process throughput rates for 2019.

At December 31, 2018, the GK Mine had 591,058 carats on a 100% basis in rough diamond inventory at the GK Mine and at the sorting facility in Yellowknife. The Company had 626,199 carats within its sale preparation channel plus its share of carats at the GK Mine and sorting facility for a total of 835,998 carats in inventory.

Diamond Sales

The Company undertook ten sales of diamonds during the year in Antwerp, Belgium and anticipates holding ten sales in 2019. Although the GK Mine declared commercial production on March 1, 2017, revenues and costs from four out of the ten sales conducted in 2017 had been recorded against the mine construction costs rather than as revenue on the Company's statement of comprehensive income as those diamonds sold were all recovered prior to the mine declaring commercial production. The majority of the Company's revenue is derived from its sales on the open market, with the remainder attributed to sales of fancies and specials directly to De Beers on such occasions where De Beers has won the periodic fancies and specials bidding process. The average realized value per carat for the ten sales held in Antwerp, was US$74 per carat.

The following chart summarizes the sales in 2017 and 2018:



*The GK Mine declared commercial production on March 1, 2017. Revenues and costs from four out of the ten sales conducted in 2017 were recorded against the mine construction costs rather than as revenue on the Company's statement of comprehensive income, as those diamonds sold were all recovered prior to the mine declaring commercial production.

** Although the final sale in this quarter closed on June 22, 2018, the sale of 43,000 carats occurred during the first half of July for IFRS purposes. The amount of revenue recognized for the 43,000 carats was approximately US$8.1 million or $10.7 million.

The following table summarizes the results for sales in 2018:

	000's of carats sold	Gross proceeds (US$ 000's)		Revenue/carat (US$)	
Q1	527	$	52,358	$	99
Q2[1]	1,157	$	84,956	$	73
Q3	746	$	49,067	$	66
Q4	823	$	53,629	$	65
Total	3,253	$	240,010	$	74

Note: Sales made directly to De Beers are attributed to the closest tender.

(1) Although 1,157,000 carats were sold, in accordance with IFRS only 1,114,000 carats could be recognized as sales proceeds in the quarter. The remaining 43,000 carats were recognized in Q3 2018. The amount of revenue recognized for the 43,000 carats was approximately US$8.1 million or $10.7 million.

The following table summarizes the results of sales in 2017:

	000's of carats sold	Gross proceeds (US$ 000's)		Revenue/carat (US$)	
Q1[(1) &((2)]	522	$	37,701	$	72
Q2[(3)]	371	$	33,809	$	91
Q3	757	$	52,262	$	69
Q4	1,006	$	60,873	$	61
Total	2,656	$	184,645	$	70

Note: Sales made directly to De Beers are attributed to the closest tender.

(1) Although 522,000 carats were sold, in accordance with IFRS only 416,000 carats were recognized as sales proceeds in the quarter. The remaining 106,000 carats were recognized in Q2 2017.

(2) Sold carats were produced in the period before declaration of commercial production, therefore were recorded against the property, plant and equipment in accordance with IFRS.

(3) Certain sales in this quarter represented the first sale of diamonds produced after the declaration of commercial production on March 1, 2017, therefore have been recorded as revenue on the statement of comprehensive income. Although 222,000 carats were sold, in accordance with IFRS only 215,000 carats could be recognized as sales proceeds in the quarter. The remaining 7,000 carats have been recognized during Q3 2017.

Rough diamond market prices in 2018 remained firm for the white gem categories contributing the majority of Gahcho Kué's production value. The Company's product offering in 2018 included a large number of fancies and specials, which generated considerable market interest and competition.

After two successful years of sales, the Gahcho Kué goods are now firmly established in the market and attract regular and sustained interest from customers. The Gahcho Kué orebody and product profile are complex, producing a broad range of white commercial goods together with large, high value special stones, as well as large volumes of small diamonds, and brown diamonds. The Gahcho Kué product also exhibits varying degrees of fluorescence for which the Company has attracted specialist customers who are developing strategies to market this product characteristic.

The Company's diamond products have a market and an established customer base. With the natural exception of some industrials, the majority of the Company's diamonds are sold into market segments that cut and polish the rough, with resultant polished destined for the major diamond jewelry markets of the US, India and China.

Given the complexities of the Gahcho Kué rough diamond product profile and the nature of the Joint Venture's production splitting process, the mix of diamond categories present in an individual sale may differ. Each sale's results can and may vary.

2019 Production Outlook

For 2019, the GK Mine operational plan anticipates total ore processing of approximately 3.1 million to 3.2 million tonnes, recovering between 6.6 million and 6.9 million carats (100% basis) and reflecting a recovered grade of between 2.12 cpt and 2.16 cpt.

In addition to the 2019 guidance, the Company also provides a three-year production outlook for the GK Mine from the updated life of mine plan as summarized in the following table:

		2019	2020	2021
Ore tonnes processed	000s	3,100 - 3,200	3,100 - 3,200	3,100 - 3,200
Carats recovered	000s	6,600 - 6,900	6,600 - 6,900	6,800 - 7,100
Cash costs of production per tonne, including capitalized stripping	$	110 - 120	110 - 120	110 -120
Cash costs of production per carat, including capitalized stripping	$	50 - 54	49 - 53	48 - 52
Sustaining capital expeditures	$000s	20,000	10,000	7,000

Diamond Outlook

Through 2018, global rough diamond demand and market pricing remained firm for the larger, better-quality product segments that contribute the majority Gahcho Kué production value. The major producers reported their 2018 sales declined in carat terms but increased in value compared with 2017.

Overall retail demand for luxury goods was reported to be strong in both the US and China up to Q4 2018. Retailers' end of year reports indicated holiday season demand for fine jewelry outperformed fashion jewelry. During Q4 2018, demand in China showed signs of softening, coincident with the onset of trade tensions with the US.

During H2 2018, smaller, cheaper rough diamond categories experienced price pressure due to higher than normal levels of polished stocks, the currency issues in India and China, and financing constraints in India. Current market conditions for this product segment are expected to continue into 2019.

The long-term supply fundamentals for cheaper rough diamond categories are more positive with the anticipated closure of older and depleted mines.

GAHCHO KUÉ EXPLORATION

Subsequent to the GK Mine achieving commercial production in early 2017, exploration at the GK Mine began in the second half of 2017 with the implementation of airborne magnetics and electromagnetics over the entire lease area with the goal of identifying targets for adding resources to the GK Mine. A ground gravity survey was also conducted in the region between the Tesla and Tuzo kimberlites and within the Southwest Corridor. In August 2018, a high-resolution aeromagnetic survey with a superconducting quantum interference device ('SQUID') was completed. The SQUID survey incorporated a total of 1,630 line kilometers with tie lines at 200 meters spacing and survey lines at 35 meter spacing. Data generated during the surveys are undergoing interpretation with results expected in 2019.

Exploration drilling conducted in 2018 focused on finding kimberlite between the north and south lobes of the Hearne kimberlite, establishing the Southwest Corridor between 5034 and Hearne, confirming the Northeast Extension between 5034 and Tuzo, particularly around the North Pipe kimberlite, and confirming the Curie ground gravity target located between the Tesla and Tuzo kimberlites as kimberlite.

Drilling confirmed that the north and south lobes of the Hearne kimberlite are connected by a kimberlite breccia. The kimberlite breccia is present at 40 metres depth vertically from the surface and extends vertically to at least as deep as 220 metres from surface. A summary of drill results from Hearne is provided below.

Hearne – 2018 Drilling Results (reported July 11, 2018)

Drill Hole	Azimuth	Inclination	Intercept (m)[1]			Intercept True Thickness (m)[2]	End of Hole (m)
			From	To	Length		
MPV-18-458C	273	-51	231.34	284.65	53.31	40.90	320
MPV-18-459C	228	-54	-	-	-	-	380
MPV-18-461C	293	-53	-	-	-	-	284
MPV-18-462C	250	-50	54.00	102.78	48.78	27.30	134
MPV-18-464C	297	-53	-	-	-	-	413
MPV-18-466C	280	-50	-	-	-	-	416

[1] The intercept for MPV-18-458C is composed of 96% of kimberlite granite breccia with 4% internal granitic dilution. The intercept for MPV-18-462C is composed of 98% of kimberlite granite breccia with 2% internal granitic dilution. Kimberlite granite breccia is defined as having greater than 50% kimberlite present. [2]Defined as the horizontal distance between drill hole contacts based on Hearne as a linear shape striking at an average azimuth of 353^{o} and with vertical contacts.

Drill testing of the 5034-Tuzo Corridor initially focused on the zone between the 5034 pipe and the North Pipe, and the zone extending immediately northeast of the North pipe. Drilling has confirmed kimberlitic material between the north lobe of 5034 and the North Pipe, as well as in the corridor extending northeast of the North Pipe towards Tuzo. The kimberlitic material extends vertically from 248 meters to 350 meters depth. A summary of results from the drill programs is provided in the table below.

Northeast Extension ('NEX') – Summer 2018 Drilling Results (reported September 17, 2018)

Drill Hole	Azimuth	Inclination	Intercept[1] (m)			Intercept True Thickness[2] (m)	End of Hole (m)
			From	To	Length		
MPV-18-460C[3]	137	-49	360.36	394.86	34.50	26.80	452.0
MPV-18-465C[4]	139	-49	329.00	338.10	9.10	6.80	
			355.65	356.00	0.35	ND	401.0
MPV-18-467C	136	-54	389.60	439.90	50.30	32.90	462.2
MPV-18-469C	132	-59	329.75	443.82	114.07	72.50	473.0
MPV-18-470C	302	-57	189.65	189.66	0.01	ND	212.0
MPV-18-473C	117	-66	371.58	383.55	11.97	5.00	629.0
MPV-18-475C	130	-51	304.20	389.00	84.80	59.00	419.0

[1]Intercepts are not true thicknesses. [2]Defined as the horizontal distance between drillhole pierce points, based on the 5024 extnesion as elgongate striking roughly N45E and with vertical contacts. [3]The 26.8m intercept for MPV-18-460C includes 13% granite and granite breccia. [4]The 6.8m intercept for MPV-18-465C includes 39% kimberlite granite breccia with <50% internal granitic dilution. The intercept for MPV-18-462C is kimberlite granite breccia. Granite breccia is defined as having greater than 50% kimberlite present. ND = Not determined. Drillholes MPV-18-459C, MPV-18-461C, MPV-18-464C, MPV-18-466C and MPV-18-474C did not intersect kimberlite.

At the Curie target kimberlite was encountered at a vertical depth of 18 meters, with the deepest intercept occurring at 119 meters. The Curie kimberlite lies within the proposed open pit mine plan for the Tuzo kimberlite, and midway between Tuzo and the Tesla kimberlite. Drill results for the Curie kimberlite are provided in the table below.

Curie Kimberlite – Summer 2018 Drilling Results (reported September 17, 2018)

Drill Hole	Azimuth	Inclination	Intercept[1] (m) From	Intercept[1] (m) To	Intercept[1] (m) Length	Intercept True Thickness[2] (m)	End of Hole (m)
MPV-18-463C	310	-48	35.98	66.50	30.52	ND[2]	
			93.70	146.40	52.70	ND	195.9
MPV-18-468C	114	-47	159.77	163.25	3.48	ND	251.0
MPV-18-471C	309	-47	25.10	37.60	12.50	ND	37.6
MPV-18-472C	311	-48	33.90	44.60	10.70	ND	257.0

[1]Intercepts are not true thicknesses. [2]The geometry of Curie is not sufficiently known to determine true thicknesses.

The Currie kimberlite is likely a blowout of the Dunn kimberlite sheet, which is located in an area of the northwest wall of the planned Tuzo pit towards the Tesla pipe. The vertical extent of the Curie body remains to be determined.

An 18-hole drill program based on a 50 metre by 50 metre spacing was completed in the Southwest Corridor (including drill results from the 2017 program). Drilling results are summarized in the table below.

Southwest Corridor – 2018 Drilling Results (reported April 10, 2018)

Drill Hole ID	Target	Azimuth	Inclination	Intercept (m)[1,2] From	Intercept (m)[1,2] To	Intercept (m)[1,2] Length	Intercept True Thickness (m)[3,8]	Intercept Composition %[1] Kimberlite[4]	Intercept Composition %[1] Kimberlite Granite Breccia[5]	Intercept Composition %[1] Granite Kimberlite Breccia[6]	Intercept Composition %[1] Internal Granitic Waste[7]	End of Hole (m)
MPV-17-435C	5034 South West Corridor / South Pipe	300	-54	76.65	120.08	43.43	25.40	64%	8%	0%	28%	126
MPV-17-436C	5034 South West Corridor / South Pipe	311	-54	107.00	130.23	23.23	13.80	44%	44%	0%	12%	164
MPV-17-437C	5034 South West Corridor / South Pipe	329	-54	151.80	199.70	47.90	26.40	31%	60%	0%	9%	230
MPV-17-438C	5034 South West Corridor / South Pipe	285	-50	151.60	157.00	5.40	3.10	0%	100%	0%	0%	191
MPV-17-439C	5034 South West Corridor / South Pipe	305	-60	157.00	164.50	7.50	3.50	0%	100%	0%	0%	224
MPV-17-440C	5034 South West Corridor / South Pipe	327	-50	211.27	229.40	18.13	11.60	7%	82%	8%	3%	284
MPV-18-441C	5034 South West Corridor / South Pipe	309	-58	196.20	197.76	1.56	0.80	100%	0%	0%	0%	283
MPV-18-442C	5034 South West Corridor / South Pipe	330	-51	229.87	253.15	23.28	14.40	5%	0%	95%	0%	284
MPV-18-443C	5034 South West Corridor / South Pipe	130	-49	62.69	89.60	26.91	18.10	0%	100%	0%	0%	122
MPV-18-444C	5034 South West Corridor / South Pipe	268	-46	16.30	50.40	34.10	19.30	99%	1%	0%	0%	89
MPV-18-445C	5034 South West Corridor / South Pipe	300	-46	37.75	56.83	19.08	13.20	100%	0%	0%	0%	100
MPV-18-446C	5034 South West Corridor / South Pipe	244	-46	73.57	119.18	45.61	20.00	9%	34%	57%	0%	185
MPV-18-447C	5034 South West Corridor / South Pipe	25	-53	31.38	199.49	168.11	N/A	61%	23%	11%	6%	230
MPV-18-448C	5034 South West Corridor / South Pipe	319	-61	109.90	110.34	0.44	0.20	100%	0%	0%	0%	143
MPV-18-449C	5034 South West Corridor / South Pipe	293	-54	129.80	131.10	1.30	0.80	100%	0%	0%	0%	170
MPV-18-450C	5034 South West Corridor / South Pipe	16	-53	26.10	57.00	30.90	N/A	0%	100%	0%	0%	146
MPV-18-450C	5035 South West Corridor / South Pipe	16	-53	78.23	146.00	67.77	N/A	69%	7%	22%	2%	146
MPV-18-452C	5034 South West Corridor / South Pipe	275	-46	51.00	51.50	0.50	0.30	100%	0%	0%	0%	92
MPV-18-454C	5034 South West Corridor / South Pipe	335	-50			0.00	0.00	0%	0%	0%	0%	380

[1] Intercept is composed of Kimberlite, Kimberlite Granite Breccia, Granite Kimberlite Breccia, and Internal Granitic Dilution; [2] Not true thickness; [3] Estimated true thickness; [4] Hypabyssal Kimberlite; [5] Kimberlite > 50%; [6] Kimberlite < 50%; [7]Consists of Granite and Granite Breccia; [8] Holes MPV-18-447C and MPV-18-450C are drilled on strike and therefore cannot be used determine true thickness.

Upon completion of the drill program, select intervals of SWC core were processed for microdiamond recovery by caustic fusion at the SRC (Saskatoon, SK), an ISO/IEC 17025 accredited laboratory for caustic fusion analyses. A total of 3,289 diamonds with dimensions greater than a 0.075mm square mesh screen were recovered from 535 kilograms of kimberlite. A focused mining sample of SWC kimberlite that was accessed from the 5034 pit was processed through the Gahcho Kué Dense Media Separation facility, generating a total of 19,567 carats (+1 DTC) in a total of 18,881 tonnes.

ACQUISITION OF KENNADY DIAMONDS INC.

On January 29, 2018, the Company announced a definitive arrangement agreement pursuant to which the Company would acquire all of the issued and outstanding shares of Kennady Diamonds Inc. (“Kennady”) by way of a court-approved plan of arrangement (the “Transaction”). Under the terms of the Transaction, Kennady shareholders would receive 0.975 of a Mountain Province common share for each Kennady common share of Kennady. During the three-month period ended March 31, 2018, the Company obtained 3,000,000 Kennady shares, by way of a private placement. On April 9, 2018, approval of the Transaction was obtained from both Mountain Province and Kennady shareholders. On April 11, 2018, final approval of the Ontario Superior Court of Justice for the proposed transaction took place. On April 13, 2018, after all conditions precedent were satisfied, the Transaction was closed and Kennady became a wholly owned subsidiary of the Company. Kennady shareholders received 49,737,307 shares of Mountain Province for 51,012,599 shares of Kennady. The transaction was valued based on the share price of the Company on April 13, 2018.

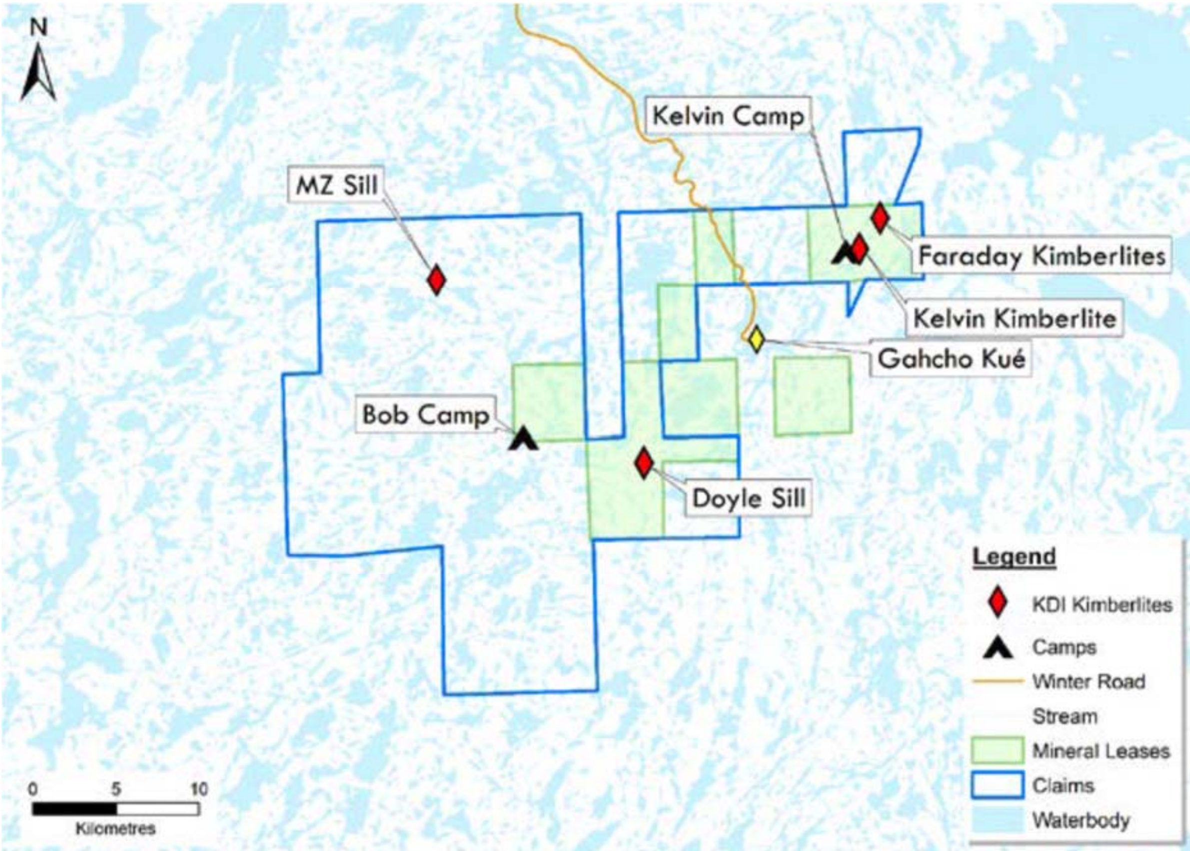
Until April 13, 2018, the 3,000,000 shares of Kennady obtained were held as equity securities. During the year ended December 31, 2018, the Company recognized a realized gain of $1,334, net of income taxes, related to the fair value adjustment of its equity securities. All equity securities owned by the Company are reclassified as FVTOCI, with fair value gains, net of income taxes, of $1,334 recorded in other comprehensive income for the year ended December 31, 2018.

The acquisition of Kennady Diamonds Inc. is considered an asset acquisition, and not a business combination in accordance with IFRS 3. The following table summarizes the fair value of the consideration transferred to the Kennady shareholders and the final estimates of the fair values of identified assets acquired and liabilities assumed. The purchase price allocation and the net assets acquired were as follows:

Purchase price:		
Common shares issued	$	153,688
Purchase of equity securities prior to April 13, 2018		9,038
Company transaction costs		4,247
Total	**$**	**166,973**

Net assets acquired:		
Assets		
Cash	$	54
Amounts receivable		641
Prepaid expenses		119
Reclamation deposit		250
Property, plant and equipment		168,609
Liabilities		
Accounts payable and accrued liabilities		(2,527)
Decommissioning and restoration liability		(173)
Total	**$**	**166,973**

The Kennady North property covers a portion of the southeastern Slave Geological Province, an Archean terrane ranging in age from 4.03 Ga to 2.55 Ga. The area consists of granodiorite, high-grade gneiss and migmatite, along with volcanic and sedimentary supracrustal rocks typical of many greenstone belts in the Slave Province. The kimberlite bodies in the Kennady Lake/Gahcho Kué area were emplaced between 531-542Ma during the Cambrian Period. Erosional processes since emplacement may have been significant, stripping the kimberlites almost to their root zones but still preserving the hypabyssal and diatreme facies. The Kennady North property hosts five known kimberlites to date; Kelvin, Faraday 2, Faraday 1-3, MZ, and Doyle. The following map shows the location of the Kennady North property relative to the GK Mine, and the holdings consist of 22 federal leases and 58 claims covering an area of 67,164 hectares.



KENNADY NORTH PROJECT EXPLORATION

Exploration at Kennady North commenced in the early 1990's and resulted in the discovery of the diamond-bearing Kelvin, Faraday, MZ and Doyle kimberlite occurrences. Kennady Diamonds recovered significant diamonds between 2014 and 2017. The diamond package from the Kelvin and Faraday kimberlites, using the size-frequency distribution curves, indicated that these kimberlites may be of comparable grade to the 5034 and Hearne kimberlites at the GK Mine.

A 2018 exploration program which was completed in May 2018 had three objectives: delineation drilling at Faraday 2, geotechnical drilling adjacent to Faraday 2 and Faraday 1-3, and drill testing of exploration targets within the Kelvin-Faraday Corridor. A total of 38 drill holes were completed for a program total of 6,826 metres. All of the drilling results were reported in a Kennady Diamonds news release on May 23, 2018.

Drilling at Faraday 2 kimberlite focused on the northwest extension, which extends the Faraday 2 kimberlite by over 150 metres. Geologic units in the inferred near-surface resource extend into the northwest extension and the completed drilling will enable the full projection of Faraday 2 to advance to an inferred level of confidence. Drilling results for Faraday 2 are summarized in the following table.

Faraday 2 – Winter 2018 Geotechnical and Delineation Drill Program

Drill Hole	Drill Hole Purpose	Azimuth	Inclination	Intercept[1] (m)			End of Hole (m)
				From	To	Intercept	
KDI-18-010	Geotech/Delineation	220	-65	270.91	322.70	51.79	346
KDI-18-011	Delineation	040	-65	280.74	313.26	32.52	350
KDI-18-012a	Delineation/Exploration	000	-90	254.33	270.52	15.18[2]	334
				279.68	292.94	11.37[2]	334
				297.36	298.34	0.45[2]	334
				304.00	305.45	0.51[2]	334
KDI-18-012b	Delineation/Exploration	305	-80	-	-	-	317
KDI-18-010	Geotech/Delineation	038	-66	258.69	288.97	28.05[2]	319

[1]Intercepts are not true thicknesses. [2]Includes minor country rock intercepts.

Drill core from the Faraday 2 delineation and geotechnical program reported above and the drilling conducted in 2017 was shipped to SRC (Saskatoon, SK) for caustic fusion recovery of microdiamonds. SRC has conducted all of the caustic fusion and dense media separation analyses since the KNP was initiated in 2012. SRC is an ISO/IEC 17025 accredited laboratory for caustic fusion analyses.

The samples weighed a combined total of 2.101 tonnes and generated 9,218 diamonds larger than a 0.106 mm square mesh screen. A sample grade of 4.9 carats per tonne for 267 stones greater than 0.85mm in size is similar to sample grades from previous microdiamond test results of Faraday 2. The microdiamond results will be used to increase the inferred resource at Faraday 2. This work is being conducted by SRK (Vancouver, BC) and will be completed in Q1 of 2019. Results for the microdiamond test of the Faraday 2 extension are shown in the table below.

Faraday 2 – Winter 2018 Microdiamond Results

Sample Weight (Dry Tonnes)	Number and Weights of Diamonds according to Sieve Size Fraction (mm)											Total Diamonds	Total Carats (+0.850mm)
	+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		
2.101	3645	2197	1441	908	481	279	146	90	19	8	4	9218	10.4

One drillhole was completed at Faraday 1-3 was designed to test the geotechnical characteristics of country rock for the purposes of open pit mine design and was not expected to intersect kimberlite. Results are summarised in the table below.

Faraday 1-3 – Winter 2018 Geotechnical Drilling Results

Drill Hole	Drill Hole Purpose	Azimuth	Inclination	Intercept (m)			End of Hole (m)
				From	To	Intercept	
KDI-18-017	Geotechnical	320	-45	-	-	-	189

In addition to the geotechnical, delineation and exploration drilling, associated geotechnical surveys, ground water sampling and other required test work was also successfully completed in the winter program. The combined work is expected to help advance the Faraday kimberlites from a scoping-level to a pre-feasibility level of confidence in terms of geotechnical analysis.

Three geophysically-defined grassroots exploration targets located in close proximity to the Faraday kimberlites were also drill-tested. All of the seven drill holes intersected kimberlite, consisting of kimberlite sheet complexes with the largest intercept being 5.4 metres of coherent kimberlite. Drill results for the grassroots exploration targets are summarized in the table below.

Grassroots Exploration – Winter 2018 Drilling Results

Drill Hole	Geophysical Target	Azimuth	Inclination	Intercept[1] (m)			End of Hole (m)
				From	To	Intercept	
KDI-18-014a	Target #18-01	000	-90	34.53	35.55	1.02	165
				46.20	46.31	0.11	165
KDI-18-014b	Target #18-01	017	-45	89.33	89.54	0.21	199
				91.15	93.64	2.49	199
				95.18	95.47	0.29	199
				96.89	98.09	1.20	199
KDI-18-015	Target #18-01	283	-45	78.87	79.18	0.31	199
				91.66	97.30	5.41[2]	199
KDI-18-16a	Target #18-02	000	-90	64.48	66.49	2.01	119
				75.18	76.91	0.93[2]	119
KDI-18-16b	Target #18-02	220	-65	61.03	61.31	0.28	131
				62.00	65.37	2.29[2]	131
KDI-18-16c	Target #18-02	220	-45	66.89	68.98	1.68[2]	122
				79.51	82.65	3.14	122
KDI-18-018a	Target#18-03	340	-90	128.00	133.00	5.00	179

[1]Intercepts are not true thicknesses. [2]Includes minor country rock intercepts.

In each case, the geophysical targets were explained by intervals of highly altered and fractured country rock associated with kimberlite sheets. Similarly fractured and altered country rock is associated with both the Kelvin and the Faraday kimberlites. These latest results will be utilized in conjunction with other exploration data to prioritize remaining geophysical targets for future drill testing.

A brief program was also conducted in summer 2018, including a geotechnical drillhole completed at Faraday 2 and continued collection of baseline environmental data. The drillhole at Faraday 2 targeted an area with limited geotechnical data in the country rock adjacent to the kimberlite, but also passed through the kimberlite itself. Results for the single geotechnical drillhole are provided in the table below.

Faraday 2 – Summer 2018 Geotechnical Drilling Results

Drill Hole	Drill Hole Purpose	Azimuth	Inclination	Intercept[1] (m)			End of Hole (m)
				From	To	Intercept	
KDI-18-027	Geotechnical	90	-50	128.62	176.52	47.90	229

[1]Intercepts are not true thicknesses.

The Kelvin, Faraday 2 and Faraday 3 geological model domains have been adopted as the resource domains for the estimation of Mineral Resources. The volumes of these domains were combined with estimates of bulk density to derive tonnage estimates. Bulk sampling programs using large diameter RC drilling were conducted to obtain grade and value information. Microdiamond data from drill core were used to forecast grades for the different kimberlite lithologies. Details of the modeling are available in the 2016 Technical Report and the 2017 Technical Report.

The work outlined in these reports has defined a total Indicated Mineral Resource for the Kelvin kimberlite of 8.5 million tonnes at an average grade of 1.6 carats per tonne and an overall average diamond value of US$63 per carat. An Inferred Mineral Resource has been determined for portions of Faraday 2 and 1-3, totaling 3.27 million tonnes at an average grade of 1.54 cpt and an average diamond value of US$98 per carat. Both estimates are on the basis of a 1mm bottom cut-off. Details are provided in the table below.

Mineral Resource Estimates for the Kelvin and Faraday Kimberlites (as of December 2017)

Resource	Classification	Tonnes (Mt)	Carats (Mct)	Grade (cpt)
Kelvin	Indicated	8.50	13.62	1.60
Faraday 2 and Faraday 1-3	Inferred	3.27	5.02	1.54

(1) Mineral Resources are reported at a bottom cut-off of 1.0 mm. Incidental diamonds are not incorporated in grade calculations.
(2) Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability.

Relevant parameters for two minor domains of the Faraday 2 and for all of the Faraday 1 kimberlite are not sufficiently well-constrained by available data to define Mineral Resources. These deposits are defined as Target for Further Exploration (TFFE) with estimates of the potential ranges of volume, tonnes and grade (where possible) provided in the table below.

Target for Further Exploration for the Faraday Kimberlites (as of December 2017)

Resource	Volume (Mm3)		Tonnes (Mt)		Grade (cpt)	
	Low	High	Low	High	Low	High
Faraday 1-3	0.20	0.50	0.60	1.20	1.50	3.70
Faraday 2	0.01	0.02	0.01	0.04	-	-

(1) The estimate of a TFFE is conceptual in nature as there has been insufficient exploration to define a Mineral Reserve and it is uncertain if future exploration will result in the estimate being delineated as a Mineral Reserve.

In the latter half of 2018, exploration at Kennady North focused on compiling all in-house data in order to identify and prioritize kimberlite targets. This included the acquisition of historical data from GGL Resources ('GGL data') that cover the area of interest of the Kennady North Project. This acquisition in the form of a perpetual lease of the GGL data was completed in December 2019 for a one-time cash payment of CAD$30,000. The historic and GGL data have been incorporated into a user-friendly GIS platform that also includes an updated interpretation of the surficial geology. The updated interpretation combines new field mapping and sampling with a recent LIDAR survey of the project area to generate a till sample ranking scheme. The ranking scheme was then combined with geophysical and till sampling results to generate target areas for follow-up sampling and drilling. Some of these target areas will be the focus of exploration in 2019.

RESULTS OF OPERATIONS

The Company, as discussed above, held ten sales of diamonds during the year ended December 31, 2018.

SELECTED ANNUAL INFORMATION

Expressed in thousands of Canadian dollars	December 31 2018	December 31 2017	December 31 2016
	$	$	$
Sales	310,969	170,108	-
Earnings from mine operations	81,031	52,133	-
Operating income (loss)	58,388	36,068	(6,277)
Net (loss) income for the year	(18,934)	17,152	4,798
Basic and diluted (loss) earnings per share	(0.10)	0.11	0.03
Cash flow provided by (used in) operating activities	135,903	42,651	(17,907)
Cash flow provided by (used in) investing activities	(79,673)	41,177	(205,568)
Cash flow provided by (used in) financing activities	(68,137)	(48,693)	221,103
Balance Sheet			
Total assets	979,877	795,066	783,761
Total non-current financial liabilities	466,240	425,709	416,979
Total cash dividends declared per common share	0.04	-	-

In the year ended December 31, 2018, diamond sales related to 3,253,000 carats sold for $310,969 (US$240,010) compared to 1,986,000 carats sold for $170,108 (US$134,253) for the same period in 2017. The first four sales of 2017 were not recognized as sales on the statement of comprehensive (loss) income due to the transition to commercial production in the period. During 2016, no diamond sales took place, as the company was not yet in commercial production, and the GK Mine was still under development. Earnings from mine operations, and operating income (loss) have followed the same pattern, as a result of the timing of commercial production. Net income (loss), is affected by unrealized foreign exchange gains (losses) from period to period on US$ denominated debt. The Company has reported strong cash flows provided by operating activities in 2018, as compared to 2017 and 2016. Cash flows from investing activities mainly represent the capital expenditure and development costs spent on the GK Mine, with 2017 being the outlier, as revenue earned prior to the declaration of commercial production was captured in investing activities, net of additions to property, plant and equipment. Cash flows used in financing activities have been a direct result of interest charges, and repurchases related to the secured notes payable, and the previous Loan Facility which existed prior to the secured notes payable financing which closed on December 11, 2017. As a result of positive operating income, and the acquisition of Kennady Diamonds Inc. during 2018, total assets have grown significantly year over year.

In the year ended December 31, 2018, the Company declared and paid its inaugural dividend of $0.04 per common share totaling $8,400. In 2017 and 2016, the Company did not pay a dividend.

SUMMARY OF FULL YEAR 2018 FINANCIAL RESULTS

Year ended December 31, 2018 compared to the year ended December 31, 2017, expressed in thousands of Canadian dollars.

For the year ended December 31, 2018, the Company recorded a net loss of $18,934 or $0.10 loss per share compared to $17,152 net income or $0.11 earnings per share for the same period in 2017. A significant difference was earnings from mine operations of $81,031 in the year ended December 31, 2018, compared to $52,133 for the same period in 2017. The main reason for the significant increase in net loss for the year ended December 31, 2018 was the $32,474 foreign exchange loss, compared to $30,035 foreign exchange gain for the same period in 2017. These foreign exchange gains and losses primarily comprise unrealized amounts from the translation of the US dollar denominated balance sheet items, the majority of which is the secured notes payable, with an unrealized loss in 2018 of $32,058 (2017: unrealized gain of $9,014). An additional reason for the significant increase in the net loss is due to the $8,204 exploration and evaluation expenses compared to only $472 for the same period in 2017. The significant increase in exploration and evaluation expenses is both due to a ramped-up program on the GK Mine properties, and due to the exploration at KNP.

Earnings from mine operations

Earnings from mine operations for the year ended December 31, 2018 were $81,031, compared to $52,133 for the same period in 2017. For the year ended December 31, 2018, diamond sales related to 3,253,000 carats were $310,969 (US$240,010), or approximately $96 per carat sold, compared to 1,986,000 carats for $170,108 (US$134,253), or approximately $86 per carat sold, for the same period in 2017. Production costs (net of capitalized stripping costs) related to diamonds sold for the year ended December 31, 2018 were $117,908; depreciation and depletion on the GK Mine commissioned assets related to diamonds sold for the year ended December 31, 2018 were $79,419; and the cost of acquired diamonds for the year ended December 31, 2018 was $32,611, which had been previously paid to De Beers when winning the periodic fancies and specials bids. The total production cost per carat was approximately $71 per carat sold. Resultant earnings from mine operations were $81,031. Production costs (net of capitalized stripping costs) related to diamonds sold for the year ended December 31, 2017 were $64,420; depreciation and depletion on the GK Mine commissioned assets related to diamonds sold for the year ended December 31, 2017 were $44,615; and the cost of acquired diamonds for the year ended December 31, 2017 was $8,940, which had been previously paid to De Beers when winning the periodic fancies and specials bids. The total production cost per carat was approximately $59 per carat sold. Resultant earnings from mine operations were $52,133.

Selling, general and administrative expenses

Selling, general and administrative expenses for the year ended December 31, 2018 were $14,439 compared to $15,593 for the same period in 2017. The decrease in selling, general and administrative costs can partially be attributed to the decrease in consulting fees and payroll, as 2017 contained costs for the transition in executive leadership, and the associated costs of severance and transition. Also, the decrease can partially be attributed to the decrease in professional fees, given that 2017 had additional technical professional fees associated with the completion of the GK Mine, and additional ongoing legal fees associated with the previous Loan Facility. All other selling, general and administrative costs were consistent between 2018 and 2017. The significant expenses included in these amounts for the year ended December 31, 2018 were $6,607 relating to selling and marketing, $2,297 related to consulting fees and payroll, $1,579 related to professional fees, and $1,685 relating to share-based payment expense. The significant expenses included in these amounts for the year ended December 31, 2017 were $6,493 relating to selling and marketing, $3,238 related to consulting fees and payroll, $2,161 related to professional fees, and $1,582 relating to share-based payment expense.

Exploration and evaluation expenses

Exploration and evaluation expenses for the year ended December 31, 2018, were $8,204, compared to $472 for the same period in 2017. Exploration and evaluation expenses have grown significantly in the period due to the acquisition of Kennady Diamonds Inc., which was effective April 13, 2018, and the exploration on the properties of the GK Mine have ramped up with the goal of identifying targets for adding potential resources. Kennady Diamonds Inc. owns the rights to the Kennady North Project, which continue to be further developed through continuous exploration and evaluation drill programs. As mentioned above, a program was also conducted in summer 2018, including a geotechnical drillhole completed at Faraday 2 and continued collection of baseline environmental data for the project as a whole. At the GK Mine the exploration and evaluation expenses were comprised of airborne magnetics and electromagnetics, and a ground gravity survey conducted in the region between the Tesla and Tuzo kimberlites and within the Southwest Corridor. Of the $8,204 total exploration and evaluation expenses incurred in the year ended December 31, 2018, $3,511 related to the Company’s 49% share of the exploration and evaluation expenses on the GK Mine, while the remaining $4,693 related to those spent on the KNP. All $472 spent in the year ended December 31, 2017, related to the exploration and evaluation expenses of the GK Mine.

Net finance expenses

Net finance expenses for the year ended December 31, 2018 were $40,564 compared to $52,219 for the same period in 2017. Included in these amounts for the year ended December 2018 were $40,489 relating to finance costs, $657 relating to accretion expense on decommissioning liability and $582 relating to interest income. Included in these amounts for the year ended December 2017 were $52,738 relating to finance costs, $562 relating to accretion expense on decommissioning liability and $1,081 relating to interest income. Finance costs have decreased for the year ended December 31, 2018 compared to 2017 mainly due to the non-recurring non-cash expense for deferred financing costs of $15,533 written off upon termination of the Loan Facility, and approximately $1 million of non-recurring costs associated with the setup of the RCF in December 2017. All finance expenses in 2018 were recurring interest expenses and other financing costs on the secured notes payable. The increase in accretion expense on decommissioning liability is due to a higher decommissioning liability balance. Interest income in 2018 decreased, mainly due to a lower average cash balance held throughout the year.

Foreign exchange (losses) gains

Foreign exchange (losses) gains for the year ended December 31, 2018 were ($32,474) compared to $30,035 for the same period in 2017. The foreign exchange losses for the year ended December 31, 2018 was a result of the Canadian dollar weakening relative to the U.S. dollar and the translation of the secured notes payable, net of U.S. dollar cash balances, to Canadian dollar at the spot rate at the period end. The majority of the foreign exchange losses for the year ended December 31, 2018 relates to the $32,637 unrealized losses associated with the translation of the U.S. dollar based secured notes payable, which is not closely tied to operational metrics. At December 31, 2018, the spot exchange rate was $1.3624/US$1 compared to $1.2571/US$1 at December 31, 2017. At December 31, 2017, the spot exchange rate was $1.2571/US$1 compared to $1.3427/US$1 at December 31, 2016. The foreign exchange gains for the year ended December 31, 2017 was a result of the Canadian dollar strengthening relative to the U.S. dollar and the translation of the Loan Facility and secured notes payable, net of U.S. dollar cash balances, to Canadian dollar at the spot rate at the period end.

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

SUMMARY OF QUARTERLY RESULTS

Table 1 - Quarterly Financial Data
Expressed in thousands of Canadian dollars

		Three months ended			
		December 31 2018	**September 30 2018**	**June 30 2018**	**March 31 2018**
Earnings and Cash Flow					
Number of sales		3	2	3	2
Sales	$	70,477	74,852	99,075	66,565
Operating income	$	7,144	19,952	11,187	20,105
Net (loss) income for the period	$	(30,204)	17,483	(6,280)	67
Basic and diluted (loss) earnings per share	$	(0.15)	0.08	(0.03)	0.00
Adjusted EBITDA*	$	26,512	37,948	41,062	33,635
Cash flow provided by (used in) operating activities	$	41,818	33,319	59,007	1,759
Cash flow provided by (used in) investing activities	$	(14,915)	(10,175)	(38,485)	(16,098)
Cash flow provided by (used in) financing activities	$	(23,398)	(29,017)	(15,535)	(188)
Balance Sheet					
Total assets	$	979,877	969,245	974,816	823,966

*Adjusted EBITDA is not defined under IFRS and therefore may not be comparable to similar measures presented by other issuers; refer to the Non-IFRS Measures section.

		Three months ended			
		December 31 2017	September 30 2017	June 30 2017	March 31 2017**
Earnings and Cash Flow					
Number of sales		3	2	3	2
Sales	$	77,242	65,218	27,648	-
Operating income (loss)	$	11,176	20,657	7,663	(3,428)
Net (loss) income for the period	$	(15,927)	27,669	7,554	(2,144)
Basic and diluted (loss) earnings per share	$	(0.10)	0.17	0.05	(0.01)
Adjusted EBITDA*	$	54,937	37,570	13,159	(3,792)
Cash flow provided by (used in) operating activities	$	36,389	49,238	(15,737)	(27,239)
Cash flow provided by (used in) investing activities	$	54,079	(38,715)	18,217	7,596
Cash flow provided by (used in) financing activities	$	(62,970)	(7,871)	(8,826)	30,974
Balance Sheet					
Total assets	$	795,066	884,806	857,320	873,753

*Adjusted EBITDA is not defined under IFRS and therefore may not be comparable to similar measures presented by other issuers; refer to the Non-IFRS Measures section.

**Diamonds produced prior to the declaration of commercial production on March 1, 2017 were not recorded as sales and were recorded as pre-production sales as assets under construction, included in property, plant and equipment. Sale 5 in June 2017 was the first sale recorded in the statement of comprehensive income.

During the years ended December 31, 2018 and 2017, the Company took part in ten sales in Antwerp, Belgium. For the three months ended March 31, 2018 and September 30, 2018 there were two sales that took place, while for the three months ended June 30, 2018 and December 31, 2018 there were three sales that took place. This explains, partially, the sales level and operating income quarter by quarter. Typically, quarters with three sales have resulted in higher overall sales and operating income levels. The operating income of $7,144 in the three months ended December 31, 2018 is lower than a typical three sale quarter as a result of product mix and a lower than expected volume of carats sold due to timing in the sales distribution channel. The same sales pattern existed in 2017. The exception above is for the quarter ended September 30, 2018, which although was a two sale quarter, included additional revenue from the last sale in the quarter ended June 30, 2018 due to the time of collection of funds, and the revenue recognition policy of the Company.

SUMMARY OF FOURTH QUARTER FINANCIAL RESULTS

Three months ended December 31, 2018 compared to the three months ended December 31, 2017, expressed in thousands of Canadian dollars.

For the three months ended December 31, 2018, the Company recorded a net loss of $30,204 or $0.15 loss per share compared to net loss $15,927 or $0.10 loss per share for the same period in 2017. A significant difference was earnings from mine operations of $12,726 in the three months ended December 31, 2018, compared to $16,363 for the same period in 2017. The total net finance expenses for the period were $9,938, compared to $25,939 for the same period in 2017. The most significant impact on the net loss was the foreign exchange loss, for the three months ended December 31, 2018, of $21,008, compared to $2,949 for the same period in 2017. This was largely driven by the Canadian dollar weakening relative to the U.S. dollar and the translation of the secured notes payable, net of U.S. dollar cash balances, to Canadian dollars at the spot rate at the period ended December 31, 2018. Additionally, the Company incurred a derivative loss of $4,297 in the period, due to the decrease in the fair value of embedded derivatives, and forward currency contracts. The derivative gain in the same period in 2017 was $1,763, all attributed to the increase in fair value of the embedded derivative from December 11, 2017 to December 31, 2017. The forward currency contracts did not exist in the previous period.

Earnings from mine operations

Earnings from mine operations for the three months ended December 31, 2018 were $12,726, compared to $16,363 for the same period in 2017. For the three months ended December 31, 2018, diamond sales related to 823,000 carats were $70,477. The average diamond sales price per carat was approximately US$65, which resulted from a slight decline in overall prices, predominantly in the lower run of mine categories in the diamond market, compared to the first half of the year. Production costs (net of capitalized stripping costs) related to diamonds sold for the three months ended December 31, 2018 were $31,668; depreciation and depletion on the GK Mine commissioned assets related to diamonds sold for the three months ended December 31, 2018 were $19,031; and the cost of acquired diamonds for the three months ended December 31, 2018 were $7,052, which had been previously paid to De Beers when winning the periodic fancies and specials bids. Resultant earnings from mine operations were $12,726. For the three months ended December 31, 2017, diamond sales related to 1,006,000 carats were $77,242. Production costs (net of capitalized stripping costs) related to diamonds sold for the three months ended December 31, 2017 were $34,594; depreciation and depletion on the GK Mine commissioned assets related to diamonds sold for the three months ended December 31, 2017 were $23,028; and the cost of acquired diamonds for the three months ended December 31, 2017 were $3,257.

Selling, general and administrative expenses

Selling, general and administrative expenses for the three months ended December 31, 2018 were $3,920 compared to $4,715 for the same period in 2017. The significant expenses included in these amounts for the three months ended December 31, 2018 $1,935 relating to selling and marketing, $724 related to consulting fees and payroll, and $424 relating to share-based payment expense. The significant expenses included in these amounts for the three months ended December 31, 2017 $1,879 relating to selling and marketing, $1,176 related to consulting fees and payroll, and $293 relating to share-based payment expense. All selling, general and administrative costs have been consistent for both the three months ended December 31, 2018 compared to the same period in 2017, with the exception of consulting fees and payroll. The reduction in consulting fees and payroll was mainly driven by costs for the transition in executive leadership existing in 2017. Also, the review for any potential bonus on the new CEO has been deferred until the first quarter of 2019, which reduced the expense in the three-month period.

Exploration and evaluation expenses

Exploration and evaluation expenses for the three months ended December 31, 2018, were $1,662, compared to $472 for the same period in 2017. Exploration and evaluation expenses have grown significantly in the period due to the acquisition of Kennady Diamonds Inc., which was effective April 13, 2018, and the exploration on the properties of the GK Mine have ramped up with the goal of identifying targets for adding potential resources. Kennady Diamonds Inc. owns the rights to the Kennady North Project, which continue to be further developed through continuous exploration and evaluation drill programs. As mentioned above, a program was also conducted in summer 2018, including a geotechnical drillhole completed at Faraday 2 and continued collection of baseline environmental data for the project as a whole. At the GK Mine the exploration and evaluation expenses were comprised of airborne magnetics and electromagnetics, and a ground gravity survey conducted in the region between the Tesla and Tuzo kimberlites and within the Southwest Corridor. Of the $1,662 total exploration and evaluation expenses incurred in the year ended December 31, 2018, $544 related to the Company's 49% share of the exploration and evaluation expenses on the GK Mine, while the remaining $1,118 related to those spent on the KNP. All $472 spent in the three months ended December 31, 2017, related to the exploration and evaluation expenses of the GK Mine.

Net finance expenses

Net finance expenses for the three months ended December 31, 2018 were $9,938 compared to $25,939 for the same period in 2017. Included in the amount for the three months ended December 31, 2018, were $9,994 relating to finance costs, $165 relating to accretion expense on decommissioning liability and $221 relating to interest income. Included in the amount for the three months ended December 31, 2017, were $26,160 relating to finance costs, $141 relating to accretion expense on decommissioning liability and $362 relating to interest income. Finance costs have decreased for the three months ended December 31, 2018 because there was a non-recurring non-cash expense for deferred financing costs of $15,533 written off upon termination of the Loan Facility in December 2017. Also included was approximately $1 million of non-recurring costs associated with the setup of the RCF incurred in December 2017. The increase in accretion expense on decommissioning liability is due to a higher decommissioning liability balance. Interest income in 2018 was lower than the 2017 period due to a lower average cash balance held throughout the period.

Foreign exchange losses

Foreign exchange losses for the three months ended December 31, 2018 were $21,008 compared to $2,949 for the same period in 2017. The foreign exchange loss for the three months ended December 31, 2018 was a result of the Canadian dollar weakening relative to the U.S. dollar and the translation of the secured notes payable, net of U.S. dollar cash balances, to Canadian dollars at the spot rate at the three months ended December 31, 2018. The same trend existed in the previous year, but on a smaller foreign exchange variance.

INCOME AND MINING 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.

The Company's current tax expenses are associated with mining royalty taxes in the Northwest Territories. There are no other current tax expenses for income tax purposes, as there are significant losses carried forward that are available to offset current taxable income.

FINANCIAL POSITION AND LIQUIDITY

The Company originally funded its share of the construction and commissioning costs of the GK Mine through a combination of equity and a project lending facility (the previous "Loan Facility"). In December 2017, the Company terminated its previous Loan Facility through the issuance of US$330 million in second lien secured notes payable. Concurrent with the closing of the Notes offering, the Company entered into an undrawn US$50 million first lien revolving credit facility (the "RCF") with Scotiabank and Nedbank Ltd. in order to maintain a liquidity cushion for general corporate purposes. The RCF has a term of three years.

The RCF is subject to a quarterly commitment fee between 0.9625% and 1.2375%, depending on certain leverage ratio calculations at the time. Upon drawing on the RCF, an interest rate of LIBOR plus 2.5% to 4.5% per annum is charged for the number of days the funds are outstanding, based on certain leverage ratio calculations at the time. As at December 31, 2018, the RCF remained undrawn. The RCF is subject to several financial covenants, in order to remain available. The following financial covenants are calculated on a quarterly basis:

- Total leverage ratio of less than or equal to 4.50:1 calculated as total debt divided by EBITDA, up to and including December 31, 2019; and 4:1, thereafter until the maturity date.
- A ratio of EBITDA to interest expense no less than 2.25:1; and
- A tangible net worth that is no less than 75% of the tangible net worth as reflected in the September 30, 2017 financial statements provided to the administrative agent as a condition precedent to closing, plus 50% of the positive net income for each subsequent quarter date.
- Permitted distributions (which include dividends) are subject to the Company having a net debt to EBITDA ratio of less than or equal to 2.75:1 in 2018, 2.25:1 in 2019, and 1.75:1 in 2020. Net debt is equal to total debt, less cash and cash equivalents. The aggregate amount of all distributions paid during the rolling four quarters up to and including the date of such distribution does not exceed 25% of free cash flows ("FCF") during such period. FCF is defined as EBITDA minus, without duplication, (a) capital expenditures, (b) cash taxes, (c) any applicable standby fee, other fees or finance costs payable to the finance parties in connection

with the RCF, (d) interest expenses and (e) any indebtedness (including mandatory prepayments) permitted under the existing agreement.

The Company is in compliance with all financial covenants as at December 31, 2018.

The indenture governing the secured notes contains certain restrictive covenants that limit the Company's ability to, among other things, incur additional indebtedness, make certain dividend payments and other restricted payments, and create certain liens, in each case subject to certain exceptions. The restrictive covenant on the Company's ability to pay potential future dividends relates to a fixed charge coverage ratio of no less than 2:1. The fixed charge coverage ratio is calculated as EBITDA over interest expense. Subject to certain limitations and exceptions, the amount of the restricted payments, which include dividends and share buybacks, is limited to a maximum dollar threshold, which is calculated at an opening basket of US$10 million plus 50% of the historical consolidated net income, subject to certain adjustments, reported from the quarter of issuance and up to the most recently available financial statements at the time of such restricted payment, plus an amount not to exceed the greater of US$15 million and 2% of total assets as defined in the indenture.

Cash flow provided by operating activities, including changes in non-cash working capital for the three months and year ended December 31, 2018, respectively, were $41,818 and $135,903 compared to $36,389 and $42,651 for the same period in 2017. The increase in cash provided for the three months and year ended December 31, 2018 was a result of the earnings from mine operations of $12,726 and $81,031, respectively. Although the net loss for the year ended was $18,934, significant areas which were non-cash expenses included foreign exchange losses of $32,474, depreciation and depletion of $79,441, deferred income taxes of $2,970, and share-based payment expense of $1,685. Also, the comparative three months and year ended December 31, 2017 experienced lower cash inflows, since June 2017 was the first sale which was included in operating activities, as that was when the first diamonds produced post commercial production declaration was included in earnings from mine operations.

Investing activities for the three months and year ended December 31, 2018, respectively, were ($14,915) and ($79,673) compared to $54,079 and $41,177 for the same period in 2017. For the three months and year ended December 31, 2018, the outflow for the purchase of equipment of the GK Mine, acquired KNP assets and other commissioned assets were $76,062 compared to $105,824 for the same period in 2017. Capitalized interest paid for the year ended December 31, 2018 was $nil compared to $5,451 for the same period in 2017. Also, net cash acquired and transaction costs on the acquisition of KNP assets were ($4,193). Cash used for investing activities for the year ended December 31, 2018 included $76,062 in property, plant and equipment, $nil for capitalized interest paid and offset by $582 of interest income. Cash used for investing activities for the year ended December 31, 2017 included $105,824 in property, plant and equipment, $5,451 for capitalized interest paid, offset by $67,493 in pre-production sales, $83,878 in restricted cash and $1,081 of interest income. The most significant reason for the increase in cash outflows compared to the same period in 2017 is the pre-commercial production revenue which was included in 2017. Also, included in the $76,062 and $105,824 for property, plant and equipment was $32,776 and $2,777, respectively, related to deferred stripping costs.

Financing activities for the three months and year ended December 31, 2018, respectively, were ($23,398) and ($68,137) compared to ($62,970) and ($48,693) for the same period in 2017. Cash flows used in financing activities for the three months and year ended December 31, 2018, related to stand-by charges on the RCF, and interest paid on the secured noted payable of $33,371, repurchased of outstanding secured notes of $26,366 (US$20,060) and a dividend payment of $8,400. Under the terms of the secured notes payable, interest payments occur semi-annually, and as such will result in the June and December quarters having significantly higher cash outflows under financing activities. Cash flows from financing activities for the three months and year ended December 31, 2017 related to cash draws of US$25 million or approximately $32.4 million Canadian dollar equivalent from January 1, 2017 to March 1, 2017 from the Loan Facility and the repayment of US$357 million or $458.9 million Canadian dollar equivalent. On December 11, 2017, US$330 million or approximately $424.4 of secured notes payable were issued. Total financing costs in the year ended December 31, 2017 were approximately $48.2 million relating to interest incurred on the Loan Facility and the transaction costs related to the secured notes payable. Proceeds from option exercises were $1,577.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

FINANCIAL INSTRUMENT RISKS

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

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. The Company's exposure to credit risk is for its amounts receivable of which all of the outstanding amounts of $2,478 and $2,679 as at December 31, 2018 and 2017, respectively, were collected.

On December 31, 2018 and 2017, the Company does not have any allowance for doubtful accounts, and does not consider that any such allowance is necessary.

All of the Company's cash and restricted cash is held with a major Canadian financial institution and thus the exposure to credit risk is considered insignificant. Management actively monitors the Company's exposure to credit risk under its financial instruments, including with respect to amounts receivable. The Company considers the risk of loss for its amounts receivable to be remote and significantly mitigated due to the financial strength of the parties from whom most of the amounts receivable are due - the Canadian government for harmonized sales tax ("HST") refunds receivable in the amount of approximately $1,247 (2017 - $2,068).

The Company's current policy is to hold excess cash in bank accounts. It periodically monitors the investment income it makes and is satisfied with the credit ratings of its bank.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. 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. The Company expects that it will be able to meet its obligations as they come due from the positive cash flows of ongoing operations. Also, the Company entered into an undrawn US$50 million first lien revolving credit facility (the "RCF") with Scotiabank and Nedbank Ltd. in order to maintain a liquidity cushion for general corporate purposes. In order for the RCF to remain available, certain financial covenants must be met (Financial statements Note 11). Being able to maintain positive cash flows from operations and the ability to comply with the RCF covenants, and/or maintain sufficient liquidity, is dependent upon many factors including, but not limited to, diamond prices, exchange rates, operating costs and levels of production. Adverse changes in one or more of these factors negatively impact the Company's ability to comply with the covenants and/or maintain sufficient liquidity.

As at December 31, 2018, the Company has an obligation for US$309.9 million or $422.3 million Canadian dollar equivalent (2017 – US$330 million or $414.8 Canadian dollar equivalent) from the secured notes payable. The notes are secured by a second-priority lien on substantially all of the assets which includes the 49% participating rights to the GK Mine, as mentioned in Note 1 and Note 8. The parties under the RCF are granted first priority, if amounts become drawn. Failure to meet the obligations of the secured notes payable as they come due may lead to the sale of the 49% participating interest in the GK Mine.

Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the Company's income and the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing returns.

(i) Interest rate risk

The Company does not have significant exposure to interest rate risk at December 31, 2018 and 2017, since the secured notes payable does not have a variable interest rate. At December 31, 2018, the total secured notes payable was US$309.9 million (2017 – US$330 million).

(ii) Foreign currency

The Company is exposed to market 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 the ongoing operational costs of the GK Mine are in Canadian dollars, and are funded through operating cash flows. The Company's operating cash flows include the sale of its 49% share of the GK Mine diamonds produced in U.S. dollars.

As at December 31, 2018 and 2017, the Company had cash, accounts payable and accrued liabilities, derivative assets, derivative liabilities, financing costs payable and the secured notes payable that are in U.S. dollars. The Canadian dollar equivalent is as follows:

		December 31, 2018		December 31, 2017
Cash	$	16,837	$	25,509
Derivative assets		1,670		963
Accounts payable and accrued liabilities		(2,248)		(3,783)
Derivative liabilities		(653)		-
Secured notes payable		(422,262)		(414,843)
Total	**$**	**(406,656)**	**$**	**(392,154)**

A 10% appreciation or depreciation of the Canadian dollar relative to the U.S. dollar at December 31, 2018 and 2017 would have resulted in an increase or decrease to net income for the year of approximately $40.7 million and $39.2 million, respectively.

SIGNIFICANT ACCOUNTING POLICIES ADOPTED IN THE CURRENT YEAR

Significant accounting policies adopted in the current year are disclosed in Note 3 of the financial statements.

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Significant accounting judgments, estimates and assumptions are disclosed in Note 4 of the financial statements.

STANDARDS AND AMENDMENTS TO EXISTING STANDARDS

Standards and amendments to existing standards are disclosed in Note 3 (xv) of the financial statements

RELATED PARTY TRANSACTIONS

The Company's related parties include the Operator of the GK Mine, Dermot Desmond, Bottin and Vertigol Unlimited Company ("Vertigol") (corporations ultimately beneficially owned by Dermot Desmond), key management and their close family members, and the Company's directors. During the year ended December 31, 2018, Dermot Desmond and Bottin transferred all owned shares of the Company to Vertigol. Dermot Desmond, indirectly through Vertigol, is the ultimate beneficial owner of greater than 10% of the Company's shares. Kennady Diamonds Inc. ("Kennady Diamonds") was also a related party since the Company and Kennady Diamonds had a common member of key management, until the date of acquisition on April 13, 2018. International Investment and Underwriting Unlimited ("IIU") is also a related party since it is ultimately beneficially owned by Mr. Dermot Desmond.

Related party transactions are recorded at their exchange amount, being the amount agreed to by the parties.

The Company had the following transactions and balances with its related parties including key management personnel including the Company's directors, Dermot Desmond, Vertigol, IIU, the Operator of the GK Mine, and

Kennady Diamonds. The transactions with key management personnel are in the nature of remuneration. The transactions with the Operator of the GK Mine relate to the funding of the Company's interest in the GK Mine for the current year's expenditures, capital additions, management fee, and pre-production sales related to the 49% share of fancies and special diamonds. The transactions with Kennady Diamonds are for a monthly management fee charged by the Company for reimbursement of expenses paid on behalf of Kennady Diamonds. The transactions with IIU are for the director fees and travel expenses of the Chairman of the Company.

Between 2014 and 2016, the Company and De Beers signed agreements allowing De Beers ("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 annually for their share of the letters of credit issued. As at December 31, 2018, the Company's share of the letters of credit issued were $23.4 million (December 31, 2017 - $23.4 million).

The balances as at December 31, 2018 and 2017 were as follows:

		December 31, 2018		December 31, 2017
Payable De Beers Canada Inc. as the operator of the GK Mine*	$	1,430	$	523
Payable to De Beers Canada Inc. for interest on letters of credit		352		339
Receivable from De Beers Canada Inc. for sunk cost overpayment		-		21
Payable to International Investment and Underwriting		-		32
Payable to key management personnel		57		178

*included in accounts payable and accrued liabilities

The transactions for the years ended December 31, 2018 and 2017 were as follows:

		Year ended December 31, 2018		Year ended December 31, 2017
The total of the transactions:				
Kennady Diamonds	$	30	$	90
International Investment and Underwriting		99		82
Remuneration to key management personnel		2,917		3,828
Sunk cost repayment to De Beers Canada Inc.		-		49,063
Diamonds sold to De Beers Canada Inc.		2,028		8,791
Diamonds purchased from De Beers Canada Inc.		29,774		19,470
Finance costs incurred from De Beers Canada Inc.		705		339
Assets purchased from De Beers Canada Inc.		-		324
Management fee charged by the Operator of the GK Mine		4,153		4,153

The remuneration expense of directors and other members of key management personnel for the years ended December 31, 2018 and 2017 were as follows:

		Year ended December 31, 2018		Year ended December 31, 2017
Consulting fees, payroll, director fees, bonus and other short-term benefits	$	1,643	$	2,707
Share-based payments		1,324		1,171
	$	2,967	$	3,878

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 following table summarizes the contractual maturities of the Company'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	$ 231	$ 471	$ 473	$ 79	**$ 1,254**
Gahcho Kué Diamond Mine commitments	1,578	-	-	-	**1,578**
Gahcho Kué Diamond Mine operating lease obligations	798	806	190	-	**1,794**
Revolving credit facility stand by charges	843	808	-	-	**1,651**
Notes payable - Principal	-	-	422,262	-	**422,262**
Notes payable - Interest	34,250	68,594	34,250	-	**137,094**
Forward Exchange Contracts:					
(Inflows)	(33,500)	-	-	-	**(33,500)**
Outflows	34,060	-	-	-	**34,060**
	$ 38,260	**$ 70,679**	**$ 457,175**	**$ 79**	**$ 566,193**

SUBSEQUENT EVENT

Subsequent to the year ended December 31, 2018, the Company executed foreign currency forward contracts to buy Canadian dollars and sell U.S. dollars for the period from April 9, 2019 to October 9, 2019 for notional amounts of US$15,000 or $20,093 with a weighted average price of $1.3395/US$1.

NON-IFRS MEASURES

The MD&A refers to the terms "Cash costs of production per tonne of ore processed" and "Cash costs of production per carat recovered", both including and net of capitalized stripping costs and "Adjusted Earnings Before Interest, Taxes Depreciation and Amortization (Adjusted EBITDA)". Each of these is a non-IFRS performance measure and is referenced in order to provide investors with information about the measures used by management to monitor performance. These measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. They do not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers.

Cash costs of production per tonne of ore processed and cash costs of production per carat recovered are used by management to analyze the actual cash costs associated with processing the ore, and for each recovered carat. Differences from production costs reported within cost of sales are attributed to the amount of production cost included in ore stockpile and rough diamond inventories.

Adjusted EBITDA is used by management to analyze the operational cash flows of the Company, as compared to the net income for accounting purposes. It is also a measure which is defined in the secured notes payable documents. Adjusted EBITDA margin is used by management to analyze the operational margin % on cash flows of the Company.

The following table provides a reconciliation of the Adjusted EBITDA and Adjusted EBITDA margin with the net (loss) income on the consolidated statements of comprehensive (loss) income:

	Three months ended December 31, 2018	Three months ended December 31, 2017	Year ended December 31, 2018	Year ended December 31, 2017
Net (loss) income for the period	$ (30,204)	$ (15,927)	$ (18,934)	$ 17,152
Add/deduct:				
Non-cash depreciation and depletion	19,031	23,028	79,419	44,615
Share-based payment expense	424	293	1,685	1,582
Net finance expenses	9,938	25,939	40,564	52,219
Derivative losses (gains)	4,297	(1,763)	247	(3,178)
Current and deferred income taxes	2,105	-	4,118	-
Unrealized foreign exchange losses (gains)	20,921	23,970	32,058	(9,014)
Adjusted earnings before interest, taxes, depreciation and depletion (Adjusted EBITDA)	$ 26,512	$ 55,540	$ 139,157	$ 103,376
Sales	70,744	77,242	310,969	170,108
Adjusted EBITDA margin	37%	72%	45%	61%

The following table provides a reconciliation of the cash costs of production per tonne of ore processed and per carat recovered and the production costs reported within cost of sales on the consolidated statements of comprehensive (loss) income:

(in thousands of Canadian dollars, except where otherwise noted)		Three months ended December 31, 2018	Three months ended December 31, 2017	Year ended December 31, 2018	Year ended December 31, 2017
Cost of sales production costs	$	31,668	34,594	117,908	64,420
Timing differences due to inventory and other non-cash adjustments	$	2,252	(13,509)	7,917	21,824
Cash cost of production of ore processed, net of capitalized stripping	$	33,920	21,085	125,825	86,244
Cash costs of production of ore processed, including capitalized stripping	$	46,328	21,085	158,601	89,021
Tonnes processed	kilo tonnes	368	340	1,565	1,214
Carats recovered	000's carats	758	798	3,399	2,661
Cash costs of production per tonne of ore, net of capitalized stripping	$	92	62	80	71
Cash costs of production per tonne of ore, including capitalized stripping	$	126	62	101	73
Cash costs of production per carat recovered, net of capitalized stripping	$	45	26	37	32
Cash costs of production per carat recovered, including capitalized stripping	$	61	26	47	33

OTHER MANAGEMENT DISCUSSION AND ANALYSIS REQUIREMENTS

Risks

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

- risk that the production from the mine will not be consistent with the Company’s expectation;
- risk that production and operating costs are not within the Company’s estimates;
- risk of lack of operating history and new mining operation;
- 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 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, prices of diamond, and emergence of lab grown diamonds;
- risks related to commodity price fluctuations;
- the uncertainty of profitability based upon the Company's lack of operating history;
- risks related to failure of its joint venture partner;
- risks relating to complying with the covenants in our revolver credit facility;
- 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 operating permits that are approved and/or issued;
- political and regulatory risks associated with mining, exploration and development;
- the ability to operate the Company's GK Mine on an economic basis;
- 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 and the NASDAQ under the symbol MPVD.

At March 20, 2019, there were 210,109,142 shares issued, 2,980,000 stock options and 362,331 restricted share units 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 AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109") based on the Internal Control – Integrated Framework (2013) developed by COSO (Committee of Sponsoring Organizations of the Treadway Commission).

Pursuant to regulations adopted by the U.S. Securities and Exchange Commission, under the Sarbanes-Oxley Act of 2002, the CEO and CFO evaluates the effectiveness of the design and operation of the Company's disclosure controls and procedures, and internal control over financial reporting.

DC&P are designed to provide reasonable assurance that material information relating to the Corporation is made known to the CEO and CFO during the reporting period and the information required to be disclosed by the Corporation under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Due to the inherent limitations associated with any such controls and procedures, management recognizes that, no matter how well designed and operated, they may not prevent or detect misstatements on a timely basis.

The Corporation's management, under the supervision of, and with the participation of, the CEO and the CFO, has evaluated its DC&P and ICFR as defined under 52-109 and concluded that, as of December 31, 2018, they were designed effectively to provide reasonable assurance regarding required disclosures and the reliability of financial reporting and the preparation of financial statements for external purposes.

NI 52-109 also requires Canadian public companies to disclose in their MD&A any change in ICFR that has materially affected, or is reasonably likely to materially affect, ICFR. No material changes were made to the internal controls during the year ended December 31, 2018.

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

This MD&A contains certain "forward-looking statements" and "forward-looking information" under applicable Canadian and United States securities laws concerning the business, operations and financial performance and condition of Mountain Province Diamonds Inc. Forward-looking statements and forward-looking information include, but are not limited to, statements with respect to estimated production and mine life of the project of Mountain Province; the realization of mineral reserve estimates; the timing and amount of estimated future production; costs of production; the future price of diamonds; the estimation of mineral reserves and resources; the ability to manage debt; capital expenditures; the ability to obtain permits for operations; liquidity; tax rates; and currency exchange rate fluctuations. Except for statements of historical fact relating to Mountain Province, certain information contained herein constitutes forward-looking statements. Forward-looking statements are frequently characterized by words such as "anticipates," "may," "can," "plans," "believes," "estimates," "expects," "projects," "targets," "intends," "likely," "will," "should," "to be", "potential" and other similar words, or statements that certain events or conditions "may", "should" or "will" occur. Forward-looking statements are based on the opinions and estimates of management at the date the statements are made, and are based on a number of assumptions and subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. Many of these assumptions are based on factors and events that are not within the control of Mountain Province and there is no assurance they will prove to be correct.

Factors that could cause actual results to vary materially from results anticipated by such forward-looking statements include variations in ore grade or recovery rates, changes in market conditions, changes in project parameters, mine sequencing; production rates; cash flow; risks relating to the availability and timeliness of permitting and governmental approvals; supply of, and demand for, diamonds; fluctuating commodity prices and currency exchange rates, the possibility of project cost overruns or unanticipated costs and expenses, labour disputes and other risks of the mining industry, failure of plant, equipment or processes to operate as anticipated.

These factors are discussed in greater detail in this MD&A and in Mountain Province's most recent Annual Information Form filed on SEDAR, which also provide additional general assumptions in connection with these statements. Mountain Province cautions that the foregoing list of important factors is not exhaustive. Investors and others who base themselves on forward-looking statements should carefully consider the above factors as well as the uncertainties they represent and the risk they entail. Mountain Province believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon. These statements speak only as of the date of this MD&A.

Although Mountain Province has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Mountain Province undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change except as required by applicable securities laws. The reader is cautioned not to place undue reliance on forward-looking statements. Statements concerning mineral reserve and resource estimates may also be deemed to constitute forward-looking statements to the extent they involve estimates of the mineralization that will be encountered as the property is developed.

Further, Mountain Province may make changes to its business plans that could affect its results. The principal assets of Mountain Province are administered pursuant to a joint venture under which Mountain Province is not the operator. Mountain Province is exposed to actions taken or omissions made by the operator within its prerogative and/or determinations made by the joint venture under its terms. Such actions or omissions may impact the future performance of Mountain Province. Under its current note and revolving credit facilities Mountain Province is subject to certain limitations on its ability to pay dividends on common stock. The declaration of dividends is at the discretion of Mountain Province's Board of Directors, subject to the limitations under the Company's debt facilities, and will depend on Mountain Province's financial results, cash requirements, future prospects, and other factors deemed relevant by the Board.

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 ("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 pursuant to Guide 7. In particular, and without limiting the generality of the foregoing, the term "resource" does not equate to the term "reserves". Under Guide 7, 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 Guide 7 standards in documents filed with the SEC pursuant to Guide 7. 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 Guide 7 normally only permits issuers to report mineralization that does not constitute "reserves" by Guide 7 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 Guide 7, and reserves reported by the Company in compliance with NI 43-101 may not qualify as "reserves" under 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 Guide 7.