Mountain Province

DIAMONDS

Management's Discussion and Analysis

For the Year Ended December 31, 2019

TSX: MPVD

MOUNTAIN PROVINCE DIAMONDS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2019

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This Management's Discussion and Analysis ("MD&A") as of March 23, 2020 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, 2019 and for the years ended December 31, 2019 and 2018. 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

- Cash at December 31, 2019 was $34,751 with net working capital of $99,402; US$50,000 revolving credit facility remains undrawn. Cash at December 31, 2018 was $30,708 with net working capital of $87,194.

- During the year ended December 31, 2019, the Company repurchased $13,158 (US$10,000) of outstanding secured notes.

- Earnings from mine operations for the year ended December 31, 2019 amounted to $24,843 compared to earnings of $81,031 for the same period in 2018.

- Net losses for the three months and year ended December 31, 2019 were $115,725 and $128,758, or $0.55 and $0.61 loss per share (basic and diluted), respectively, compared to a net loss of $30,204 and $18,934 or $0.15 and $0.10 loss per share (basic and diluted) for the same periods in 2018. Included in net losses for the three months and year ended December 31, 2019 is an impairment loss of $115,753 on property, plant and equipment. Before the impairment loss, the Company had net income of $28 for the three months ended December 31, 2019 and net loss of $13,005 for the year ended December 31, 2019. Adjusted EBITDA for those periods were $17,648 and $87,055 compared to $26,512 and $139,157 (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).

- The Company conducted two sales in the fourth quarter of 2019 totaling 613,000 carats. The third sale from Q3 2019, closed on September 27, 2019 which resulted in 159,000 carats being recognized in Q4 of 2019 for accounting purposes. The amount of revenue recognized in October for the 159,000 carats was approximately US$13.0 million or $17.1 million. The total revenue recognized on the 772,000 carats in the fourth quarter was $65,032 at an average realized value of $84 per carat (US$64) compared to 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, 2019 totaled $276,334 including direct sales of fancies and specials made to De Beers Canada Inc. at an average realized value of $84 per carat (US$63) compared to revenue for the year ended December 31, 2018 of $310,969 at an average realized value of $96 per carat (US$74).

- Mining of waste and ore in the 5034 and Hearne open pits for the year ended December 31, 2019 was approximately 31,036,000 tonnes and 12,189,000 tonnes, respectively, for a total of 43,225,000 tonnes. This represents a 4% increase in tonnes mined over the comparative period in 2018. Ore mined for the year totaled 3,247,000 tonnes, with approximately 228,000 tonnes of ore stockpile available at year end on a 100% basis. For the comparative year ended December 31, 2018, ore mined totaled 2,908,000 tonnes, with approximately 554,000 tonnes of ore stockpile on a 100% basis.

- For the year ended December 31, 2019, the GK Mine treated approximately 3,581,000 tonnes of ore and recovered approximately 6,821,000 carats on a 100% basis for an average recovered grade of approximately 1.90 carats per tonne ("cpt"). For the comparative 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 cpt. The average grade for the year has been lower than the average for 2018 due to a combination of lower grade ore being processed and bottom cut-off modifications made to the plant. The lower grade and carats recovered are primarily due to the mining and processing of lower grade ore tonnes from the 5034 Southwest Corridor "SWC", in addition to larger volumes of ore tonnes mined and treated from the 5034 Center Lobe, which has the lowest grade of the 5034 Kimberlite.

- Cash costs of production, including capitalized stripping costs, for the three months and year ended December 31, 2019 were $103 per tonne for both periods, and $49 per carat recovered and $54 per carat recovered, respectively (cash costs of production per tonne and per carat are not defined under IFRS and may not be comparable to similar measures presented by other issuers; refer to the Non-IFRS Measures section).

- The Wilson kimberlite was discovered during the 2019 near-mine exploration program. It is the first new kimberlite discovery at Gahcho Kué in 20 years, with portions of the kimberlite within the planned pit outline for Tuzo. There is insufficient information to classify Wilson in mineral reserves at December 31, 2019.

- At the Kennady North Project, the Company updated the Inferred Mineral Resource estimate for the Faraday 2 kimberlite to include 5.45 million carats of diamonds contained in 2.07 million tonnes of kimberlite, with an overall grade of 2.63 carats per tonne and an average value of US$140 per carat. This represents a 49% increase in total tonnes and 74% increase in total carats for the Faraday 2 kimberlite.

The following table summarizes key operating highlights for the three months and year ended December 31, 2019 and 2018.

		Three months ended December 31, 2019	Three months ended December 31, 2018	**Year ended December 31, 2019**	Year ended December 31, 2018
GK operating data					
Mining					
*Ore tonnes mined	kilo tonnes	891	671	3,247	2,908
*Waste tonnes mined	kilo tonnes	10,199	10,695	39,978	38,536
*Total tonnes mined	kilo tonnes	11,090	11,366	43,225	41,444
*Ore in stockpile	kilo tonnes	228	554	228	554
Processing					
*Ore tonnes treated	kilo tonnes	937	751	3,581	3,194
*Average plant throughput	tonnes per day	10,297	8,168	9,811	8,751
*Average diamond recovery	carats per tonne	2.11	2.06	1.90	2.17
*Diamonds recovered	000's carats	1,978	1,546	6,821	6,937
Approximate diamonds recovered - Mountain Province	000's carats	969	758	3,342	3,399
Cash costs of production per tonne, net of capitalized stripping **	$	99	92	91	80
Cash costs of production per tonne of ore, including capitalized stripping**	$	103	126	103	101
Cash costs of production per carat recovered, net of capitalized stripping**	$	47	45	48	37
Cash costs of production per carat recovered, including capitalized stripping**	$	49	61	54	47
Sales					
Approximate diamonds sold - Mountain Province***	000's carats	772	823	3,284	3,253
Average diamond sales price per carat	US	$ 64	$ 65	$ 63	$ 74

* at 100% interest in the GK Mine

**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 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, 2019, the Company held ten sales in Antwerp. The Company currently has nine sales scheduled in 2020.

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. 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 2018, 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, 2019, the Company's share of the letters of credit issued were \$23.3 million (2018 - \$23.3 million).

Mining and Processing

For the three months and year ended December 31, 2019, on a 100% basis, a total of 11.0 million and 43.2 million tonnes of waste and ore respectively, had been extracted from the 5034 and Hearne open pits, compared to planned production of approximately 10.6 million and 45.2 million tonnes (103% and 95% of plan). The lower mining efficiency was as a result of harsher weather conditions than normal and equipment availability issues during the winter months. For the year ended December 31, 2018, 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). The shortage of tonnes in the period was effectively offset by the steepening of the pit walls.

Total ore tonnes mined in the three months and year ended December 31, 2019 were 891,000 tonnes and 3,247,000 tonnes, compared to 671,000 tonnes and 2,908,000 tonnes for the same periods in 2018. The total ore tonnes mined were slightly higher than the comparative Q4 period.

For the three months and year ended December 31, 2019, 937,000 tonnes and 3,581,000 tonnes of kimberlite ore were treated, (compared to an original plan of 803,000 tonnes and 3,150,000 tonnes) with 1,978,000 carats and 6,821,000 carats (100% basis), being recovered at a grade of 2.11 carats per tonne and 1.90 carats per tonne respectively (For the three months and year ended December 31, 2018 – 751,000 tonnes and 3,194,000 tonnes of kimberlite ore were treated, with 1,546,000 carats and 6,937,000 carats being recovered, at a grade of 2.06 carats per tonne and 2.17 carats per tonne). The average grade for the year has been lower than the average for 2018 due to a combination of lower grade ore being processed and bottom cut-off modifications made to the plant. The lower grade and carats recovered are primarily due to the mining and processing of lower grade ore tonnes from the 5034 Southwest Corridor "SWC", in addition to larger volumes of ore tonnes mined and treated from the 5034 Center Lobe, which has the lowest grade of the 5034 Kimberlite. The bottom-cut off modifications assisted in the achievement of increased plant throughput in 2019.

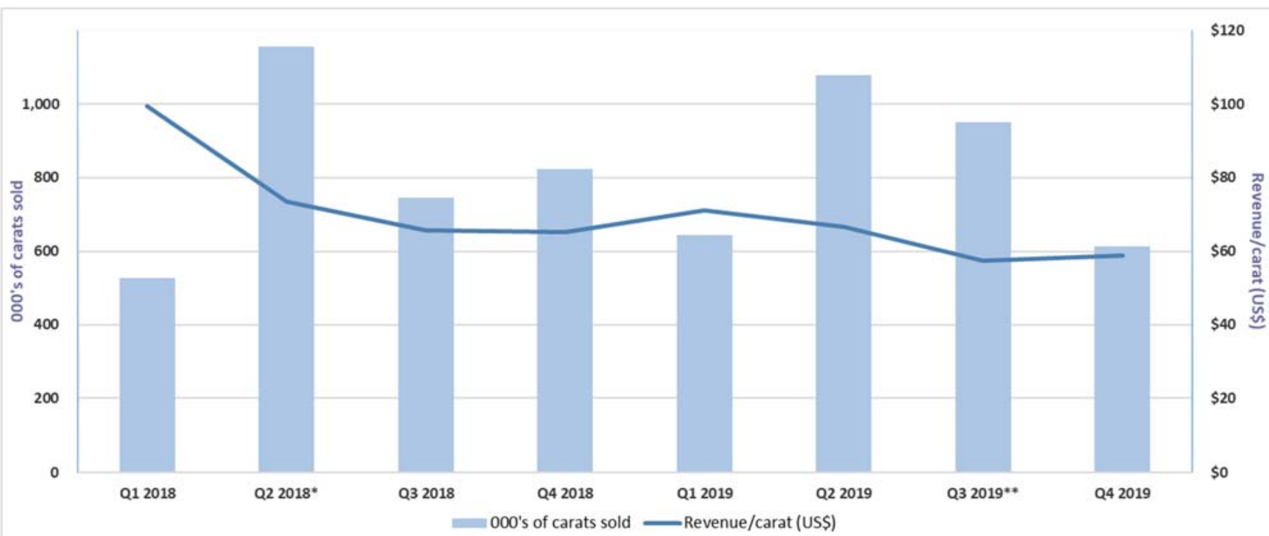
The plant treated 937,000 tonnes and produced over 1,978,000 carats in Q4 2019, 25% higher than the same period last year and slightly ahead of expectations for the year. The GK plant continues to perform well and the plant modification and changes have shown positive results demonstrated by record daily throughputs being achieved. The GK Mine achieved its 2019 production guidance of 6.6 – 6.9 million carats as a result of increased throughput which partially offset the impact of the bottom cutoff modification. The plant performed well; however, the impact of the planned treatment of lower grade ore, changes to the process blend, and increased bottom cut off size have had a negative impact in the overall carat count recovered. Mining higher than budget ore tonnes from the 5034 pit and less than budget ore from Hearne pit, have also contributed to the change to process blend. At December 31, 2019, there was approximately 228,000 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 2020.

At December 31, 2019, the GK Mine had 653,031 carats on a 100% basis in rough diamond inventory at the GK Mine and at the sorting facility in Yellowknife. The Company had 617,038 carats within its sale preparation channel plus its share of carats at the GK Mine and sorting facility for a total of 902,613 carats in inventory.

Diamond Sales

The Company undertook two sales during the fourth quarter of 2019 in Antwerp, Belgium and anticipates holding nine sales in 2020. 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 all sales held in the year ended December 31, 2019 was US$63 per carat. The average realized value per carat for all sales held for the year ended December 31, 2018 was US$74 per carat.

The following chart summarizes the sales for the trailing eight quarters:



* Although the final auction 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.

** Although the final auction in this quarter closed on September 27, 2019, the sale of 159,000 carats occurred during October for IFRS purposes. The amount of revenue recognized in October for the 159,000 carats was approximately US$13.0 million or $17.1 million.

The following table summarizes the results for sales in 2019:

	000's of carats sold	Gross proceeds (US$ 000's)		Revenue/carat (US$)	
Q1	644	$	45,810	$	71
Q2	1,077	$	71,712	$	67
Q3(1)	950	$	54,559	$	57
Q4	613	$	36,165	$	59
Total	**3,284**	**$**	**208,246**	**$**	**63**

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

(1) Although 950,000 carats were successfully sold, in accordance with IFRS only 791,000 carats could be recognized as sales proceeds in the quarter. The remaining 159,000 carats were recognized in Q4 2019. The amount of revenue recognized for the 159,000 carats was approximately US$13.0 million or $17.1 million.

The following table summarizes the results of 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 successfully 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 Company held ten sales during 2019. These sales were well attended by customers, which enabled the Company to maximize revenue and sell 100% of its share of 2019 Gahcho Kué production. This is a very positive outcome considering the high levels of rough stock held by most of the major producers through 2019. Rough diamond prices across all categories remained under pressure through 2019, including the larger, better-quality product categories which saw price gains early in the year. This pressure on rough diamond prices is not unique to the Company and is addressed in the Diamond Outlook section below.

After three 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 orebodies and product profiles are complex, producing a broad range of white commercial goods together with a consistent supply of exceptional, high value, gem quality diamonds as well as large volumes of small 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 characteristic.

The Company's diamonds have established a strong market and customer base. With the 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 jewellery markets of the US, India and China.

Having transitioned from an explorer and mine developer into a diamond marketer, the Company is in early stage development of a diamond marketing brand that promotes the unique attributes of our diamonds to support demand through their distribution channels with the potential to reach the consumer level.

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 do vary.

2020 Production Outlook

Sentiment in the rough diamond market became slightly more optimistic towards the end of 2019 and remained relatively positive in early 2020 during the first selling cycle of the year. However, the rapid global spread of a novel coronavirus ("COVID-19") has reversed that momentum coincident with the surge in volatility in global capital markets. Though the full extent of the impact of COVID-19 is still unknown at the moment, the Company believes, that like many other businesses, COVID-19 will have a material impact on 2020 sales. At this stage the Company withdraws all guidance metrics while the COVID-19 impacts continue to be assessed on an on-going basis.

The rapid spread of COVID-19 around the globe, and accompanying restrictions on mobility, pose a potential risk and disruption to mine operations. The Company, along with De Beers Group Canada, have taken all the necessary precautions to prioritise the health and wellbeing of all employees by implementing the responsible and appropriate health monitoring policies and travel restrictions in order to ensure a safe working environment. COVID-19 developments and best practises continue to be monitored and implemented on a daily basis.

Diamond Outlook

The diamond industry experienced difficult conditions through 2019 for both rough and polished goods as the market struggled to balance demand and supply.

Rough diamond sales were reportedly down over 25%, or US$ 2.5 billion, from the previous year as major producers delivered lower volumes to polished manufacturers in an attempt to balance sales with demand. Prices across all rough diamond categories remained under pressure through 2019. In the second half of 2019, both of the major diamond producers of the world offered their customers increased purchasing flexibility, and price decreases to better align pricing with the market. The reduction in 2019's global rough supply of diamonds positively impacted the rough market at the close of 2019 and set the stage for a stronger diamond pipeline in 2020. The mid-term supply fundamentals, particularly for cheaper rough diamond categories, were more positive with the anticipated closure of older mines.

During 2019, prices for polished diamonds decreased with higher end categories registering the largest declines. Rapaport's RapNet Diamond Index (RAPI™) for 1 carat and 3 carat diamonds declined 5% and 16% respectively through 2019. However, towards the end of the year and into January 2020, polished prices did show signs of stabilising.

Evolution in consumer purchasing behaviour is impacting inventory management across the value chain. Multi-channel jewellery shopping and online diamond trading are providing consumers with greater access to pricing and product information. The market share of online sales of diamond jewellery is increasing in all major markets, although still at a lower level than other luxury consumer goods. Retailers are adjusting their buying and distribution strategies accordingly.

Growth in the lab-grown diamond segment is expected to continue, as industrial capacity increases and production costs decline. Retail prices for lab-grown product continue to fall against natural diamonds. Bain and Company estimates that at the end of 2019, an LGD product is retailing at a 50-55% price discount to an equivalent natural stone, compared to a 20% discount three years ago. Though awareness of LGDs is growing at the retail level, particularly in North American markets, the level of acceptance by consumers is yet to be established. The natural diamond industry is making concerted efforts to safeguard clear demarcation between the two product segments, by boosting generic and branded natural diamond marketing campaigns and continuing to invest in and promote LGD detection technologies.

Broader macro-economic uncertainties continued to weigh on the diamond industry through 2019. Chinese growth rates slowed, due to US-China trade tensions, depreciation of the yuan against the US dollar and continuing unrest in Hong Kong. In January 2020 on the back of solid results at retail in the major diamond jewellery markets, the industry saw early signs of recovery along the diamond distribution pipeline. However, the continued threat of COVID-19's global spread has cast widespread uncertainty throughout the industry. In China, the outbreak coincided with the Lunar New Year, it effectively negated this market's all-important, diamond jewellery selling season. At present, there is significant uncertainty regarding the global magnitude this will have upon the diamond industry and future impacts on diamond prices and demand.

Gahcho Kué Capital Program

During the year ended December 31, 2019, stay in business capital items, including the gymnasium, office upgrades, electrical and instrumentation shop upgrades, and several pumping upgrades to assist with dewatering had taken place. All capital additions in the period are considered sustaining capital expenditure, and were on budget. Stay in business capital does not include deferred stripping.

GAHCHO KUÉ EXPLORATION

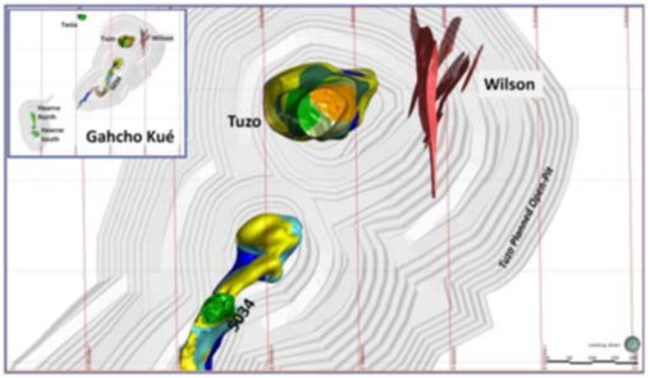
Exploration drilling conducted in 2019 focused on finding kimberlite east of the Tuzo kimberlite, resulting in the discovery of the Wilson kimberlite. The Wilson kimberlite is the first new discovery at Gahcho Kué in 20 years. The kimberlite subcrops under lake sediment and includes drill intersects up to 119 meters of tuffisitic and hypabyssal kimberlite. The Wilson kimberlite also lies within the current planned open-pit mine plan for the Tuzo kimberlite. Two phases of drilling were completed in 2019, with a total of 28 drillholes completed on the body. The drilling results are summarized in the table below.

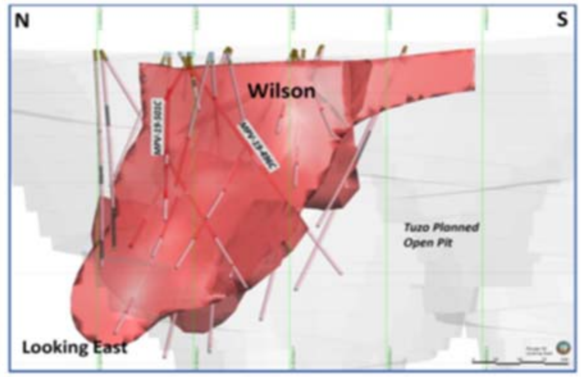
Wilson Kimberlite – 2019 Drilling Results (reported June 11, 2019 and December 23, 2019)

Drill Hole	Azimuth	Inclination	Kimberlite Intersect[1] (m) From	To	Length	Intersect True Thickness[2] (m)	End of Hole (m)
MPV-19-496C	199	-57	18.54	137.67	119.13	--[4]	302
			152.15	207.06	54.91	--[4]	
			212.76	214.15	1.39	--[4]	
MPV-19-497C	255	-56	23.00	34.26	11.26	--[4]	77
MPV-19-498C	143	-56	16.75	33.00	16.25	--[4]	62
MPV-19-499C	79	-57	--	--	--	--[5]	65
MPV-19-500C	319	-61	23.00	66.00	43.00	--[4]	96
MPV-19-501C	274	-71	45.00	121.60	76.60	25.30	205
			132.70	174.00	41.30	13.50	
MPV-19-503C	329	-66	--	--	--	--[5]	164
MPV-19-504C	94	-56	56.96	110.10	53.14	30.00	152
MPV-19-505C	57	-64	104.26	165.72	61.46	23.20	200
MPV-19-506C	107	-58	107.90	134.00	26.10	14.10	158
MPV-19-507C	274	-47	43.00	44.90	1.90		206
			60.60	83.67	23.07[3]		
			146.50	174.40	27.90	19.10	
MPV-19-508C	278	-58	197.00	214.00	17.00	8.90	274
			236.25	240.85	4.60		
			244.65	246.35	1.70		
MPV-19-509C	299	-48	--	--	--	--[5]	265
MPV-19-510C	282	-51	--	--	--	--[5]	401
MPV-19-511C	305	-51	209.25	275.28	66.03	38.20	318
MPV-19-512C	295	-46	274.58	321.54	46.96	32.70	353
MPV-19-513C	292	-52	98.85	104.00	5.15[3]		428
			172.30	176.70	4.40		
			258.20	300.62	42.40	--[6]	
			370.50	395.74	25.24	13.40	
MPV-19-514C	272	-55	70.40	76.25	5.85		401
			178.08	180.40	2.32		
			206.22	226.60	20.38	--[6]	
			226.50	230.80	2.30[3]		
			233.00	236.62	3.62[3]		
			251.77	257.50	5.73[3]		
MPV-19-515C	288	-45	235.77	304.4	68.63	50.10	335
MPV-19-517C	265	-50	--	--	--	--[5]	329
MPV-19-518C	282	-53	81.10	89.15	8.05	--[3]	428.7
			180.65	182.55	1.90	--[3]	
			197.90	225.75	27.85	--[3]	
			301.50	305.55	4.05	--[3]	
MPV-19-519C	259	-53	--	--	--	--[5]	278.0
MPV-19-520C	296	-51	215.00	228.05	13.05	--[3]	350
			234.75	236.93	2.18	--[3]	
			245.40	251.77	6.37	--[3]	
			289.10	319.60	30.50	19.10	
MPV-19-521C	303	-50	159.05	209.27	50.22	30.40	251
MPV-19-522C	208	-57	117.22	187.00	69.78	--[4]	317
			191.00	249.62	58.62	--[4]	
			285.15	286.85	1.70	--[3]	
MPV-19-524C	280	-45	81.85	104.50	22.65	16.10	127
MPV-19-525C	242	-45	40.50	92.50	52.00	27.70	131

[1]Intersects are not true thicknesses. [2]Defined as the horizontal distance between kimberlite/country rock pierce points, assuming that Wilson has vertical contacts with the adjacent country rock. True thicknesses are not determined for narrow intersects outside of the main Wilson body. [3]A mix of kimberlite dyke material emplaced into diabase. [4]Intersects are collared in kimberlite and/or along the strike length of the kimberlite. [5]No kimberlite intersected. [6]Further drilling is required to determine a true thickness and its relationship to Wilson.

Three-dimensional modeling has confirmed that Wilson is elongated north-south with roughly vertical contacts, and with a greater volume of kimberlite to the north. Drilling has also confirmed that several ancillary kimberlite sheets exist east of and adjacent to the Wilson body. Images of the Wilson kimberlite in plan and cross-sectional view are provided below.





Representative samples of the core from the discovery drillhole were shipped to the Geoanalytical Laboratories Diamond Services of the Saskatchewan Research Council ("SRC") for caustic fusion recovery of microdiamonds. A total of 480 diamonds were recovered in the +0.075mm size classes from a 115.2 kilogram sample. After further drilling, an additional 1,702 kilograms were collected from two drillholes that best represented the extent of the body. With the exception of representative samples saved for future study, all kimberlite from both drillholes representing the Wilson body was processed for microdiamond recovery. A total of 5,560 diamonds were recovered from the +0.075mm size classes, including eighty-six +0.85mm diamonds weighing a total of 2.33 carats. The combined results of the microdiamond testing are summarized in the table below.

Wilson Kimberlite – 2019 Microdiamond Results (reported June 11, 2019 and December 23, 2019)

Total Weight	Numbers of Diamonds According to Sieve Size Fraction (mm)											Total of +0.075 stones
Kg	+0.075 -0.106	+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	
1702	2066	1372	863	532	333	200	108	61	16	5	4	5560

The microdiamond samples were sealed either at the mine site (for the first 115.2kg) or at the De Beers logging facility in Calgary (for the second 1,702kg) with chain of custody protocols in place during their transit and receipt at the SRC. The SRC is accredited to the ISO/IEC 17025 standard by the Standards Council of Canada as a testing laboratory for diamond analysis using caustic fusion.

The drilling results for the Wilson kimberlite are not sufficiently well-constrained to define a Mineral Resource, and as such the Wilson kimberlite is considered a Target for Further Exploration (TFFE). Based on drilling and 3D modeling to date, a potential range from 2.0-3.0 million tonnes is estimated for the Wilson kimberlite. The estimate of a TFFE is conceptual in nature as there has been insufficient exploration to define a Mineral Resource, and it is uncertain if future exploration will result in the estimate being delineated as a Mineral Resource.

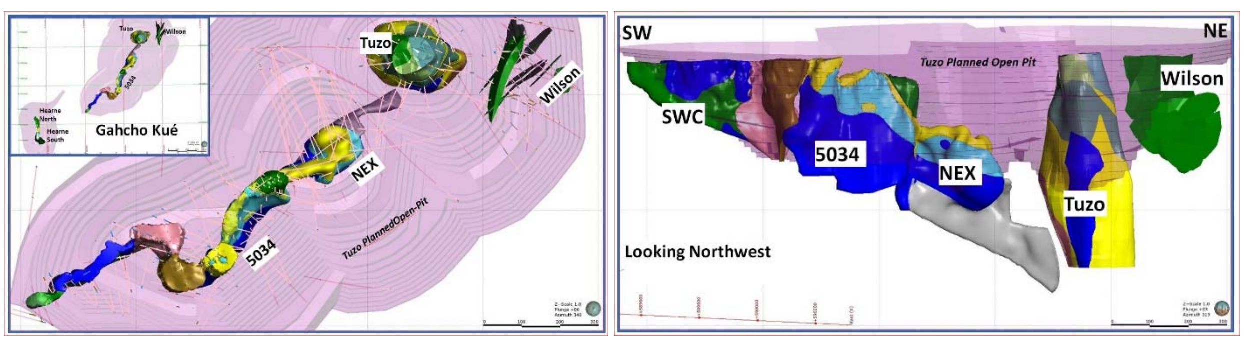
Additional drilling on the northeast extension of 5034 ('NEX') and demonstrated that NEX completely encloses the historical North Pipe discovery. Twelve drillholes were completed in 2019 and intersected 763.35 meters of kimberlite over a total of 6,716.5 meters. Results are summarized in the table below.

5034-NEX Kimberlite – 2019 Drilling Results (reported here)

Drill Hole	Azimuth	Inclination	Kimberlite Intercept[1] (m)			Intercept Horizontal Thickness (m)	End of Hole (m)
			From	To	Length		
MPV-18-477C[3]	311	-50	183	239.5	56.5	37	330.00
MPV-18-478C[4]	134	-55	393.8	438.3	44.5	33	473.00
MPV-18-479C	127	-62	367.13	414.13	47	23	512.00
MPV-18-481C	134	-64	324.15	457.07	132.92	60	560.00
			532.70	542.20	1.91[3]	1.6[6]	
MPV-18-482C	122	-48	355.92	418.7	62.78	51	512.00
MPV-18-483C	131	-51	355.82	402.75	46.93	41	461.00
MPV-18-486C	239	-54	374.30	515.15	140.85	105	662.00
			652.08	653.70	1.62	1.2[6]	
MPV-18-490C	144	-57	473.38	500.21	26.83	23	570.50
			533.80	538.00	4.10	3.8[6]	
MPV-19-491C	115	-61	438.65	458.65	20	10	648.00
			493.35	509.77	16.42	8	
			632.80	634.38	1.58	1.2[6]	
MPV-19-492C	128	-59	434.1	470.77	36.67	22	593.00
			481.97	490	8.03	5	
			558.74	562.3	1.76[4]	3.37[6]	
MPV-19-493C	294	-58	640.15	663.23	23.08	13	735.00
			685.97	691.75	0.6[5]	4.55[6]	
			701.05	704.92	3.87	3[6]	
MPV-19-495C	88	-62	580.45	630.45	50.00	31	660.00

[1]Intercepts are not true thicknesses. [2]Defined as the horizontal distance between drillhole pierce points, based on the NEX as elongate, striking roughly N45E and with vertical contacts. [3]The 1.91m of kimberlite is interspersed with granite over a total interval of 9.5m. [4]The 1.76m of kimberlite is interspersed with granite over a total interval of 3.56m. [5]The 0.6m of kimberlite is interspersed with granite over a total interval of 5.78m. [6]Dyke intersections are calculated as vertical thickness.

Detailed petrography, whole rock geochemistry and groundmass mineral chemistry studies conducted by De Beers confirmed that the lithological units defined in 5034 continue into NEX. The relationship of the NEX to 5034 is shown in the image below.



Representative samples of the NEX core were shipped to the Geoanalytical Laboratories Diamond Services of the Saskatchewan Research Council (“SRC”) for caustic fusion recovery of microdiamonds. A total of 3,663 diamonds were recovered in the +0.075mm size classes from 413.1 kilograms of kimberlite. The combined results of the microdiamond testing are summarized in the table below.

5034-NEX Kimberlite – 2019 Microdiamond Results (reported here).

Total Weight	Numbers of Diamonds According to Sieve Size Fraction (mm)											Total of +0.075 stones
Kg	+0.075 -0.106	+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	
0.4131	1209	949	590	407	226	137	81	38	21	5	0	3663

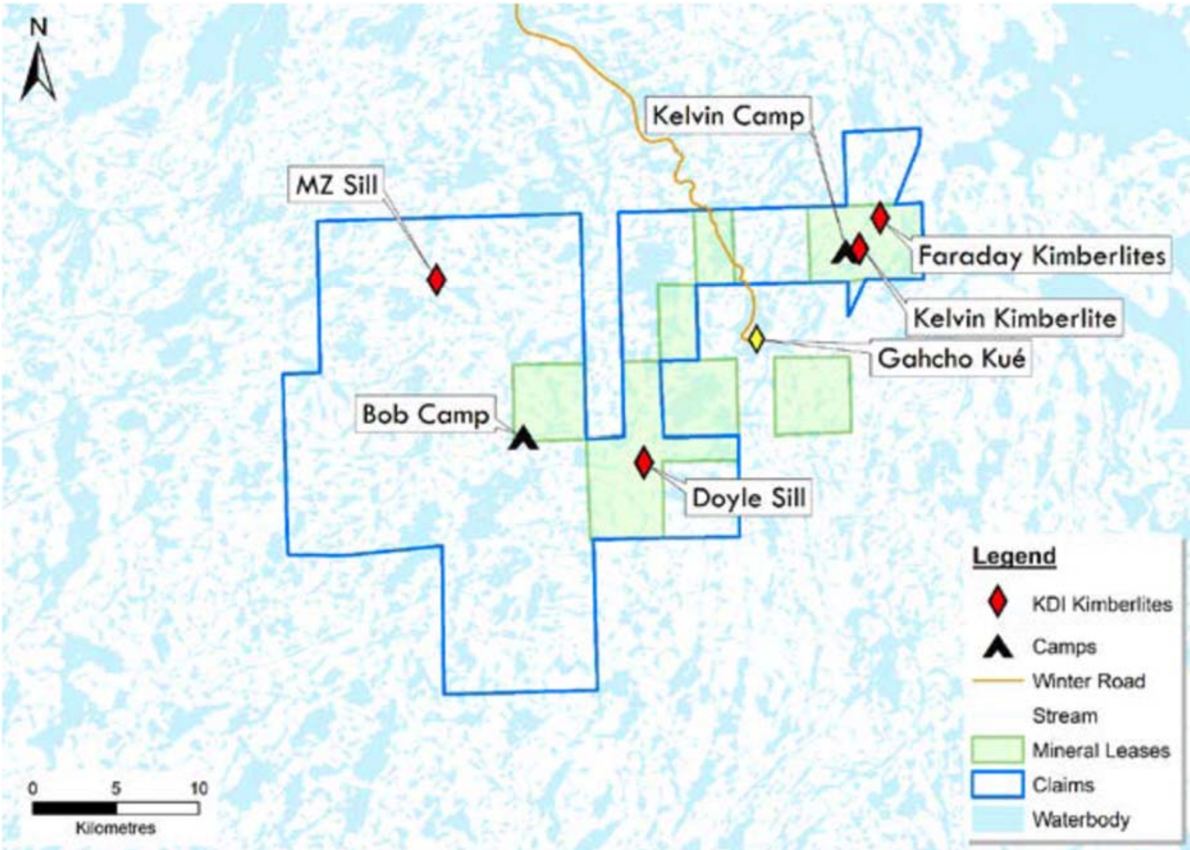
The microdiamond samples were sealed at the De Beers logging facility in Calgary with chain of custody protocols in place during their transit and receipt at the SRC. The SRC is accredited to the ISO/IEC 17025 standard by the Standards Council of Canada as a testing laboratory for diamond analysis using caustic fusion.

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. The SQUID results, combined with historical indicator mineral, magnetic, EM and gravity data, were used to identify several potential target areas in the GK lease area. These target areas were subjected to ground gravity and OhmMapper resistivity surveys beginning in late 2019 that were used to refine and rank the target areas. A total of ten target areas are scheduled for drill-testing as part of the winter 2020 exploration program.

The application of vibroseismic methods for delineating contacts between country rock and kimberlite was also investigated on the 5034-NEX and Wilson kimberlites. A total of 4,698 meters of single drillhole readings were collected. The results determined that the kimberlite-country rock contacts were resolvable, but not at a level sufficient for mining applications.

KENNADY NORTH PROJECT

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 implemented significant diamond sampling programs between 2014 and 2018, resulting in the estimation of resources for the Kelvin and Faraday bodies as described in detail below.

Exploration conducted in winter 2019 had two objectives; to remove heavy equipment from previous bulk sampling programs, and to drill-test exploration targets located three to four kilometers southwest of the Gahcho Kué Mine. The first objective was successfully completed, but drill testing of priority targets was hindered by flight-restrictive weather for the helicopter-supported drill program. Only five drill holes totaling 917 meters of the 2,000 meter program were completed and no kimberlite was intersected.

A brief summer 2019 exploration program was conducted in which 55 till samples were collected for kimberlite indicator mineral processing. Eight claims were surveyed for conversion to leases, and for nine other claims, assessment work in the form of till sampling and mapping was also conducted. Continued collection and compilation of geotechnical and environmental data was also conducted near the Kelvin and Faraday kimberlites.

Drilling completed at Faraday 2 along with a repricing and remodeling of its diamonds recovered from historic sampling programs were used to generate an updated mineral resource estimate for the body. The Inferred Mineral Resource includes 5.45 million carats of diamonds contained in 2.07 million tonnes of kimberlite, with an overall grade of 2.63 carats per tonne and an average value of US$140 per carat. This represents a 49% increase in total tonnes and a 74% increase in total carats for the Faraday 2 kimberlite. The Inferred Mineral Resource at Faraday 2 has been updated to include the northwest extension, which was discovered in 2017 and extended the kimberlite by 150 meters.

Geological model domains for the Kelvin, Faraday 2 and Faraday 1-3 kimberlites 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 NI 43-101 Compliant Technical Reports (filed in 2016 and 2017 under Kennady Diamonds Inc.) and the NI43-101 Compliant Technical Report filed April 11, 2019 under Mountain Province Diamonds. All reports are available at www.sedar.com.

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. The Inferred Mineral Resource for Faraday 1-3 has been determined with 1.87 million tonnes at an average grade 1.04 carats per tonne and overall diamond value of US$75 per carat. At Faraday 2 the 2019 Inferred Mineral Resource update is 2.07 million tonnes at an average grade of 2.63 cpt and an average diamond value of US$140 per carat. This represents a 49% increase in total tonnes and 74% increase in total carats over the 2017 Inferred Resource estimate for the Faraday 2 kimberlite. All 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 February 2019 as referenced in the April 11, 2019 NI43-101 Compliant Technical Report)

Resource	Classification	Tonnes (Mt)	Carats (Mct)	Grade (cpt)	Value (US$/ct)
Kelvin	Indicated	8.50	13.62	1.60	$63
Faraday 2	Inferred	2.07	5.45	2.63	$140
Faraday 1-3	Inferred	1.87	1.90	1.04	$75

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

RESULTS OF OPERATIONS

The Company, as discussed above, held ten sales of diamonds during the year ended December 31, 2019.

SELECTED ANNUAL INFORMATION

Expressed in thousands of Canadian dollars	December 31 2019	December 31 2018	December 31 2017
	$	$	$
Sales	276,334	310,969	170,108
Earnings from mine operations	24,843	81,031	52,133
Operating (loss) income	(112,852)	58,388	36,068
Net (loss) income for the year	(128,758)	(18,934)	17,152
Basic and diluted (loss) earnings per share	(0.61)	(0.10)	0.11
Cash flow provided by (used in) operating activities	79,359	135,903	42,651
Cash flow provided by (used in) investing activities	(27,574)	(79,673)	41,177
Cash flow provided by (used in) financing activities	(47,479)	(68,137)	(48,693)
Balance Sheet			
Total assets	822,695	979,877	795,066
Total non-current financial liabilities	435,974	466,240	425,709
Total cash dividends declared per common share	-	0.04	-

In the year ended December 31, 2019, diamond sales related to 3,284,000 carats sold for $276,334 (US$208,246), compared to 3,253,000 carats sold for $310,969 (US$240,010) and to 1,986,000 carats sold for $170,108 (US$134,253) for the same periods in 2018 and 2017, respectively. The first four sales of 2017 were not recognized as sales on the statement of comprehensive (loss) income due to the transition to commercial production in the period, hence the lower earnings from mine operations and operating income, when comparing to 2018. Given the decrease in realized diamond prices, earnings from mine operations and operating income were lower in 2019, compared to 2018. Net income (loss), is affected by unrealized foreign exchange gains (losses) from period to period on US$ denominated debt. The Company has reported strong cash flows provided by operating activities in 2019 and 2018, as compared to 2017. 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 grew significantly from 2017 to 2018. Overall assets have decreased, as expected, during 2019 as significant property, plant and equipment pools have been depreciated and depleted, an impairment loss on property, plant and equipment has been incurred, while the stay in business capital requirements have reduced.

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 2019 and 2017, the Company did not pay a dividend.

SUMMARY OF FULL YEAR 2019 FINANCIAL RESULTS

Year ended December 31, 2019 compared to the year ended December 31, 2018, expressed in thousands of Canadian dollars.

For the year ended December 31, 2019, the Company recorded a net loss of $128,758 or $0.61 loss per share compared to $18,934 net loss or $0.10 loss per share for the same period in 2018. A significant difference was earnings from mine operations of $24,843 in the year ended December 31, 2019, compared to $81,031 for the same period in 2018. The main reason for the significantly higher net loss for the year ended December 31, 2019, compared to the same period in 2018, was the impairment loss on property, plant and equipment for $115,753. 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 gain in 2019 of $20,224 (2018: unrealized loss of $32,058).

Earnings from mine operations

Earnings from mine operations for the year ended December 31, 2019 were $24,843, compared to $81,031 for the same period in 2018. For the year ended December 31, 2019, diamond sales related to 3,284,000 carats were $276,334 (US$208,246), or approximately $84 per carat sold, compared to 3,253,000 carats for $310,969 (US$240,010), or approximately $96 per carat sold, for the same period in 2018. Production costs (net of capitalized stripping costs) related to diamonds sold for the year ended December 31, 2019 were $152,585; depreciation and depletion on the GK Mine commissioned assets related to diamonds sold for the year ended December 31, 2019 were $82,825; and the cost of acquired diamonds for the year ended December 31, 2019 was $16,081, which had been previously paid to De Beers when winning the periodic fancies and specials bids. The total production cost per carat was approximately $77 per carat sold. Resultant earnings from mine operations were $24,843. 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. The increase in production costs for the year ended December 31, 2019, over the same period in 2018, is mainly due to the higher costs of payroll and employee benefits for staff of the GK Mine, higher surface area disturbance estimate, as well as increased materials usage in treatment costs of the ore kimberlite.

Selling, general and administrative expenses

Selling, general and administrative expenses for the year ended December 31, 2019 were $13,058 compared to $14,439 for the same period in 2018. The decrease in selling, general and administrative costs can partially be attributed to the decrease in selling and marketing costs, as 2019 rates related to certain contracts and selling costs were actively negotiated in the Company's favour. Also, this can be attributed to the decrease in professional fees, given that 2018 had additional professional fees associated with the completion of the KNP acquisition. Finally, given the long period since previous stock option and RSU award grants, share based payment expense decreased significantly from $1,685 to $789. All other selling, general and administrative costs were consistent between 2019 and 2018. The significant expenses included in these amounts for the year ended December 31, 2019 were $6,219 relating to selling and marketing, $2,730 related to consulting fees and payroll, $1,032 related to professional fees, and $789 relating to share-based payment expense. 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.

Exploration and evaluation expenses

Exploration and evaluation expenses for the year ended December 31, 2019, were $8,884, compared to $8,204 for the same period in 2018. Exploration and evaluation expenses have increased 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 $8,884 total exploration and evaluation expenses incurred in the year ended December 31, 2019, $4,754 related to the Company's 49% share of the exploration and evaluation expenses on the GK Mine, while the remaining $4,130 related to those spent on the KNP. 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 $4,639 related to those spent on the KNP.

Net finance expenses

Net finance expenses for the year ended December 31, 2019 were $38,637 compared to $40,564 for the same period in 2018. Included in these amounts for the year ended December 2019 were $38,054 relating to finance costs, $1,104 relating to accretion expense on decommissioning liability and $521 relating to interest income. 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. Finance costs have decreased for the year ended December 31, 2019 compared to 2018 mainly due to lower average US denominated debt balance outstanding on the secured notes payable after taking into account the US$20.06 million secured note repurchases in 2018 and the additional US$10 million secured notes repurchases in Q3 2019. All finance expenses in 2019 and 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 2019 slightly decreased, mainly due to a lower average cash balance held throughout the year.

Foreign exchange gains (losses)

Foreign exchange gains (losses) for the year ended December 31, 2019 were $20,764 compared to losses of $32,474 for the same period in 2018. The foreign exchange gains for the year ended December 31, 2019 was a result of the Canadian dollar strengthening 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 gains for the year ended December 31, 2019 relates to the unrealized gains associated with the translation of the U.S. dollar based secured notes payable, which is not closely tied to operational metrics. At December 31, 2019, the spot exchange rate was $1.2978/US$1 compared to $1.3624/US$1 at December 31, 2018. At December 31, 2018, the spot exchange rate was $1.3624/US$1 compared to $1.2571/US$1 at December 31, 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.

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 2019	**September 30 2019**	**June 30 2019**	**March 31 2019**
Earnings and Cash Flow					
Number of sales		2	3	3	2
Sales	$	65,032	54,832	95,774	60,696
Operating (loss) income	$	(118,104)	(11,149)	12,762	3,639
Net (loss) income for the period	$	(115,725)	(25,785)	10,255	2,497
Basic and diluted (loss) earnings per share	$	(0.55)	(0.12)	0.05	0.01
Adjusted EBITDA*	$	17,648	10,583	39,096	19,728
Cash flow provided by (used in) operating activities	$	28,307	13,858	46,079	(8,880)
Cash flow provided by (used in) investing activities	$	(5,327)	(2,012)	(9,915)	(10,320)
Cash flow provided by (used in) financing activities	$	(16,388)	(13,839)	(17,019)	(233)
Balance Sheet					
Total assets	$	822,695	953,325	973,606	993,390

*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 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	20,125
Net income (loss) 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.

The Company holds ten sales per year in Antwerp, Belgium, and has typically alternated between two and three sales per quarter over the past two years. Typically, quarters with three sales have resulted in higher overall sales and operating income levels. The eighth auction of the period in 2019 closed successfully on September 27, 2019, 950,000 carats were auctioned, however, in accordance with IFRS only 791,000 carats could be recognized as sales proceeds in the quarter. The remaining 159,000 carats were recognized in Q4 2019. The amount of revenue recognized in Q4 for the 159,000 carats was approximately US$13.0 million or $17.1 million. Both the three months ended September 30, 2019 and December 31, 2019 resulted as an operating loss due to lower realized diamond prices. The lower prices realized year-on-year are affected by three factors; the source of the diamonds from varying parts of the orebody (mostly lower value areas of Hearne and SWC Kimberlites in 2019 versus 5034 in 2018), lower quality material processed during Q2 and Q3 2019, and the overall sentiment in the rough diamond market and associated pressure on prices of lower quality and smaller stones. The operating income in the three months ended June 30, 2019 is consistent with the same period in 2018. 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 three month period ended March 31, 2019 resulted in a lower operating income compared to the same period in 2018, mainly due to a the plant treating, on a 100% basis, 871,000 tonnes of ore, of which 259,000 tonnes were drawn down from the ore stockpile balance from year end compared to 786,000 tonnes of ore treated of which 45,000 tonnes were drawn down from the ore stockpile for the same period in 2018. Also operating (loss) income (increased)/decreased as a result of an increase in overall exploration and evaluation expenditures with the KNP expenditures being included in 2019, while it was not yet acquired in the comparative period for 2018, until April 13, 2018.

SUMMARY OF FOURTH QUARTER FINANCIAL RESULTS

Three months ended December 30, 2019 compared to the three months ended December 31, 2018, expressed in thousands of Canadian dollars.

For the three months ended December 31, 2019, the Company recorded net loss of $115,725 or $0.55 loss per share compared to a net loss of $30,204 or $0.15 earnings per share for the same period in 2018. The significant increase in the net loss from the three months ended December 31, 2019 to the same period in 2018 can largely be attributed to the impairment loss on property, plant and equipment. Had there not been an impairment loss, the Company would have experienced a reduction in the net loss for the three months ended December 31, 2019, compared to the same period in 2018. That decrease is attributed to the foreign exchange gains (losses) in the same periods, which has shifted from foreign exchange losses of $21,008 in 2018 to foreign exchange gains of $7,716 in 2019. The foreign exchange gains for the three months ended December 31, 2019 were as a result of the Canadian dollar strengthening relative to the U.S. dollar and the translation of the secured notes payable, net of U.S. dollar cash balances, to Canadian dollars. The opposite trend existed in 2018.

Earnings from mine operations

Earnings from mine operations for the three months ended December 31, 2019 was $3,001 compared to $12,726 for the same period in 2018. For the three months ended December 31, 2019, diamond sales related to 772,000 carats were $65,032. The average diamond sales value per carat was approximately US$64. For the three months ended December 31, 2018, diamond sales related to 823,000 carats were $70,477. The average diamond sales value per carat was approximately US$65 The lower prices realized compared to the same period in 2018 are affected by three factors; the source of the diamonds from varying parts of the orebody (mostly lower value areas of Hearne and SWC Kimberlites in 2019 versus 5034 in 2018), lower quality material processed during Q2 and Q3 2019, and the overall sentiment in the rough diamond market and associated pressure on prices of lower quality and smaller stones. The overall decrease in sales can also be attributed to a lower volume and quality of fancies and specials included in the product mix, relative to the same period in 2018. Production costs (net of capitalized stripping costs) related to diamonds sold for the three months ended December 31, 2019 were $37,394; depreciation and depletion on the GK Mine commissioned assets related to diamonds sold for the three months ended December 31, 2019, were $19,500; and the cost of acquired diamonds for the three months ended December 31, 2019 were $5,137, which had been previously paid to De Beers when winning the periodic fancies and specials bids. Resultant loss from mine operations for the three months ended December 31, 2019 was $3,001. 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. The increase in production costs for the three months ended December 31, 2019, over the same period in 2018, is mainly due to the higher costs of payroll and employee benefits for staff of the GK Mine, higher surface area disturbance estimate, as well as increased materials usage in treatment costs of the ore kimberlite.

Selling, general and administrative expenses

Selling, general and administrative expenses for the three months ended December 31, 2019, were $4,236 compared to $3,920 for the same period in 2018. The main expenses included in these amounts for the three months ended December 31, 2019 were $1,860 relating to selling and marketing, $1,300 related to consulting fees and payroll, $158 and relating to share-based payment expense, and $300 related to professional fees. The main expenses included in these amounts for the three months ended December 31, 2018 were $1,935 relating to selling and marketing, $724 related to consulting fees and payroll, $424 relating to share-based payment expense, and $302 related to professional fees. This increase in overall selling, general and administrative costs can mainly be attributed to higher consulting fees and payroll expenses due to increased permanent corporate staff, and as a result increased permanent corporate staff benefits, as well as timing of certain executive's bonus remuneration.

Exploration and evaluation expenses

Exploration and evaluation expenses for the three months ended December 31, 2019, were $1,116 compared to $1,662 for the same period in 2018. Exploration and evaluation expenses have been consistent for the three months ended December 31, 2019 and 2018 as targeted exploration was budgeted to be conservative. Of the $1,116 total exploration and evaluation expenses incurred in the three months ended December 31, 2019, $886 is related to the Company's 49% share of the exploration and evaluation expenses on the GK Mine, while the remaining $230 related to those spent on the KNP. Of the $1,662 total exploration and evaluation expenses incurred in the three months ended December 31, 2018, $544 is 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.

Net finance expenses

Net finance expenses for the three months ended December 31, 2019, were $9,270 compared to $9,938 for the same period in 2018. Included in the amount for the three months ended December 31, 2019, were $9,191 relating to finance costs, $254 relating to accretion expense on decommissioning liability and $175 relating to interest income. 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. Finance costs were slightly higher in the same period in 2018 as the majority relates to interest expense over the secured notes payable and there have been further secured notes repurchases since December 31, 2018, therefore slightly decreasing the interest expenses in each quarter of 2019.

Foreign exchange gains (losses)

Foreign exchange gains for the three months ended December 31, 2019 were $7,716 compared to foreign exchange losses of $21,008 for the same period in 2018. The foreign exchange gains for the three months ended December 31, 2019 were as a result of the Canadian dollar strengthening 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, 2019. The spot rate at December 31, 2019 was $1.2978/US$1 compared to $1.3241/US$1 at September 30, 2019. The opposite trends existed in the three months ended December 31, 2018.

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 secured notes payable, 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, 2019, 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, of which the first three are required to be met, in order for the RCF to remain available:

- 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. EBITDA in the RCF is defined as net earnings, plus, but only to the extent deducted in calculating net earnings (i) interest, (ii) income taxes, (iii) depreciation, non-cash expenses and losses, and (iv) amortization, excluding however any unusual items.
- 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 in order to remain available as at December 31, 2019.

The indenture governing the secured notes payable 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 flows provided by operating activities, including changes in non-cash working capital for the three months and year ended December 31, 2019, were $28,307 and $79,359 compared to $41,818 and $135,903 for the same period in 2018. The decrease in cash provided for the three months ended December 31, 2019 was a result of the decreased earnings from mine operations of $3,001 compared to $12,726 for the same period in 2018. The decrease in cash provided for the year ended December 31, 2019 was a result of the earnings from mine operations decreasing to

$24,843 from $81,031 for the same period in 2018. Although the net loss for the three months and year ended December 31, 2019 was $115,725 and $128,758, respectively, significant areas which were non-cash items included impairment loss on property, plant and equipment of $115,753, foreign exchange gains of $7,716 and $20,764, depreciation and depletion of $19,500 and $82,825, and share-based payment expense of $158 and $789.

Cash flows used in investing activities for the three months and year ended December 31, 2019, were $5,327 and $27,574 compared to $14,915 and $79,673 for the same periods in 2018. For the three months and year ended December 31, 2019, respectively, the outflow for the purchase of property, plant and equipment were $5,502 and $28,095 compared to $15,136 and $76,062 for the same periods in 2018. For the three months and year ended December 31, 2019, the amount of cash used in the acquisition of property, plant and equipment was offset by $175 and $521 of interest income, compared to $221 and $582 for the same periods in 2018. Also, during the comparative year ended December 31, 2018, in relation to the Kennady Diamonds acquisition which closed on April 13, 2018, the Company acquired all assets of Kennady Diamonds Inc., by way of a private placement and asset acquisition, with a total of $7,500 of cash used in the investment. The $7,500 was included in the purchase of property plant and equipment. There was also $4,193 of cash used in relation to transaction costs of the acquisition. The decrease of cash used in investing activities during the three months and year ended December 31, 2019, compared to the same period in 2018, can be attributed to both the cash costs of acquisition of Kennady Diamonds in the comparative period, and the decrease in stay-in-business capital expenditures and stripping activity in the current period.

Cash flows used in financing activities for the three months and year ended December 31, 2019, were $16,388 and $47,479 compared to $23,398 and $68,137 for the same periods in 2018. Cash flows used in financing activities for the three months and year ended December 31, 2019, related to stand-by charges on the RCF, the payment of lease liabilities, repurchases of secured notes payable, and the interest payments of the secured notes payable. 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, 2018 also related to stand-by charges on the RCF and the interest payments of the secured notes payable. The decrease in cash used for financing activities can be attributed to only US$10 million ($13,158 Canadian dollar equivalent) of secured notes repurchases, compared to US$20.06 million ($26,366 Canadian dollar equivalent) in the same period in 2018. Also, the Company declared and paid $8,400 dividends in the year ended December 31, 2018.

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 $1,688 and $2,478 as at December 31, 2019 and 2018, respectively, were collected.

On December 31, 2019 and 2018, 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 $936 (2018 - $1,247).

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. To achieve this, the Company relies on regular sales throughout the year, generally nine or ten tender sales, in addition to occasional sales of fancies and special diamonds to De Beers, in order to fund ongoing operations. At present, Covid-19 has impacted the Company's anticipated tender sale scheduled for March 2020. While the Company believes that the revenue from the deferred sale will be realized in the following sales, and that the Company can continue to make sales on an as required basis, in the current environment the Company's future sales efforts are subject to a significant degree of uncertainty.

Also, the Company has 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, all of which are subject to the effects of the Covid-19 pandemic.

As at December 31, 2019, the Company has an obligation for US$299.9 million or $389.3 million Canadian dollar equivalent (2018 – US$309.9 million or $422.3 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. The impact of recent developments on liquidity markets as a result of COVID-19 is still unknown. The Company continues to monitor the situation surrounding COVID-19 and is prepared to work collaboratively with lenders to fulfill its financial obligations.

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, 2019 and 2018, since the secured notes payable does not have a variable interest rate. At December 31, 2019, the total secured notes payable was US$299.9 million (2018 – US$309.9 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, 2019 and 2018, 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, 2019		December 31, 2018
Cash	$	31,682	$	16,837
Derivative assets		200		1,670
Accounts payable and accrued liabilities		(3,346)		(2,248)
Derivative liabilities		-		(653)
Secured notes payable		(389,262)		(422,262)
Total	**$**	**(360,726)**	**$**	**(406,656)**

A 10% appreciation or depreciation of the Canadian dollar relative to the U.S. dollar at December 31, 2019 and 2018 would have resulted in an increase or decrease to net income for the year of approximately $36.1 million and $40.7 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 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 2018, 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, 2019, the Company's share of the letters of credit issued were $23.3 million (2018 - $23.3 million).

Failure to meet the obligations for cash calls to fund the Company's share in the GK Mine may lead to dilution of the interest in the GK Mine.

The balances as at December 31, 2019 and 2018 were as follows:

		December 31, 2019		December 31, 2018
Payable De Beers Canada Inc. as the operator of the GK Mine*	$	12,316	$	1,430
Payable to De Beers Canada Inc. for interest on letters of credit		353		352
Payable to key management personnel		567		57

*included in accounts payable and accrued liabilities

The transactions for the years ended December 31, 2019 and 2018 were as follows:

		Year ended December 31, 2019		Year ended December 31, 2018
The total of the transactions:				
Kennady Diamonds	$	-	$	30
International Investment and Underwriting		50		99
Remuneration to key management personnel		2,467		2,917
Diamonds sold to De Beers Canada Inc.		12,582		2,028
Diamonds purchased from De Beers Canada Inc.		16,775		29,774
Finance costs incurred from De Beers Canada Inc.		701		705
Assets purchased from De Beers Canada Inc.		42		-
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, 2019 and 2018 were as follows:

		Year ended December 31, 2019		Year ended December 31, 2018
Consulting fees, payroll, director fees, bonus and other short-term benefits	$	1,903	$	1,643
Share-based payments		614		1,324
	$	2,517	$	2,967

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
Gahcho Kué Diamond Mine commitments	$ 2,482	$ -	$ -	$ -	**$ 2,482**
Revolving credit facility stand by charges	770	-	-	-	**770**
Notes payable - Principal	-	389,262	-	-	**389,262**
Notes payable - Interest	31,660	63,147	-	-	**94,807**
Forward Exchange Contracts:					
(Inflows)	(13,430)	-	-	-	**(13,430)**
Outflows	12,978	-	-	-	**12,978**
	$ 34,460	**$ 452,409**	**$ -**	**$ -**	**$ 486,869**

SUBSEQUENT EVENTS

Subsequent to the year ended December 31, 2019, the Company voluntarily delisted from the NASDAQ.

Subsequent to the year ended December 31, 2019, the Company executed foreign currency forward contracts to buy Canadian dollars and sell U.S. dollars for the period from March 2, 2020 to June 1, 2021 for notional amounts of US$80,000 or $108,525 with a weighted average price of $1.3566/US$1.

Subsequent to the year ended December 31, 2019, the Company and De Beers signed an agreement to reduce the fee from 3% to 0.3%, annually, for their share of the letters of credit issued. Furthermore, on the same day, a resolution was passed by the joint venture management committee to establish a decommissioning fund, where the Company will fund $15 million in 2020, and $10 million for four years thereafter until the Company's 49% share totaling $55 million is fully funded. The targeting funding over time will increase, dependent on future increases to the decommissioning and restoration liability (Note 9 of the financial statements).

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 income on the consolidated statements of comprehensive loss:

	Three months ended December 31, 2019	Three months ended December 31, 2018	Year ended December 31, 2019	Year ended December 31, 2018
Net loss for the period	$ (115,725)	$ (30,204)	$ (128,758)	$ (18,934)
Add/deduct:				
Non-cash depreciation and depletion	19,500	19,031	82,825	79,419
Impariment loss on property, plant and equipment	115,753	-	115,753	-
Share-based payment expense	158	424	789	1,685
Net finance expenses	9,270	9,938	38,637	40,564
Derivative losses	82	4,297	1,214	247
Current and deferred income taxes	(4,015)	2,105	(3,181)	4,118
Unrealized foreign exchange (gains) losses	(7,375)	20,921	(20,224)	32,058
Adjusted earnings before interest, taxes, depreciation and depletion (Adjusted EBITDA)	$ 17,648	$ 26,512	$ 87,055	$ 139,157
Sales	65,032	70,477	276,334	310,969
Adjusted EBITDA margin	27%	38%	32%	45%

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:

(in thousands of Canadian dollars, except where otherwise noted)		Three months ended December 31, 2019	Three months ended December 31, 2018	Year ended December 31, 2019	Year ended December 31, 2018
Cost of sales production costs	$	37,233	31,668	152,585	117,908
Timing differences due to inventory and other non-cash adjustments	$	8,177	2,252	7,875	7,917
Cash cost of production of ore processed, net of capitalized stripping	$	45,410	33,920	160,460	125,825
Cash costs of production of ore processed, including capitalized stripping	$	47,167	46,328	180,011	158,601
Tonnes processed	kilo tonnes	459	368	1,755	1,565
Carats recovered	000's carats	969	758	3,342	3,399
Cash costs of production per tonne of ore, net of capitalized stripping	$	99	92	91	80
Cash costs of production per tonne of ore, including capitalized stripping	$	103	126	103	101
Cash costs of production per carat recovered, net of capitalized stripping	$	47	45	48	37
Cash costs of production per carat recovered, including capitalized stripping	$	49	61	54	47

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 COVID-19 continues to spread and materially impedes operations and/or the ability of the Company to sell and distribute diamonds;
- risk of COVID-19 affecting commodity prices and demand of diamond inventory, future sales and increased market volatility;
- 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 laboratory grown diamonds;
- risks related to challenges in the diamond market causing the sale of all diamond inventory to be sold below cost;
- 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 under the symbol MPVD.

At March 23, 2020, there were 210,392,473 shares issued, 3,518,335 stock options and 1,065,000 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 rules 13a-15(e), 13a-15(f), 15d-15(e), and 15d-15(f), under the Securities Exchange Act and concluded that, as of December 31, 2019, 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, 2019.

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 operational hazards, including possible disruption due to pandemic such as Covid-19, its impact on travel, self-isolation protocols and business and operations, 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 the development of operation hazards which could arise in relation to COVID-19, including, but not limited to protocols which may be adopted to reduce the spread of COVID-19 and any impact of such protocols on Mountain Province's business and operations, 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.