



*Mountain Province*  
**DIAMONDS**

Condensed Consolidated Interim Financial Statements  
(Expressed in thousands of Canadian Dollars)

**MOUNTAIN PROVINCE  
DIAMONDS INC.**

Three months ended March 31, 2020  
(Unaudited)

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**RESPONSIBILITY FOR CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited condensed consolidated interim financial statements of Mountain Province Diamonds Inc. (the "Company") are the responsibility of the Board of Directors.

The unaudited condensed consolidated interim financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the Company's audited consolidated financial statements as at December 31, 2019, except for changes indicated in Note 3 (i). Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the balance sheet date. The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards 34 – Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") appropriate in the circumstances.

Management has established processes, which are in place to provide sufficient knowledge to support management representations that it has exercised reasonable diligence that the unaudited condensed consolidated interim financial statements fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date of and for the periods presented by the unaudited condensed consolidated interim financial statements.

The Board of Directors is responsible for reviewing and approving the condensed consolidated interim financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. The Audit Committee assists the Board of Directors in fulfilling this responsibility.

The Audit Committee meets with management to review the financial reporting process and the unaudited condensed consolidated interim financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its unaudited condensed consolidated interim financial statements, together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility to ensure the financial reporting is in accordance with IFRS as issued by the IASB, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

*"Stuart Brown"*  
Stuart Brown  
President and Chief Executive Officer

*"Perry Ing"*  
Perry Ing  
VP Finance and Chief Financial Officer

Toronto, Canada  
May 6, 2020

**Condensed Consolidated Interim Balance Sheets**

Expressed in thousands of Canadian dollars  
(Unaudited)

|   | Notes              | March 31,<br>2020 | December 31,<br>2019 |
|---|--------------------|-------------------|----------------------|
| <b>ASSETS</b>                                     |                    |                   |                      |
| Current assets                                    |                    |                   |                      |
| Cash  |                    | \$ 31,945         | \$ 34,751            |
| Amounts receivable                                | 5                  | 3,235             | 1,688                |
| Prepaid expenses and other                        |                    | 714               | 1,179                |
| Derivative assets                                 | 12                 | -                 | 587                  |
| Inventories                                       | 6                  | 143,193           | 111,772              |
|   |                    | 179,087           | 149,977              |
| Reclamation deposit                               |                    | 250               | 250                  |
| Derivative assets                                 | 12                 | 445               | 200                  |
| Property, plant and equipment                     | 7                  | 662,550           | 672,268              |
| <b>Total assets</b>                               |                    | <b>\$ 842,332</b> | <b>\$ 822,695</b>    |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>       |                    |                   |                      |
| Current liabilities                               |                    |                   |                      |
| Accounts payable and accrued liabilities          | 15                 | \$ 67,398         | \$ 47,319            |
| Derivative liabilities                            | 12                 | 5,269             | -                    |
| Decommissioning and restoration liability         |                    | 2,445             | 2,445                |
| Lease liabilities                                 |                    | 646               | 811                  |
|   |                    | 75,758            | 50,575               |
| Secured notes payable                             | 8                  | 412,247           | 378,869              |
| Lease liabilities                                 |                    | 990               | 1,034                |
| Decommissioning and restoration liability         |                    | 56,425            | 56,071               |
| Deferred income tax liabilities                   |                    | 1,444             | -                    |
| Shareholders' equity:                             |                    |                   |                      |
| Share capital                                     | 10                 | 631,224           | 631,224              |
| Share-based payments reserve                      | 10                 | 6,402             | 6,111                |
| Deficit   |                    | (343,492)         | (302,523)            |
| Accumulated other comprehensive income            |                    | 1,334             | 1,334                |
| Total shareholders' equity                        |                    | 295,468           | 336,146              |
| <b>Total liabilities and shareholders' equity</b> |                    | <b>\$ 842,332</b> | <b>\$ 822,695</b>    |
| <b>Going concern</b>                              | <b>1</b>           |                   |                      |
| <b>Commitments and contingencies</b>              | <b>14 &amp; 15</b> |                   |                      |
| <b>Subsequent event</b>                           | <b>8</b>           |                   |                      |

**On behalf of the Board:**

*"David Whittle"*

**Director**

*"Jonathan Comerford"*

**Director**

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**Condensed Consolidated Interim Statements of Comprehensive (Loss) Income**Expressed in thousands of Canadian dollars  
(Unaudited)

|   | Notes  | Three months ended<br>March 31, 2020 | Three months ended<br>March 31, 2019 |
|---|--------|--------------------------------------|--------------------------------------|
| Sales   |        | \$ 65,430                            | \$ 60,696                            |
| Cost of sales:  |        |                                      |                                      |
| Production costs                                      |        | 30,614                               | 28,786                               |
| Cost of acquired diamonds                             |        | 6,486                                | 5,951                                |
| Depreciation and depletion                            |        | 14,703                               | 15,799                               |
| Earnings from mine operations                         |        | 13,627                               | 10,160                               |
| Exploration and evaluation expenses                   |        | 2,488                                | 3,622                                |
| Selling, general and administrative expenses          | 11     | 3,637                                | 2,899                                |
| Operating income                                      |        | 7,502                                | 3,639                                |
| Net finance expenses                                  | 9      | (10,287)                             | (9,788)                              |
| Derivative (losses) gains                             | 12     | (5,928)                              | 401                                  |
| Foreign exchange (losses) gains                       |        | (30,812)                             | 8,647                                |
| (Loss) income before taxes                            |        | (39,525)                             | 2,899                                |
| Current income taxes                                  |        | -                                    | (136)                                |
| Deferred income taxes                                 |        | (1,444)                              | (266)                                |
| Total income taxes                                    |        | (1,444)                              | (402)                                |
| Net (loss) income for the period                      |        | \$ (40,969)                          | \$ 2,497                             |
| Total comprehensive (loss) income for the period      |        | \$ (40,969)                          | \$ 2,497                             |
| Basic and diluted loss per share                      | 10(iv) | \$ (0.19)                            | \$ 0.01                              |
| Basic weighted average number of shares outstanding   |        | 210,392,473                          | 210,108,624                          |
| Diluted weighted average number of shares outstanding |        | 210,392,473                          | 210,470,955                          |

*The accompanying notes are an integral part of these condensed consolidated interim financial statements.*

**Condensed Consolidated Interim Statements of Equity**

Expressed in thousands of Canadian dollars, except for the number of shares  
(Unaudited)

|   | Notes   | Number of shares   | Share capital     | Share-based payments<br>reserve | Deficit             | Accumulated other<br>comprehensive income | Total             |
|---|---------|--------------------|-------------------|---------------------------------|---------------------|---|-------------------|
| <b>Balance, January 1, 2019</b>                   |         | 210,102,476        | \$ 629,796        | \$ 6,750                        | \$ (173,765)        | \$ 1,334                                  | \$ 464,115        |
| Net income for the period                         |         | -                  | -                 | -                               | 2,497               | -   | 2,497             |
| Share-based payment                               | 10(iii) | -                  | -                 | 219                             | -                   | -   | 219               |
| Issuance of common shares – restricted share unit |         | 6,666              | 44                | (44)                            | -                   | -   | -                 |
| <b>Balance, March 31, 2019</b>                    |         | 210,109,142        | \$ 629,840        | \$ 6,925                        | \$ (171,268)        | \$ 1,334                                  | \$ 466,831        |
| <b>Balance, January 1, 2020</b>                   |         | 210,392,473        | \$ 631,224        | \$ 6,111                        | \$ (302,523)        | \$ 1,334                                  | \$ 336,146        |
| Net loss for the period                           |         | -                  | -                 | -                               | (40,969)            | -   | (40,969)          |
| Share-based payment                               | 10(iii) | -                  | -                 | 291                             | -                   | -   | 291               |
| <b>Balance, March 31, 2020</b>                    |         | <b>210,392,473</b> | <b>\$ 631,224</b> | <b>\$ 6,402</b>                 | <b>\$ (343,492)</b> | <b>\$ 1,334</b>                           | <b>\$ 295,468</b> |

*The accompanying notes are an integral part of these condensed consolidated interim financial statements.*

## Condensed Consolidated Interim Statements of Cash Flows

Expressed in thousands of Canadian dollars  
(Unaudited)

|   | Three months ended<br>March 31, 2020 | Three months ended<br>March 31, 2019 |
|---|--------------------------------------|--------------------------------------|
| <b>Cash provided by (used in):</b>                    |                                      |                                      |
| <b>Operating activities:</b>                          |                                      |                                      |
| Net (loss) income for the period                      | \$ (40,969)                          | \$ 2,497                             |
| <i>Adjustments:</i>                                   |                                      |                                      |
| Net finance expenses                                  | 10,259                               | 9,743                                |
| Depreciation and depletion                            | 14,758                               | 15,854                               |
| Share-based payment expense                           | 291                                  | 219                                  |
| Derivative losses (gains)                             | 5,928                                | (401)                                |
| Foreign exchange losses (gains)                       | 30,812                               | (8,647)                              |
| Current income taxes                                  | -                                    | 136                                  |
| Deferred income taxes                                 | 1,444                                | 266                                  |
|   | <b>22,523</b>                        | 19,667                               |
| <i>Changes in non-cash operating working capital:</i> |                                      |                                      |
| Amounts receivable                                    | (1,548)                              | (2,029)                              |
| Prepaid expenses and other                            | 465                                  | 768                                  |
| Inventories   | (31,478)                             | (34,821)                             |
| Accounts payable and accrued liabilities              | 11,214                               | 7,535                                |
|   | <b>1,176</b>                         | (8,880)                              |
| <b>Investing activities:</b>                          |                                      |                                      |
| Interest income                                       | 92                                   | 110                                  |
| Purchase of property, plant and equipment             | (5,258)                              | (10,430)                             |
|   | <b>(5,166)</b>                       | (10,320)                             |
| <b>Financing activities:</b>                          |                                      |                                      |
| Payment of lease liabilities                          | (206)                                | (201)                                |
| Financing costs                                       | (143)                                | (32)                                 |
|   | <b>(349)</b>                         | (233)                                |
| Effect of foreign exchange rate changes on cash       | 1,533                                | 31                                   |
| Decrease in cash                                      | (2,806)                              | (19,402)                             |
| Cash, beginning of period                             | 34,751                               | 30,708                               |
| Cash, end of period                                   | \$ 31,945                            | \$ 11,306                            |

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

## **MOUNTAIN PROVINCE DIAMONDS INC.**

### **Notes to the Condensed Consolidated Interim Financial Statements**

#### **For the Three Months Ended March 31, 2020**

**Amounts in thousands of Canadian Dollars, except share and per share amounts, unless otherwise noted  
(Unaudited)**

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## **1. NATURE OF OPERATIONS AND GOING CONCERN**

Mountain Province Diamonds Inc. (“Mountain Province” and together with its subsidiaries collectively, the “Company”) was incorporated on December 2, 1986 under the British Columbia Company Act. The Company amended its articles and continued incorporation under the Ontario Business Corporations Act effective May 8, 2006. The Company holds a 49% interest in the operating Gahcho Kué Project (“Gahcho Kué Diamond Mine” or “GK Mine” or “GK Project”) in Canada’s Northwest Territories. The Company also owns 100% of the mineral rights of the Kennady North Project (“KNP”).

The address of the Company’s registered office and its principal place of business is 161 Bay Street, Suite 1410, PO Box 216, Toronto, ON, Canada, M5J 2S1. The Company’s shares are listed on the Toronto Stock Exchange (“TSX”) under the symbol ‘MPVD’. As of December 31, 2019, the Company was also listed on the NASDAQ under the same symbol. During the three months ended March 31, 2020, the Company voluntarily delisted its common shares from the NASDAQ.

These condensed consolidated interim financial statements have been prepared using the going concern basis of preparation which assumes that the Company will realize its assets and settle its liabilities in the normal course of business.

Amid the COVID-19 pandemic, the Company may face liquidity challenges primarily resulting from the deferral of the periodic normal sales carried out in Antwerp, Belgium. While the Company continues to carry out direct sales on a limited basis, the risk of decreased sales volumes, particularly in the months of June and July 2020, along with the negative impact on realized diamond prices will significantly reduce 2020 expected revenues as compared to the 2020 revenues the Company expected prior to the onset of the COVID-19 pandemic. As of the date of approval of the financial statements, the Company has drawn US\$25 million from its US\$50 million revolving credit facility agreement (“RCF”). The Company is subject to certain financial covenants on its outstanding senior secured notes and RCF which each include cross-covenant default terms. The uncertainty that the COVID-19 pandemic has caused over potential diamond sales in the near-term, particularly in June and July 2020, along with these financial covenants discussed, may result in an event of default under the terms of these debt instruments.

Management expects the Company will seek additional waivers or amendments from the lenders as to the financial covenants included. There are no assurances the lenders will provide further waivers or future amendments the Company may seek. If the Company is unable to comply with the financial covenants, and is not successful in obtaining suitable waivers or amendments, it would result in an event of default, and the outstanding balances could become payable on demand. Further, management may seek alternative sources of financing, however, such alternative sources of financing may not be available or at terms acceptable to the Company. These conditions indicate the existence of a material uncertainty that results in substantial doubt as to the Company’s ability to continue as a going concern. These financial statements do not include the adjustments to the amounts and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. These adjustments may be material.

The underlying value and recoverability of the amounts shown as “Property, Plant and Equipment” (Note 7) are dependent upon future profitable production and proceeds from disposition of the Company’s mineral properties.

#### *Authorization of Financial Statements*

These condensed consolidated interim financial statements were approved by the Board of Directors on May 6, 2020.



## **MOUNTAIN PROVINCE DIAMONDS INC.**

### **Notes to the Condensed Consolidated Interim Financial Statements**

#### **For the Three Months Ended March 31, 2020**

**Amounts in thousands of Canadian Dollars, except share and per share amounts, unless otherwise noted (Unaudited)**

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## **2. BASIS OF PRESENTATION**

These unaudited condensed consolidated interim financial statements of the Company were prepared in accordance with International Accounting Standards 34, Interim Financial Reporting ("IAS 34"). The accounting policies used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the annual consolidated financial statements for the year ended December 31, 2019 except for changes indicated in Note 3 (i).

These interim financial statements do not include all disclosures required by International Financial Reporting Standards ("IFRS") for annual financial statements and, accordingly, should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2019 prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB").

These financial statements were prepared under the historical cost convention, as modified by the revaluation of equity securities and derivative assets and liabilities and are presented in thousands of Canadian dollars.

The consolidated financial statements include the accounts of Mountain Province and its wholly-owned subsidiaries:

- 2435572 Ontario Inc. (100% owned)
- 2435386 Ontario Inc. (100% owned by 2435572 Ontario Inc.)
- Kennady Diamonds Inc. (100% owned)

The Company's interest in the GK Mine is held through 2435386 Ontario Inc. All intercompany balances, transactions, income, expenses, profits and losses, including unrealized gains and losses have been eliminated on consolidation.

The Company has determined that its interest in the GK Mine through its joint arrangement is a joint operation under IFRS 11, Joint Arrangements, and, accordingly has recorded the assets, liabilities, revenues and expenses in relation to its interest in the joint operation. The Company's interest in the GK Mine is bound by a contractual arrangement establishing joint control over the mine through required unanimous consent of the Company and De Beers Canada Inc. ("De Beers" or the "Operator", and together with the Company, the "Participants") for strategic, financial and operating policies of the GK Mine. The GK Mine management committee has two representatives of each of the Company and De Beers. The Participants have appointed De Beers as the operator of the GK Mine.

## **3. SIGNIFICANT ACCOUNTING POLICIES**

### ***(i) New accounting policies adopted in the current period***

#### **Conceptual Framework**

On March 29, 2018 the IASB issued amendments to references to conceptual frameworks in IFRS Standards. These amendments are effective January 1, 2020. Upon adoption of the modified conceptual frameworks, there was no material impact to these condensed consolidated interim financial statements.

## **4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. Judgments, estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ materially from these estimates. The significant judgments,

## MOUNTAIN PROVINCE DIAMONDS INC.

### Notes to the Condensed Consolidated Interim Financial Statements

#### For the Three Months Ended March 31, 2020

Amounts in thousands of Canadian Dollars, except share and per share amounts, unless otherwise noted  
(Unaudited)

estimates and assumptions made by management in applying the Company's accounting policies were the same as those that applied to the audited financial statements as at and for the year ended December 31, 2019, except for the following summarized below:

(i) Significant judgments in applying accounting policies

The areas which require management to make significant judgments in applying the Company's accounting policies are:

a) *Impairment analysis – property, plant and equipment and evaluation and exploration assets*

As required under IAS 36 and IFRS 6, the Company reviews its property, plant and equipment and its evaluation and exploration assets for impairment based on results to date and when events and changes in circumstances indicate that the carrying value of the assets may not be recoverable. The Company is required to make certain judgments in assessing indicators of impairment. The Company's assessment was that as at March 31, 2020 no indicator of an impairment in the carrying value of its property, plant and equipment and evaluation and exploration assets had occurred. The Company assessed for impairment as at December 31, 2019, and recorded an impairment to property, plant and equipment of \$115.8 million.

## 5. AMOUNTS RECEIVABLE

|                    | March 31,<br>2020 | December 31,<br>2019 |
|--------------------|-------------------|----------------------|
| GST/HST receivable | \$ 2,584          | \$ 936               |
| Other receivable   | 651               | 752                  |
| Total              | \$ 3,235          | \$ 1,688             |

## 6. INVENTORIES

|                    | March 31,<br>2020 | December 31,<br>2019 |
|--------------------|-------------------|----------------------|
| Ore stockpile      | \$ 12,307         | \$ 8,592             |
| Rough diamonds     | 71,565            | 70,190               |
| Supplies inventory | 59,321            | 32,990               |
| Total              | \$ 143,193        | \$ 111,772           |

Depreciation and depletion included in inventories at March 31, 2020 is \$24,314 (December 31, 2019 - \$23,894).

The amount of inventory expensed approximates cost of sales with respect to production costs incurred, and the cost of acquired diamonds.

Included in production costs, which are included in inventories, for the three months ended March 31, 2020 are the Company's 49% share of payroll and employee benefits for staff of the GK Mine of \$10,029 (three months ended March 31, 2019 - \$9,649).

## MOUNTAIN PROVINCE DIAMONDS INC.

### Notes to the Condensed Consolidated Interim Financial Statements

#### For the Three Months Ended March 31, 2020

Amounts in thousands of Canadian Dollars, except share and per share amounts, unless otherwise noted  
(Unaudited)

## 7. PROPERTY, PLANT AND EQUIPMENT

The Company's property, plant and equipment as at March 31, 2020 and December 31, 2019 are as follows:

|  | Property,<br>plant and equipment GK | Assets under<br>construction GK | Property,<br>plant and equipment KNP | Exploration and<br>evaluation assets KNP | Assets under<br>construction KNP | Total               |
|--|-------------------------------------|---------------------------------|--------------------------------------|--|----------------------------------|---------------------|
| <b>Cost</b>                                |                                     |                                 |                                      |  |                                  |                     |
| At January 1, 2019                         | \$ 820,106                          | \$ 4,894                        | \$ 90                                | \$ 166,947                               | \$ 1,564                         | \$ 993,601          |
| Decommissioning and restoration adjustment | (1,604)                             | -                               | -                                    | 1,919                                    | -                                | 315                 |
| January 1, 2019 IFRS 16 lease additions    | 2,670                               | -                               | -                                    | -  | -                                | 2,670               |
| Additions/transfers*                       | 35,162                              | (4,164)                         | -                                    | -  | -                                | 30,998              |
| Impairment loss                            | (115,753)                           | -                               | -                                    | -  | -                                | (115,753)           |
| At December 31, 2019                       | 740,581                             | 730                             | 90                                   | 168,866                                  | 1,564                            | 911,831             |
| Additions/transfers*                       | 2,863                               | 2,720                           | -                                    | -  | -                                | 5,583               |
| <b>At March 31, 2020</b>                   | <b>\$ 743,444</b>                   | <b>\$ 3,450</b>                 | <b>\$ 90</b>                         | <b>\$ 168,866</b>                        | <b>\$ 1,564</b>                  | <b>\$ 917,414</b>   |
| <b>Accumulated depreciation</b>            |                                     |                                 |                                      |  |                                  |                     |
| At January 1, 2019                         | \$ (152,350)                        | \$ -                            | \$ (10)                              | \$ -                                     | \$ -                             | \$ (152,360)        |
| Depreciation and depletion                 | (87,190)                            | -                               | (13)                                 | -  | -                                | (87,203)            |
| At December 31, 2019                       | (239,540)                           | -                               | (23)                                 | -  | -                                | (239,563)           |
| Depreciation and depletion**               | (15,298)                            | -                               | (3)                                  | -  | -                                | (15,301)            |
| <b>At March 31, 2020</b>                   | <b>\$ (254,838)</b>                 | <b>\$ -</b>                     | <b>\$ (26)</b>                       | <b>\$ -</b>                              | <b>\$ -</b>                      | <b>\$ (254,864)</b> |
| <b>Carrying amounts</b>                    |                                     |                                 |                                      |  |                                  |                     |
| At December 31, 2019                       | \$ 501,041                          | \$ 730                          | \$ 67                                | \$ 168,866                               | \$ 1,564                         | \$ 672,268          |
| <b>At March 31, 2020</b>                   | <b>\$ 488,606</b>                   | <b>\$ 3,450</b>                 | <b>\$ 64</b>                         | <b>\$ 168,866</b>                        | <b>\$ 1,564</b>                  | <b>\$ 662,550</b>   |

\*Included in additions of property, plant and equipment for GK is \$1,934 (December 31, 2019 - \$23,896) related to deferred stripping of which \$122 relates to the depreciation of earthmoving equipment (December 31, 2019 - \$1,778).

\*\*Included in depreciation and depletion is \$273 of depreciation on the right-of-use assets capitalized under IFRS 16 (December 31, 2019 - \$1,093)

## 8. SECURED NOTES PAYABLE

On December 11, 2017, the Company completed an offering of US\$330 million aggregate principal amount of senior secured notes, secured by a second-ranking lien on all present and future assets, property and undertakings of the Company. The secured notes were sold at 97.992% of par, resulting in total proceeds of US\$323.4 million. The secured notes pay interest in semi-annual instalments on June 15 and December 15 of each year, commencing on June 15, 2018, at a rate of 8.00% per annum, and mature on December 15, 2022. The indenture governing the secured notes contains certain restrictive covenants that limit the Company's ability to, among other things, incur additional indebtedness, make certain dividend payments and other restricted payments, and create certain liens, in each case subject to certain exceptions. The restrictive covenant on the Company's ability to pay potential future dividends relates to a fixed charge coverage ratio of no less than 2:1. The fixed charge coverage ratio is calculated as EBITDA over interest expense. Subject to certain limitations and exceptions, the amount of the restricted payments, which include dividends and share buybacks, is limited to a maximum dollar threshold, which is calculated at an opening basket of US\$10 million plus 50% of the historical consolidated net income, subject to certain adjustments, reported from the quarter of issuance and up to the most recently available financial statements at the time of such restricted payment, plus an amount not to exceed the greater of US\$15 million and 2% of total assets as defined in the indenture.

As at March 31, 2020, the Company has an obligation for US\$299.9 million or \$421.8 million Canadian dollar equivalent from the secured notes payable (December 31, 2019 -US\$299.9 million or \$389.3 million).

## MOUNTAIN PROVINCE DIAMONDS INC.

### Notes to the Condensed Consolidated Interim Financial Statements

#### For the Three Months Ended March 31, 2020

Amounts in thousands of Canadian Dollars, except share and per share amounts, unless otherwise noted  
(Unaudited)

|  | March 31,<br>2020 | December 31,<br>2019 |
|--|-------------------|----------------------|
| Total outstanding secured notes payable                            | \$ 421,776        | \$ 389,262           |
| Less: unamortized deferred transaction costs and issuance discount | 9,529             | 10,393               |
| <b>Total secured notes payable</b>                                 | <b>\$ 412,247</b> | <b>\$ 378,869</b>    |

During the year ended December 31, 2019, US\$10 million or approximately \$13.2 million Canadian dollar equivalent of secured notes payable was purchased by the Company from investors.

The secured notes payable is carried at amortized cost on the condensed consolidated interim balance sheet.

#### Revolving Credit Facility

Concurrent with the closing of the Notes offering, the Company entered into a US\$50 million first ranking lien revolving credit facility (the "RCF") with the Bank of Nova Scotia and Nedbank Ltd. in order to maintain a liquidity cushion for general corporate purposes. The RCF has a term of three years and the Company is subject to a quarterly commitment fee of 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 March 31, 2020, 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 March 31, 2020; 5:1 from April 1, 2020 up to and including June 30, 2020; and 4.25 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
- 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.
- The Company shall not make any distributions other than regularly scheduled payments of interest and principal related to the secured notes payable.

The Company is in compliance with all financial covenants in order for US\$25 million to remain available as at March 31, 2020.

The Company is limited to draw the RCF to a maximum of US\$25 million until June 30, 2020. If the total leverage ratio is below 4.25:1 from July 1, 2020 onward, the full US\$50 million facility would remain available.

Subsequent to the three months ended March 31, 2020, the Company drew US\$25 million from the RCF in order to maintain the liquidity of the business during the challenges faced by COVID-19.

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**9. NET FINANCE EXPENSES**

|  | Three months ended<br>March 31, 2020 | Three months ended<br>March 31, 2019 |
|--|--------------------------------------|--------------------------------------|
| Interest income  | \$ 92                                | \$ 110                               |
| Accretion expense on decommissioning and restoration liability | (355)                                | (299)                                |
| Interest expense   | (8,873)                              | (8,447)                              |
| Amortization of deferred financing costs                       | (864)                                | (829)                                |
| Other finance costs*   | (287)                                | (323)                                |
|  | <b>\$ (10,287)</b>                   | <b>\$ (9,788)</b>                    |

\*Included in other finance costs for the three months ended March 31, 2020 is \$28 (three months ended March 31, 2019 - \$45) related to interest on lease liabilities.

**10. SHAREHOLDERS' EQUITY***i. Authorized share capital*

Unlimited common shares, without par value.

*ii. Share capital*

The number of common shares issued and fully paid as at March 31, 2020 is 210,392,473.

No dividends were declared and paid in the three months ended March 31, 2020 and the year ended December 31, 2019.

*iii. Stock options, RSUs, DSUs and share-based payments reserve*

On June 13, 2019, the Company, through its Board of Directors and shareholders, adopted a long-term equity incentive plan (the "Plan") which, among other things, allows for the maximum number of shares that may be reserved for issuance under the Plan to be 10% of the Company's issued and outstanding shares at the time of the grant. The Board of Directors has the authority and discretion to grant stock option, RSU and DSU awards within the limits identified in the Plan, which includes provisions limiting the issuance of options to qualified persons and employees of the Company to maximums identified in the Plan.

As at March 31, 2020, the aggregate maximum number of shares pursuant to options granted under the Plan will not exceed 21,039,247 shares, and there were 16,455,912 shares available to be issued under the Plan. All stock options are settled by the issuance of common shares.

The following table summarizes information about the stock options outstanding and exercisable:

|   | Three months ended March 31, 2020 |                                 | Year ended December 31, 2019 |                                 |
|---|-----------------------------------|---------------------------------|------------------------------|---------------------------------|
|   | Number of options                 | Weighted average exercise price | Number of options            | Weighted average exercise price |
| Balance at beginning of the period                  | 3,518,335                         | \$ 3.26                         | 3,130,000                    | \$ 4.17                         |
| Granted during the period                           | -                                 | -                               | 1,090,000                    | 1.30                            |
| Expired/forfeited during the period                 | -                                 | -                               | (701,665)                    | 4.24                            |
| <b>Balance at end of the period</b>                 | <b>3,518,335</b>                  | <b>\$ 3.26</b>                  | <b>3,518,335</b>             | <b>\$ 3.26</b>                  |
| <b>Options exercisable at the end of the period</b> | <b>1,972,223</b>                  | <b>\$ 4.32</b>                  | <b>1,972,223</b>             | <b>\$ 4.32</b>                  |

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The fair value of the stock options granted have been estimated on the date of grant using the Black-Scholes option pricing model. The assumptions are presented below for options granted during the December 31, 2019 period. Expected volatility is calculated by reference to the weekly closing share price for a period that reflects the expected life of the options. The 1,090,000 stock options issued on December 27, 2019 vest 1/3 on December 27, 2020, 1/3 on December 27, 2021 and 1/3 on December 27, 2022. The 200,000 stock options issued on June 30, 2018 vest 1/3 on July 1, 2019, 1/3 on July 1, 2020 and 1/3 on July 1, 2021. The 40,000 stock options issued on June 30, 2018 vest 1/2 on July 1, 2019 and 1/2 on July 1, 2020.

|                              | December 31, |
|------------------------------|--------------|
|                              | 2019         |
| Exercise price               | \$1.30       |
| Expected volatility          | 43.33%       |
| Expected option life         | 5 years      |
| Contractual option life      | 5 years      |
| Expected forfeiture          | none         |
| Expected option cancellation | none         |
| Expected dividend yield      | 0%           |
| Risk-free interest rate      | 1.64%        |

The following tables reflect the number of stock options outstanding, the weighted average of stock options outstanding, and the exercise price of stock options outstanding at March 31, 2020. The Black-Scholes values are measured at the grant date.

| <b>At March 31, 2020</b> |                      |                  |                            |                 |
|--------------------------|----------------------|------------------|----------------------------|-----------------|
|                          | <b>Black-Scholes</b> | <b>Number of</b> | <b>Number of</b>           | <b>Exercise</b> |
| <b>Expiry Date</b>       | <b>Value</b>         | <b>Options</b>   | <b>Exercisable Options</b> | <b>Price</b>    |
| April 13, 2020           | 925                  | 585,000          | 585,000                    | 4.66            |
| October 14, 2020         | 133                  | 100,000          | 100,000                    | 4.21            |
| December 10, 2020        | 332                  | 295,000          | 295,000                    | 3.57            |
| June 30, 2021            | 120                  | 100,000          | 100,000                    | 6.35            |
| November 3, 2021         | 214                  | 100,000          | 100,000                    | 6.96            |
| February 5, 2022         | 171                  | 100,000          | 100,000                    | 5.86            |
| December 21, 2022        | 967                  | 908,335          | 605,556                    | 3.48            |
| June 30, 2023            | 203                  | 200,000          | 66,667                     | 3.30            |
| June 30, 2023            | 41                   | 40,000           | 20,000                     | 3.30            |
| December 27, 2024        | 436                  | 1,090,000        | -                          | 1.30            |
|                          | \$ 3,542             | 3,518,335        | 1,972,223                  | \$ 3.26         |

The weighted average remaining contractual life of the options outstanding at March 31, 2020 is 2.62 years (December 31 2019 - 2.86 years).

The restricted and deferred share unit plans are full value phantom shares that mirror the value of the Company's publicly traded common shares. Grants under the RSU and DSU plan are made on a discretionary basis to qualified persons and employees of the Company subject to the Board of Directors' approval. Under the RSU and DSU plan, RSUs vest according to the terms set out in the award agreement which are determined on an individual basis at the discretion of the Board of Directors. Vesting under the RSU and DSU plan is subject to special rules for death,

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disability and change in control. The awards can be settled through issuance of common shares or paid in cash, at the discretion of the Board of Directors. These awards are accounted for as equity settled RSUs.

The fair value of each RSU issued is determined at the closing share price on the grant date.

The following table shows the RSU awards which have been granted and settled during the period:

| RSU   | March 31, 2020   |                        | December 31, 2019 |                        |
|---|------------------|------------------------|-------------------|------------------------|
|   | Number of units  | Weighted average value | Number of units   | Weighted average value |
| Balance at beginning of period              | 1,065,000        | \$ 1.31                | 368,997           | \$ 5.01                |
| Awards and payouts during the period (net): |                  |                        |                   |                        |
| RSUs awarded                                | -                | -                      | 990,000           | 1.13                   |
| RSUs settled and common shares issued       | -                | -                      | (289,997)         | 5.35                   |
| RSUs forfeited                              | -                | -                      | (4,000)           | 6.49                   |
| <b>Balance at end of the period*</b>        | <b>1,065,000</b> | <b>\$ 1.31</b>         | <b>1,065,000</b>  | <b>\$ 1.31</b>         |

\*As at March 31, 2020, 16,667 RSUs (2019, 16,667 RSUs) at a weighted average value of \$3.90 have vested and have not yet been settled.

No DSU awards have been granted to date, therefore as at March 31, 2020 there are no DSUs outstanding.

The share-based payments recognized as an expense for the three months ended March 31, 2020 and 2019 are as follows:

|   | Three months ended<br>March 31, 2020 | Three months ended<br>March 31, 2019 |
|---|--------------------------------------|--------------------------------------|
| Expense recognized in the period for share-based payments | \$ 291                               | \$ 219                               |

The share-based payment expense for the three months ended March 31, 2020 and 2019 is included in selling, general and administrative expenses.

*iv. (Loss) earnings per share*

The following table sets forth the computation of basic and diluted (loss) earnings per share:

|  | Three months ended<br>March 31, 2020 | Three months ended<br>March 31, 2019 |
|--|--------------------------------------|--------------------------------------|
| <b>Numerator</b>   |                                      |                                      |
| Net (loss) income for the period                                     | \$ (40,969)                          | \$ 2,497                             |
| <b>Denominator</b>   |                                      |                                      |
| For basic - weighted average number of shares outstanding            | 210,392,473                          | 210,108,624                          |
| Effect of dilutive securities  | -                                    | 362,331                              |
| For diluted - adjusted weighted average number of shares outstanding | 210,392,473                          | 210,470,955                          |
| <b>(Loss) Earnings Per Share</b>                                     |                                      |                                      |
| Basic  | \$ (0.19)                            | \$ 0.01                              |
| Diluted  | \$ (0.19)                            | \$ 0.01                              |

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For the three months ended March 31, 2020, 3,518,335 stock options and 1,065,000 RSUs were not included in the calculation of diluted loss per share since to include them would be anti-dilutive (March 31, 2019 - 2,980,000 stock options).

#### 11. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

|                                    | Three months ended<br>March 31, 2020 | Three months ended<br>March 31, 2019 |
|------------------------------------|--------------------------------------|--------------------------------------|
| Selling and marketing              | \$ 1,528                             | \$ 1,292                             |
| General and administrative:        |                                      |                                      |
| Consulting fees and payroll        | 516                                  | 649                                  |
| Share-based payment expense        | 291                                  | 219                                  |
| Depreciation                       | 55                                   | 55                                   |
| Office and administration          | 157                                  | 94                                   |
| Professional fees                  | 578                                  | 220                                  |
| Promotion and investor relations   | 154                                  | 42                                   |
| Director fees                      | 100                                  | 65                                   |
| Transfer agent and regulatory fees | 157                                  | 160                                  |
| Travel                             | 101                                  | 103                                  |
|                                    | \$ 3,637                             | \$ 2,899                             |

#### 12. DERIVATIVE ASSETS AND LIABILITIES

The senior secured notes indenture grants the Company the option to prepay the notes prior to the maturity of the instruments, and specifies a premium during each applicable time period. These prepayment options have been accounted for as embedded derivatives and are outlined below. The Company may redeem the secured notes:

- in whole or in part at any time during the twelve-month period beginning on December 15, 2019 at a redemption price equal to 104% of the principal amount of the secured notes redeemed, plus accrued and unpaid interest to the date of redemption;
- in whole or in part at any time during the twelve-month period beginning on December 15, 2020 at a redemption price equal to 102% of the principal amount of the secured notes redeemed, plus accrued and unpaid interest to the date of redemption; and
- in whole or in part at any time during the twelve-month period beginning on December 15, 2021 at a redemption price equal to 100% of the principal amount of the secured notes redeemed, plus accrued and unpaid interest to the date of redemption.

During the first quarter of 2020, the Company entered into foreign currency forward swap contracts to mitigate the risk that a devaluation of the U.S. dollar against the Canadian dollar would reduce the Canadian dollar equivalent of the U.S. dollar sales proceeds and the Company would not have sufficient Canadian dollar funds to contribute to the operations of the GK Mine.

These derivatives have been classified as “non-hedge derivatives”. Changes in fair value of the foreign currency forward swap contracts are recognized in net income or loss as gains or losses on derivatives.



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**Foreign Currency Forward Contracts**

The table below provides a summary of currency contracts outstanding as at March 31, 2020.

| Execution Date of Contracts | Settlement Dates of Contracts         | Notional Amount (CAD) | Weighted Average Price (USD) | Notional Amount (USD) |
|-----------------------------|---------------------------------------|-----------------------|------------------------------|-----------------------|
| January 7, 2020             | April 6, 2020                         | \$ 6,481              | \$ 1.2962                    | \$ 5,000              |
| January 23, 2020            | May 4, 2020 to June 1, 2020           | \$ 5,260              | \$ 1.3150                    | \$ 4,000              |
| January 29, 2020            | May 4, 2020 to August 4, 2020         | \$ 13,200             | \$ 1.3200                    | \$ 10,000             |
| February 7, 2020            | July 2, 2020 to October 5, 2020       | \$ 13,300             | \$ 1.3300                    | \$ 10,000             |
| February 28, 2020           | November 2, 2020 to December 1, 2020  | \$ 8,070              | \$ 1.3450                    | \$ 6,000              |
| March 9, 2020               | September 1, 2020 to December 1, 2020 | \$ 13,605             | \$ 1.3605                    | \$ 10,000             |
| March 10, 2020              | January 5, 2021 to February 2, 2021   | \$ 13,710             | \$ 1.3710                    | \$ 10,000             |
| March 12, 2020              | March 2, 2021 to April 5, 2021        | \$ 13,820             | \$ 1.3820                    | \$ 10,000             |
| March 18, 2020              | May 3, 2021 to June 1, 2021           | \$ 14,430             | \$ 1.4430                    | \$ 10,000             |
| March 30, 2020              | July 6, 2021                          | \$ 7,050              | \$ 1.4100                    | \$ 5,000              |
| <b>Total</b>                |                                       | <b>\$ 108,926</b>     | <b>\$ 1.3616</b>             | <b>\$ 80,000</b>      |

The following table presents the various derivatives as at March 31, 2020 and December 31, 2019:

|  | March 31,<br>2020 | December 31,<br>2019 |
|--|-------------------|----------------------|
| Prepayment option embedded derivatives                             | \$ 8              | \$ 200               |
| Foreign currency contract derivative liabilities                   | (4,832)           | 587                  |
|  | (4,824)           | 787                  |
| Current portion of foreign currency contracts (liabilities) assets | (5,269)           | 587                  |
| Current portion of derivative (liabilities) assets                 | (5,269)           | 587                  |
| <b>Non-current derivative assets (liabilities)</b>                 | <b>\$ 445</b>     | <b>\$ 200</b>        |

The following table presents amounts recognized in the Consolidated Statement of Comprehensive (Loss) Income for the three months ended March 31, 2020 and 2019:

|  | Three months ended<br>March 31, 2020 | Three months ended<br>March 31, 2019 |
|--|--------------------------------------|--------------------------------------|
| (Loss) gain on derivative contracts - currency contracts | \$ (5,719)                           | \$ 765                               |
| Loss on prepayment option embedded derivative            | (209)                                | (364)                                |
| <b>Total</b>   | <b>\$ (5,928)</b>                    | <b>\$ 401</b>                        |

**13. FINANCIAL INSTRUMENTS****Fair value measurement**

The Company categorizes each of its fair value measurements in accordance with a fair value hierarchy. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs

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other than quoted prices that are observable for the asset or liability (for example, interest rate and yield curves observable at commonly quoted intervals, forward pricing curves used to value currency and commodity contracts and volatility measurements used to value option contracts), or inputs that are derived principally from or corroborated by observable market data or other means. Level 3 inputs are unobservable (supported by little or no market activity).

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

The fair values of the amounts receivable and accounts payable and accrued liabilities approximate their carrying values due to the relatively short-term maturity of these financial instruments.

The following table shows the carrying amounts and fair values of the Company's financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

| March 31, 2020  | Carrying amount          |                                    |                               |            | Fair value |         |         |         |
|---|--------------------------|------------------------------------|-------------------------------|------------|------------|---------|---------|---------|
|   | Assets at amortized cost | Fair value through profit and loss | Liabilities at amortized cost | Total      | Level 1    | Level 2 | Level 3 | Total   |
| <b>Financial assets measured at fair value</b>          |                          |                                    |                               |            |            |         |         |         |
| Derivative assets                                       | \$ -                     | \$ 445                             | \$ -                          | \$ 445     | \$ -       | \$ 445  | \$ -    | \$ 445  |
|   | \$ -                     | \$ 445                             | \$ -                          | \$ 445     |            |         |         |         |
| <b>Financial assets not measured at fair value</b>      |                          |                                    |                               |            |            |         |         |         |
| Cash  | \$ 31,945                | \$ -                               | \$ -                          | \$ 31,945  | 31,945     | -       | -       | 31,945  |
| Amounts receivable                                      | 3,235                    | -                                  | -                             | 3,235      | 3,235      | -       | -       | 3,235   |
|   | \$ 35,180                | \$ -                               | \$ -                          | \$ 35,180  |            |         |         |         |
| <b>Financial liabilities not measured at fair value</b> |                          |                                    |                               |            |            |         |         |         |
| Accounts payable and accrued liabilities                | \$ -                     | \$ -                               | \$ 67,398                     | \$ 67,398  | 67,398     | -       | -       | 67,398  |
| Derivative liabilities                                  | -                        | 5,269                              | -                             | 5,269      | -          | 5,269   | -       | 5,269   |
| Secured notes payable                                   | -                        | -                                  | 412,247                       | 412,247    | 316,813    | -       | -       | 316,813 |
|   | \$ -                     | \$ 5,269                           | \$ 479,645                    | \$ 484,914 |            |         |         |         |
| December 31, 2019                                       | Carrying amount          |                                    |                               |            | Fair value |         |         |         |
|   | Assets at amortized cost | Fair value through profit and loss | Liabilities at amortized cost | Total      | Level 1    | Level 2 | Level 3 | Total   |
| <b>Financial assets measured at fair value</b>          |                          |                                    |                               |            |            |         |         |         |
| Derivative assets                                       | \$ -                     | \$ 787                             | \$ -                          | \$ 787     | \$ -       | \$ 787  | \$ -    | \$ 787  |
|   | \$ -                     | \$ 787                             | \$ -                          | \$ 787     |            |         |         |         |
| <b>Financial assets not measured at fair value</b>      |                          |                                    |                               |            |            |         |         |         |
| Cash  | \$ 34,751                | \$ -                               | \$ -                          | \$ 34,751  | 34,751     | -       | -       | 34,751  |
| Amounts receivable                                      | 1,688                    | -                                  | -                             | 1,688      | 1,688      | -       | -       | 1,688   |
|   | \$ 36,439                | \$ -                               | \$ -                          | \$ 36,439  |            |         |         |         |
| <b>Financial liabilities measured at fair value</b>     |                          |                                    |                               |            |            |         |         |         |
| Derivative liabilities                                  | \$ -                     | \$ -                               | \$ -                          | \$ -       | -          | -       | -       | -       |
|   | \$ -                     | \$ -                               | \$ -                          | \$ -       |            |         |         |         |
| <b>Financial liabilities not measured at fair value</b> |                          |                                    |                               |            |            |         |         |         |
| Accounts payable and accrued liabilities                | \$ -                     | \$ -                               | \$ 47,319                     | \$ 47,319  | 47,319     | -       | -       | 47,319  |
| Secured notes payable                                   | -                        | -                                  | 378,869                       | 378,869    | 378,083    | -       | -       | 378,083 |
|   | \$ -                     | \$ -                               | \$ 426,188                    | \$ 426,188 |            |         |         |         |

Fair values of assets and liabilities classified as Level 2 are valued using discounted cash flow ("DCF") models. These models require a variety of observable inputs including market prices, forward price curves, yield curves and credit

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spreads. These inputs are obtained from or verified with the market where possible. The financial assets relate to the embedded derivative assets, which are prepayment options on the secured notes payable (Note 8).

Derivative instruments are valued using DCF models. These models require a variety of observable inputs including market prices, forward price curves and yield curves. These inputs are obtained from or verified with the market where possible.

The fair value of the secured notes payable is determined using market quoted prices.

#### 14. COMMITMENTS

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

|  | Less than<br>1 Year | 1 to 3<br>Years | 4 to 5<br>Years | After 5<br>Years | Total      |
|--|---------------------|-----------------|-----------------|------------------|------------|
| Gahcho Kué Diamond Mine commitments          | \$ 3,536            | \$ -            | \$ -            | \$ -             | \$ 3,536   |
| Gahcho Kué Diamond Mine decommissioning fund | 15,000              | 20,000          | 20,000          | -                | 55,000     |
| Revolving credit facility stand by charges   | 616                 | -               | -               | -                | 616        |
| Notes payable - Principal                    | -                   | 421,776         | -               | -                | 421,776    |
| Notes payable - Interest                     | 34,304              | 68,421          | -               | -                | 102,725    |
| Forward Exchange Contracts:                  |                     |                 |                 |                  |            |
| (Inflows)                                    | (80,536)            | (28,390)        | -               | -                | (108,926)  |
| Outflows                                     | 84,372              | 28,124          | -               | -                | 112,496    |
|  | \$ 57,292           | \$ 509,931      | \$ 20,000       | \$ -             | \$ 587,223 |

#### 15. RELATED PARTIES

The Company's related parties include the Operator of the GK Mine, Dermot Desmond and Vertigol Unlimited Company ("Vertigol") (corporations ultimately beneficially owned by Dermot Desmond), key management and their close family members, and the Company's directors. Dermot Desmond, indirectly through Vertigol, is the ultimate beneficial owner of greater than 10% of the Company's shares. Underwriting Unlimited ("IUU") 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, IUU and the Operator of the GK Mine. 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 IUU are for the director fees 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 March 31, 2020, the Company's share of the letters of credit issued were \$23.3 million (2019 - \$23.3 million).

During the period ended March 31, 2020, 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

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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.

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 March 31, 2020 and December 31, 2019 were as follows:

|   | March 31,<br>2020 | December 31,<br>2019 |
|---|-------------------|----------------------|
| Payable De Beers Canada Inc. as the operator of the GK Mine*      | \$ 11,436         | \$ 12,316            |
| Payable to De Beers Canada Inc. for interest on letters of credit | 477               | 353                  |
| Payable to De Beers Canada Inc. for exploration and evaluation    | 1,179             | -                    |
| Payable to International Investment and Underwriting              | 23                | -                    |
| Payable to key management personnel                               | 175               | 567                  |

\*included in accounts payable and accrued liabilities

The transactions for the three months ended March 31, 2020 and 2019 were as follows:

|   | Three months ended<br>March 31, 2020 | Three months ended<br>March 31, 2019 |
|---|--------------------------------------|--------------------------------------|
| The total of the transactions:                        |                                      |                                      |
| International Investment and Underwriting             | \$ 23                                | \$ 13                                |
| Remuneration to key management personnel              | 524                                  | 677                                  |
| Diamonds sold to De Beers Canada Inc.                 | 5,551                                | 2,875                                |
| Diamonds purchased from De Beers Canada Inc.          | 2,737                                | 5,158                                |
| Finance costs incurred from De Beers Canada Inc.      | 124                                  | 172                                  |
| Management fee charged by the Operator of the GK Mine | 1,092                                | 1,038                                |

The remuneration expense of directors and other members of key management personnel for the three months ended March 31, 2020 and 2019 were as follows:

|  | Three months ended<br>March 31, 2020 | Three months ended<br>March 31, 2019 |
|--|--------------------------------------|--------------------------------------|
| Consulting fees, payroll, director fees, bonus and other short-term benefits | \$ 377                               | \$ 518                               |
| Share-based payments   | 170                                  | 172                                  |
|  | \$ 547                               | \$ 690                               |

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. In addition to the directors of the Company, key management personnel include the CEO and CFO.

**MOUNTAIN PROVINCE DIAMONDS INC.****Notes to the Condensed Consolidated Interim Financial Statements****For the Three Months Ended March 31, 2020****Amounts in thousands of Canadian Dollars, except share and per share amounts, unless otherwise noted (Unaudited)****16. SEGMENTED REPORTING**

The reportable operating segments are those operations for which operating results are reviewed by the Chief Executive Officer who is the chief operating decision maker regarding decisions about resources to be allocated to the segment and to assess performance provided those operations pass certain quantitative thresholds. Operations with revenues, earnings or losses or assets that exceed 10% of total consolidated revenue, earnings or losses or assets are reportable segments.

As a result of the asset acquisition of Kennady, which included all mineral rights of the KNP, the Company now owns multiple diamond projects in the North West Territories, Canada. The GK Mine is a diamond mine in operations, while the KNP resource continues to be developed through exploration and evaluation programs.

**As at and for the three months ended March 31, 2020**

|  | <b>GK Mine</b> | <b>KNP</b> | <b>Total</b> |
|--|----------------|------------|--------------|
| Sales  | \$ 65,430      | \$ -       | \$ 65,430    |
| Cost of sales:                               |                |            |              |
| Production costs                             | 30,614         | -          | 30,614       |
| Cost of acquired diamonds                    | 6,486          | -          | 6,486        |
| Depreciation and depletion                   | 14,703         | -          | 14,703       |
| Earnings from mine operations                | 13,627         | -          | 13,627       |
| Exploration and evaluation expenses          | 737            | 1,751      | 2,488        |
| Selling, general and administrative expenses | 3,630          | 7          | 3,637        |
| Operating income (loss)                      | 9,260          | (1,758)    | 7,502        |
| Net finance expenses                         | (10,268)       | (19)       | (10,287)     |
| Derivative losses                            | (5,928)        | -          | (5,928)      |
| Foreign exchange losses                      | (30,812)       | -          | (30,812)     |
| Net loss before taxes                        | \$ (37,748)    | \$ (1,777) | \$ (39,525)  |
| Total assets                                 | \$ 671,416     | \$ 170,916 | \$ 842,332   |
| Total liabilities                            | \$ 542,989     | \$ 3,875   | \$ 546,864   |

**MOUNTAIN PROVINCE DIAMONDS INC.****Notes to the Condensed Consolidated Interim Financial Statements****For the Three Months Ended March 31, 2020****Amounts in thousands of Canadian Dollars, except share and per share amounts, unless otherwise noted****(Unaudited)****As at and for the three months ended March 31, 2019**

|  | <b>GK Mine</b> | <b>KNP</b> | <b>Total</b> |
|--|----------------|------------|--------------|
| Sales  | \$ 60,696      | \$ -       | \$ 60,696    |
| Cost of sales:                               |                |            |              |
| Production costs                             | 28,786         | -          | 28,786       |
| Cost of acquired diamonds                    | 5,951          | -          | 5,951        |
| Depreciation and depletion                   | 15,799         | -          | 15,799       |
| Earnings from mine operations                | 10,160         | -          | 10,160       |
| Exploration and evaluation expenses          | 1,159          | 2,463      | 3,622        |
| Selling, general and administrative expenses | 2,893          | 6          | 2,899        |
| Operating income (loss)                      | 6,108          | (2,469)    | 3,639        |
| Net finance expenses                         | (9,787)        | (1)        | (9,788)      |
| Derivative gains                             | 401            | -          | 401          |
| Foreign exchange gains (losses)              | 8,648          | (1)        | 8,647        |
| Net income (loss) before taxes               | \$ 5,370       | \$ (2,471) | \$ 2,899     |
| Total assets                                 | \$ 824,385     | \$ 169,005 | \$ 993,390   |
| Total liabilities                            | \$ 524,344     | \$ 2,215   | \$ 526,559   |