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

MOUNTAIN PROVINCE DIAMONDS INC.

Three and six months ended June 30, 2020
(Unaudited)

CONTENTS

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
August 5, 2020

Condensed Consolidated Interim Balance Sheets

Expressed in thousands of Canadian dollars
(Unaudited)

	Notes	June 30, 2020	December 31, 2019
ASSETS			
Current assets			
Cash		$ **16,777**	$ 34,751
Amounts receivable	**5**	**1,065**	1,688
Prepaid expenses and other		**570**	1,179
Derivative assets	**13**	**1,053**	587
Inventories	**6**	**113,811**	111,772
		133,276	149,977
Reclamation deposit		**250**	250
Derivative assets	**13**	**361**	200
Property, plant and equipment	**7**	**661,902**	672,268
Total assets		$ **795,789**	$ 822,695
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	**16**	$ **30,073**	$ 47,319
Revolving credit facility	**9**	**33,940**	-
Secured notes payable	**9**	**398,516**	-
Decommissioning and restoration liability	**8**	**1,015**	2,445
Lease liabilities		**514**	811
		464,058	50,575
Secured notes payable	**9**	**-**	378,869
Lease liabilities		**939**	1,034
Decommissioning and restoration liability	**8**	**61,810**	56,071
Shareholders' equity:			
Share capital	**11**	**631,321**	631,224
Share-based payments reserve	**11**	**6,581**	6,111
Deficit		**(370,254)**	(302,523)
Accumulated other comprehensive income		**1,334**	1,334
Total shareholders' equity		**268,982**	336,146
Total liabilities and shareholders' equity		$ **795,789**	$ 822,695
Going concern	**1**		
Commitments and contingencies	**15 & 16**		
Subsequent event	**9**		

On behalf of the Board:

"Ken Robertson"
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 June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Sales		$ 34,020	$ 95,774	$ 99,450	$ 156,470
Cost of sales:					
Production costs	6	54,019	48,706	84,633	77,492
Cost of acquired diamonds		-	2,677	6,486	8,628
Depreciation and depletion		15,761	26,592	30,464	42,391
(Loss) earnings from mine operations		(35,760)	17,799	(22,133)	27,959
Exploration and evaluation expenses		548	1,896	3,036	5,518
Selling, general and administrative expenses	12	2,650	3,141	6,287	6,040
Operating (loss) income		(38,958)	12,762	(31,456)	16,401
Net finance expenses	10	(9,983)	(9,584)	(20,270)	(19,372)
Derivative gains	13	7,330	610	1,402	1,011
Foreign exchange gains (losses)		13,405	7,535	(17,407)	16,182
(Loss) income before taxes		(28,206)	11,323	(67,731)	14,222
Current income taxes		-	(141)	-	(277)
Deferred income taxes		1,444	(927)	-	(1,193)
Total income taxes		1,444	(1,068)	-	(1,470)
Net (loss) income for the period		$ (26,762)	$ 10,255	$ (67,731)	$ 12,752
Total comprehensive (loss) income for the period		$ (26,762)	$ 10,255	$ (67,731)	$ 12,752
Basic and diluted (loss) earnings per share	11(iv)	$ (0.13)	$ 0.05	$ (0.32)	$ 0.06
Basic weighted average number of shares outstanding		210,393,847	210,109,142	210,393,160	210,018,884
Diluted weighted average number of shares outstanding		210,393,847	210,471,473	210,393,160	210,471,215

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 reserve	Deficit	Accumulated other comprehensive income	Total
Balance, January 1, 2019		210,102,476	$ 629,796	$ 6,750	$ (173,765)	$ 1,334	$ 464,115
Net income for the period		-	-	-	12,752	-	12,752
Share-based payment	**11(iii)**	-	-	482	-	-	482
Issuance of common shares – restricted share units		6,666	44	(44)	-	-	-
Balance, June 30, 2019		210,109,142	$ 629,840	$ 7,188	$ (161,013)	$ 1,334	$ 477,349
Balance, January 1, 2020		210,392,473	$ 631,224	$ 6,111	$ (302,523)	$ 1,334	$ 336,146
Net loss for the period		-	-	-	(67,731)	-	(67,731)
Share-based payment	**11(iii)**	-	-	567	-	-	567
Issuance of common shares - restricted share units		25,000	97	(97)	-	-	-
Balance, June 30, 2020		**210,417,473**	**$ 631,321**	**$ 6,581**	**$ (370,254)**	**$ 1,334**	**$ 268,982**

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 June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Cash provided by (used in):				
Operating activities:				
Net (loss) income for the period	$ (26,762)	$ 10,255	$ (67,731)	$ 12,752
Adjustments:		-		
Net finance expenses	9,964	9,537	20,223	19,280
Depreciation and depletion	15,815	26,647	30,573	42,501
Net realizable value adjustment	16,956	-	16,956	-
Share-based payment expense	276	263	567	482
Derivative gains	(7,330)	(610)	(1,402)	(1,011)
Foreign exchange (gains) losses	(13,405)	(7,535)	17,407	(16,182)
Current income taxes	-	(426)	-	(290)
Deferred income taxes	(1,444)	927	-	1,193
	(5,931)	39,058	16,592	58,725
Changes in non-cash operating working capital:				
Amounts receivable	2,171	3,193	623	1,164
Prepaid expenses and other	144	(263)	609	505
Inventories	10,167	23,971	(21,311)	(10,850)
Accounts payable and accrued liabilities	(28,492)	(19,880)	(17,278)	(12,345)
	(21,941)	46,079	(20,765)	37,199
Investing activities:				
Interest income	33	147	125	257
Purchase of property, plant and equipment	(10,485)	(10,062)	(15,743)	(20,492)
	(10,452)	(9,915)	(15,618)	(20,235)
Financing activities:				
Payment of lease liabilities	(187)	(190)	(393)	(391)
Provided by revolving credit facility	35,093	-	35,093	-
Financing costs	(17,444)	(16,829)	(17,587)	(16,861)
	17,462	(17,019)	17,113	(17,252)
Effect of foreign exchange rate changes on cash	(237)	(216)	1,296	(185)
Decrease in cash	(15,168)	18,929	(17,974)	(473)
Cash, beginning of period	31,945	11,306	34,751	30,708
Cash, end of period	$ 16,777	$ 30,235	$ 16,777	$ 30,235

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

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 six months ended June 30, 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.

The Company experienced operating losses of $38.9 million and $31.4 million for the three and six months ended June 30, 2020 and negative cash flows from operations of $21.9 million and $20.8 million for the same periods. As at June 30, 2020, the Company had a working capital deficit of $330.8 million (December 31, 2019 – working capital of $99.4 million). As of June 30, 2020, in accordance with IAS 1, the Company reclassified the senior secured notes amounting to $398.5 million to current from long-term (see additional discussion below in connection with the subsequent reclassification of the senior secured notes back to the long term on July 3, 2020).

Amid the COVID-19 pandemic, the Company is experiencing liquidity challenges primarily resulting from the deferral of the periodic normal diamond sales carried out in Antwerp, Belgium. While the Company continues to carry out direct sales of diamonds on a limited basis, as well as through an executed contract to sell up to US$50 million of diamonds with Dunebridge (Note 16), the risk of decreased sales volumes, particularly in the second half of 2020, along with the negative impact on realized diamond prices will significantly reduce 2020 revenues as compared to the 2020 revenues the Company expected prior to the onset of the COVID-19 pandemic. During the three month period ended June 30, 2020, the Company drew US$25 million from its revolving credit facility agreement ("RCF"). The Company is subject to certain financial covenants on its outstanding senior secured notes and RCF, each of which include cross-covenant default terms. As at June 30, 2020, the Company was not in compliance with the RCF financial covenants resulting in a start of a 30 day "cure" period as provided in the indenture agreement for the senior secured notes. On July 3, 2020, the Company obtained an executed waiver agreement ("Waiver") to exempt the Company from the covenants in the RCF, resulting in the RCF covenant violations being cured in relation to the senior secured notes as of the same date. In accordance with IFRS, the Company does not have an unconditional right to defer its settlement of the secured notes payable for at least twelve months from June 30, 2020 without obtaining a "cure" to the RCF covenant violations. As such the Company has classified the senior secured notes as a current liability as at June 30, 2020. As a result of the Waiver which was effective on July 3, 2020, cure of the RCF financial covenants resulted in the secured notes payable subsequently being reclassified to long-term on July 3, 2020. In exchange for the Waiver, the Company has agreed to a reduction in the size of the revolving credit facility to US$25 million from US$50 million and the imposition of additional covenants as noted in Note 9 and an acceleration of the maturity date of the outstanding US$25 million to September 30, 2020 from the original maturity date of December 15, 2020, in addition to certain other requirements. The uncertainty that the COVID-19 pandemic has caused over potential diamond sales in the near-term, particularly in the second half of 2020, along with these additional covenants and the need to repay the RCF by September 30, 2020, may result in a future additional event of default under the terms of these debt instruments.

Management may seek alternative sources of financing, however, such alternative sources of financing may not be available or at terms acceptable to the Company. The above conditions related to the diamond industry, the Company's operations and the Company's current financing constraints indicate the existence of material uncertainties 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 August 5, 2020.

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.

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) Standards and amendments issued but not yet effective

IAS 16, Property, Plant and Equipment

The IASB issued an amendment to IAS 16, Property, Plant and Equipment to prohibit the deducting from property, plant and equipment amounts received from selling items produced while preparing an asset for its intended use. Instead, sales proceeds and its related costs must be recognized in profit or loss. The amendment will require companies to distinguish between costs associated with producing and selling items before the item of property, plant and equipment is available for use and costs associated with making the item of property, plant and equipment available for its intended use. The amendment is effective for annual periods beginning on or after January 1, 2022, with earlier application permitted. The Company is currently evaluating the impact of the standard on the classification of liabilities on the Company's financial statements, and will perform an assessment prior to the effective date of January 1, 2022.

IAS 1, Presentation of Financial Statements

The IASB issued an amendment to IAS 1, Presentation of Financial Statements to clarify one of the requirements under the standard for classifying a liability as non-current in nature, specifically the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendment includes:

(i) specifying that an entity's right to defer settlement must exist at the end of the reporting period;
(ii) clarifying that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement;
(iii) clarifying how lending conditions affect classification; and
(iv) clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

The company is currently evaluating the impact of the standard on the classification of liabilities on the Company's financial statements, and will perform an assessment prior to the effective date of January 1, 2022.

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, 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:

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

(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 June 30, 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.

b) *Net realizable value analysis – inventories*

As required under IAS 2, the Company reviews its inventories to determine the net realizable value ("NRV") of rough diamond and ore stockpile inventories. Estimates of NRV take into consideration fluctuations in price or cost to the extent that they provide evidence of conditions existing at the reporting date. Events after the reporting date may provide evidence that the cost of inventory exceeds its NRV at the reporting date. In these cases, the inventory is written down to its NRV at the reporting date. Estimates included in inventory are calculated from the volume of material and the grade of material. Significant judgment was required to determine the value of ore in stockpiles and rough diamonds. Please see note 6 below.

5. AMOUNTS RECEIVABLE

		June 30, 2020		December 31, 2019
GST/HST receivable	$	788	$	936
Other receivable		277		752
Total	$	1,065	$	1,688

6. INVENTORIES

		June 30, 2020		December 31, 2019
Ore stockpile	$	2,852	$	8,592
Rough diamonds		58,252		70,190
Supplies inventory		52,707		32,990
Total	$	113,811	$	111,772

Depreciation and depletion included in inventories at June 30, 2020 is $21,500 (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 the production costs is a net realizable value adjustment for $17 million that was recognized against the rough diamond and ore stockpile inventory for the six months ended June 30, 2020. The write-down is included in the cost of sales included in the statement of comprehensive (loss) income.

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

Included in production costs, which are included in inventories, for the three and six months ended June 30, 2020 are the Company's 49% share of payroll and employee benefits for staff of the GK Mine of $9,842 and $19,871 (three and six months ended June 30, 2019 - $9,692 and $19,341, respectively).

7. PROPERTY, PLANT AND EQUIPMENT

The Company's property, plant and equipment as at June 30, 2020 and December 31, 2019 are as follows:

	Property, plant and equipment GK	Assets under construction GK	Property, plant and equipment KNP	Exploration and evaluation assets KNP	Assets under construction KNP	Total
Cost						
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
Decommissioning and restoration adjustment	2,287	-	-	-	-	2,287
Additions/transfers*	13,816	2,293	-	-	-	16,109
At June 30, 2020	**$ 756,684**	**$ 3,023**	**$ 90**	**$ 168,866**	**$ 1,564**	**$ 930,227**
Accumulated depreciation						
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**	(28,755)	-	(7)	-	-	(28,762)
At June 30, 2020	**$ (268,295)**	**$ -**	**$ (30)**	**$ -**	**$ -**	**$ (268,325)**
Carrying amounts						
At December 31, 2019	$ 501,041	$ 730	$ 67	$ 168,866	$ 1,564	$ 672,268
At June 30, 2020	**$ 488,389**	**$ 3,023**	**$ 60**	**$ 168,866**	**$ 1,564**	**$ 661,902**

*Included in additions of property, plant and equipment for GK is $9,287 (December 31, 2019 - $23,896) related to deferred stripping of which $578 relates to the depreciation of earthmoving equipment (December 31, 2019 - $1,778).

**Included in depreciation and depletion is $447 of depreciation on the right-of-use assets capitalized under IFRS 16 (December 31, 2019 - $1,093)

8. DECOMMISSIONING AND RESTORATION LIABILITY

The decommissioning and restoration liability is the addition of the liabilities for both the GK Mine and the Kennady North Project, which are broken down separately below.

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

The GK Mine decommissioning and restoration liability was calculated using the following assumptions as at June 30, 2020 and December 31, 2019:

		June 30, 2020		December 31, 2019
Expected undiscounted cash flows	$	60,626	$	58,965
Discount rate		1.01%		1.76%
Inflation rate		1.01%		1.35%
Periods		2029		2029

The Kennady North Project decommissioning and restoration liability was calculated using the following assumptions as at June 30, 2020 and December 31, 2019:

		June 30, 2020		December 31, 2019
Expected undiscounted cash flows	$	2,235	$	2,235
Discount rate		2.21%		3.71%
Inflation rate		1.96%		1.96%
Periods		2023		2023

The decommissioning and restoration liability has been calculated using expected cash flows that are current dollars, with inflation.

During the six months ended June 30, 2020, and the year ended December 31, 2019, the decommissioning and restoration liability was increased by $3,602 and $2,490, respectively, for an increase in additional disturbance due to ongoing mining activity.

The continuity of the decommissioning and restoration liability at June 30, 2020 and December 31, 2019 is as follows:

		GK Mine		KNP		Total
Balance, at January 1, 2019	$	54,756	$	166	$	54,922
Change in estimate of discounted cash flows		571		1,919		2,490
Accretion recorded during the period		1,102		2		1,104
Balance, at December 31, 2019	$	56,429	$	2,087	$	58,516
Less: current portion of decommissioning and restoration liability		2,445		-		2,445
Non-current decommissioning and restoration liability, at December 31, 2019	$	53,984	$	2,087	$	56,071
Change in estimate of discounted cash flows		3,602		-		3,602
Accretion recorded during the period		669		38		707
Balance, at June 30, 2020	$	60,700	$	2,125	$	62,825
Less: current portion of decommissioning and restoration liability		1,015		-		1,015
Non-current decommissioning and restoration liability, at June 30, 2020	$	59,685	$	2,125	$	61,810

9. 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

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

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 June 30, 2020, the Company has an obligation for US$299.9 million or $407.2 million Canadian dollar equivalent from the secured notes payable (December 31, 2019 -US$299.9 million or $389.3 million).

As at June 30, 2020, the Company was not in compliance with the Revolving Credit Facility ("RCF") financial covenants, resulting in a breach of provision under the terms of the secured notes payable. At the end of the reporting period, the Company does not have an unconditional right to defer its settlement of the secured notes payable for at least twelve months and has classified the liability as current.

As a result of the Waiver being obtained within 30 days after the RCF event of default, the acceleration of the secured notes payable was automatically annulled and the secured notes were subsequently reclassified to long-term on July 3, 2020.

		June 30, 2020		December 31, 2019
Total outstanding secured notes payable	**$**	**407,199**	$	389,262
Less: unamortized deferred transaction costs and issuance discount		**8,683**		10,393
Total secured notes payable	**$**	**398,516**	$	378,869

During the three and six months period ended June 30, 2020, no secured notes payable was purchased by the Company from investors. 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 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 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 June 30, 2020, the Company had drawn US$25 million from the RCF in order to maintain the liquidity of the business during the challenges faced by COVID-19. The RCF was 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.

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

- 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.
- From June 11, 2020 onward, the Company must maintain a minimum cash balance of the next four cash calls to the operator of the GK Mine.

As at June 30, 2020, the Company has an obligation for US$25 million or $33.9 million Canadian dollar equivalent from the RCF (December 31, 2019 -US$nil or $nil).

Subsequent to June 30, 2020, the Company entered into a waiver agreement (the "Waiver") related to the RCF. The Waiver exempts the Company from compliance with financial covenants including the total leverage ratio, EBITDA to interest expense ratio and total net worth tests that it would otherwise have had to satisfy as of June 30, 2020. The Waiver also removes the Company's covenant to maintain a minimum cash balance, described above. In exchange, the Company has agreed to a reduction in the size of the revolving credit facility to US$25 million from US$50 million and the imposition of additional covenants and restrictions. These covenants and restrictions include:

- weekly reporting, a covenant with respect to the sale of diamonds and limitations on the payment of bonuses and incentive payments,
- the incurring of indebtedness,
- the dispositions of assets, and
- the incurring of liens.

Moreover, the Company under the waiver is required to maintain certain performance metrics with respect to net cash flows and expenditures. The performance metrics and weekly reporting requirements are as follows:

- the actual net cash flows of the Company for the preceding two-week period or the cumulative period to not be less than eighty percent (80%) of budgeted net cash flows of the Company for the preceding two week period or the cumulative period, as applicable; or
- the actual line item disbursement amount for the preceding two-week period or the cumulative period to not be greater than one hundred twenty percent (120%) of the budgeted line item disbursement amount for the applicable line item for such preceding two-week period or the cumulative period, as applicable.

The Company must also repay the US$25 million by September 30, 2020, rather than the original maturity date of December 15, 2020. The Waiver contains customary representations and warranties and events of default.

10. NET FINANCE EXPENSES

	Three months ended June 30, 2020	Three months ended June 30, 2019	**Six months ended June 30, 2020**	Six months ended June 30, 2019
Interest income	**$ 33**	$ 147	**$ 125**	$ 257
Accretion expense on decommissioning and restoration liability	**(354)**	(299)	**(709)**	(598)
Interest expense	**(8,473)**	(8,275)	**(17,346)**	(16,722)
Amortization of deferred financing costs	**(846)**	(835)	**(1,710)**	(1,664)
Other finance costs*	**(343)**	(322)	**(630)**	(645)
	$ (9,983)	$ (9,584)	**$ (20,270)**	$ (19,372)

*Included in other finance costs for the three and six months ended June 30, 2020 is $19 and $47 (three and six months ended June 30, 2019 - $47 and $92, respectively) related to interest on lease liabilities.

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

11. 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 June 30, 2020 is 210,417,473.

No dividends were declared and paid in the six months ended June 30, 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 June 30, 2020, the aggregate maximum number of shares pursuant to options granted under the Plan will not exceed 21,041,747 shares, and there were 17,108,412 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:

	Six months ended June 30, 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	**(585,000)**	**4.66**	(701,665)	4.24
Balance at end of the period	**2,933,335**	**$ 2.99**	3,518,335	$ 3.26
Options exercisable at the end of the period	**1,387,223**	**$ 4.17**	1,972,223	$ 4.32

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.

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

	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 June 30, 2020. The Black-Scholes values are measured at the grant date.

At June 30, 2020

Expiry Date	Black-Scholes Value	Number of Options	Number of Exercisable Options	Exercise Price
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
	$ 2,617	2,933,335	1,387,223	$ 2.99

The weighted average remaining contractual life of the options outstanding at June 30, 2020 is 2.86 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, 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.

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

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

	June 30, 2020			December 31, 2019		
RSU	**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	**(25,000)**		**3.90**	(289,997)		5.35
RSUs forfeited	**(40,000)**		**1.13**	(4,000)		6.49
Balance at end of the period*	**1,000,000**	**$**	**1.25**	1,065,000	$	1.31

*As at June 30, 2020, Nil RSUs (December 31, 2019, 16,667 RSUs) have vested and have not yet been settled.

No DSU awards have been granted to date, therefore as at June 30, 2020 there are no DSUs outstanding.

The share-based payments recognized as an expense for the three and six months ended June 30, 2020 and 2019 are as follows:

	Three months ended June 30, 2020	Three months ended June 30, 2019	**Six months ended June 30, 2020**	Six months ended June 30, 2019
Expense recognized in the period for share-based payments	**$ 276**	$ 263	**$ 567**	$ 482

The share-based payment expense for the three and six months ended June 30, 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 June 30, 2020	Three months ended June 30, 2019	**Six months ended June 30, 2020**	Six months ended June 30, 2019
Numerator				
Net (loss) income for the period	**$ (26,762)**	$ 10,255	**$ (67,731)**	$ 12,752
Denominator				
For basic - weighted average number of shares outstanding	**210,393,847**	210,109,142	**210,393,160**	210,108,884
Effect of dilutive securities	**-**	362,331	**-**	362,331
For diluted - adjusted weighted average number of shares outstanding	**210,393,847**	210,471,473	**210,393,160**	210,471,215
(Loss) Earnings Per Share				
Basic	**$ (0.13)**	$ 0.05	**$ (0.32)**	$ 0.06
Diluted	**$ (0.13)**	$ 0.05	**$ (0.32)**	$ 0.06

For the three and six months ended June 30, 2020, 2,933,335 stock options and 1,000,000 RSUs were not included in the calculation of diluted loss per share since to include them would be anti-dilutive (three and six months ended June 30, 2019 - 2,428,335 stock options).

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

12. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended June 30, 2020	Three months ended June 30, 2019	**Six months ended June 30, 2020**	Six months ended June 30, 2019
Selling and marketing	**$ 591**	$ 1,658	**$ 2,119**	$ 2,950
General and administrative:				
Consulting fees and payroll	**414**	416	**930**	1,065
Share-based payment expense	**276**	263	**567**	482
Depreciation	**54**	54	**109**	109
Office and administration	**227**	190	**384**	284
Professional fees	**966**	237	**1,544**	457
Promotion and investor relations	**19**	96	**173**	138
Director fees	**18**	54	**118**	119
Transfer agent and regulatory fees	**81**	84	**238**	244
Travel	**4**	89	**105**	192
	$ 2,650	$ 3,141	**$ 6,287**	$ 6,040

13. 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.

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

Foreign Currency Forward Contracts

The table below provides a summary of currency contracts outstanding as at June 30, 2020.

Execution Date of Contracts	Settlement Dates of Contracts	Notional Amount (CAD)	Weighted Average Price (USD)	Notional Amount (USD)
January 29, 2020	July 2, 2020 to August 4, 2020	$ 5,280	$ 1.3200	$ 4,000
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
Total		**$ 89,265**	**$ 1.3733**	**$ 65,000**

The following table presents the various derivatives as at June 30, 2020 and December 31, 2019:

	June 30, 2020	December 31 2019
Prepayment option embedded derivatives	**$ 5**	$ 200
Foreign currency contract derivative assets	**1,409**	587
	1,414	787
Current portion of foreign currency contracts assets	**1,053**	587
Current portion of derivative assets	**1,053**	587
Non-current derivative assets	**$ 361**	$ 200

The following table presents amounts recognized in the Consolidated Statement of Comprehensive (Loss) Income for the three and six months ended June 30, 2020 and 2019:

	Three months ended June 30, 2020	Three months ended June 30, 2019	**Six months ended June 30, 2020**	Six months ended June 30, 2019
Gain on derivative contracts - currency contracts	**$ 7,333**	$ 1,594	**$ 1,614**	$ 2,359
Loss on prepayment option embedded derivative	**(3)**	(984)	**(212)**	(1,348)
Total	**$ 7,330**	$ 610	**$ 1,402**	$ 1,011

14. 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 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).

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

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.

	Carrying amount				Fair value			
June 30, 2020	**Assets at amortized cost**	**Fair value through profit and loss**	**Liabilities at amortized cost**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value								
Derivative assets	$ -	$ 1,414	$ -	$ 1,414	$ -	$ 1,414	$ -	$ 1,414
	$ -	$ 1,414	$ -	$ 1,414				
Financial assets not measured at fair value								
Cash	$ 16,777	$ -	$ -	$ 16,777	16,777	-	-	16,777
Amounts receivable	1,065	-	-	1,065	1,065	-	-	1,065
	$ 17,842	$ -	$ -	$ 17,842				
Financial liabilities not measured at fair value								
Accounts payable and accrued liabilities	$ -	$ -	$ 30,073	$ 30,073	30,073	-	-	30,073
Revolving credit facility	-	-	33,940	33,940	33,940	-	-	33,940
Secured notes payable	-	-	398,516	398,516	228,357	-	-	228,357
	$ -	$ -	$ 462,529	$ 462,529				

	Carrying amount				Fair value			
December 31, 2019	**Assets at amortized cost**	**Fair value through profit and loss**	**Liabilities at amortized cost**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value								
Derivative assets	$ -	$ 787	$ -	$ 787	$ -	$ 787	$ -	$ 787
	$ -	$ 787	$ -	$ 787				
Financial assets not measured at fair value								
Cash	$ 34,751	$ -	$ -	$ 34,751	34,751	-	-	34,751
Amounts receivable	1,688	-	-	1,688	1,688	-	-	1,688
	$ 36,439	$ -	$ -	$ 36,439				
Financial liabilities measured at fair value								
Derivative liabilities	$ -	$ -	$ -	$ -	-	-	-	-
	$ -	$ -	$ -	$ -				
Financial liabilities not measured at fair value								
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 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 9).

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

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.

15. COMMITMENTS

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	$ 2,128	$ -	$ -	$ -	$ **2,128**
Gahcho Kué Diamond Mine decommissioning fund	25,000	20,000	10,000	-	**55,000**
Revolving credit facility stand by charges	193	-	-	-	**193**
Revolving credit facility - Principal	33,940	-	-	-	**33,940**
Revolving credit facility - Interest	398	-	-	-	**398**
Notes payable - Principal	407,199	-	-	-	**407,199**
Forward Exchange Contracts:					
(Inflows)	(82,215)	(7,050)	-	-	**(89,265)**
Outflows	81,456	6,788	-	-	**88,244**
	$ 468,099	**$ 19,738**	**$ 10,000**	**$ -**	**$ 497,837**

Subsequent to the three and six months ended June 30, 2020, the Company entered into a waiver agreement related to the RCF (Note 9). As a result of the Waiver being obtained within 30 days after the RCF event of default, the acceleration of the secured notes payable was automatically annulled and the secured notes payable were subsequently reclassified to long-term on July 3, 2020. On July 3, 2020, the interest commitments on the secured notes payable are $33,028 for less than one year and $49,588 for 1 to 3 years.

16. RELATED PARTIES

The Company's related parties include the Operator of the GK Mine, Dermot Desmond, Dunebridge Worldwide Ltd. ("Dunebridge") 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 ("IIU") is also a related party since it is ultimately beneficially owned by 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, Dunebridge, Vertigol, IIU 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 IIU are for the director fees of the Chairman of the Company.

During the period ended June 30, 2020, the Company entered into an agreement to sell up to US$50 million of diamonds to Dunebridge. The agreement permits the Company to sell its run of mine diamonds (below 10.8 carats) at the estimated prevailing market price at the time of each sale. The transaction also allows the Company to participate, after fees and expenses in a portion of any increase in the value of diamonds realized by Dunebridge upon its future sale of diamonds to a third party. The fees calculated per each sale are fixed at 10% of the value of each future Dunebridge sale for the first year and 10% per year pro-rated for years 2 and 3. The expenses relate to any future sale costs. Once all fees and expenses have been deducted any surplus will be share equally between Dunebridge and the Company. The purchase price has been determined using the Company's price book, adjusted for the estimated current underlying market conditions. As at June 30, 2020, approximately US$22.6 million of run of mine diamonds have been sold, with approximately US$27.4 million remaining in the agreement.

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

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 June 30, 2020, the Company's share of the letters of credit issued were $23.3 million (December 31, 2019 - $23.3 million).

During the period ended June 30, 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 passed by the joint venture management committee to establish a decommissioning fund, where the Company will fund $15 million in 2020, and $10 million each year 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 June 30, 2020 and December 31, 2019 were as follows:

	June 30, 2020	December 31, 2019
Payable De Beers Canada Inc. as the operator of the GK Mine*	$ 245	$ 12,316
Payable to De Beers Canada Inc. for interest on letters of credit	494	353
Payable to De Beers Canada Inc. for exploration and evaluation	481	-
Payable to key management personnel	158	567

*included in accounts payable and accrued liabilities

The transactions for the three and six months ended June 30, 2020 and 2019 were as follows:

	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
The total of the transactions:				
International Investment and Underwriting	$ (23)	$ 12	$ -	$ 25
Remuneration to key management personnel	477	489	1,001	1,166
Diamonds sold to Dunebridge Worldwide Ltd.	30,576	-	30,576	-
Diamonds sold to De Beers Canada Inc.	-	7,277	5,551	10,152
Diamonds purchased from De Beers Canada Inc.	-	124	2,737	5,282
Finance costs incurred from De Beers Canada Inc.	18	175	142	347
Management fee charged by the Operator of the GK Mine	1,092	1,038	2,184	2,076

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

The remuneration expense of directors and other members of key management personnel for the three and six months ended June 30, 2020 and 2019 were as follows:

	Three months ended June 30, 2020	Three months ended June 30, 2019	**Six months ended June 30, 2020**	Six months ended June 30, 2019
Consulting fees, payroll, director fees, bonus and other short-term benefits	**$ 298**	$ 290	**$ 675**	$ 808
Share-based payments	**156**	211	**326**	383
	$ 454	$ 501	**$ 1,001**	$ 1,191

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.

17. 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.

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

As at and for the three months ended June 30, 2020

	GK Mine	KNP	Total
Sales	$ 34,020	$ -	**$ 34,020**
Cost of sales:			
Production costs	54,019	-	**54,019**
Depreciation and depletion	15,761	-	**15,761**
Earnings from mine operations	(35,760)	-	**(35,760)**
Exploration and evaluation expenses	175	373	**548**
Selling, general and administrative expenses	2,637	13	**2,650**
Operating loss	(38,572)	(386)	**(38,958)**
Net finance expenses	(9,964)	(19)	**(9,983)**
Derivative gains	7,330	-	**7,330**
Foreign exchange gains	13,405	-	**13,405**
Net loss before taxes	$ (27,801)	$ (405)	**$ (28,206)**
Total assets	$ 624,762	$ 171,027	**$ 795,789**
Total liabilities	$ 523,515	$ 3,292	**$ 526,807**

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

As at and for the six months ended June 30, 2020

	GK Mine	KNP	Total
Sales	$ 99,450	$ -	**$ 99,450**
Cost of sales:			
Production costs	84,633	-	**84,633**
Cost of acquired diamonds	6,486	-	**6,486**
Depreciation and depletion	30,464	-	**30,464**
Earnings from mine operations	(22,133)	-	**(22,133)**
Exploration and evaluation expenses	912	2,124	**3,036**
Selling, general and administrative expenses	6,267	20	**6,287**
Operating loss	(29,312)	(2,144)	**(31,456)**
Net finance expenses	(20,232)	(38)	**(20,270)**
Derivative gains	1,402	-	**1,402**
Foreign exchange losses	(17,407)	-	**(17,407)**
Net loss before taxes	$ (65,549)	$ (2,182)	**$ (67,731)**
Total assets	$ 624,762	$ 171,027	**$ 795,789**
Total liabilities	$ 523,515	$ 3,292	**$ 526,807**

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

As at and for the three months ended June 30, 2019

	GK Mine	KNP	Total
Sales	$ 95,774	$ -	**$ 95,774**
Cost of sales:			
Production costs	48,706	-	**48,706**
Cost of acquired diamonds	2,677	-	**2,677**
Depreciation and depletion	26,592	-	**26,592**
Earnings from mine operations	17,799	-	**17,799**
Exploration and evaluation expenses	895	1,001	**1,896**
Selling, general and administrative expenses	3,140	1	**3,141**
Operating income (loss)	13,764	(1,002)	**12,762**
Net finance expenses	(9,584)	-	**(9,584)**
Derivative gains	610	-	**610**
Foreign exchange gains	7,535	-	**7,535**
Net income (loss) before taxes	$ 12,325	$ (1,002)	**$ 11,323**
Total assets	$ 804,644	$ 168,962	**$ 973,606**
Total liabilities	$ 495,958	$ 299	**$ 496,257**

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

As at and for the six months ended June 30, 2019

	GK Mine	KNP	Total
Sales	$ 156,470	$ -	**$ 156,470**
Cost of sales:			
Production costs	77,492	-	**77,492**
Cost of acquired diamonds	8,628	-	**8,628**
Depreciation and depletion	42,391	-	**42,391**
Earnings from mine operations	27,959	-	**27,959**
Exploration and evaluation expenses	2,054	3,464	**5,518**
Selling, general and administrative expenses	6,033	7	**6,040**
Operating income (loss)	19,872	(3,471)	**16,401**
Net finance expenses	(19,371)	(1)	**(19,372)**
Derivative gains	1,011	-	**1,011**
Foreign exchange gains (losses)	16,183	(1)	**16,182**
Net income (loss) before taxes	$ 17,695	$ (3,473)	**$ 14,222**
Total assets	$ 804,644	$ 168,962	**$ 973,606**
Total liabilities	$ 495,958	$ 299	**$ 496,257**