Consolidated Financial Statements
(Expressed in thousands of Canadian Dollars)

MOUNTAIN PROVINCE DIAMONDS INC.

As at and for the years ended December 31, 2023 and 2022

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RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Mountain Province Diamonds Inc. (the "Company") are the responsibility of management and have been approved by the board of directors of the Company (the 'Board of Directors').

The consolidated 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 consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the balance sheet date. The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board 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 consolidated financial statements fairly present in all material respects the financial condition, financial performance, and cash flows of the Company, as at and for the periods presented in the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated 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 of the Company (the 'Audit Committee') meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with IFRS as issued by the IASB, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

"Mark Wall"

Mark Wall

President and Chief Executive Officer

"Steven Thomas"

Steven Thomas

VP Finance and Chief Financial Officer

Toronto, Canada

April 1, 2024

KPMG LLP
Bay Adelaide Centre
333 Bay Street, Suite 4600
Toronto, ON M5H 2S5
Canada
Tel 416-777-8500
Fax 416-777-8818

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Mountain Province Diamonds Inc.

Opinion

We have audited the consolidated financial statements of Mountain Province Diamonds Inc. (the Entity), which comprise:

- the consolidated balance sheets as at December 31, 2023 and December 31, 2022
- the consolidated statements of comprehensive (loss) income for the years then ended
- the consolidated statements of equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2023 and December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Entity's revenues, operating results and cash inflows are highly dependent on achieving certain thresholds of diamond production, sales and prices. If these thresholds are not substantially achieved, the Entity will have to implement alternative plans to ensure that it will have sufficient liquidity for the 12-month period from continuing operations.

As stated in Note 1 in the financial statements, these events and conditions, along with other matters as set forth in Note 1 in the financial statements, indicate that a material uncertainty exists that may cast significant doubt about the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matter to be communicated in our auditor's report.

Evaluation of the impairment analysis of the Gahcho Kue cash generating unit ("CGU")

Description of the matter

We draw attention to Notes 3(v), 4(i)(a) and 6 to the financial statements. The carrying amount of the Entity's property, plant and equipment balance is $590,819 thousand, of which $420,619 thousand relates to the Gahcho Kue CGU. The carrying value of the Entity's property, plant and equipment is assessed for impairment when indicators of potential impairment are identified to exist. If any indication of impairment is identified, an estimate of the asset's recoverable amount is calculated to determine the extent of the impairment loss, if any.

The impairment test performed with respect to the Gahcho Kue CGU resulted in an impairment loss of $104,593 thousand.

The Entity's estimate of the recoverable amount is determined as the higher of the fair value less costs of disposal for the asset and the asset's value in use. The significant assumptions used in determining the recoverable amount include future production levels, operating and capital costs, long-term diamond prices, foreign exchange rates, discount rate, and mineral reserves and resource estimates.

Why the matter is a key audit matter

We identified the evaluation of the impairment analysis of the Gahcho Kue CGU as a key audit matter. This matter represented an area of significant risk of material misstatement as minor changes to certain assumptions had a significant effect on the estimated recoverable amount of the CGU. As a result, significant auditor judgment was required in evaluating the results of our audit procedures. Further,

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professionals with specialized skills and knowledge were required to evaluate certain significant assumptions.

How the matter was addressed in the audit

The following are the primary procedures we performed to address this key audit matter.

We assessed the estimated long-term diamond prices by comparing prices to historical diamond prices achieved by the Entity.

We assessed the estimate of operating and capital costs by comparing them to the Board approved budget and historical results.

We evaluated the Entity's mineral reserves and resources and future production levels by comparing them to the Entity's historical estimates and actual results.

We assessed the competence, capabilities and objectivity of the Entity's personnel who prepared the mineral reserves and resource information, including the industry and regulatory standards they applied.

We involved valuation professionals with specialized skills and knowledge who assisted in:

- Evaluating foreign exchange rates by comparing them to third party estimates.
- Evaluating the discount rate used by comparing to a discount rate that was independently developed using third party sources and data for comparable entities.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board,

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and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to

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the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Yours truly,

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditor's report is Daniel Gordon Ricica

Toronto, Canada
April 1, 2024

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Consolidated Balance Sheets

Expressed in thousands of Canadian dollars

	Notes		December 31, 2023		December 31, 2022
ASSETS					
Current assets					
Cash		$	29,674	$	17,247
Amounts receivable			1,109		912
Prepaid expenses and other			1,418		345
Derivative assets	14		14,001		2,214
Inventories	5		187,202		160,789
			233,404		181,507
Restricted cash	16		32,381		30,723
Reclamation deposit			250		250
Property, plant and equipment	6		590,819		686,061
Total assets		$	856,854	$	898,541
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable and accrued liabilities		$	56,768	$	42,470
Income taxes payable			602		-
Decommissioning and restoration liability	7		2,807		1,057
Lease obligations			174		317
Warrant liability	9, 10		2,431		7,247
			62,782		51,091
Dunebridge junior credit facility	9		73,374		61,231
Secured notes payable	8		232,760		256,889
Lease obligations			572		119
Decommissioning and restoration liability	7		82,462		80,133
Deferred income tax liabilities			43,900		41,920
Shareholders' equity:					
Share capital	12		634,065		637,862
Share-based payments reserve	12		9,866		8,552
Deficit			(284,261)		(240,590)
Accumulated other comprehensive income			1,334		1,334
Total shareholders' equity			361,004		407,158
Total liabilities and shareholders' equity		$	856,854	$	898,541
Going concern	1				
Subsequent event	14 (i)				

On behalf of the Board:

"Ken Robertson" — **Director**

"Jonathan Comerford" — **Director**

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

Consolidated Statements of Comprehensive (Loss) Income

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

	Notes	Year ended December 31, 2023	Year ended December 31, 2022
Sales		$ 328,630	$ 388,853
Cost of sales:			
Production costs		138,383	131,596
Cost of acquired diamonds		17,248	29,797
Depreciation and depletion		70,574	56,935
Earnings from mine operations		102,425	170,525
Impairment loss on property, plant and equipment	6	104,593	-
Exploration and evaluation expenses		6,554	12,327
Selling, general and administrative expenses	13	14,317	17,171
Operating (loss) income		(23,039)	141,027
Interest Income		2,627	1,372
Finance expenses	11	(41,918)	(47,812)
Other income	10	3,412	6,483
Derivative gains (losses)	14	11,790	(2,513)
Foreign exchange gains (losses)		6,637	(28,162)
(Loss) income before taxes		(40,491)	70,395
Current income taxes		(1,200)	-
Deferred income taxes		(1,980)	(21,200)
Net (loss) income for the year		$ (43,671)	$ 49,195
Total comprehensive (loss) income for the year		$ (43,671)	$ 49,195
Basic (loss) earnings per share	12(iv)	$ (0.21)	$ 0.23
Diluted (loss) earnings per share	12(iv)	$ (0.21)	$ 0.23
Basic weighted average number of shares outstanding		211,528,611	210,879,374
Diluted weighted average number of shares outstanding		211,528,611	212,741,227

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

Consolidated Statements of Equity

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

	Notes	Number of shares	Share capital	Share-based payments reserve	Deficit	Accumulated other comprehensive income	Total
Balance, January 1, 2022		210,697,474	$ 631,717	$ 7,469	$ (289,785)	$ 1,334	$ 350,735
Net income for the year		-	-	-	49,195	-	49,195
Share-based payments	**12(iii)**	-	-	1,923	-	-	1,923
Capital contribution		-	5,305	-	-	-	5,305
Issuance of common shares – restricted share units		791,667	840	(840)	-	-	-
Balance, December 31, 2022		211,489,141	$ 637,862	$ 8,552	$ (240,590)	$ 1,334	$ 407,158
Balance, January 1, 2023		211,489,141	$ 637,862	$ 8,552	$ (240,590)	$ 1,334	$ 407,158
Net income for the year		-	-	-	(43,671)	-	(43,671)
Share-based payments	**12(iii)**	-	-	1,363	-	-	1,363
Capital contribution		-	(3,846)	-	-	-	(3,846)
Issuance of common shares - restricted share units		70,447	49	(49)	-	-	-
Balance, December 31, 2023		**211,559,588**	**$ 634,065**	**$ 9,866**	**$ (284,261)**	**$ 1,334**	**$ 361,004**

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

Consolidated Statements of Cash Flows

Expressed in thousands of Canadian dollars

	Notes	Year ended December 31, 2023	Year ended December 31, 2022
Cash provided by (used in):			
Operating activities:			
Net (loss) income for the year		$ (43,671)	$ 49,195
Adjustments:			
Net finance expenses		39,241	46,403
Depreciation and depletion		70,803	57,159
Impairment loss on property, plant and equipment		104,593	-
Premium paid on foreign currency put option		-	(696)
Share-based payment expense		1,363	1,923
Fair value gain of warrants		(4,816)	(6,242)
Derivative (gains) losses		(11,790)	3,209
Foreign exchange (gains) losses		(6,637)	28,162
Loss on sale of equipment		1,438	-
Deferred income taxes		1,980	21,200
		152,504	200,313
Changes in non-cash operating working capital:			
Amounts receivable		(197)	(35)
Prepaid expenses and other		(1,073)	476
Income taxes payable		602	-
Inventories		(22,909)	(33,928)
Accounts payable and accrued liabilities		14,488	5,804
		143,415	172,630
Investing activities:			
Restricted cash		(1,658)	(5,579)
Interest income		2,627	1,372
Reclamation cost		(187)	-
Purchase of property, plant and equipment		(83,302)	(60,432)
		(82,520)	(64,639)
Financing activities:			
Payment of lease liabilities		(289)	(308)
Deferred financing costs		-	(3,819)
Provided by Dunebridge revolving credit facility		-	6,367
Repurchase of secured notes	8	(24,032)	(403,137)
Provided by secured notes	8	-	256,506
Provided by Dunebridge junior credit facility		-	66,103
Repayment of Dunebridge revolving credit facility		-	(6,286)
Financing costs paid		(22,748)	(30,921)
		(47,069)	(115,495)
Effect of foreign exchange rate changes on cash		(1,399)	(249)
Increase (decrease) in cash		12,427	(7,753)
Cash, beginning of year		17,247	25,000
Cash, end of year		$ 29,674	$ 17,247

The accompanying notes are an integral part of these consolidated 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. Mountain Province 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") in Canada's Northwest Territories.

The address of the Company's registered office and its principal place of business is 151 Yonge Street, Suite 1100, Toronto, ON, Canada, M5C 2W7. The Company's shares are listed on the Toronto Stock Exchange ("TSX") under the symbol 'MPVD'.

These consolidated 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 realized cash flows from operating activities of $143,403 in the year ended December 31, 2023 (2022 – $172,630) and has $29,674 cash on hand at December 31, 2023 (December 31, 2022 - $17,247). The Company's revenues, operating results and cash inflows are highly dependent on achieving certain thresholds of diamond production, sales and prices. The Company has prepared its liquidity assessment based on the actual results through February 2024 and using forecasted diamond production, sales and prices for the 12-month period ending December 31, 2024. If these forecasts are not substantially achieved, the Company will have to implement alternative plans to ensure that it will have sufficient liquidity for the 12-month period from continuing operations. Failure to meet the obligations for cash calls to fund the Company's share of expenditures at the GK Mine may lead to De Beers Canada Inc. enforcing its remedies under the joint venture agreement with De Beers (the 'JV Agreement'), which could result in, amongst other things the dilution of the Company's interest in the GK Mine, and at certain dilution levels trigger cross-default clauses within the 9.00% Senior Secured Loan Notes ('Notes') and the Junior Secured Credit Facility with Dunebridge Worldwide Ltd. ('Dunebridge JCF'). The volatility in production, sales and pricing of the Company's diamonds indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

These consolidated 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.

Authorization of Financial Statements
These consolidated financial statements were approved by the Board of Directors on April 1, 2024.

2. BASIS OF PRESENTATION

These consolidated financial statements of the Company were prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB"). The policies set out below were consistently applied to all the periods presented, except as otherwise noted.

These consolidated financial statements were prepared under the historical cost convention except for certain financial instruments which are measured at fair value and the statements are presented in thousands of Canadian dollars.

The consolidated financial statements include the accounts of Mountain Province Diamonds Inc. 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 49% 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's 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 49% interest in the GK Mine is bound by a contractual arrangement (JV Agreement) 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. MATERIAL ACCOUNTING POLICIES

(i) Foreign currency

The functional currency of the Company and its subsidiaries is the Canadian Dollar.

In preparing the consolidated financial statements, transactions in currencies other than the Company's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items carried at fair value that are measured at fair value in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated at the rate on the date of transaction.

Exchange differences are recognized in the period in which they arise and presented in the consolidated statements of comprehensive income.

(ii) Share-based payments

The Company maintains a Restricted Share Unit ("RSU"), Deferred Share Unit ("DSU") and stock option plan for employees, directors, and other qualified individuals.

Equity-settled transactions, which include RSUs, DSUs and stock options, are measured by reference to their fair value at the grant date. The fair values for RSU's and DSU's are determined using the market value of the share, as listed on the TSX, at the close of business at the grant date. The fair value for stock options is determined using a Black-Scholes option pricing model, which relies on estimates of the future risk-free interest rate, future dividend payments, future share price volatility and the expected average life of options. The Company believes this model adequately captures the substantive features of the option awards and is appropriate to calculate their fair values.
Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed in profit or loss over the vesting period, if any, which is the period during which the employee becomes unconditionally entitled to equity instruments, with a corresponding increase to share-based payments reserve. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest, if any.

(iii) Income taxes and deferred taxes

The income tax expense or benefit for the year consists of two components: current and deferred.

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the balance sheet date in each of the jurisdictions and includes any adjustments for taxes payable or recovery in respect of prior periods.

Taxable profit or loss differs from profit or loss as reported in the consolidated statements of comprehensive income because of items of income or expenses that are taxable or deductible in other years, and items that are never taxable or deductible.

Deferred tax is recognized as temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, loss carryforwards and tax credit carryforwards to the extent that it is probable that future taxable profits will be available against which they can be utilized. To the extent that the Company does not consider it to be probable that taxable profits will be available against which deductible temporary differences, loss carryforwards, and tax credit carryforwards can be utilized, a deferred tax asset is not recognized.

Deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient future taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off deferred tax assets against deferred tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its deferred tax assets and liabilities on a net basis.

Current and deferred taxes are recognized in consolidated statements of comprehensive income, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

(iv) Mineral properties and exploration and evaluation costs and development costs

Exploration and evaluation ("E&E") costs are those costs required to find a mineral property and determine commercial viability and technical feasibility. E&E costs include costs to establish an initial mineral resource and determine whether inferred mineral resources can be upgraded to measured and indicated mineral resources and whether measured and indicated mineral resources can be converted to proven and probable reserves.

E&E costs consist of:

- gathering exploration data through topographical and geological studies;
- exploratory drilling, trenching, and sampling;
- determining the volume and grade of the resource;
- test work on geology, metallurgy, mining, geotechnical and environmental; and
- conducting and refining engineering, marketing and financial studies.

Costs in relation to these activities are expensed as incurred until such time that the technical feasibility and commercial viability of extracting the mineral resource are demonstrable. At such time, mineral properties are assessed for impairment, and an impairment loss, if any, is recognized, and future development costs will be capitalized to assets under construction.

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

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

The Company recognizes exploration and evaluation costs as assets when acquired as part of an asset purchase, or as a result of rights acquired relating to a mineral property.

(v) Impairment of non-financial assets

The carrying value of the Company's property, plant and equipment, and exploration and evaluation assets are assessed for impairment when indicators of potential impairment are identified to exist. If any indication of impairment is identified, an estimate of the asset's recoverable amount is calculated to determine the extent of the impairment loss, if any. The recoverable amount is determined as the higher of the fair value less costs of disposal for the asset and the asset's value in use. In assessing the fair value, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Impairment is determined on an asset by asset basis, whenever possible. If it is not possible to determine impairment on an individual asset basis, then impairment is considered on the basis of a cash generating unit ("CGU"). CGUs represent the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets or the Company's other group of assets.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired, and an impairment loss is charged immediately to profit or loss so as to reduce the carrying amount to its recoverable amount.

For property, plant and equipment, a previously recognized impairment loss is reversed if there has been a change in the estimates previously used to determine the asset's recoverable amount since the last impairment loss was recognized. The impairment reversal is limited to the carrying value that would have been determined, net of any applicable depreciation, had no impairment charge been recognized previously.

(vi) Provisions

Provisions represent liabilities to the Company for which the amount or timing is uncertain. Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses. Provisions are measured at the present value of the expected expenditures to settle the obligation, applying a pre-tax risk-free discount rate. The increase in the provision due to passage of time is recognized as accretion expense. The Company does not have any provisions as of December 31, 2023 and 2022 other than the provision for decommissioning and restoration associated with the property, plant and equipment.

The Company records as decommissioning and restoration liability the present value of estimated costs of legal and constructive obligations required to restore locations in the period in which the obligation is incurred. The nature of these decommissioning and restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed or the ground and/or environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized if the Company has a related asset on its balance sheet, or expensed. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and is added to inventory, and then in production costs as inventory is sold. Over time, the discounted liability is adjusted for the change in present value. The periodic unwinding of the discount is recognized in profit or loss as a finance cost called "accretion expense on decommissioning and restoration liability". Additional disturbances or changes in rehabilitation costs will be recognized as additional capitalized costs (or exploration and evaluation expense depending on whether there was a related asset when the liability was initially recognized) and additional decommissioning and restoration liability when they occur. If it is determined that the expected costs for decommissioning and restoration are reduced, the change in the present value of the reduction is recorded as a reduction in the capitalized costs (expensed), and a reduction of the decommissioning and restoration liability.

(vii) Revenue recognition

The Company utilizes a sales agent to facilitate the sale of rough and/or fancies and specials diamonds to the end-customer. The Company recognizes revenue when consideration has been received by the Company's sales agent, which represents the completion of the performance obligation of the Company and when control is passed to the customer.

As outlined in the JV Agreement between the Company and De Beers, fancies and specials diamonds produced at the GK mine are subject to a bid process. When De Beers is the successful bidder, the Company recognizes 49% of

the bid price as revenue at the completion of the bid process, as De Beers receives the fancies and specials diamonds, and the Company is paid immediately for its share by De Beers.

(viii) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated amortization and accumulated impairment losses. Cost comprises the fair value of consideration given to acquire an asset and includes the direct charges associated with bringing the asset to the location and condition necessary to put the asset into use, as well as the future cost of dismantling and removing the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Replacement costs, including major inspection and overhaul expenditures, are capitalized for components of property, plant and equipment, which are accounted for separately.

Development costs are capitalized under assets under construction. Expenditures, including engineering to design the size and scope of the project, environmental assessment and permitting and borrowing costs are capitalized to assets under construction.

Property, plant and equipment are amortized over their estimated useful lives commencing when the asset is available for use. The estimated useful lives, residual values and amortization method are reviewed at the end of each annual reporting period. Mineral properties are not amortized until the properties to which they relate are placed into commercial production, at which time the costs will be amortized on a unit-of-production method following commencement of commercial production. Assets under construction are not amortized; rather costs are deferred until the asset is ready for use, at which point the deferred amount is transferred to the appropriate asset category and amortized as set out below.

Upon entering commercial production stage, capitalized costs associated with the acquisition of the mineral property or the development of the mine, are amortized using the various methods based in the asset categories as follows:

Corporate assets	two to seven years, straight line
Vehicles	three to five years, straight line
Production and related equipment	units of production over proven and probable reserves
General infrastructure	units of production over proven and probable reserves
Earthmoving equipment	straight line over shorter of life of mine or life of the asset
Mineral properties	units of production over proven and probable reserves
Assets under construction	not depreciated until ready for use

(ix) Inventories

Inventories are recorded at the lower of cost and net realizable values. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion. An impairment adjustment is made when the carrying amount is higher than the net realizable value.

Rough diamonds classified as finished goods comprise diamonds that have been subject to the sorting process. Cost is determined on a weighted average cost per carat basis including production costs and value-added processing activity. As outlined in the joint venture agreement between the Company and De Beers, fancies and special diamonds produced at the GK Mine are subject to a bid process. Upon a successful bid by the Company, the fancies

and specials diamonds will be included in inventories and 51% of the bid amount will be paid to De Beers and capitalized to the cost of inventory. Cost for fancies and specials diamonds is determined on a weighted average cost basis including production costs and value-added processing activity plus the direct cost of acquiring the fancies and specials diamonds from De Beers.

Stockpiled ore represents coarse ore that has been extracted from the mine and is available for future processing. Stockpiled ore value is based on costs incurred in bringing ore to the stockpile. Costs are added to the stockpiled ore based on current mining costs per tonne and are removed at the average cost per tonne of ore in the stockpile.

Supplies inventory are consumable materials which are measured at the lower of weighted average cost and net realizable value.

(x) Capitalized stripping costs

In open pit mining operations, it is necessary to remove overburden and other waste materials to access ore from which minerals can be extracted economically. The process of removing overburden and waste materials is referred to as stripping. Stripping costs incurred in order to provide initial access to the ore body (referred to as pre-production stripping) are capitalized as mine development costs. These amounts were capitalized under assets under construction.

It may also be required to remove waste materials and to incur stripping costs during the production phase of the mine. The Company recognizes a stripping activity asset if all of the below conditions are met:

- It is probable that the future economic benefit (improved access to the component of the ore body) associated with the stripping activity will flow to the Company.
- The Company can identify the component of the ore body for which access has been improved.
- The costs relating to the stripping activity associated with that component can be measured reliably.

The Company measures the stripping activity at cost based on an accumulation of costs incurred to perform the stripping activity that improves access to the identified component of ore, plus an allocation of directly attributable costs. The waste to ore strip ratio projected for the life of the specific orebody must be exceeded for the costs to be capitalized as stripping costs.

After initial recognition, the stripping activity asset is carried at cost less depreciation and impairment losses in the same way as the existing asset of which it is a part.

The stripping activity asset is depreciated over the expected useful life of the identified components of the ore body that becomes more accessible as a result of the stripping activity using the units of production method.

(xi) Financial Instruments

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Financial liabilities are measured at amortized cost unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

Asset/Liability	Classification
Cash	Amortized cost
Equity securities	FVTOCI
Amounts receivable	Amortized cost
Derivative assets (liabilities)	FVTPL
Warrants	FVTPL
Accounts payable and accrued liabilities	Amortized cost
Dunebridge junior credit facility	Amortized cost
Secured notes payable	Amortized cost

Measurement

Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income.

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value, plus transaction costs, and subsequently carried at amortized cost less any impairment. Financial liabilities carried at amortized cost utilize the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of comprehensive income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of comprehensive income in the period in which they arise.

Derivative assets (liabilities) related to foreign currency contracts, which become realized, are reclassified from derivative gains and losses into realized foreign exchange gains and losses.

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of comprehensive income. However, gains and losses on derecognition of financial assets classified as FVTOCI are reclassified to retained earnings (deficit) as a reclassification within equity.

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of comprehensive income.

(xii) New accounting policies adopted in the current period

Definition of Accounting Estimates (Amendments to IAS 8)

The IASB issued *Definition of Accounting Estimates (Amendments to IAS 8)* on February 12, 2021. The amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. They also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for annual periods beginning on or after January 1, 2023. The adoption of the amendments did not impact the Financial Statements.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

The IASB issued *Definition of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements)* on February 12, 2021. The amendments require the disclosure of material accounting policy information rather than disclosing significant accounting policies. They also clarify how to distinguish between changes in accounting policies and changes in accounting estimates. The amendments are effective for annual periods beginning on or after January 1, 2023. The adoption of the new amendments has been applied to the disclosure of material accounting policies in Note 3 of these financial statements, however the amendments did not result in any change to the Company's accounting policies or application thereof.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes)

The IASB issued *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)* on May 7, 2021. The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. The amendments are effective for annual periods beginning on or after January 1, 2023. The adoption of the amendments did not impact the 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 key areas where judgements, estimates and assumptions have been made are summarized below:

i) Significant accounting estimates and assumptions

The areas which require management to make significant estimates and assumptions in determining carrying values include, but are not limited to:

a) *Impairment analysis – property, plant and equipment*

Significant judgment is required in assessing indicators of impairment or impairment reversal of property, plant and equipment and evaluation and exploration assets. For each asset or CGU, the Company completes an evaluation at each reporting period of potential indicators of impairment or impairment reversal. The Company considers both external and internal sources of information in assessing whether there are any indications that assets or CGUs may be impaired. Judgement is required around significant changes in the business climate which may be indicators of impairment such as a significant decline in the Company's market capitalization relative to its net asset carrying value, prolonged significant changes in diamond prices, discount rates, foreign exchange rates and significant changes to life-of-mine plans.

When completing an impairment test, the Company calculates the estimated recoverable amount of the CGUs, which requires management to make estimates and assumptions related to items such as future production levels, operating and capital costs, long-term diamond prices, foreign exchange rates, discount rates, mineral reserves and resource estimates. These estimates and assumptions are subject to risk and uncertainty, particularly in circumstances where there is limited operating history of the asset or CGU. Judgment is also required in determining the appropriate valuation method for mineralization and ascribing anticipated economics to mineralization in cases where limited, dated or no comprehensive economic study has been completed. Therefore, there is a possibility that changes in circumstances will have an impact on these projections, which may impact the recoverable amount of assets or CGUs. Changes in these estimates which decrease or increase the estimated recoverable amount of a CGU could affect the carrying amounts of assets and result in an impairment loss or reversal. While management believes that estimates of future cash flows are reasonable, different assumptions regarding such cash flows could materially affect the recoverable amount of a CGU.

b) *Mineral reserves and resources*

Mineral reserve and resource estimates include numerous uncertainties and depend heavily on geological interpretations and statistical inferences drawn from drilling and other data and require estimates of the future price for the commodity and future cost of operations. The mineral reserve and resources are subject to uncertainty and actual results may vary from these estimates. Results from drilling, testing and production, as well as material changes in diamond prices and operating costs subsequent to the date of the estimate, may justify revision of such estimates. Changes in the proven and probable mineral reserves or measured and indicated and inferred mineral resources estimates may impact the carrying value of the properties. This will also impact the carrying value of the decommissioning and restoration liability and future depletion charges.

c) *Provision for decommissioning and restoration*

The decommissioning and restoration liability and the accretion recorded are based on estimates of future cash flows, discount rates, and assumptions regarding timing. The estimates are subject to change and the actual costs for the decommissioning and restoration liability may change significantly. Significant assumptions exist for the determination of what constitutes decommissioning and restoration. Judgment has been applied by management to determine

which decommissioning and restoration costs have been appropriately capitalized to inventory, based on the nature of the costs incurred upon reaching commercial production.

d) *Fair value of derivative asset*

The derivative asset resulting from the prepayment and redemption features attached to the Notes is valued at fair value at each reporting date. The fair value of the derivative asset is measured using a with and without approach based on two valuation techniques including the discounted cash flow (DCF) model and the Black-Derman-Toy model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as interest rate volatility and credit spread. Changes in assumptions relating to these inputs could affect the reported fair value of the derivative asset. See Note 14 for further disclosures.

5. INVENTORIES

		December 31, 2023		December 31, 2022
Ore stockpile	**$**	**77,173**	$	52,845
Rough diamonds		**50,432**		56,745
Supplies inventory		**59,597**		51,199
Total	**$**	**187,202**	$	160,789

Depreciation and depletion included in inventories at December 31, 2023 is $35,685 (2022 - $32,299).

6. PROPERTY, PLANT AND EQUIPMENT

The Company's property, plant and equipment as at December 31, 2023 and 2022 are as follows:

	Property, plant and equipment GK	Assets under construction GK	Property, plant and equipment KNP	Exploration and evaluation assets KNP	Total
Cost					
At January 1, 2022	$ 959,788	$ 10,185	$ 1,686	$ 169,392	$ 1,141,051
Decommissioning and restoration adjustment	(12,415)	-	177	-	(12,238)
Additions/transfers*	66,369	127	-	-	66,496
At December 31, 2022	1,013,742	10,312	1,863	169,392	1,195,309
Decommissioning and restoration adjustment	1,175	-	-	(93)	1,082
Additions/transfers*	92,071	(2,258)	-	-	89,813
Disposals/write-down	(3,057)	-	(917)	-	(3,974)
At December 31, 2023	**$ 1,103,931**	**$ 8,054**	**$ 946**	**$ 169,299**	**$ 1,282,230**
Accumulated depreciation and impairment					
At January 1, 2022	$ (426,571)	$ -	$ -	$ -	$ (426,571)
Depreciation and depletion**	(82,655)	-	(21)	-	(82,676)
At December 31, 2022	(509,226)	-	(21)	-	(509,247)
Depreciation and depletion**	(80,083)	-	(24)	-	(80,107)
Impairment loss	(104,593)	-	-	-	(104,593)
Disposals	2,536	-	-	-	2,536
At December 31, 2023	**$ (691,366)**	**$ -**	**$ (45)**	**$ -**	**$ (691,411)**
Carrying amounts					
At December 31, 2022	$ 504,516	$ 10,312	$ 1,842	$ 169,392	$ 686,061
At December 31, 2023	**$ 412,565**	**$ 8,054**	**$ 901**	**$ 169,299**	**$ 590,819**

*Included in additions of property, plant and equipment for GK mine is $80,335 (2022 - $55,822) related to deferred stripping of which $5,989 relates to the depreciation of earthmoving equipment (2022 - $5,987).

**Included in depreciation and depletion is $196 of depreciation on the right-of-use assets (2022 - $194).

For the year ended December 31, 2023, the Company identified an indicator of impairment at the GK mine CGU due to the carrying amount of the net assets of the entity exceeding the market capitalisation. The recoverable amount calculated using the fair value less cost of disposal of $469,686 exceeded the carrying amount and the Company recorded an impairment charge of $104,593, allocated to property, plant and equipment at GK mine offset by a $13,000 deferred tax adjustment. After giving effect to the impairment charge, the carrying amount of the GK mine is $469,686 as at December 31, 2023, of which $420,519 relates to property, plant and equipment.

The significant estimates and assumptions used for the CGU tested in the Company's impairment assessment for the year ended December 31, 2023 were as follows:

- estimated long-term diamond prices of US$80;
- forward foreign exchange rates between 1.27-1.32;
- future production, operating and capital costs based on the life-of-mine and management's best estimates;
- proven and probable mineral reserves and converted resources of 37.8 million carats;
- post tax real discount rate of 7.9%.

The real (real, excludes inflation) discount rate was estimated based on the capital asset pricing model, for which the costs of equity are based on, among other things, estimated interest rates, market returns on equity, share

volatility, leverage and risks specific to the mining sector and the GK Mine CGU. The valuation is considered to be level 3 in the fair value hierarchy due to unobservable inputs.

7. DECOMMISSIONING AND RESTORATION LIABILITY

The decommissioning and restoration liability is comprised of the liabilities for the GK Mine and the KNP.

The GK Mine decommissioning and restoration liability was calculated using the following assumptions as at December 31, 2023 and 2022:

		December 31, 2023		December 31, 2022
Expected undiscounted cash flows	$	92,948	$	90,317
Nominal risk-free discount rate		3.10%		3.30%
Inflation rate		2.00%		2.00%
Periods		2031		2030

The KNP decommissioning and restoration liability was calculated using the following assumptions as at December 31, 2023 and 2022:

		December 31, 2023		December 31, 2022
Expected undiscounted cash flows	$	2,839	$	2,732
Nominal risk-free discount rate		3.42%		3.62%
Inflation rate		3.90%		5.00%
Periods		2027		2026

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

During the year ended December 31, 2023, the GK Mine decommissioning and restoration liability increased by $1,655 (2022 – decreased by $13,965), resulting primarily from the change in the nominal risk-free discount rate.

The continuity of the decommissioning and restoration liability at December 31, 2023 and 2022 is as follows:

		GK Mine		KNP		Total
Balance, at January 1, 2022	$	90,418	$	2,695	$	93,113
Change in estimate of discounted cash flows		(13,965)		177		(13,788)
Accretion recorded during the year		1,858		7		1,865
Balance, at December 31, 2022	$	78,311	$	2,879	$	81,190
Less: current portion of decommissioning and restoration liability		1,057		-		1,057
Non-current decommissioning and restoration liability, at December 31, 2022	$	77,254	$	2,879	$	80,133
Change in estimate of discounted cash flows		1,655		(93)		1,562
Accretion recorded during the year		2,600		104		2,704
Reclamation expenditures		(187)		-		(187)
Balance, at December 31, 2023	$	82,379	$	2,890	$	85,269
Less: current portion of decommissioning and restoration liability		2,807		-		2,807
Non-current decommissioning and restoration liability, at December 31, 2023	$	79,572	$	2,890	$	82,462

8. SECURED NOTES PAYABLE (THE "NOTES")

On December 11, 2017, the Company completed an offering of US$330 million of 8.000% Senior Secured Second Lien Notes due 2022 ("Old Notes"), secured by a second-ranking lien on all present and future assets, property, and undertakings of the Company. The Old Notes paid interest in semi-annual instalments on June 15 and December 15 of each year, at a rate of 8.00% per annum, and matured on December 15, 2022. On December 14, 2022, the Company settled the remaining balance outstanding of US$258 million with US$69.8 million cash from treasury and US$63 million of funds received from the new 9.000% Senior Secured Second Lien Notes due 2025, ("Notes"), as well as an exchange of US$125.2 million from the maturing Old Notes to the Notes.

On December 14, 2022, the Company completed an offering of US$195 million of 9.000% Senior Secured Second Lien Notes due 2025, ("Notes"), secured by a second-ranking lien on all present and future assets, property, and undertakings of the Company. A portion of the offering is held by corporations ultimately beneficially owned by Mr. Dermot Desmond. The Notes pay interest in semi-annual instalments on June 15 and December 15 of each year, at a rate of 9.00% per annum, and mature on December 15, 2025. The Notes include a true-up mechanism whereby when the Company repays the Note in full at the maturity date or in accordance with any of the voluntary and mandatory redemption clauses (as described in Note 8), a true-up payment equal to the difference between (a) the aggregate amount of all cash payments which would be made on the Notes up to the stated maturity thereof or the date of redemption or repayment in full, as applicable, in order to have a total yield of 12% on such date and (b) the actual total yield on the net Notes proceeds, after taking into account all payments actually made in respect thereof from the issue date to and including the stated maturity of the Notes or the date of redemption or repayment in full. The indenture governing the Notes contains certain restrictive covenants that limit the Company's ability to, among other things, incur additional indebtedness, make dividend payments and other restricted payments, and create certain liens, in each case subject to certain exceptions. The indenture includes a covenant that the annual audited consolidated financial statements do not include a qualification as to scope or going concern, which if breached, would constitute an event of default. For the year ended December 31, 2023, given the inclusion of a going concern note in those financial statements, the Company obtained a waiver from the Note holders to waive the unqualified financial statements covenant.

In addition, the Notes include a cash sweep mechanism where any excess cash held by the Company that is greater than US$20 million at quarter end is required to be used to redeem the Notes, commencing with fiscal quarter ending March 31, 2023.

The Company may redeem at any time in whole or in part the Notes at a redemption price equal to 100% of the principal amount.

As of December 31, 2023, the principal amount outstanding for the Notes is US$177 million or $234.4 million Canadian dollar equivalent under the Notes (2022 - US$195 million or $264.3 million).

	December 31, 2023	December 31, 2022
Total outstanding secured notes payable	**$ 234,401**	$ 264,303
Gain on loan	**(71)**	-
Less: unamortized deferred transaction costs and issuance discount	**(1,570)**	(7,414)
Total secured notes payable	**$ 232,760**	$ 256,889

The gain on loan relates to revisions of expected cash flows related to the timing of repayment of the Notes and the calculated expected true-up payment of $8.3 million to be applied to the final payment on maturity of the Notes.

9. DUNEBRIDGE JUNIOR CREDIT FACILITY ("DUNEBRIDGE JCF")

On March 28, 2022, the Company completed a US$50 million junior secured term loan credit facility ("Dunebridge JCF") with Dunebridge Worldwide Ltd. ("Dunebridge") bearing a cash payment interest rate of 8% per annum paid semi-annually until 15th December 2022, or an effective interest rate of 15.8%, (inclusive of 41 million common share purchase warrants described further below (Note 10)). Following this date, the interest rate was 2% above the margin on the Notes. The maturity date of The Dunebridge JCF is December 15th, 2027. The Dunebridge JCF is secured by substantially all of the properties and assets of the Company on a junior basis to the Notes. The Company is entitled to prepay the Dunebridge JCF at any time prior to the maturity date without penalty, after the Notes have been repaid in full.

In order for the Company to request an advance under the Dunebridge JCF, the Company must deliver a utilization request to the administrative agent and confirm that the Company has met the conditions precedent to all borrowings, confirm representation and warranties and confirm that the proceeds requested are to be used as agreed upon in the agreement to (a) repay indebtedness under the senior credit agreement which is the Dunebridge revolving credit facility, (the 'Dunebridge RCF') by way of direction and set-off on the closing date, (b) repay the senior secured notes, and (c) for general corporate purposes, including working capital needs.

The Company issued to Dunebridge 41 million common share purchase warrants (Note 10), exercisable in whole or in part at any time up to December 15, 2027, at an exercise price of US$0.60975 per common share of Mountain Province.

The Company incurred legal and advisory fees in relation to the Dunebridge JCF of $1,082 which was capitalized as other assets. In addition, the fair value of the warrants granted on the closing of the Dunebridge JCF valued at $0.33 per warrant and totaling $13,489 was also capitalized resulting in total other assets of $14,571. During the year ended December 31, 2022, $13,898 of total costs capitalized to other assets were reclassified to deferred financing costs and US$50 million drawn on the Dunebridge JCF is presented net of those financing costs on the statement of financial position. The remaining portion of the other assets were amortized prior to the full draw of the Dunebridge JCF.

On December 14, 2022, the interest rate was amended to 14% and interest shall accrue compounding annually and will not be payable until the Notes are fully repaid. The original terms were revised to also include a true-up payment amount such that the lenders will receive an Interest rate (Applicable Interest Rate: cash-based internal rate of return of 14%) upon and after December 14, 2022, on all outstanding advances. If the true-up amount becomes due and payable as a result of an event of default, it shall be deemed to be accrued interest of the facility, and interest shall accrue on such outstanding true-up amount from and after the date on which it becomes due and payable. The true-up amount shall also be payable in the event the Dunebridge JCF is satisfied, released, or discharged by foreclosure (whether by power of judicial proceeding or otherwise), deed in lieu of foreclosure or by any other similar means.

As at December 31, 2023, the principal amount outstanding of the Dunebridge JCF is US$50 million or $66.2 million Canadian dollar equivalent under the Dunebridge JCF (2022 - US$50 million or $67.8 million Canadian dollar equivalent).

		December 31, 2023		December 31, 2022
Total outstanding Dunebridge JCF	$	66,215	$	67,770
Less: unamortized deferred transaction costs, gain and loss on loan		(3,413)		(7,692)
Add: accrued Interest		10,572		1,153
Total Dunebridge Junior Credit Facility	$	73,374	$	61,231

10. WARRANT LIABILITY

As part of the Dunebridge JCF (Note 9), 41 million share warrants were issued to Dunebridge at an exercise price of US$0.61 per common share with an expiry date of December 15, 2027. The warrants have an exercise price denominated in US dollars, which differs from the Company's Canadian dollar functional currency, and are therefore accounted for as derivative liabilities at fair value, with changes in fair value recorded in profit or loss as they occur. The warrants were valued on the date of grant using the following assumptions:

	March 28, 2022
Exercise price	US$0.61 ($0.77)
Expected volatility	61.72%
Expected warrant life	5.7 years
Expected dividend yield	0%
Risk-free interest rate	2.42%
Weighted average fair value per warrant granted	$0.33

In valuing the warrants on March 28, 2022, the Company applied a liquidity discount of 32% from the Black-Scholes value.

As at December 31, 2023, the fair value of the warrants were revalued to $2,431 (2022 - $7,247). The following assumptions were used in determining the fair value:

	December 31, 2023	December 31, 2022
Exercise price	US$0.61 ($0.79)	US$0.61 ($0.81)
Expected volatility	74.00%	66.00%
Expected warrant life	4.0 years	5.0 years
Expected dividend yield	0%	0%
Risk-free interest rate	3.24%	3.37%
Weighted average fair value per warrant granted	$0.08	$0.24

In valuing the warrants on December 31, 2023, the Company applied a liquidity discount of 22% from the Black-Scholes value (2022 – 28%).

In the year ended December 31, 2023, the change in fair value of $4,816 (2022 - $6,242) was recorded to other income in the consolidated statements of comprehensive (loss) income.

11. FINANCE EXPENSE

	Year ended December 31, 2023	Year ended December 31, 2022
Accretion expense on decommissioning and restoration liability	$ (2,704)	$ (1,865)
Interest expense	(31,970)	(31,694)
Gain (loss) on loan	71	(10,031)
Amortization of deferred financing costs	(6,873)	(6,094)
Other finance costs	(442)	1,872
	$ (41,918)	$ (47,812)

12. SHAREHOLDERS' EQUITY

i. Authorized share capital

Unlimited common shares, without par value.

ii. Share capital

The number of common shares issued and outstanding as at December 31, 2023 is 211,559,588 (2022 - 211,489,141).

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

The Company has 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 options, restricted share units ("RSU") and deferred share units ("DSU") awards within the limits identified in the Plan, which includes provisions limiting the issuance of options to directors and employees of the Company to maximums identified in the Plan.

As at December 31, 2023, the aggregate maximum number of shares pursuant to options and RSUs granted under the Plan will not exceed 21,155,958 shares. All stock options are settled by the issuance of common shares.

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

	Year ended December 31, 2023		Year ended December 31, 2022	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of the year	6,436,042	$ 0.73	4,680,001	$ 1.36
Granted during the year	2,249,234	0.61	3,101,042	0.71
Expired during the year	-	-	(1,345,001)	2.86
Forfeited during the year	(704,292)	0.66	-	-
Balance at end of the year	7,980,984	$ 0.70	6,436,042	$ 0.73
Options exercisable at the end of the year	3,090,693	$ 0.78	1,518,335	$ 0.90

The fair value of the stock options granted has 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, 2023, and 2022 period. Expected volatility is calculated by reference to the weekly closing share price for a period that reflects the expected life of the options.

A total of 2,249,234 stock options were granted in the year ended December 31, 2023, with an exercise price of $0.61. The stock options will vest 1/3 on February 23, 2024, 1/3 on February 23, 2025 and 1/3 on February 23, 2026. A total of 3,101,042 stock options were issued during the year ended December 31, 2022, with an exercise price of $0.714. Of that total, 2,439,668 stock options vested 1/3 on January 17, 2023, and 1/3 will vest on January 17, 2024 and 1/3 on January 17, 2025. and for the balance of 661,376 stock options 1/3 vested on February 21, 2023, and 1/3 will vest on February 21, 2024 and 1/3 February 21, 2025.

The stock options were valued on the date of grant using the following assumptions:

	Year ended December 31, 2023	Year ended December 31, 2022
Weighted average exercise price per share	**$0.61**	$0.71
Expected volatility	**67.44%**	64.43% - 64.68%
Expected option life	**5 years**	5 years
Expected forfeiture	**none**	none
Expected dividend yield	**0%**	0%
Risk-free interest rate	**3.54%**	1.68% - 1.79%
Weighted average fair value per option granted	**$0.36**	$0.39

The following tables reflect the number of stock options outstanding, the grant date fair value, and the exercise price of stock options outstanding at December 31, 2023.

Expiry Date	**Grant Date Fair Value**	**Number of Options**	**Number of Exercisable Options**	**Exercise Price**
December 27, 2024	$ 244	610,000	610,000	$ 1.30
February 2, 2026	214	675,000	225,001	0.65
November 15, 2026	675	2,000,000	1,333,334	0.62
January 17, 2027	827	2,105,698	701,899	0.71
February 21, 2027	259	661,376	220,459	0.71
February 23, 2028	715	1,928,910	-	0.61
	$ 2,934	7,980,984	3,090,693	$ 0.70

The weighted average remaining contractual life of the options outstanding as of December 31, 2023 is 3.04 years (2022 - 3.70 years).

The restricted and deferred share units issuable under the Plan are full value phantom shares that mirror the value of the Company's publicly traded common shares. RSU and DSU grants are made on a discretionary basis to directors and employees of the Company subject to the Board of Directors' approval. Under the Plan, RSUs and DSUs vest according to the terms set out in the award agreement which are determined on the initial grant date on an

individual basis at the discretion of the Board of Directors. Vesting of the RSUs and DSUs 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 and DSUs. The fair value of each RSU issued is determined at the closing share price on the grant date. No DSU awards have been granted to date, therefore as at December 31, 2023 there are no DSUs outstanding.

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

	December 31, 2023		December 31, 2022	
RSU	**Number of units**	**Weighted average value grant date fair value**	Number of units	Weighted average value grant date fair value
Balance at beginning of year	**1,755,892**	**$ 0.69**	1,426,667	$ 0.87
Awards and payouts during the period (net):				
RSUs awarded	**1,221,480**	**0.61**	1,196,914	0.71
RSUs settled and common shares issued	**(70,447)**	**0.70**	(791,667)	1.06
RSUs forfeited	**(288,867)**	**0.66**	(76,022)	0.69
Balance at end of the year*	**2,618,058**	**$ 0.65**	1,755,892	$ 0.69

*As at December 31, 2023, 704,787 RSUs (2022 – 211,669 RSUs) have vested and have not yet been settled.

The share-based payments recognized as an expense in selling, general and administrative expenses for the years ended December 31, 2023 and 2022 are as follows:

	Year ended December 31,2023	Year ended December 31, 2022
Expense recognized in the year for share-based payments	**$ 1,363**	$ 1,923

iv. (Loss) earnings per share

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

	Year ended December 31, 2023	Year ended December 31, 2022
Numerator		
Net (loss) income for the year	**$ (43,671)**	$ 49,195
Effect of dilutive securities	**-**	731
	$ (43,671)	$ 49,926
Denominator		
For basic - weighted average number of shares outstanding	**211,528,611**	210,879,374
Effect of dilutive securities	**-**	1,861,853
For diluted - adjusted weighted average number of shares outstanding	**211,528,611**	212,741,227
(Loss) Earnings Per Share		
Basic	**$ (0.21)**	$ 0.23
Diluted	**$ (0.21)**	$ 0.23

For the year ended December 31, 2023, 7,980,984 stock options, 2,618,058 RSUs and 41 million warrants were not included in the calculation of diluted earnings per share since to include them would be anti-dilutive (2022 - 4,836,042 stock options and 41 million warrants).

13. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31, 2023	Year ended December 31, 2022
Selling and marketing	**$ 6,090**	$ 5,943
General and administrative:		
Consulting fees and payroll	**2,561**	4,046
Share-based payment expense	**1,363**	1,923
Depreciation	**230**	224
Office and administration	**1,089**	1,175
Professional fees	**1,787**	1,996
Promotion and investor relations	**142**	230
Director fees	**550**	820
Transfer agent and regulatory fees	**341**	492
Travel	**164**	322
	$ 14,317	$ 17,171

14. DERIVATIVES ASSETS

i) During the years ended December 31, 2023 and 2022, the Company entered into foreign currency forward contracts and swing collars to mitigate the foreign currency risk associated with the U.S. dollar sales proceeds and the risk that the Company would not have sufficient Canadian dollar funds to contribute to the operations of the GK Mine. These derivatives have been accounted as non-hedge derivatives and are recorded at fair value. Changes in the fair value of the foreign currency put option contracts are recognized in the consolidated statements of comprehensive (loss) income as gains or losses on derivatives.

The table below provides a summary of currency contracts outstanding as at December 31, 2023:

Execution Date of Contracts	Settlement Dates of Contracts	Notional Amount (CAD)	Weighted Average Price (USD)	Notional Amount (USD)
September 5, 2023	April 1, 2024 to June 30, 2024	$ 20,318	$ 1.3545	$ 15,000
April 26, 2023	January 2, 2024 to March 28, 2024	$ 20,175	$ 1.3450	$ 15,000
November 2, 2023	March 1, 2024 to May 31, 2024	$ 20,468	$ 1.3645	$ 15,000
Total		**$ 60,961**	**$ 1.3547**	**$ 45,000**

Subsequent to the year ended December 31, 2023, the Company entered into the following currency contracts:

Execution Date of Contracts	Settlement Dates of Contracts	Notional Amount (CAD)	Weighted Average Price (USD)	Notional Amount (USD)
March 5, 2024	July 2, 2024 to Dec 31, 2024	$ 40,500	$ 1.3500	$ 30,000
Total		**$ 40,500**	**$ 1.3500**	**$ 30,000**

ii) On December 14, 2022, the Company completed an offering of US$195 million of Notes due to be repaid in December 2025. The Notes grant the Company the option to prepay the Notes at any time prior to the maturity of the instruments. In addition, upon the occurrence of certain events, the Company is either mandatorily required to, or can be requested to, at the option of the holder, prepay the Notes in part or in full. These events include a change of control of the Company, an event of default or in accordance with the excess cash flow sweep mechanism.

At the date of prepayment or redemption, the Company pays a total price equal to 100% of the principal amount of the Notes redeemed, plus accrued and unpaid interest to the date of redemption and the true-up amount (if any).

These prepayment and redemption features have been accounted for as embedded derivatives at fair value through profit and loss and are outlined below.

The following table presents the various derivative assets and liabilities as at December 31, 2023 and 2022:

	December 31, 2023	December 31, 2022
Currency derivative contracts	**$ 1,429**	$ (940)
Embedded derivatives	**12,572**	3,154
Asset (Liability)	**$ 14,001**	$ 2,214

The following table presents amounts recognized in the consolidated statements of comprehensive (loss) income for the years ended December 31, 2023 and 2022:

	Year ended December 31, 2023	Year ended December 31, 2022
Gain (loss) on currency derivative contracts	**$ 2,314**	$ (2,446)
Gain (loss) on prepayment option embedded derivative	**9,476**	(67)
Total	**$ 11,790**	$ (2,513)

15. FINANCIAL INSTRUMENTS

Fair value measurement

IFRS 13, Fair Value Measurement, provides a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs are those that reflect market data obtained from independent sources, while unobservable inputs reflect the Company’s assumptions with respect to how market participants would price an asset or liability. These two inputs which are used to measure fair value fall into the following three different levels of the fair value hierarchy:

- Level 1 – Quoted prices in active markets for identical instruments that are observable.
- Level 2 – Quoted prices in active markets for similar instruments; inputs other than quoted prices that are observable and derived from or corroborated by observable market data.
- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs are unobservable.

There have been no changes in the classification of financial instruments in the fair value hierarchy since December 31, 2022.

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.

	Carrying amount				Fair value			
December 31, 2023	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	$ -	$ 14,001	$ -	$ 14,001	$ -	$ 1,429	$ 12,572	$ 14,001
	$ -	$ 14,001	$ -	$ 14,001				
Financial assets not measured at fair value								
Cash	$ 29,674	$ -	$ -	$ 29,674	29,674	-	-	29,674
Restricted cash	32,381	-	-	32,381	32,381	-	-	32,381
	$ 62,055	$ -	$ -	$ 62,055				
Financial liabilities measured at fair value								
Warrant liability	-	2,431	-	2,431	-	-	2,431	2,431
	$ -	$ 2,431	$ -	$ 2,431				
Financial liabilities not measured at fair value								
Dunebridge junior credit facility	-	-	73,374	73,374	-	66,215	-	66,215
Secured notes payable	-	-	232,760	232,760	-	-	246,366	246,366
	$ -	$ -	$ 306,134	$ 306,134				

	Carrying amount				Fair value			
December 31, 2022	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	$ -	$ 2,214	$ -	$ 2,214	$ -	$ -	$ 2,214	$ 2,214
	$ -	$ 2,214	$ -	$ 2,214				
Financial assets not measured at fair value								
Cash	$ 17,247	$ -	$ -	$ 17,247	17,247	-	-	17,247
Restricted cash	30,723	-	-	30,723	30,723	-	-	30,723
Amounts receivable	912	-	-	912	912	-	-	912
	$ 48,882	$ -	$ -	$ 48,882				
Financial liabilities not measured at fair value								
Accounts payable and accrued liabilities	$ -	$ -	$ 42,470	$ 42,470	42,470	-	-	42,470
Dunebridge junior credit facility	-	-	61,231	61,231	-	67,770	-	67,770
Secured notes payable	-	-	232,760	232,760	-	-	259,528	259,528
	$ -	$ -	$ 336,461	$ 336,461				

I. Valuation techniques

Cash, Cash held in trust and Restricted Cash

Cash and restricted cash are included in Level 1 due to the short-term maturity of these financial assets.
Warrant Liability
The level 3 financial liability relates to warrants which are accounted for as derivative liabilities at fair value, with changes in fair value recorded to profit or loss as they occur (Note 10).

Dunebridge JCF

The fair value of the Dunebridge JCF is classified as Level 2 as it is valued using a discounted cash flow ("DCF") model. The models require a variety of observable inputs including market prices, forward price curves, yield curves and credit spreads.

Notes

The fair value of the Notes is determined using the risk free interest rate, interest rate volatility and credit spread.

Derivative assets

Derivative assets are carried at fair value which is determined based on an internal valuation model that reflects the observable currency exchange rates in the markets.

As at December 31, 2023, the derivative asset is an embedded derivative that relates to the Company's prepayment and redemption features attached to the Notes and foreign currency put options; see Note 8 and Note 14. The fair value of the embedded derivative has been determined by using a *with* and *without* approach. The estimated fair value of the embedded derivative was then calculated as the weighted average of the fair values estimated under two scenarios, based on the probability of each scenario occurring.

The fair value of the Notes under the 'without' scenario was based on a discounted cash flow approach and the Notes under 'with' scenario, was valued based on the Black-Derman-Toy model ("BDT model"). The BDT model is a short-term interest rate model that is based on binomial tree methodology. It is used for forecasting interest rates and for estimating values of interest rate derivatives. The model inputs include interest rate volatility and risk-free rates term structure.

The key inputs used in determining the fair value of the derivative assets is as follows:

	December 31, 2023	December 31, 2022
Key observable inputs		
Risk free interest rate	**4.25%**	3.94%
Key unobservable inputs		
Likelihood of redemption event occurring	**75%**	75%
Interest rate volatility	**39.5%**	78.2%
Credit spread of Notes	**1.69%**	3.39%

The most significant input, which is unobservable, is the interest rate volatility. The overall valuation is sensitive to the interest rate volatility assumption as the estimated fair value increases if the interest rate volatility declines. Assuming all other inputs remain constant, a 10% and 20% change in the interest rate volatility used will have the following impact on the fair value of the embedded derivative at December 31, 2023:

	Original	20%	10%	(10%)	(20%)
Interest rate volatility at December 31, 2023	$ 12,572	$ 14,104	$ 13,315	$ 11,975	$ 11,631

The reconciliation of the carrying amounts of financial instruments classified within Level 3 is as follows:

Balance, at January 1, 2022	$	-
Issuance of embedded derivatives		3,154
Change in fair value		-
Balance, at December 31, 2022	$	3,154
Change in fair value		9,418
Balance, at December 31, 2023	**$**	**12,572**

Financial instruments risks

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

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. The Company's exposure to credit risk is for its amounts receivable of which all of the outstanding amounts of $1,109 and $912 as at December 31, 2023 and 2022, respectively, were collected.

On December 31, 2023 and 2022, the Company does not have any allowance for doubtful accounts and does not consider that any such allowance is necessary.

All of the Company's cash and restricted cash is held with a major Canadian financial institution and thus the exposure to credit risk is considered insignificant. Management actively monitors the Company's exposure to credit risk under its financial instruments, including with respect to amounts receivable. The Company considers the risk of loss for its amounts receivable to be remote and significantly mitigated due to the financial strength of the parties from whom most of the amounts receivable are due - the Canadian government for harmonized sales tax ("HST") refunds receivable in the amount of approximately $901 (2022 - $822).

The Company's current policy is to hold excess cash in bank accounts.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to monitor forecast cash flows so that it will have sufficient liquidity to meet liabilities when due. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support its ongoing requirements. The Company coordinates this planning and budgeting process with its financing activities through its capital management process. To achieve this, the Company relies on regular sales throughout the year, generally nine or ten tender sales, in addition to occasional sales of fancies and special diamonds to De Beers, to fund ongoing operations.

Being able to maintain positive cash flows from operations and/or maintain sufficient liquidity is dependent upon many factors including, but not limited to, diamond prices, exchange rates, operating costs and levels of production. Adverse changes in one or more of these factors negatively impact on the Company's ability to comply with the covenants of the Notes and/or maintain sufficient liquidity.

As of December 31, 2023, the Company has an obligation for US$177 million or $234.4 million Canadian dollar equivalent (2022 – US$195 million or $264.3 Canadian dollar equivalent) from the Notes. The Notes are secured by a second-priority lien on substantially all of the assets which includes the 49% participating rights to the GK Mine. Failure to meet the obligations of the Notes payable as they come due may lead to the sale of the 49% participating interest in the GK Mine.

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	$ 3,812	$ -	$ -	$ -	**$ 3,812**
Gahcho Kué Diamond Mine decommissioning fund	25,000	-	-	-	**25,000**
Junior Credit facility - Principal	-	-	66,215	-	**66,215**
Junior Credit facility - Interest	-	-	54,069	-	**54,069**
Notes payable - Principal	-	245,394	-	-	**245,394**
Notes payable - Interest	21,096	20,924	-	-	**42,020**
	$ 49,908	**$ 266,318**	**$ 120,284**	**$ -**	**$ 436,510**

Market risk

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

(i) Interest rate risk

The Company does not have significant exposure to interest rate risk at December 31, 2023 and 2022, since the Notes and the Dunebridge JCF do not have variable interest rates. At December 31, 2023, excluding interest the total secured notes payable was US$177 million (2022 – US$195 million) and the Dunebridge JCF was US$58 million (2022 - US$50 million).

(ii) Foreign currency

The Company is exposed to market risk related to foreign exchange rates. The Company operates in Canada and has foreign currency exposure to transactions in U.S. dollars. The majority of the ongoing operational costs of the GK Mine are in Canadian dollars and are funded through operating cash flows. The Company's operating cash flows include the sale, in U.S. dollars, of its 49% share of the GK Mine diamonds produced.

As at December 31, 2023 and 2022, the Company had cash, derivative assets, accounts payable and accrued liabilities, the Dunebridge JCF and the Notes that are in U.S. dollars. The Canadian dollar equivalent is as follows:

		December 31, 2023		December 31, 2022
Cash	$	26,874	$	11,417
Derivative assets		3,267		2,214
Accounts payable and accrued liabilities		(11,073)		(2,950)
Dunebridge JCF		(67,153)		(67,770)
Notes		(234,401)		(264,303)
Total	$	(282,486)	$	(321,392)

A 10% appreciation or depreciation of the Canadian dollar relative to the U.S. dollar at December 31, 2023 and 2022 would have resulted in an increase or decrease to net income for the year of approximately $28.2 million and $32.1 million, respectively.

16. RELATED PARTIES

The Company's related parties include Mr. Dermot Desmond, Dunebridge Worldwide Ltd. ("Dunebridge") and Vertigol Unlimited Company ("Vertigol") (Dunebridge and Vertigol being corporations ultimately beneficially owned by Dermot Desmond), the Operator of the GK Mine, key management, and the Company's directors. Mr. Dermot Desmond, indirectly through Vertigol, is the ultimate beneficial owner of greater than 10% of the Company's shares. International Investment and Underwriting UC ("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.

Transactions with key management personnel and directors are in respect 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.

On March 28, 2022, the Company executed a credit facility with Dunebridge, for US$50 million (Note 9).

Between 2014 and 2020, 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 the Company's share of the letters of credit issued. In 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, 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. In the year ended December 31, 2022, the joint venture management committee approved a funding of $5 million for a total funded of $30 million. The Company has not funded its $10 million share in the year ended December 31, 2023, reflecting on-going discussions with De Beers in respect of decommissioning funding requirements. The target funding can change over time, dependent on future changes to the decommissioning and restoration liability and returns on decommissioning fund investments. During the year ended December 31, 2023, the Company funded $Nil (2022 - $5 million) into the decommissioning fund, which is presented as restricted cash on the balance sheet of $32,381 (2022 - $30,723) representing the total funded amount and interest earned.

As at December 31, 2023, the Company's share of the letters of credit issued was $44.7 million (2022 - $44.7 million).

Failure to meet the obligations for cash calls to fund the Company's share in the GK Mine may lead to De Beers enforcing its remedies under the JV Agreement, which could result in, amongst other things the dilution of the Company's interest in the GK Mine.

The balances as at December 31, 2023 and 2022 were as follows:

	December 31, 2023	December 31, 2022
Payable to De Beers Canada Inc. as the operator of the GK Mine*	**$ 8,896**	$ 3,427
Payable to De Beers Canada Inc. for interest on letters of credit	**89**	136
Loan payable to Dunebridge Worldwide Ltd. (including accrued interest)	**76,612**	68,923
Payable to key management personnel	**82**	592

*included in accounts payable and accrued liabilities

The transactions for the years ended December 31, 2023 and 2022 were as follows:

	Year ended December 31, 2023	Year ended December 31, 2022
The total of the transactions:		
International Investment and Underwriting	**$ 120**	$ 120
Remuneration to key management personnel	**2,497**	3,764
Diamonds sold to De Beers Canada Inc.	**9,940**	15,376
Diamonds purchased from De Beers Canada Inc.	**20,812**	26,346
Finance costs incurred from De Beers Canada Inc.	**134**	136
Finance costs incurred from Dunebridge Worldwide Ltd.	**9,551**	1,724
Management fee charged by the Operator of the GK Mine	**3,431**	3,332

The remuneration expense of directors and other members of key management personnel for the years ended December 31, 2023 and 2022 were as follows:

	Year ended December 31,2023	Year ended December 31,2022
Consulting fees, payroll, director fees, bonus and other short-term benefits	**$ 1,714**	$ 2,842
Share-based payments	**903**	1,042
	$ 2,617	$ 3,884

Key management personnel are those people who have 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 Chief Executive Officer ("CEO") and Chief Financial Officer.

17. INCOME TAXES

Rate Reconciliation

The provision for income tax differs from the amount that would have resulted by applying the combined Canadian statutory income tax rates of approximately 26.5% (2022 - 26.5%):

	December 31, 2023	December 31, 2022
Income before income taxes	$ (40,491)	$ 70,395
	26.5%	26.5%
Tax expense calculated using statutory rates	(10,730)	18,655
Expenses not deductible (earnings not taxable)	(3,540)	3,802
Change in tax benefits not recognized	14,270	(22,457)
Deferred and current mining taxes	3,180	21,200
Deferred income tax and income tax expense	$ 3,180	$ 21,200

Components of deferred tax assets and liabilities

	December 31, 2023	December 31, 2022
Deferred tax liabilities		
Inventory	$ (10,228)	$ (164)
Property, plant & equipment	(107,617)	(128,431)
Derivative assets and debt	(1,411)	(570)
Total deferred tax liabilities	(119,256)	(129,165)
Deferred tax asset - tax losses	75,356	83,248
Deferred tax asset - other	-	3,997
Net deferred taxes	$ (43,900)	$ (41,920)

Unrecognized deferred tax assets

Deductible temporary differences for which deferred tax assets have not been recognized are attributable to the following:

	December 31, 2023	December 31, 2022
Decommissioning and restoration liability	$ 89,503	$ 88,263
Income tax benefit of deferred mining taxes	43,900	26,980
Capital losses	10,900	11,060
Non-capital losses, expiring 2034 to 2042	76,688	49,062
	$ 220,991	$ 175,365

The Company also has unrecognized deductible temporary differences of $82.4 million (2022 - $78.3 million) related to the Northwest Territories mining royalty.

18. CAPITAL MANAGEMENT

The Company considers its capital structure to consist of debt, share capital, share-based payments reserve, and deficit. The Company manages its capital structure and adjusts it, in order to have the funds available to support the acquisition, exploration and development of mineral properties and ongoing operations (Note 1). The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The declaration and payment of dividends on the Company's common shares and the amount thereof are at the discretion of the Board of Directors, which takes into account the Company's financial results, capital requirements, available cash flow, prospects of the Company's business and other factors considered relevant from time to time, as well as the Notes and Dunebridge JCF terms (Notes 8 and 9).

Management reviews its capital management approach on an ongoing basis.

The Company's capital is summarized as follows:

	December 31, 2023	December 31, 2022
Secured notes payable	**$ 232,760**	$ 256,889
Dunebridge junior credit facility	**73,374**	61,231
Share capital	**634,065**	637,862
Share-based payments reserve	**9,866**	8,552
Deficit	**(284,261)**	(240,590)
	$ 665,804	$ 723,944

19. SEGMENTED REPORTING

The reportable operating segments are those operations for which operating results are reviewed by the CEO 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.

The Company owns two diamond projects in the Northwest Territories, Canada. The GK Mine is a diamond mine in operation, while the KNP resource continues to be developed through exploration and evaluation programs.

As at and for the year ended December 31, 2023

	GK Mine	KNP	Total
Sales	$ 328,630	$ -	**$ 328,630**
Cost of sales:			
Production costs	138,383	-	**138,383**
Cost of acquired diamonds	17,248	-	**17,248**
Depreciation and depletion	70,574	-	**70,574**
Earnings from mine operations	102,425	-	**102,425**
Impairment loss on property, plant and equipment	104,593	-	**104,593**
Exploration and evaluation expenses	2,093	4,461	**6,554**
Selling, general and administrative expenses	14,261	56	**14,317**
Operating loss	(18,522)	(4,517)	**(23,039)**
Interest Income	2,627	-	**2,627**
Finance expenses	(41,918)	-	**(41,918)**
Other income (expenses)	4,309	(897)	**3,412**
Derivative gains	11,790	-	**11,790**
Foreign exchange gains	6,637	-	**6,637**
Net loss before taxes	$ (35,077)	$ (5,414)	**$ (40,491)**
Total assets	$ 686,327	$ 170,527	**$ 856,854**
Total liabilities	$ 492,909	$ 2,941	**$ 495,850**

As at and for the year ended ended December 31, 2022

	GK Mine	KNP	Total
Sales	$ 388,853	$ -	**$ 388,853**
Cost of sales:			
Production costs	131,596	-	**131,596**
Cost of acquired diamonds	29,797	-	**29,797**
Depreciation and depletion	56,935	-	**56,935**
Earnings from mine operations	170,525	-	**170,525**
Exploration and evaluation expenses	1,667	10,660	**12,327**
Selling, general and administrative expenses	17,137	34	**17,171**
Operating income (loss)	151,721	(10,694)	**141,027**
Interest Income	1,372	-	**1,372**
Finance expenses	(47,812)	-	**(47,812)**
Other income	6,242	241	**6,483**
Derivative losses	(2,513)	-	**(2,513)**
Foreign exchange losses	(28,162)	-	**(28,162)**
Net income (loss) before taxes	$ 80,848	$ (10,453)	**$ 70,395**
Total assets	$ 726,961	$ 171,580	**$ 898,541**
Total liabilities	$ 488,189	$ 3,194	**$ 491,383**