Mountain Province Diamonds Inc.

Annual Report 2005

Developing one of North America's premier diamond deposits

To Our Shareholders

At first glance not much appears to have happened during the past year. However, several significant developments did take place. Firstly, we have all been waiting for De Beers to complete the pre-feasibility project study. The results of this study were reported to the Company and to Camphor Ventures on June 28, 2005, and a news release was put out on June 29, 2005. A lot of work went into this study and De Beers has done a very thorough and detailed job. The results are encouraging and De Beers approved funding totaling C$ 38.5 million to start the environmental assessment and permitting process of the Gahcho Kué Project and to conduct a drilling and sampling program. The Company is obviously very pleased that De Beers is advancing the project to the permitting stage.

Secondly, diamond prices have kept on rising during the past year due to increased demand. The Diamond Trading Company (DTC) increased rough diamond prices by an average of three percent in January 2005 and again in June 2005. The average price of our diamonds increased by approximately seven percent during that time period. Prices are expected to keep on increasing in the foreseeable future due to more demand than supply. That will certainly help the value of our deposit and economics of the project.

Thirdly, the Company sold its 30 percent interest in the Havari Gold property in Finland to Northern Lion Gold Corporation for four million shares of Northern Lion.

Lastly, the Company was listed on the American Stock Exchange on April 4, 2005. This listing greatly increased our profile and liquidity in the United States of America.

The management of Mountain Province Diamonds, Inc. thanks the shareholders for their patience while the Gahcho Kué project is being developed. We now appear to be well on the way to becoming a mine.

Pre-Feasibility Project Study

The De Beers Board approved a budget of approximately C$25 million in November 2003 for a pre-feasibility in-depth project study of the joint venture's Hearne, 5034 and Tuzo kimberlite bodies located in Kennady Lake. This study would be of sufficient detail to allow the Gahcho Kué Project, previously known as the Kennady Lake Project, to advance to mine permitting, should the project's profitability level support a decision to proceed to the next phase.

The first phase of the study was completed in June 2004. It consisted of the drilling of 110 holes as part of a geotechnical drilling program to investigate geo-hydrology, optimal mine design and ore processing characteristics of the kimberlite pipes and the surrounding country rock. The results were used to develop geology, resource, geotechnical and geo-hydrology models. These models were used to optimize the design of the open pits and the lake containment dykes, as well as for the designs of waste and water management and mine infrastructure. Recovered kimberlite core underwent geological logging and petrographic analysis to augment the existing resource models, as well as metallurgical investigations (ore dressing studies), which, together with previously collected data, helped with the design of the ore processing plant.

The process plant, recovery and infrastructure designs were based on De Beers Canada's Snap Lake and Victor projects, but will not be taken to feasibility level unless and until the project is closer to receiving permits as these estimates could change during the permitting process. Certain activities were undertaken to feasibility level accuracy to ensure that the issues that impact on the environmental impact and permitting of a mine were thoroughly investigated.

Pre-Feasibility Project Study (continued)

The final results of the study were presented to the Company and Camphor Ventures on June 28, 2005. The results are encouraging and De Beers approved funding totaling C$ 38.5 million to advance the project to the next stage. On the basis of the results of this study De Beers has developed a timetable and budget for 2005 and 2006 to advance the project to the permitting phase. The environmental assessment and permitting process will be initiated together with the necessary consultation and stakeholder engagement activities. There will also be a large diameter drilling and sampling program this coming winter on the 5034 and Tuzo kimberlites to improve resource confidence (from inferred to indicated resource for parts of these pipes) as well as delineation, geo-technical and hydrological drilling to improve input data for mine design.

The Company engaged the firm of Roscoe Postle Associates, Inc. to provide an independent analysis of the Study and they have verified that the technical study report meets industry standards.

Updated Modeled Diamond Values

The diamonds recovered from the 1999, 2001 and 2002 bulk samples of the Hearne and 5034 pipes and the 1999 bulk sample of the Tuzo pipe (all to a 1.5 mm lower cutoff), were last reported using the August 2004 diamond prices from the Diamond Trading Company (DTC). The modeled values per carat based on those valuations and production recovery factors as determined by De Beers, were reported on November 17, 2004. Since August 2004, diamond prices have risen due to strong demand and the DTC has increased their selling prices in January and June 2005 by an average of 3 percent each time according to industry sources. The modeled values for the three pipes were adjusted using the June 2005 DTC diamond prices.

The table shows the weighted average modeled values per carat for the three pipes in August 2004 and June 2005.

Name of Pipe	August 2004 Modeled Value Per Carat (US $ per Carat)	June 2005 Modeled Value Per Carat (US $ per Carat)
5034	79.20	85.70
Hearne	65.00	70.00
Tuzo	53.00	56.00

As can be seen from the table the average modeled values per carat increased by an average of approximately 7 and 8 percent for the Hearne and 5034 pipes, respectively, and approximately 6 percent for the Tuzo pipe during the August 2004 to June 2005 time period.

Exploration

The Kelvin and Faraday kimberlite bodies (located approximately 9km and 12km respectively, northeast of Kennady Lake, which contains the three main diamond pipes), were discovered in 1999-2000. Exploration has been on-going in that area ever since. Encouraging thick kimberlite intersections have been discovered south of both these bodies. It is believed there is a diamondiferous dyke system that pinches and swells in that area. The Kelvin and Faraday bodies are small blows along this dyke system. In order to try to find larger bodies, which would significantly add to the resource size, De Beers conducted a very large ground gravity survey in that area from February 2004 to May 2004. Numerous ground gravity anomalies (drill targets), including a few larger ones, were identified. The few larger targets were drilled during May 2004 – June 2004 and only one two-meter thick dyke was intersected. De Beers analyzed the remaining targets in great detail and decided that the targets were too small to drill.

The Company engaged two consultants, a geologist and a geo-physicist, to independently analyze all possible exploration targets using all the gravity and EM surveys and to meet with De Beers to discuss the targets. They determined that some promising smaller targets remained undrilled and suggested that the Company might want to investigate these targets using the SGH (soil gas hydrocarbon) technique, which could possibly identify which of these targets are kimberlite. That would be more economic than drilling first. The SGH technique can only be done in the summer, and the Company and Camphor Ventures, Inc., are evaluating their options.

This aerial view of Kennady Lake shows the surface expression of kimberlites for the four pipes and the position of the Wallace and 5034 South pipes. The 5034 pipe extends partly under land while the Tuzo pipe broadens at depth. The depth of water above the pipes at the deepest points varies from 5 to 15 meters. The distance from the Tesla and the Hearne pipes to the 5034 pipe is approximately 1km while from the Tuzo pipe to the 5034 pipe is approximately 500 meters. The Wagner and Dunn kimberlite bodies are dykes.

The mining leases held by the joint venture (De Beers Canada, Inc., the Company and Camphor Ventures, Inc.) were up for renewal on July 17, 2005, and De Beers Canada, Inc., decided to retain the four mining leases that contain the main kimberlite bodies that are part of the permitting phase, for the joint venture. The Company and Camphor Ventures, Inc. have retained the leases that contain the Faraday and Kelvin bodies and the possible drill targets identified by the consultants. The remaining leases have been joint ventured with GGL Diamond Corp. and the joint venture will have a 1.5% GOR (Gross Overriding Royalty) on them.

Havari Gold Property

On February 22, 2005, the Company exchanged its 30% interest in the Havari gold property, located in Finland, with Northern Lion Gold Corporation (TSX-V: NL) for 4 million shares of Northern Lion. Northern Lion now owns 100% of the Havari gold property.

American Stock Exchange (AMEX)

On April 4, 2005, the Company's shares started trading on the American Stock Exchange under the symbol "MDM". The company is pleased with the listing on the AMEX and believes that shareholders will benefit from among other things, improved liquidity in the stock and a higher overall profile for the Company.

Management's Responsibility for Financial Reporting

The consolidated financial statements, the notes thereto and other financial information contained in the annual report are the responsibility of the management of the Company. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and, where appropriate, reflect management's best estimates and judgments based on currently available information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Audit Committee, which is comprised of Directors, meets with management as well as discusses relevant matters with the external auditors to satisfy itself that management is properly discharging its financial reporting to Directors who approve the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, the independent auditors, in accordance with generally accepted auditing standards. The auditors have full and unrestricted access to the audit committee.

Jan W. Vandersande
President, Chief Executive Officer
and Director
August 9, 2005

Elizabeth J. Kirkwood
Chairman, Chief Financial Officer
Secretary and Director
August 9, 2005

For additional information, reference is made to the Company's Annual Information Form on Form 20-F and the Management's Discussion and Analysis (MD&A), both filed on SEDAR (www.sedar.com) on June 29, 2005.

Report of Independent Registered Public Accounting Firm

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To the Shareholders

Mountain Province Diamonds Inc.

We have audited the accompanying consolidated balance sheets of Mountain Province Diamonds Inc. as at March 31, 2005 and 2004 and the consolidated statements of operations and deficit and cash flows for each of the years in the three-year period ended March 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We have conducted our audits in accordance with Canadian generally accepted auditing standards and with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as at March 31, 2005 and 2004 and the results of its operations and its cash flows for each of the years in the three-year period ended March 31, 2005 in accordance with Canadian generally accepted accounting principles.

As discussed in note 2(i) to the consolidated financial statements, the Company changed its method of accounting for stock-based compensation in 2005.

Canadian generally accepted accounting principles vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such measurement differences is presented in note 10 to the consolidated financial statements.

KPMG LLP

KPMG LLP
Chartered Accountants
Vancouver, Canada
June 10, 2005

Consolidated Balance Sheets

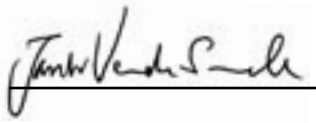
March 31, 2005 and 2004
(Expressed in Canadian dollars)

	2005	2004
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,001,104	$ 914,494
Accounts receivable	26,324	18,433
Marketable securities (note 3)	71,392	32,392
Advances and prepaid expenses	36,879	8,380
Total current assets	1,135,699	973,699
Long-term investment (note 4)	2,480,000	-
Mineral properties (note 5)	1,552,553	1,671,939
Deferred exploration costs (note 5)	30,865,670	30,861,544
Equipment (note 6)	4,235	6,371
Total assets	$ 36,038,157	$ 33,513,553
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 94,976	$ 272,746
Shareholders' equity:		
Share capital (note 7)	57,607,786	56,595,262
Contributed surplus (note 7(e))	257,925	24,419
Deficit	(21,922,530)	(23,378,874)
Total shareholders' equity	35,943,181	33,240,807
Total liabilities and shareholders' equity	$ 36,038,157	$ 33,513,553

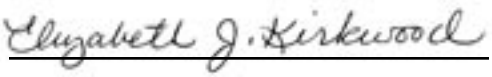
Subsequent event (note 7(c))

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:



Director



Director

Consolidated Statements of Operations and Deficit

Years ended March 31, 2005, 2004 and 2003
(Expressed in Canadian dollars)

	2005	2004	2003
Expenses:			
Amortization	$ 2,136	$ 2,853	$ 17,319
Capital taxes	-	5,307	-
Consulting fees (note 8)	141,586	182,846	165,055
Directors' fees and honorarium	2,700	33,350	12,493
Interest and bank charges	983	1,137	2,489
Management fees (note 8)	-	-	45,000
Office and miscellaneous	89,941	73,312	132,898
Professional fees (note 8)	235,680	307,441	240,203
Promotion and investor relations	30,503	94,803	213,760
Property evaluation and maintenance	-	-	62,076
Rent	18,466	23,600	37,095
Salaries and benefits	-	78,805	166,550
Severance and contract termination (note 8)	-	368,668	331,500
Stock-based compensation (note 7(c))	189,400	-	24,419
Transfer agent and regulatory fees	114,459	37,890	55,697
Travel	22,648	21,479	59,944
	848,502	1,231,491	1,566,498
Other earnings (expenses):			
Gain on sale of mineral properties (notes 5(b) and 5(c))	4,226,634	-	-
Write-down of long-term investment	(1,860,000)	-	-
Interest	13,112	12,127	19,034
Loss on disposal of equipment	-	(3,972)	(44,862)
Write-down of mineral properties and deferred exploration	-	(589,669)	(120,435)
	2,379,746	(581,514)	(146,263)
Earnings (loss) before income taxes	1,531,244	(1,813,005)	(1,712,761)
Income tax expense (note 9)	-	-	5,581
Net earnings (loss) for the year	1,531,244	(1,813,005)	(1,718,342)
Deficit, beginning of year:			
As previously reported	(23,378,874)	(21,565,869)	(19,847,527)
Adjustment on adoption of new accounting standard for stock-based compensation (note 2(i))	(74,900)	-	-
As restated	(23,453,774)	(21,565,869)	(19,847,527)
Deficit, end of year	$ (21,922,530)	$ (23,378,874)	$ (21,565,869)
Basic and diluted earnings (loss) per share	$ 0.03	$ (0.04)	$ (0.03)
Weighted average number of shares outstanding	51,781,905	50,759,430	49,345,950

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended March 31, 2005, 2004 and 2003
(Expressed in Canadian dollars)

	2005	2004	2003
Cash provided by (used in):			
Cash flows provided by (used in) operating activities:			
Net earnings (loss) for the year	$ 1,531,244	$ (1,813,005)	$ (1,718,342)
Items not involving cash:			
Amortization	2,136	2,853	17,319
Stock-based compensation expense	189,400	156,000	24,419
Gain on sale of mineral properties	(4,226,634)	-	-
Write-down of long-term investment	1,860,000	-	-
Loss on disposal of equipment	-	3,972	44,862
Write-down of mineral properties and deferred exploration	-	589,669	120,435
Changes in non-cash operating working capital:			
Accounts receivable	(7,891)	6,508	13,738
Advances and prepaid expenses	(28,499)	1,816	(3,004)
Accounts payable and accrued liabilities	(177,770)	32,651	11,886
Due to related party	-	(50)	(95,986)
	(858,014)	(1,019,586)	(1,584,673)
Cash flows provided by (used in) investing activities:			
Purchase of equipment	-	-	(19,105)
Proceeds on sale of equipment	-	4,002	1,000
Mineral properties	(37,106)	-	(21,839)
Deferred exploration costs	-	-	-
	(37,106)	4,002	(39,944)
Cash flows provided by financing activities:			
Shares issued for cash, net of share issue costs	981,730	720,002	2,248,814
Increase (decrease) in cash and cash equivalents	86,610	(295,582)	624,197
Cash and cash equivalents, beginning of year	914,494	1,210,076	585,879
Cash and cash equivalents, end of year	$ 1,001,104	$ 914,494	$ 1,210,076
Supplementary information:			
Income taxes paid	$ -	$ 8,307	$ 8,201
Non-cash transactions			
Shares issued in exchange for sale of Haveri property (note 5(b))	4,340,000	-	-
Shares issued in exchange for sale of Baffin Island claim (note 5(c))	39,000	-	-
Shares issued pursuant to consulting agreement (note 8)	-	156,000	-

See accompanying notes to consolidated financial statements.

1. Nature of operations:

On November 1, 1997, Mountain Province Mining Inc. and 444965 B.C. Ltd. amalgamated and continued as Mountain Province Mining Inc. under the Company Act (British Columbia). During the year ended March 31, 2001, the Company changed its name to Mountain Province Diamonds Inc.

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain mineral reserves that are economically recoverable. The underlying value and recoverability of the amounts shown for mineral properties and deferred exploration costs is dependent upon the ability of the Company and/or its mineral property partners to complete exploration and development and discover economically recoverable reserves and upon future profitable production or proceeds from disposition of the Company's mineral properties. Failure to discover economically recoverable reserves will require the Company to write-off costs capitalized to date.

2. Significant accounting policies:

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. A reconciliation of material measurement differences between Canadian generally accepted accounting principles and United States generally accepted accounting principles and practices prescribed by the Securities and Exchange Commission, is included in note 10.

(a) Basis of consolidation:

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany amounts and transactions have been eliminated on consolidation.

(b) Cash and cash equivalents:

Cash equivalents consist of highly liquid short-term investments that are readily convertible to known amounts of cash and generally have maturities of three months or less when acquired.

(c) Marketable securities:

Marketable securities are carried at the lower of cost and quoted fair market value.

(d) Long-term investment:

The long-term investment has arisen on the sale of mineral property interests in exchange for shares of the purchaser and is accounted for by the cost method. The shares received are valued at the quoted market price on or about the date the agreement to sell the mineral properties is entered into and announced. Earnings from long-term investment are recognized only to the extent received. The investment is written down when there has been a loss in value that is other than a temporary decline.

(e) Mineral properties and deferred exploration costs:

The Company accounts for its mineral properties whereby all direct costs related to the acquisition, exploration and development of these properties are capitalized. All sales and option proceeds received are first credited against the costs of the related property, with any excess credited to earnings. Once commercial production has commenced, the net costs of the applicable property will be charged to operations using the unit-of-production method based on estimated recoverable reserves. On an ongoing basis, the Company evaluates each property based on results to date to determine the nature of exploration work that is warranted in the future. If there is little prospect of future work on a property being carried out, the deferred costs related to that property are written down to the estimated amount recoverable.

2. Significant accounting policies (continued):

(e) Mineral properties and deferred exploration costs (continued):

The amounts reported as mineral properties and deferred exploration costs represent unamortized costs to date, less write-downs, and do not necessarily reflect present or future values.

All general and administrative expenses are expensed as incurred.

(f) Equipment:

Equipment is initially recorded at cost and amortized over their estimated useful lives on the declining balance basis at the following annual rates:

Asset	Rate
Furniture and equipment	20%
Computers	30%

(g) Impairment of long-lived assets:

Effective April 1, 2004, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3063, "*Impairment of Long-Lived Assets*". The Company assesses the impairment of long-lived assets, which consist of mineral property interests (including deferred exploration costs) and equipment, whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of a long-lived asset is then determined by a comparison of the carrying value of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the amount of the impairment is measured by the amount by which the carrying amount of the asset exceeds its fair value.

(h) Asset retirement obligations:

Effective April 1, 2004, the Company adopted the CICA Handbook Section 3110, "*Asset Retirement Obligations*" ("HB 3110"). HB 3110 requires that the fair value of a liability for an asset retirement obligation, such as site reclamation costs, be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The Company is required to record the estimated present value of future cash flows associated with site reclamation as a liability when the liability is incurred and increase the carrying value of the related assets for that amount. Subsequently, these asset retirement costs will be amortized to expense over the life of the related assets using the unit-of-production method. At the end of each period, the liability is increased to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying any initial fair value measurements (additional asset retirement costs).

As of March 31, 2005, the Company has determined that it does not have material obligations for asset retirement obligations. Accordingly, adoption of HB 3110 had no impact on the consolidated financial statements.

(i) Stock-based compensation:

Effective April 1, 2004, the Company adopted the revised provisions of the CICA Handbook Section 3870, "*Stock-based Compensation and Other Stock-based Payments*". As a result, the Company expenses the fair value of all stock options, calculated using the Black-Scholes option pricing model, over the vesting period commencing April 1, 2004.

2. Significant accounting policies (continued):

(i) Stock-based compensation (continued):

For the period from April 1, 2002 to March 31, 2004, the Company applied the fair value method of accounting for stock options granted to consultants and the settlement method for stock options granted to employees and directors. Under the settlement method, no stock-based compensation expense was recognized for options granted and proceeds received on the issuance of share capital pursuant to the exercise of stock options is credited to share capital. The pro forma effect of applying the fair value method for options granted to employees and directors to loss and loss per share for the years ended March 31, 2004 and 2003 is disclosed in note 7(c) to these consolidated financial statements. Prior to April 1, 2002, the Company applied the settlement method to all stock options granted.

As permitted, effective April 1, 2004, the Company has adopted the fair value based method for employee and director stock options granted on or after April 1, 2002, on a retroactive basis without restatement of prior periods.

The retroactive adoption of the changes discussed above resulted in an increase to opening deficit as at April 1, 2004 of $74,900 with respect to employee and director stock options granted in 2004 and 2003, an increase to the contributed surplus as at April 1, 2004 of $54,586 and an increase to share capital as at April 1, 2004 of $20,314 with respect to employee and director stock options granted and exercised in 2004 and 2003.

Direct awards of stock are expensed based on the market price of the shares at the time of the granting of the award.

(j) Income taxes:

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

(k) Earnings (loss) per share:

Basic earnings (loss) per share is calculated by dividing the earnings (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the year. For all periods presented, earnings (loss) available to the common shareholders equals the reported earnings or loss. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Diluted earnings per share is similar to basic earnings per share, except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential dilutive common shares had been issued. The treasury stock method assumes that the proceeds received on exercise of stock options is used to repurchase common shares at the average market value for the period.

(l) Foreign currency translation:

Monetary assets and liabilities denominated in a currency other than the Canadian dollar are translated at rates of exchange in effect at the balance sheet date. Revenue and expense items are translated at the average rates for the months in which such items are recognized during the year. Exchange gains and losses arising from the translation are included in the statement of operations.

2. Significant accounting policies (continued):

(m) Financial instruments:

The fair values of the Company's cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their carrying values because of the immediate or short term to maturity of these financial instruments. The fair value of marketable securities and long-term investment are disclosed in notes 3 and 4, respectively.

(n) Use of estimates:

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of the assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of impairment of mineral properties, deferred exploration, equipment and long-term investment, as well as the assumptions used in determining the fair value of stock-based compensation. Actual results could differ from these estimates.

(o) Comparative figures:

Certain of the prior year's comparative figures have been reclassified to conform with the current year's presentation.

3. Marketable securities:

The quoted market value of marketable securities at March 31, 2005 was $134,772 (2004 - $82,322).

4. Long-term investment:

The long-term investment consists of 4,000,000 common shares of Northern Lion Gold Corp. ("Northern Lion"), acquired upon disposal of the Company's remaining interest in the Haveri property (note 5(b)). The common shares are subject to a hold period expiring February 24, 2007, following which the Company is contractually obligated to sell not fewer than 250,000 common shares at a time and must first offer Northern Lion the right to place the number of shares that the Company wishes to sell. The Company has also agreed to provide Northern Lion's management a proxy for the purpose of voting the common shares for a period of three years. On acquisition, the Company has valued the shares based on the share price of Northern Lion using the weighted average price for the five days around the announcement date of the transaction and has recorded a gain on the sale in the amount of $4,187,634.

As at March 31, 2005, the Company has written down the investment to $2,480,000, reflecting the quoted market price of the shares as at March 31, 2005.

5. Mineral properties and deferred exploration:

Acquisition costs:

	2005	2004
Gahcho Kue Project	$ 1,552,553	$ 1,552,553
Haveri Project	-	119,386
	$ 1,552,553	$ 1,671,939

During the year ended March 31, 2005, the Company incurred $32,980 of costs related to the Haveri project prior to its sale.

Deferred exploration:

	Gahcho Kue project	Baffin Island project	Rabbit Tracks Diamond project	Total
Balance, March 31, 2002	$ 30,861,544	$ 559,949	$ 71,433	$ 31,492,926
Write-down of deferred exploration costs	-	-	(71,433)	(71,433)
Balance, March 31, 2003	30,861,544	559,949	-	31,421,493
Write-down of deferred exploration costs	-	(559,949)	-	(559,949)
Balance, March 31, 2004	30,861,544	-	-	30,861,544
Exploration expenditures:				
Consulting and other professional services	4,126	-	-	4,126
Balance, March 31, 2005	$ 30,865,670	$ -	$ -	$ 30,865,670

(a) Gahcho Kue project:

The Company currently holds a 44.1% interest in the Gahcho Kue project located in the District of Mackenzie, Northwest Territories, Canada. Other interests are held by De Beers Canada Exploration Inc. ("De Beers Canada") (51%) and Camphor Ventures Inc. ("Camphor") (4.9%). De Beers Canada has been granted the right to earn up to a 60% interest in the Gahcho Kue project.

De Beers Canada has agreed to carry all subsequent costs incurred and has committed to certain minimum expenditures and activities per year. Decisions are to be made jointly (via a management committee consisting of two members each from De Beers Canada and the Company) as to the further progress of the project, and specifically the timing of possible full conceptual pre-feasibility and feasibility studies. De Beers Canada is to continue to fund the exploration and development work. Once a desktop study shows that an internal rate of return of 15% can be achieved, De Beers Canada is to proceed with a feasibility study. If they do not proceed with the feasibility study, De Beers interest will be diluted down to 30%.

Upon completion of a feasibility study, De Beers Canada interest in the claims shall increase to 55% and upon development, construction and commencement of production of a commercial mine, De Beers Canada interest shall increase to 60%.

5. Mineral properties and deferred exploration (continued):

(a) Gahcho Kue project (continued):

All costs paid with respect to the expenses incurred by the venturers shall be repaid first to De Beers Canada for all exploration and development costs incurred by De Beers Canada outside of the Kennedy Lake area since March 8, 2000 out of 100% of annual available cash flow (i.e. cash flow after provision for ongoing operating and non-operating costs including third party debt repayments) from any mine constructed on the property with interest at a rate equal to LIBOR plus 5% compounded annually; then to all venturers for all other exploration, development and mine construction costs out of 90% of annual available cash flow from any mine constructed on the property with interest at a rate equal to LIBOR plus 4% compounded annually; and the remaining 10% of such available cash flow shall be distributed to the participants in proportion to their respective participating interests.

On November 26, 2003, the Board of Directors of De Beers Canada approved the commencement of a pre-feasibility study on the Gahcho Kue Project. The estimated $25 million cost is to be borne entirely by De Beers Canada. The in-depth pre-feasibility project is expected to be completed in calendar 2005.

(b) Haveri project:

The Company had a 100% interest in the Haveri Project, a mineral property located 175 kilometers north of Helsinki, Finland. On October 10, 2002, Northern Lion was granted an option to acquire a 70% undivided interest in the Haveri property, in exchange for expending a total of $1,650,000 in exploration and development expenditures by October 10, 2005. Northern Lion completed the necessary expenditures during the year ended March 31, 2005 and exercised its option to acquire a 70% interest in the Haveri property.

During the year ended March 31, 2005, the Company sold its remaining 30% interest in the Haveri property in exchange for 4,000,000 common shares of Northern Lion (note 4).

(c) Baffin Island project:

Pursuant to an agreement dated July 13, 1999, the Company was granted an option to acquire a 50% interest in four mineral claims located in the Northwest Territories and Nunavut Territory. In order to exercise the option and earn the 50% interest in the property, the Company had to incur expenditures on or in respect of the property of not less than $300,000 on or before July 13, 2000. The Company incurred the minimum required expenditure and exercised its option. Subsequent to entering into the agreement, the Company staked another claim that was subject to the option agreement.

During the year ended March 31, 2004, the property and related deferred exploration was written down to a nil value as the Company would not be proceeding with further exploration and would not be renewing the claims.

On September 27, 2004, the Company sold its interest in the one remaining Baffin Island mining claim to Patrician Diamonds Inc. ("Patrician") in exchange for 325,000 common shares of Patrician, the reservation of a 1% Net Smelter Royalty and the agreement to honour a 1% Net Smelter Royalty in favour of two stakeholders, which the Company has the unrestricted right and option to acquire upon payment of $1,000,000. The Company valued the shares based on the share price using the weighted average price for the five days around the announcement date of the transaction and recorded a gain on the sale in the amount of $39,000.

(d) Rabbit Tracks Diamond project:

During the year ended March 31, 2003, the Rabbit Tracks Diamond property in Manitoba was written down to a nil value.

6. Equipment:

2005	Cost	Accumulated amortization	Net book value
Furniture	$ 11,088	$ 9,079	$ 2,009
Equipment	4,065	4,048	17
Computers	14,584	12,375	2,209
	$ 29,737	$ 25,502	$ 4,235

2004	Cost	Accumulated amortization	Net book value
Furniture	$ 11,088	$ 8,772	$ 2,316
Equipment	4,065	2,830	1,235
Computers	14,584	11,764	2,820
	$ 29,737	$ 23,366	$ 6,371

7. Share capital:

(a) Authorized:

Unlimited number of common shares without par value

(b) Issued and fully paid:

	Number of shares	Amount
Balance, March 31, 2002	47,867,405	$ 53,470,446
Issued for cash pursuant to:		
Exercise of stock options	544,900	607,829
Exercise of warrants	2,169,766	1,640,985
Balance, March 31, 2003	50,582,071	55,719,260
Issued pursuant to consulting agreement (note 8)	60,000	156,000
Issued for cash pursuant to: Exercise of stock options	560,040	720,002
Balance, March 31, 2004	51,202,111	56,595,262
Adjustment on adoption of new accounting standard for stock-based compensation (note 2(i))	-	20,314
Issued for cash pursuant to:		
Exercise of stock options	202,858	282,321
Exercise of warrants	1,205,878	699,409
Stock-based compensation of options exercised during the year	-	10,480
Balance, March 31, 2005	52,610,847	$ 57,607,786

7. Share capital (continued):

(b) Issued and fully paid (continued):

On March 30, 2004, the Company cancelled 16,015,996 shares previously owned by its wholly-owned subsidiary Mountain Glen Mining Inc. ("Mountain Glen") that were received by the Company on the wind up of Mountain Glen. The cancelled shares have been excluded from the above table for all periods presented.

(c) Stock options:

The Company, through its Board of Directors and shareholders, adopted a November 26, 1998 Stock Option Plan (the "Plan") which was amended on February 1, 1999. As at March 31, 2005, the Company has 1,325,000 (2004 - 1,327,858; 2003 - 2,399,100) stock options outstanding in total, comprised of 1,325,000 (2004 - 1,327,858; 2003 - 1,919,100) granted inside the Plan and nil (2004 - nil; 2003 - 480,000) granted outside the plan.

	Number of shares	Weighted average exercise price
Balance, March 31, 2002	3,661,000	$ 1.78
Granted	364,000	1.61
Exercised	(544,900)	1.12
Expired	(1,081,000)	2.78
Balance, March 31, 2003	2,399,100	1.46
Granted	12,858	1.40
Exercised	(560,040)	1.29
Expired	(324,060)	2.19
Cancelled	(200,000)	1.32
Balance, March 31, 2004	1,327,858	1.37
Granted	200,000	1.96
Exercised	(202,858)	1.39
Balance, March 31, 2005	1,325,000	$ 1.48

The following table summarizes information about the stock options outstanding and exercisable at March 31, 2005:

	Options outstanding and exercisable		
	Number of shares	Weighted average remaining life	Weighted average exercise price
$0.67	50,000	1.73 years	$ 0.67
$1.25 - $1.50	1,050,000	1.17 years	1.38
$1.96	200,000	4.50 years	1.96
$2.06	25,000	2.98 years	2.06
	1,325,000	1.73 years	$ 1.48

7. Share capital (continued):

(c) Stock options (continued):

As at March 31, 2005, all options are fully vested.

During the year ended March 31, 2005, the Company granted 200,000 options to directors of the Company at an exercise price of $1.96 per share. These options expire October 1, 2009 and vested immediately. The weighted average grant date fair value of the options granted during the year ended March 31, 2005 was $0.95 per option, or $189,400 in aggregate.

During the year ended March 31, 2003, the Company granted 25,000 options to a consultant at an exercise price of $2.06 per share. These options had a term of five years or 30 days after cessation of the consulting agreement. The weighted average grant date fair value of these options was $0.98 per option, or $24,419 in aggregate.

During the year ended March 31, 2004, the Company granted 12,858 options to an employee at an exercise price of $1.40 per share. During the year ended March 31, 2003, the Company granted 339,000 options to directors and employees at exercise prices ranging from $1.36 to $1.71 per share. The weighted average grant date fair value of the options granted to employees in 2004 was $0.38 per option, or $4,943 in aggregate (2003 - $0.21 per option, or $69,957 in aggregate). In accordance with the Company's accounting policy (note 2(i)), no compensation expense was recorded in the financial statements for share options granted to directors and employees during the years ended March 31, 2004 and 2003.

The table below presents the net loss and net loss per share if the fair market value method of accounting was used for stock options granted to employees and directors for the years ended March 31, 2004 and 2003. The pro forma adjustments presented below pertain to the new options granted to employees since adoption of the stock-based compensation standards on April 1, 2002. As discussed in note 2(i), the pro forma adjustment amounts below were recorded as a cumulative adjustment to deficit as at April 1, 2004.

Reconciliation of pro forma net loss is as follows:

	2004	2003
Net loss as reported	$ (1,813,005)	$ (1,718,342)
Pro forma adjustment	(4,943)	(69,957)
Pro forma net loss	$ (1,817,948)	$ (1,788,299)
Pro forma basic and diluted loss per share	$ (0.04)	$ (0.04)

The fair value of the options granted has been estimated on the date of the grant using the Black- Scholes option pricing model with the following assumptions:

	2005	2004	2003
Dividend yield	0%	0%	0%
Expected volatility	50%	93%	62 - 75%
Risk-free interest rate	4.1%	3.0%	4.0%
Expected lives	5 years	5 to 8 months	1 to 30 months

Subsequent to March 31, 2005, 15,000 options were exercised for proceeds of $20,000.

7. Share capital (continued):

(d) Share purchase warrants:

The following presents the continuity of share purchase warrants outstanding:

Issue date	Balance, March 31, 2004	Issued	Exercised	Lapsed	Balance, March 31, 2005	Exercise price	Expiry date
December 6, 2001	1,205,878	-	1,205,878	-	-	$ 0.58	-

Issue date	Balance, March 31, 2003	Issued	Exercised	Lapsed	Balance, March 31, 2004	Exercise price	Expiry date
December 6, 2001	1,205,878	-	-	-	1,205,878	$ 0.58	December 6, 2004

(e) Contributed surplus:

A continuity of contributed surplus is as follows:

	Amount
Balance, March 31, 2002	$ -
Issuance of stock options	24,419
Balance, March 31, 2003 and 2004	24,419
Adjustment on adoption of new accounting standard for stock-based compensation (note 2(i))	74,900
Less fair value of employee options exercised prior to adoption of new accounting standard and transferred to share capital	(20,314)
	54,586
Issuance of stock options	189,400
Transfer to share capital on exercise of stock options	(10,480)
Balance, March 31, 2005	$ 257,925

8. Related party transactions:

As at March 31, 2005, $6,210 (2004 - $3,000) was owed to directors or companies controlled by directors of the Company. Amounts are repayable on demand, unsecured and non-interest bearing.

Included in management fees during the year ended March 31, 2005 is nil (2004 - nil; 2003 - $45,000) for management services paid to a director of the Company.

Included in professional fees during the year ended March 31, 2005 is $36,000 (2004 - $21,000; 2003 - nil) paid for corporate services to a company owned by a director of the Company.

During the year ended March 31, 2005, the Company paid $4,050 (2004 - $176,896; 2003 - $193,301) for consulting, management, property evaluation and administration services to a director and to companies in which other directors have an interest.

8. Related party transactions (continued):

During the year ended March 31, 2005, the Company paid nil (2004 - nil; 2003 - $20,340) for secretarial and public relations services to individuals related to a director of the Company.

During the year ended March 31, 2004, the Company entered into a new consulting agreement with the President of the Company. As compensation for terminating his old consulting agreement, the director received US$120,000 paid in 12 equal monthly instalments commencing January 1, 2004. As at March 31, 2004, the remaining US$90,000 was included in accounts payable and accrued liabilities. No amounts are unpaid at March 31, 2005. As further compensation, 60,000 shares were issued to the President on February 20, 2004 with 55,000 shares held in escrow to be released in 11 equal monthly portions commencing February 27, 2004. The value of the shares based on quoted market prices on the date of issuance, was $156,000 and this amount along with the US$120,000 cash payment, was charged to contract termination expense during the year ended March 31, 2004. During the year ended March 31, 2005, the President was paid $131,905 (US$7,500 per month plus benefits) pursuant to this consulting agreement.

During the year ended March 31, 2003, a severance payment of $331,500 was paid to a director of the Company.

9. Income taxes:

Income tax expense differs from the amounts computed by applying the combined federal and provincial tax rate of 36.1% to pre-tax income for the year ended March 31, 2005 primarily as a result of income which has been offset by unrecognized mineral property tax pools. Income tax recovery differs from the amounts computed by applying the combined federal and provincial tax rates of 36.1% and 42.6% for the years ended March 31, 2004 and 2003, respectively, primarily as a result of tax benefits which have not been recognized. Income tax expense of nil (2004 - nil; 2003 - $5,581) relates to large corporation tax.

As at March 31, 2004, the tax effect of the significant components within the Company's future tax asset (liability) are as follows:

	2005	2004
Mineral properties and deferred exploration	$ 579,000	$ 1,756,000
Loss carry forwards	2,168,000	2,095,000
Equipment	172,000	172,000
Other	6,000	3,000
	2,925,000	4,026,000
Valuation allowance	(2,925,000)	(4,026,000)
Net future income tax asset (liability)	$ -	$ -

At March 31, 2005, the Company has available losses for income tax purposes totalling approximately $6.0 million, expiring at various times from 2006 to 2012. Of the available losses, $2.3 million are subject to acquisition of control rules which may restrict their future deductibility. The Company also has available resource tax pools of approximately $34.0 million, which may be carried forward and utilized to reduce future taxable income. Included in the $34.0 million of tax pools is $24.9 million that is successored, which can only be utilized against taxable income from specific mineral properties.

10. Reconciliation to United States generally accepted accounting principles ("US GAAP"):

As disclosed in note 2, these financial statements have been prepared in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"). A description and reconciliation of material measurement differences from US GAAP and practices prescribed by the US Securities and Exchange Commission ("SEC") follows:

(a) Mineral properties and deferred exploration costs:

US GAAP requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing the review for recoverability, the Company is to estimate the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized. SEC staff have indicated that their interpretation of US GAAP requires mineral property exploration and land use costs to be expensed as incurred until commercially minable deposits are determined to exist within a particular property as cash flows cannot be reasonably estimated prior to such determination. Accordingly, for all periods presented, the Company has expensed all mineral property exploration and land use costs for US GAAP purposes. In fiscal 2002 and prior years, mineral property acquisition costs were capitalized for both Canadian and US GAAP purposes. In fiscal 2003, the Company changed its US GAAP accounting policy for property acquisition costs to expense these as incurred. Accordingly, $12,865,615 of mineral property acquisition costs, representing the cumulative effect of the change in accounting policy, have been expensed for US GAAP purposes in fiscal 2003, including $12,914,617 incurred in prior years.

For Canadian GAAP, cash flows relating to mineral property costs are reported as investing activities. For US GAAP, these costs would be characterized as operating activities.

(b) Stock-based compensation:

The Financial Accounting Standards Board in the U.S. has issued Statement of Financial Accounting Standards No.123, "*Accounting for Stock-Based Compensation*" ("FAS 123"). FAS 123 encourages entities to adopt a fair value methodology of accounting for employee stock-based compensation.

As permitted by FAS 123, the Company has elected to continue measuring compensation costs using the intrinsic value method of accounting for stock-based compensation as prescribed by APB Opinion No. 25. Under the intrinsic value method, compensation is the excess, if any, of the quoted market value of the stock at the date of the granting of options to employees and directors to purchase stock over the amount an optionee must pay to acquire the stock at that date. This excess is recognized by a charge to operations over the vesting period. As the exercise price of options granted by the Company to employees and directors approximates, or is greater than, the market value at the grant date, the Company has determined that the adoption of this accounting policy for stock options granted to employees and directors has no material effect on its results of operations for US GAAP purposes.

Under FAS 123, stock options granted to non-employees for services rendered to the Company are required to be accounted for as compensation cost and charged to operations as the services are performed and the options earned. The compensation cost is to be measured based on the fair value of the stock options granted. This method is similar to the Canadian standard adopted April 1, 2002, and the application of this accounting policy for US GAAP purposes does not result in a measurement difference for grants made in the years ended March 31, 2003 and 2004. The stock-based compensation expense in respect of stock options granted to non-employees, under US GAAP, based upon the fair value of the options granted, determined using an option pricing model, would cumulatively be $1,704,000 from the date of adoption of FAS 123 to March 31, 2002.

Effective April 1, 2004, the Company adopted the revised provisions of the CICA Handbook Section 3870, "Stock-Based Compensation and Other Stock-Based Payments". As a result, the Company now expenses the fair value of all stock options, calculated by using the Black-Scholes option pricing model commencing April 1, 2004.

10. Reconciliation to United States generally accepted accounting principles ("US GAAP") (continued):

(b) Stock-based compensation (continued):

For Canadian GAAP purposes, as permitted, the Company has adopted the fair value based method to all employee and director stock options granted on or after April 1, 2002, without restatement of prior periods. An adjustment has been made to contributed surplus and deficit as at April 1, 2004 in the amount of $74,900 to reflect the cumulative effect of the change in accounting policy, consistent with that permitted under the retroactive restatement method. An amount of $20,314 has also been transferred from contributed surplus to share capital as at April 1, 2004 in respect of employee and director options exercised during the years ended March 31, 2004 and 2003. In addition, the Company has booked stock-based compensation during the year ended March 31, 2005 of $189,400 for employee and director stock options. Under US GAAP, these adjustments and stock-based compensation amounts would not be recorded.

(c) Unrealized holding gains and losses on marketable securities:

Statement of Financial Accounting Standards Board No. 115, "*Accounting for Investments in Debt and Equity Securities*" ("FAS 115") requires that the Company's marketable securities be classified as available-for-sale securities and that they be recorded at market value with unrealized gains or losses recorded outside of income as a component of shareholders' equity unless a decline in value is considered to be other then temporary. The Company's marketable securities are presented at the lower of cost or market value under Canadian GAAP. At March 31, 2005, there is a cumulative unrealized gain of $63,380 (2004 - $49,930) between the carrying value and fair value of marketable securities which has been recorded through comprehensive income for US GAAP purposes in the amounts of $13,450, $(17,856) and $67,786 for each of the years ended March 31, 2005, 2004 and 2003, respectively.

As the long-term investment has been written down to fair value as at March 31, 2005, a GAAP measurement difference does not exist in respect of the long-term investment.

(d) Reporting comprehensive income:

Statement of Financial Accounting Standards No. 130 ("FAS 130") "*Reporting Comprehensive Income*", establishes standards for the reporting and display of comprehensive income and its components in a full set of general purpose financial statements. Comprehensive income equals net income (loss) for the period as adjusted for all other non-owner changes in shareholders' equity. FAS 130 requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement. For the year ended March 31, 2005, the Company has recorded an unrealized holding gain (loss) of $13,450 (2004 – ($17,856); 2003 - $67,786) on marketable securities classified as "available for sale" securities as a component of comprehensive income under US GAAP.

(e) Recent accounting pronouncements:

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "*Share-Based Payment*" ("SFAS No. 123R"), which replaces FASB's SFAS No. 123, "*Accounting for Stock-Based Compensation*", and supercedes APB Opinion No. 25, "*Accounting for Stock Issued to Employees*". SFAS No. 123R requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). That cost will be recognized over the period during which an employee is required to provide service in exchange for the award - the requisite service period (usually the vesting period). No compensation cost is recognized for equity instruments for which employees do not render the requisite service. Employee share purchase plans will not result in recognition of compensation cost if certain conditions are met; those conditions are much the same as the related conditions in SFAS No. 123. SFAS No. 123R will be effective for the Company commencing April 1, 2006. The Company has not yet determined the effect the adoption of SFAS No. 123R will have on its consolidated financial statements.

10. Reconciliation to United States generally accepted accounting principles ("US GAAP") (continued):

(f) Reconciliation:

The effect of the differences between Canadian GAAP and US GAAP (including practices prescribed by the SEC) on the consolidated balance sheets, statements of loss and cash flows is summarized as follows:

	Years ended March 31, 2005	2004
(*i*) Total assets, under Canadian GAAP	$ 36,038,157	$ 33,513,553
Adjustment for mineral property acquisition and deferred exploration costs (note 10(a))	(32,418,223)	(32,533,483)
Adjustment for change in fair value of available for sale marketable securities (notes 10(c) and (d))	63,380	49,930
Total assets, under US GAAP	$ 3,683,314	$ 1,030,000
(*ii*) Share capital:		
Share capital, under Canadian GAAP	$ 57,607,786	$ 56,595,262
Adjustment for fair value of employee and director options exercised prior to adoption of new accounting standard (note 10(b)) and transferred to share capital	(20,314)	-
Share capital, under US GAAP	$ 57,587,472	$ 56,595,262
(*iii*) Contributed surplus:		
Contributed surplus, under Canadian GAAP	$ 257,925	$ 24,419
Adjustment for issuance of employee stock options (note 10(b))	(189,400)	-
Adjustment on adoption of new accounting standard for stock-based compensation (note 10(b))	(74,900)	-
Adjustment for fair value of employee and director options exercised prior to adoption of new accounting standard (note 10(b)) and transferred to share capital	20,314	-
Adjustment for stock-based compensation (note 10(b))	1,704,000	1,704,000
Contributed surplus, under US GAAP	$ 1,717,939	$ 1,728,419
(*iv*) Accumulated other comprehensive income for US GAAP purposes:		
Adjustment for change in fair value of available for sale marketable securities (note 10(c) and (d))	$ 63,380	$ 49,930
(*v*) Deficit:		
Deficit, under Canadian GAAP	$ (21,922,530)	$ (23,378,874)
Adjustment for mineral property acquisition costs and deferred exploration (note 10(a))	(32,418,223)	(32,533,483)
Issuance of stock options (note 10(b))	189,400	-
Adjustment on adoption of new accounting standard for stock-based compensation (note 10(b))	74,900	-
Adjustments for stock-based compensation (note 10(b))	(1,704,000)	(1,704,000)
Deficit, under US GAAP	$ (55,780,453)	$ (57,616,357)

10. Reconciliation to United States generally accepted accounting principles ("US GAAP") (continued):

(f) Reconciliation (continued):

(*vi*) Loss and loss per share for the year:

	Years ended March 31		
	2005	2004	2003
Earnings (loss) for the year, under Canadian GAAP	$ 1,531,244	$ (1,813,005)	$ (1,718,342)
Adjustment for deferred exploration expenditures (note 10(a))	(4,126)	-	-
Adjustment for write-down of mineral property acquisition and deferred exploration costs (note 10(a))	-	589,669	120,435
Adjustment to gain on sale of mineral property previously written off (note 10(a))	119,386	-	-
Adjustment for stock-based compensation (note 10(b))	189,400	-	-
Earnings (loss) before cumulative effect of change in accounting policy	1,835,904	(1,223,336)	(1,597,907)
Adjustment for change in accounting policy for mineral property acquisition costs (note 10(a))	-	-	(12,914,617)
Earnings (loss) for the year, under US GAAP	1,835,904	(1,223,336)	(14,512,524)
Other comprehensive income:			
Change in fair value of available for sale marketable securities (noted 10(c) and (d))	13,450	(17,856)	67,786
Comprehensive earnings (loss), under US GAAP	$ 1,849,354	$ (1,241,192)	$ (14,444,738)
Basic and diluted earnings (loss) per share, under US GAAP	$ 0.04	$ (0.02)	$ (0.29)
(*vii*) Cash provided by (used in) operating activities, under Canadian GAAP	$ (858,014)	$ (1,019,586)	$ (1,584,673)
Adjustment for mineral properties (note 10(a))	-	-	(21,839)
Adjustment for deferred exploration (note 10(a))	(37,106)	-	-
Cash provided by (used in) operating activities, under US GAAP	$ (895,120)	$ (1,019,586)	$ (1,606,512)
(*viii*) Cash provided by (used in) investment activities, under Canadian GAAP	$ (37,106)	$ 4,002	$ (39,944)
Adjustment for mineral properties (note 10(a))	-	-	21,839
Adjustment for deferred exploration (note 10(a))	37,106	-	-
Cash provided by (used in) investment activities, under US GAAP	$ -	$ 4,002	$ (18,105)


Kennady Lake
TESLA
DUNN
TUZO
5034 SOUTH
5034
WALLACE
WAGNER
HEARNE
0
200
400
Metres

Mountain Province Diamonds Inc.

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Jan W. Vandersande, Ph.D.
PRESIDENT, CHIEF EXECUTIVE OFFICER AND DIRECTOR

Carl G. Verley, B.Sc., P. Geol.
DIRECTOR

David E. Whittle, B.Com., C.A.
DIRECTOR

D.H.W. (Harry) Dobson
DIRECTOR

Jonathan Comerford, B.A., M.B.S.
DIRECTOR

Shares Traded

MPV – Toronto Stock Exchange
MDM – American Stock Exchange (AMEX)

Capitalization*

Shares Authorized	500,000,000
Shares Issued*	XXXXXXXXX
Fully Diluted*	XXXXXXXXX

*As of XXXXXXXXXX

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