Consolidated Financial Statements
(Expressed in Canadian Dollars)

MOUNTAIN PROVINCE DIAMONDS INC.

As at December 31, 2015 and 2014
And for the years ended December 31, 2015, 2014 and 2013

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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 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 International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") appropriate in the circumstances.

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

"Patrick C. Evans"
Patrick C. Evans
President and Chief Executive Officer

"Bruce Ramsden"
Bruce Ramsden
VP Finance and Chief Financial Officer

Toronto, Canada
March 29, 2016

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Management has designed such internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS as issued by the IASB.

Because of its inherent limitations, the Company's internal control over financial reporting may not prevent or detect all possible misstatements or frauds. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

To evaluate the effectiveness of the Company's internal control over financial reporting, Management has used the Internal Control – Integrated Framework (2013), which is a suitable, recognized control framework established by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Management has assessed the effectiveness of the Company's internal control over financial reporting and concluded that such internal control over financial reporting is effective as of December 31, 2015. The Company's independent auditors, KPMG LLP, have issued an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

March 29, 2016

INDEPENDENT AUDITORS' REPORT OF REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of Mountain Province Diamonds Inc.

We have audited the accompanying consolidated financial statements of Mountain Province Diamonds Inc., which comprise the consolidated balance sheets as at December 31, 2015 and December 31, 2014, the consolidated statements of comprehensive loss, equity and cash flows for each of the years in the three-year period ended December 31, 2015, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Mountain Province Diamonds Inc. as at December 31, 2015 and December 31, 2014, and its consolidated financial performance and its consolidated cash flows for each of the years in the three-year period ended December 31, 2015 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Other Matter

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Mountain Province Diamond Inc.'s internal control over financial reporting as of December 31, 2015, based on the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 29, 2016 expressed an unmodified (unqualified) opinion on the effectiveness of Mountain Province Diamonds Inc.'s internal control over financial reporting.

Chartered Professional Accountants, Licensed Public Accountants
March 29, 2016
Toronto, Canada

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Shareholders of Mountain Province Diamonds Inc.

We have audited Mountain Province Diamonds Inc.'s internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Mountain Province Diamonds Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Mountain Province Diamonds Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Mountain Province Diamonds Inc. as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive loss, equity, and cash flows for each of the years in the three-year period ended December 31, 2015, and our report dated March 29, 2016 expressed an unmodified (unqualified) opinion on those consolidated financial statements.

Chartered Professional Accountants, Licensed Public Accountants
March 29, 2016
Toronto, Canada

Consolidated Balance Sheets

In Canadian dollars

	Notes		December 31, 2015		December 31, 2014
ASSETS					
Current assets					
Cash		$	9,081,791	$	3,779,907
Short-term investments			-		77,261,842
Amounts receivable			1,348,018		1,597,060
Prepaid expenses			758,249		2,245,319
			11,188,058		84,884,128
Restricted cash	6		94,512,019		-
Financing costs	9		13,891,403		2,570,914
Property and equipment	7		463,256,628		213,539,470
Total assets		$	582,848,108	$	300,994,512
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable and accrued liabilities	13	$	28,193,849	$	38,087,790
Derivative liabilities	10		15,746,449		-
			43,940,298		38,087,790
Loan facility	9		205,686,683		-
Derivative liabilities	10		1,495,304		-
Decommissioning and restoration liability	8		23,044,826		7,996,825
Shareholders' equity:					
Share capital	11		472,285,993		377,614,185
Share-based payments reserve	11		4,775,687		2,507,424
Deficit			(168,380,683)		(125,211,712)
Total shareholders' equity			308,680,997		254,909,897
Total liabilities and shareholders' equity		$	582,848,108	$	300,994,512
Contingencies and commitments	5 & 7				
Subsequent event	11 (iii)				

On behalf of the Board:

"Patrick Evans"
Director

"Jonathan Comerford"
Director

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

Consolidated Statements of Comprehensive Loss
In Canadian dollars

	Notes	Year ended December 31, 2015	Year ended December 31, 2014	Year ended December 31, 2013
Expenses:				
Consulting fees	11 & 13	$ (4,123,689)	$ (1,550,392)	$ (2,527,607)
Depreciation		(8,537)	(6,795)	(259,334)
Exploration and evaluation expenses	14	(32,001)	(1,508,329)	(21,837,083)
Gahcho Kué Project management fee	13	-	-	(1,113,848)
Office and administration		(499,676)	(385,326)	(318,735)
Professional fees		(678,842)	(429,272)	(353,421)
Promotion and investor relations		(134,606)	(125,757)	(194,894)
Director fees		(179,678)	(264,232)	(145,153)
Transfer agent and regulatory fees		(408,834)	(232,772)	(180,412)
Travel		(250,713)	(223,964)	(157,497)
Loss for the period from operations		$ (6,316,576)	$ (4,726,839)	$ (27,087,984)
Accretion expense on decommissioning and restoration liability	8	(186,326)	(214,211)	(23,882)
Other income (expenses):				
Interest income		1,130,419	458,659	355,428
Management fees	13	90,000	90,000	152,500
Derivative loss	10	(19,408,350)	-	-
Finance costs		(253,838)	-	-
Foreign exchange loss		(18,224,300)	-	-
Loss on sale of marketable securities		-	(1,688)	-
Net loss for the year		$ (43,168,971)	$ (4,394,079)	$ (26,603,938)
Other Comprehensive Loss				
Items that are and may be reclassified subsequently to profit and loss:				
Reclassification of loss on sale of marketable securities		-	1,688	-
Change in fair value of available-for-sale marketable securities		-	(646)	(5,931)
Other comprehensive loss		-	1,042	(5,931)
Total comprehensive loss for the year		$ (43,168,971)	$ (4,393,037)	$ (26,609,869)
Basic and diluted loss per share	11(iv)	$ (0.28)	$ (0.04)	$ (0.28)
Weighted average number of shares outstanding		153,476,202	113,865,562	94,838,537

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

Consolidated Statements of Equity

In Canadian dollars

	Notes	Number of shares	Share capital	Share-based payments reserve	Deficit	Accumulated other comprehensive income (loss)	Total
Balance, January 1, 2013		94,168,151	$ 180,170,247	$ 1,233,857	$ (94,213,695)	$ 4,889	$ 87,195,298
Net loss for the year		-	-	-	(26,603,938)	-	(26,603,938)
Issuance of common shares – Rights Offering, net of costs		5,889,200	28,807,501	-	-	-	28,807,501
Issuance of common shares – exercise of options		444,000	559,440	-	-	-	559,440
Fair value of options exercised from share-based payments reserve		-	283,272	(283,272)	-	-	-
Share-based payment expense		-	-	1,240,821	-	-	1,240,821
Other Comprehensive Loss:							
Available-for-sale financial assets							
- Current period unrealized losses		-	-	-	-	(5,931)	(5,931)
Balance, December 31, 2013		100,501,351	$ 209,820,460	$ 2,191,406	$ (120,817,633)	$ (1,042)	$ 91,193,191
Net loss for the year		-	-	-	(4,394,079)	-	(4,394,079)
Issuance of common shares – Private Placements, net of costs		34,703,199	167,793,725	-	-	-	167,793,725
Share-based payment expense		-	-	316,018	-	-	316,018
Other Comprehensive Loss:							
Available-for-sale financial assets							
- Current period unrealized losses		-	-	-	-	(646)	(646)
- Reclassification of loss on sale of marketable securities		-	-	-	-	1,688	1,688
Balance, December 31, 2014		135,204,550	$ 377,614,185	$ 2,507,424	$ (125,211,712)	$ -	$ 254,909,897
Net loss for the year		-	-	-	(43,168,971)	-	(43,168,971)
Issuance of common shares – Rights Offering, net of costs	**11(ii)**	23,761,783	91,821,808	-	-	-	91,821,808
Stand-by fee	**11(ii)**	712,500	2,850,000	-	-	-	2,850,000
Share-based payment expense		-	-	2,268,263	-	-	2,268,263
Balance, December 31, 2015		**159,678,833**	**$ 472,285,993**	**$ 4,775,687**	**$ (168,380,683)**	**$ -**	**$ 308,680,997**

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

Consolidated Statements of Cash Flows

In Canadian dollars

	Notes	Year ended December 31, 2015	Year ended December 31, 2014	Year ended December 31, 2013
Cash provided by (used in):				
Operating activities:				
Net loss for the year		$ (43,168,971)	$ (4,394,079)	$ (26,603,938)
Adjustments:				
Accretion expense on decommissioning and restoration liability		186,326	214,211	23,882
Depreciation		8,537	6,795	259,334
Share-based payment expense		2,268,263	316,018	1,240,821
Interest income		(1,130,419)	(458,659)	(355,428)
Financing costs		253,838		
Loss on derivative liabilities		19,408,350	-	-
Foreign exchange loss		18,224,300	-	-
Loss on sale of marketable securities		-	1,688	-
Changes in non-cash operating working capital:				
Amounts receivable		80,857	(982,451)	(276,702)
Prepaid expenses and supplies		(11,170)	8,372,547	(12,054,423)
Accounts payable and accrued liabilities		(363,461)	(11,934,754)	5,146,918
		(4,243,550)	(8,858,684)	(32,619,536)
Investing activities:				
Interest income		1,130,419	458,659	355,428
Restricted cash		(94,512,019)	-	-
Proceeds from sale of marketable securities		-	2,944	-
Amounts receivable		168,185	-	-
Payments for property and equipment		(239,795,590)	(112,267,464)	(9,108,832)
Redemption of short-term investments		77,261,842	(52,918,620)	23,075,775
		(255,747,163)	(164,724,481)	14,322,371
Financing activities:				
Loan facility		198,178,927	-	-
Financing costs		(27,660,314)	(1,775,125)	-
Proceeds from option exercises		-	-	559,440
Proceeds from share issuance, net of costs	11(ii)	94,671,808	167,793,725	28,807,501
		265,190,421	166,018,600	29,366,941
Effect of foreign exchange rate changes in cash		102,176	-	-
Increase (decrease) in cash		5,301,884	(7,564,565)	11,069,776
Cash, beginning of year		3,779,907	11,344,472	274,696
Cash, end of year		$ 9,081,791	$ 3,779,907	$ 11,344,472

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

1. NATURE OF OPERATIONS

Mountain Province Diamonds Inc. (“Mountain Province” and together with its subsidiaries collectively, the “Company”) was incorporated on December 2, 1986 under the British Columbia Company Act. The Company amended its articles and continued incorporation under the Ontario Business Corporation Act effective May 8, 2006. The Company is involved in the discovery and development of diamond properties in Canada’s Northwest Territories.

The address of the Company’s registered office and its principal place of business is 161 Bay Street, Suite 2315, PO Box 216, Toronto, ON, Canada, M5J 2S1. The Company’s shares are listed on the Toronto Stock Exchange (“TSX”) under the symbol ‘MPV’ and on the NASDAQ under the symbol ‘MDM’.

The Company is in the process of developing the Gahcho Kué Project (“Gahcho Kué Diamond Mine”) in conjunction with De Beers Canada Inc. (“De Beers Canada”) (Note 7). The underlying value and recoverability of the amounts shown as “Property and Equipment” are dependent on development and commissioning, and upon future profitable production or proceeds from disposition of the Company’s assets. Failure to meet the obligations for the Company’s share in the Gahcho Kué Diamond Mine may lead to dilution of the interest in the Gahcho Kué Diamond Mine and may require the Company to write off costs capitalized to date.

Authorization of Financial Statements

These consolidated financial statements were approved by the Board of Directors on March 29, 2016.

2. BASIS OF PRESENTATION

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. The policies set out below were consistently applied to all the periods presented.

These financial statements were prepared under the historical cost convention, as modified by the revaluation of cash, short-term investments and available-for-sale financial assets at fair value.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below.

(i) Basis of consolidation

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

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

The Company’s interest in the Gahcho Kué Diamond Mine is held through 2435386 Ontario Inc.

A subsidiary is an entity controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A subsidiary is included in the consolidated financial statements from the date control is obtained until the date control ceases. All intercompany balances, transactions, income, expenses, profits and losses, including unrealized gains and losses have been eliminated on consolidation.

The Company has determined that its interest in the Gahcho Kué Diamond Mine through its joint arrangement is a joint operation under International Financial Reporting Standard 11, Joint Arrangement, and, accordingly has recorded the assets, liabilities, revenues and expenses in relation to its interest in the joint operation. The Company's interest in the Gahcho Kué Diamond Mine is bound by a contractual arrangement establishing joint control over the project through required unanimous consent of the Company and De Beers Canada (the "Participants") for strategic, financial and operating policies of the Gahcho Kué Diamond Mine. The Gahcho Kué Diamond Mine management committee has two representatives of each of the Company and De Beers Canada. The Participants have appointed De Beers Canada as the operator of the Gahcho Kué Diamond Mine.

(ii) 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 denominated in foreign currencies are re-translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Exchange differences are recognized in profit or loss in the period in which they arise and presented in the consolidated Statements of Comprehensive Loss.

(iii) Share-based payments

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. Details regarding the determination of the fair value of equity-settled share-based payment transactions are set out in Note 11.

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. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest, if any.

Equity-settled share-based payment transactions with parties other than employees, if any, are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

(iv) 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 Loss because of items of income or expense that are taxable or deductible in other years, and items that are never taxable or deductible.

Deferred tax is recognized on 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 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 other 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 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 current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred taxes are recognized in profit or loss, 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.

(v) 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.

Exploration and evaluation 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 used in determining technical feasibility and commercial viability of the Gahcho Kué Diamond Mine are demonstrable are the following;

- completion of a feasibility study;
- obtaining required permits to construct the Gahcho Kué Diamond Mine;
- completion of an evaluation of the financial resources required to construct the Gahcho Kué Diamond Mine;
- availability of financial resources necessary to commence development activities to construct the Gahcho Kué Diamond 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 also recognizes exploration and evaluation costs as assets when acquired as part of a business combination, or asset purchase, or as a result of rights acquired relating to a mineral property.

(vi) Property and equipment

Property 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 cost, 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.

Amortization is provided on property, plant and equipment. Amortization is calculated so as to allocate the cost of each asset over its expected useful life to its estimated residual value. 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.

Corporate assets	two to five years, straight line
Vehicles	three to five years, straight line
Production and related equipment	three to ten years, straight line
General infrastructure	four to ten years, straight line
Earthmoving equipment	estimated hours
Assets under construction	not depreciated until production

(vii) Impairment of non-financial assets

The carrying value of the Company's capitalized property and equipment is assessed for impairment when indicators of such impairment exist. If any indication of impairment exists, 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 to sell for the asset and the asset's value in use. In assessing value in use, the estimated future cash flows are

discounted to their present value using a pre-tax 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 Company's other group of assets. The Company has determined that it has one CGU.

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.

(viii) Capitalized interest

Interest costs for qualifying assets are capitalized. Qualifying assets are assets that require a significant amount of time to prepare for their intended use, including projects that are in development or construction stages. Capitalized interest costs are considered an element of the cost of the qualifying asset. Capitalization ceases when the asset is substantially complete or if active development is suspended or ceases. Where funds borrowed are directly attributable to a qualifying asset, the amount capitalized represents the borrowing costs specific to those borrowings.

(ix) Financial instruments

The Company classifies financial assets into the following categories: loans and receivables; fair value through profit or loss; held-to-maturity; and available-for-sale. The Company classifies financial liabilities into the following categories: fair value through profit or loss and other financial liabilities category. Financial assets are initially measured at fair value. Subsequent measurement and recognition of the changes in fair value of financial instruments depends upon their initial classifications, as follows:

- Financial assets and financial liabilities at fair value through profit and loss include financial assets and financial liabilities that are held for trading or designated upon initial recognition as at fair value through profit and loss. These financial instruments are measured at fair value with changes in fair values recognized in profit or loss.

- Financial assets classified as available-for-sale are measured at fair value, with changes in fair values recognized as Other Comprehensive Income ("OCI"), except when there is objective evidence that the asset is impaired, at which point the cumulative loss that had been previously recognized in OCI is recognized in profit or loss.

- Financial assets classified as held-to-maturity and loans and receivables are measured subsequent to initial recognition at amortized cost using the effective interest method.

- Financial liabilities, other than financial liabilities classified as fair value through profit and loss, are measured in subsequent periods at amortized cost using 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.

The Company may enter into derivative financial instruments to mitigate economic exposures to interest rate and currency exchange rate fluctuations. Derivatives are initially recognized at fair value; any directly attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss. The fair values of derivative assets and liabilities are determined using

valuation techniques with assumptions based on prevailing market conditions on the reporting date. Pursuant to the Loan Facility described in Note 9, the Company entered into foreign currency forward strip and interest rate swap contracts, described in Note 10.

Derivative instruments are classified as current or non-current assets or liabilities, depending on their maturity dates. Derivative assets are not offset against derivative liabilities.

Derivative financial liabilities
Derivative instruments, including embedded derivatives, are recorded at their fair value on the date the derivative contract is entered into. They are subsequently remeasured at their fair value at each reporting date, and the changes in the fair value are recognized in profit or loss.

The Company has classified its financial instruments as follows:

Asset/Liability	Classification	Measurement
Cash	Fair value through profit and loss	Fair value
Short-term investments	Fair value through profit and loss	Fair value
Derivative liabilities	Fair value through profit and loss	Fair value
Amounts receivable	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Marketable securities	Available-for-sale	Fair value
Accounts payable and accrued liabilities	Other liabilties	Amortized cost
Loan facility	Other liabilties	Amortized cost

The Company's cash consists of balances with banks. Short-term investments are investments with original maturities of greater than three months when acquired (see Note 5).

The Company had no held-to-maturity financial assets at December 31, 2015 and 2014.

(x) 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 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, 2015 other than the provision for decommissioning and restoration associated with the Mineral Properties.

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. Over time, the discounted liability is increased 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. For closed sites, changes to estimated costs are recognized immediately in profit or loss.

(xi) Loss per share

Basic loss or earnings per share is calculated by dividing loss or earnings attributable to common shares divided by the weighted average number of shares outstanding during the year.

Diluted loss or earnings per share is calculated using the denominator of the basic calculation described above adjusted to include the potentially dilutive effect of outstanding stock options. The denominator is increased by the total number of additional common shares that would have been issued by the Company assuming exercise of all stock options with exercise prices below the average market price for the year.

(xii) Standards and amendments to existing standards that are not yet effective and have not been adopted early by the Company

At the date of authorization of these financial statements, certain new standards and amendments to existing standards have been published but are not yet effective, and have not been adopted early by the Company. The Company anticipates that all of the relevant standards will be adopted by the Company in the first period beginning after the effective date of the standard. Information on new standards and amendments that are expected to be relevant to the Company's financial statements is provided below.

Financial instruments

In July 2014, the IASB issued the final version of International Financial Reporting Standard 9, Financial Instruments ("IFRS 9") bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. The mandatory effective date of IFRS 9 is annual periods beginning on or after January 1, 2018, with early adoption permitted. Management is currently assessing the impact of adopting IFRS 9 on the consolidated financial statements along with timing of adoption of IFRS 9.

Property, plant and equipment and intangible assets

In May 2014, the IASB issued amendments to International Accounting Standard 16 Property, plant and equipment, ("IAS 16") and International Accounting Standard 38, Intangible assets ("IAS 38"). The amendments are effective for annual periods beginning on or after January 1, 2016 and are to be applied prospectively. The amendments clarify the factors in assessing the technical or commercial obsolescence and the resulting depreciation period of an asset and state that a depreciation method based on revenue is not appropriate. The amended standard is not expected to have a significant impact on the consolidated financial statements.

Leases

On January 13, 2016, the IASB issued International Financial Reporting Standard 16, Leases ("IFRS 16"). The new standard will replace existing lease guidance in IFRS and related interpretations, and requires companies to bring most leases on-balance sheet. The new standard is effective for years beginning on or after January 1, 2019. The Company is currently assessing the impact of IFRS 16.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates, which, by their nature, are uncertain and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

i) Significant judgments in applying accounting policies

The areas which require management to make significant judgments in applying the Company's accounting policies in determining carrying values include, but are not limited to:

a) *Impairment analysis – mineral properties*

As required under IAS 36 – Impairment of Assets ("IAS 36"), the Company reviews its mineral properties for impairment based on results to date and when events and changes in circumstances indicate that the carrying value of the assets may not be recoverable. The Company is required to make certain judgments in assessing indicators of impairment. The Company's assessment is that as at December 31, 2015, 2014 and 2013 no indicator of an impairment in the carrying value of its mineral properties had occurred.

ii) 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) *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 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 commodity 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.

b) *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.

c) *Stock options*

The stock option pricing model requires the input of highly subjective assumptions including the expected life and volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

d) *Deferred taxes*

Deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and on unused losses carried forward, and are measured using the substantively enacted tax rates that are expected to be in effect when the differences are expected to reverse or losses are expected to be utilized. Deferred tax assets are recorded to recognize tax benefits only to the extent that, based on available evidence, including forecasts, it is probable that they will be realized. The Company has not recorded the benefit of tax losses or deductible temporary differences.

5. FINANCIAL INSTRUMENTS

Fair value measurement

The Company categorizes each of its fair value measurements in accordance with a fair value hierarchy. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (for example, interest rate and yield curves observable at commonly quoted intervals, forward pricing curves used to value currency and commodity contracts and volatility measurements used to value option contracts), or inputs that are derived principally from or corroborated by observable market data or other means. Level 3 inputs are unobservable (supported by little or no market activity).

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

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

		Carrying amount				Fair value			
December 31, 2015	Note	Loans and receivables	Fair value through profit and loss	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value									
Cash		$ -	$ 9,081,791	$ -	$ 9,081,791	$ 9,081,791	$ -	$ -	$ 9,081,791
Financial assets not measured at fair value									
Amounts receivable		1,348,018	-	-	1,348,018				
Restricted cash		94,512,019	-	-	94,512,019				
		95,860,037	-	-	95,860,037				
Financial liabilities measures at fair value									
Derivative liabilities		-	17,241,753	-	17,241,753	-	17,241,753	-	17,241,753
Financial liabilities not measured at fair value									
Accounts payable and accrued liabilities		-	-	28,193,849	28,193,849				
Loan facility		-	-	205,686,683	205,686,683	-	216,908,983	-	216,908,983
		-	-	233,880,532	233,880,532				

		Carrying amount				Fair value			
December 31, 2014	Note	Loans and receivables	Fair value through profit and loss	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value									
Cash		$ -	$ 3,779,907	$ -	$ 3,779,907	$ 3,779,907	$ -	$ -	$ 3,779,907
Short-term investments		-	77,261,842	-	77,261,842	-	77,261,842	-	77,261,842
		-	81,041,749	-	81,041,749				
Financial assets not measured at fair value									
Amounts receivable		1,597,060	-	-	1,597,060				
Financial liabilities not measured at fair value									
Accounts payable and accrued liabilities		-	-	38,087,790	38,087,790				

Short-term investments at December 31, 2014 are cashable guaranteed investment certificates ("GICs") held with a major Canadian financial institution. GICs are measured using a discounted cash flow model, where the future value of the GIC is discounted to the reporting period using the market interest rate.

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

Fair value assets and liabilities classified as Level 2 are valued using discounted cash flow ("DCF") models. These models require a variety of observable inputs including market prices, forward price curves, yield curves and credit spreads. These inputs are obtained from or verified with the market where possible.

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

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 maximum exposure to credit risk for its amounts receivable is summarized as follows:

	December 31, 2015	December 31, 2014
0-30 days	**$ 1,321,257**	$ 1,536,394
30 to 90 days	**-**	49,964
More than 90 days	**26,761**	10,702
Total	**$ 1,348,018**	$ 1,597,060

On December 31, 2015 and 2014, 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 short-term investments are held with a major Canadian financial institution and thus the exposure to credit risk is considered insignificant. The short-term investments are in the form of guaranteed investment certificates ("GICs") and are cashable in whole or in part, with interest, at any time to maturity. 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 $1,312,782 (2014 – approximately $1,532,499).

The Company's current policy is to hold excess cash in bank accounts. It periodically monitors the investment income it makes and is satisfied with the credit ratings of its bank.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. Additional funds from the Loan Facility (Note 9) will be required to fund its share of the construction of the Gahcho Kué Diamond Mine. 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. Drawdowns under the Loan Facility are subject to certain conditions, including approval of a quarterly cost to complete report prepared by an independent technical consultant.

As at December 31, 2015, the Company has drawn US$158 million or $218.672 million Canadian dollar equivalent from the Loan Facility. Subsequent draws on the Loan Facility are subject to satisfaction of certain conditions (Note 9).

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
Operating lease obligations	$ 142,256	$ 11,855	$ -	$ -	**$ 154,111**
Gahcho Kué Diamond Mine commitments	66,169,607	-	-	-	**66,169,607**
Trade and other payables	28,193,849	-	-	-	**28,193,849**
Loan facility - Principal	-	164,192,718	54,479,282	-	**218,672,000**
Loan facility - Interest	15,670,300	26,084,400	1,398,300	-	**43,153,000**
Interest Rate Swap Contracts:					
Outflows	2,628,750	1,227,392	(289,119)	(7,286)	**3,559,737**
Forward Exchange Contracts*:					
(Inflows)	(130,485,120)	(10,547,404)	-	-	**(141,032,524)**
Outflows	143,970,448	11,727,455	-	-	**155,697,903**
	$ 126,290,090	**$ 192,696,416**	**$ 55,588,463**	**$ (7,286)**	**$ 374,567,683**

*The foreign exchange contracts inflows and outflows have been signed with the syndicate of lenders. In the scenario where one or more of these lenders are unable to pay, the Company could be exposed to the outflow of agreed upon funds for the remaining contracts at that time. Any offsetting would be at the discretion of the lenders. The Company believes it has no significant credit risk.

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 is exposed to interest rate risk on its outstanding borrowings, interest rate swap contracts and short-term investments (2014). The Company has entered into interest rate swaps (Note 10) to fix its interest rate exposure for 75% of its U.S. dollar Loan Facility and therefore has interest rate exposure to the remaining 25%. As December 31, 2015, the total Loan Facility drawn was US$158 million and interest rate swaps of US$117.7 million are currently in effect.

At December 31, 2015, a 100 basis point increase in the LIBOR interest rate for the 75% interest rate swap portion would have resulted in a decrease to interest by approximately $9.96 million. A 100 basis point decrease in the LIBOR interest rate for the 75% interest rate swap portion would have resulted in an increase to interest by approximately $10.15 million.

At December 31, 2015, a 100 basis point increase in LIBOR interest rate for the 25% floating portion would have resulted in an increase to interest by approximately $53,100. A 100 basis point decrease in LIBOR interest rate for the 25% floating portion would have resulted in a decrease to interest by approximately $53,100.

(ii) Foreign currency

The Company is exposed to financial 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 development costs of the Gahcho Kué Diamond Mine will be in Canadian dollars, but funded through the U.S. dollar Loan Facility (Note 10). The Company has entered into foreign currency forward strip contracts (Note 10) to mitigate the risk that a devaluation of the U.S. dollar against the Canadian dollar would reduce the Canadian dollar equivalent to the U.S. dollar Loan Facility and the Company would not have sufficient Canadian dollar funds to develop the Gahcho Kué Diamond Mine. The foreign currency forward strip contracts increase the exposure to financial risk related to foreign exchange rates. Currency risk relates to the U.S. dollar Loan Facility, foreign currency forward strip contracts and cash and restricted cash denominated in U.S. dollars.

As at December 31, 2015, the Company had cash and restricted cash, derivative liabilities and the Loan Facility that are in U.S. dollars.

Cash	$	2,400,000
Restricted cash		500,000
Derivative liabilities		(17,200,000)
Loan facility		(218,700,000)
Total	**$**	**(233,000,000)**

A 10% appreciation or depreciation of the Canadian dollar relative to the U.S. dollar at December 31, 2015 would have resulted in an increase or decrease to net loss of approximately $23.3 million.

6. RESTRICTED CASH

Total restricted cash of $94,512,019 at December 31, 2015 (December 31, 2014 – $Nil) included $93,521,348 held in a restricted cost overrun account and $990,671 held in a restricted proceeds account. The amounts held in the restricted cost overrun reserve account are restricted for the use of funding potential cost overruns of the Gahcho Kué Diamond Mine, and the use of this account must be approved by the lenders under the Loan Facility agreement (Note 9). The amounts held in the restricted proceeds account are restricted for the use of funding the Company’s share of expenditures for the Gahcho Kué Diamond Mine, the amounts will be used to fund the Company’s share of expenditures in the first quarter of 2016. These amounts are restricted under the Loan Facility agreement.

7. PROPERTY AND EQUIPMENT

The Company's property and equipment as at December 31, 2015 and 2014 are as follows:

	Corporate assets	Vehicles	Production and related equipment	General infrastructure	Earthmoving equipment	Mineral properties	Assets under construction	Total
Cost								
At January 1, 2014	$ 38,877	$ 728,263	$ 177,030	$ 993,163	$ 1,773,510	$ 45,596,529	$ 12,281,302	$ 61,588,674
Decommissioning and restoration adjustment	-	-	-	-	-	2,557,952	-	2,557,952
Additions	-	1,474,510	260,768	3,507,483	8,450,313	10,000,000	128,322,309	$ 152,015,383
At December 31, 2014	38,877	2,202,773	437,798	4,500,646	10,223,823	58,154,481	140,603,611	216,162,009
Decommissioning and restoration adjustment	-	-	-	-	-	14,861,675	-	14,861,675
Additions*	12,183	-	-	-	192,122	-	236,679,883	236,884,188
At December 31, 2015	**$ 51,060**	**$ 2,202,773**	**$ 437,798**	**$ 4,500,646**	**$ 10,415,945**	**$ 73,016,156**	**$ 377,283,494**	**$ 467,907,872**
Accumulated depreciation								
At January 1, 2014	$ (14,119)	$ (87,719)	$ (19,511)	$ (145,553)	$ (37,287)	$ -	$ -	$ (304,189)
Depreciation	(6,795)	(519,970)	(194,672)	(713,352)	(883,561)	-	-	(2,318,350)
At December 31, 2014	(20,914)	(607,689)	(214,183)	(858,905)	(920,848)	-	-	(2,622,539)
Depreciation	(8,537)	(390,152)	(34,698)	(584,767)	(1,010,551)	-	-	(2,028,705)
At December 31, 2015	**$ (29,451)**	**$ (997,841)**	**$ (248,881)**	**$ (1,443,672)**	**$ (1,931,399)**	**$ -**	**$ -**	**$ (4,651,244)**
Carrying amounts								
At December 31, 2014	$ 17,963	$ 1,595,084	$ 223,615	$ 3,641,741	$ 9,302,975	$ 58,154,481	$ 140,603,611	$ 213,539,470
At December 31, 2015	**$ 21,609**	**$ 1,204,932**	**$ 188,917**	**$ 3,056,974**	**$ 8,484,546**	**$ 73,016,156**	**$ 377,283,494**	**$ 463,256,628**

*Included in the additions of Assets under construction is $11,386,094 of borrowing costs

The Company's mineral asset, the Gahcho Kué Diamond Mine, is in the development stage. Based on successful permitting and demonstrated technical feasibility and commercial viability of the Gahcho Kué Diamond Mine, in December 2013 the Company commenced capitalizing all development expenditures incurred related to the Gahcho Kué Diamond Mine.

The Company holds a 49% interest in the Gahcho Kué Diamond Mine located in the Northwest Territories, Canada, and De Beers Canada holds the remaining 51% interest. The arrangement between the Company and De Beers Canada is governed by an agreement entered into on July 3, 2009 (the "2009 Agreement").

Under a previous agreement (the "2002 Agreement") in effect until July 3, 2009, De Beers Canada carried all costs incurred by the Project, and De Beers Canada had no recourse to the Company for repayment of funds until, and unless, the Project was built, in production, and generating net cash flows.

On July 3, 2009, the Company entered the 2009 Agreement with De Beers Canada (jointly, the "Participants") under which:

(a) The Participants' continuing interests in the Gahcho Kué Diamond Mine will be Mountain Province 49% and De Beers Canada 51%, with the Company's interest no longer subject to the dilution provisions in the 2002 Agreement except for normal dilution provisions which are applicable to both Participants. On October 2, 2014, Mountain Province assigned its 49% interest to its wholly-owned subsidiary 2435386 Ontario Inc. to the same extent as if 2435386 Ontario Inc. had been the original party to the Joint Venture Agreement;

(b) Each Participant will market their own proportionate share of diamond production in accordance with their participating interest;

(c) Each Participant will contribute their proportionate share to the future project development costs;

(d) Material strategic and operating decisions will be made by consensus of the Participants as long as each Participant has a participating interest of 40% or more;

(e) The Participants have agreed that the sunk historic costs to the period ending on December 31, 2008 will be reduced and limited to $120,000,000;

(f) The Company will repay De Beers Canada $59 million (representing 49% of an agreed sum of $120,000,000) plus interest compounded on the outstanding amounts in settlement of the Company's share of the agreed historic sunk costs. At December 31, 2015, the following amounts have not been settled and have not been accrued:

- $10 million following the commencement of commercial production (commencement of commercial production means the first day of the calendar month following the first thirty consecutive days (excluding maintenance days) that the relevant Mine has achieved and maintained 70% of rated Production specified in the relevant Feasibility Study); and
- The balance of approximately $24.4 million plus accumulated interest of approximately $25.8 million within 18 months following commencement of commercial production, which is targeted to take place by January 2017. At December 31, 2015, accumulated interest of approximately $19.1 million. Accumulated interest is being calculated at the prevailing LIBOR rate plus 5%.

2435386 Ontario Inc. has agreed that the marketing rights provided to the Company in the 2009 Agreement will be diluted if the Company defaults on certain of the payments described above.

Since these payments are contingent on certain events occurring, and/or work being completed, they will be recorded as the payments become due or are made. As these contingent payments are made, they are being capitalized to Mineral Properties.

In 2014 and 2015, the Company and De Beers signed agreements allowing the Operator to utilize De Beers' credit facilities to issue reclamation and restoration security deposits to the federal and territorial governments. In accordance with these

agreements, the Company agreed to a 3% fee for the share of the security deposits issued. As at December 31, 2015, the Company's share of the security deposits issued were $14,378,228 (2014 - $18,133,951).

8. DECOMMISSIONING AND RESTORATION LIABILITY

The Gahcho Kué Diamond Mine decommissioning and restoration liability was calculated using the following assumptions as at December 31, 2015 and 2014:

	December 31, 2015	December 31, 2014
Expected undiscounted cash flows	$ 30,571,835	$ 11,125,600
Discount rate	2.15%	2.33%
Inflation rate	2.02%	2.00%
Periods	2028	2028

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

The continuity of the decommissioning and restoration liability at December 31, 2015 and 2014 is as follows:

	December 31, 2015	December 31, 2014
Balance, beginning of year	$ 7,996,825	$ 5,224,662
Change in estimate of discounted cash flows	14,861,675	2,557,952
Accretion recorded during the year	186,326	214,211
Balance, end of the year	$ 23,044,826	$ 7,996,825

9. LOAN FACILITY

On April 2, 2015, the Company through its subsidiary 2435572 Ontario Inc. entered into a Loan Facility of US$370 million with a syndicate of lenders led by Natixis S.A., Scotiabank and Nedbank Ltd. and including ING Capital LLC, Export Development Canada and the Bank of Montreal. On April 29, 2015, Société Générale joined the lender syndicate. The Lenders hold security over the Company's 49% interest in the Gahcho Kué Diamond Mine held through the Company's subsidiaries. The term of the Loan Facility is seven years and the interest rate is U.S. dollar LIBOR plus 5.5 percent. The Loan Facility has a drawdown schedule that commenced on April 7, 2015 and ends on March 31, 2017 to correspond with the projected construction period. When the Company reaches commercial production, it will be subject to certain financial and insurance covenants.

Drawdowns under the Loan Facility are subject to certain conditions, including approval of a quarterly cost to complete report prepared by an independent technical consultant. The Company has funded a Cost Overrun Reserve Account (Note 6), which is restricted to be used to fund potential cost overruns of the project, and use of this account must be approved by the lenders. A cost to complete shortfall would exist if available funding remaining under the Loan Facility is less than the projected costs to completion of the project. Such shortfall would represent a cost overrun. If the Lenders are satisfied that the cost overrun can be funded with amounts in the Cost Overrun Reserve Account then no event of default would have occurred, and the lenders would approve further drawdown against the Loan Facility. If the available resources under the Loan Facility plus the Cost Overrun Reserve Account were insufficient to fund the project to completion, additional funding would be required and no amounts would be available to be drawn until the default was remedied.

The Loan Facility will be used to fund the Company's share of the remaining construction cost of the Gahcho Kué Diamond Mine, associated fees, general and administrative costs, interest costs and repayment of $10 million of sunk costs which become payable to De Beers Canada on achievement of commercial production (Note 7), targeted for in January 2017.

At December 31, 2015, US$158 million ($218,672,000 Canadian) was outstanding under the Loan Facility. The loan is carried at amortized cost on the consolidated balance sheet. As at December 31, 2015, financing costs totalling $29,181,602 consisting primarily of fees payable to the lenders, legal and financial advisory fees, other financing related expenses and commitment fees relating to the Loan Facility have been deferred. The loan amount of $218,672,000 has been reduced by a pro-rata portion of the deferred financing costs relative to what has been drawn to date, which is being amortized over the life of the Loan Facility using the effective interest method. The resulting balance of financing costs as at December 31, 2015 is $13,891,403 (December 31, 2014 - $2,570,914) and will be allocated to future drawdowns and amortized over the life of the Loan Facility using the effective interest rate method. Unamortized deferred financing costs as at December 31, 2015 is $12,985,317, which is netted against the Loan Facility.

The following table shows the repayment schedule for the Loan Facility:

Year	Principal repayment
2017	US $ 24,791,085
2018	93,845,271
2019	100,948,191
2020	46,778,076
2021	63,039,904
2022	40,597,473
Total	**US $ 370,000,000**

Finance costs for the year ended December 31, 2015 were $10,192,292 (December 31, 2014 and 2013 - $Nil) and include interest expense calculated using the effective interest method; adjusted for interest paid on interest rate swaps and foreign exchange of the interest paid and accrued. These financing costs have been capitalized to assets under construction.

10. DERIVATIVE LIABILITIES

On April 7, 2015, the Company entered into U.S. dollar interest rate swaps to manage interest rate risk associated with the U.S. dollar variable rate Loan Facility (Note 9) and entered into foreign currency forward strip contracts to mitigate the risk that a devaluation of the U.S. dollar against the Canadian dollar would reduce the Canadian dollar equivalent to the U.S. dollar Loan Facility and the Company would not have sufficient Canadian dollar funds to develop the Gahcho Kué Diamond Mine. The interest rate swaps and forward strip contracts are secured on an equal basis with the Loan Facility and documented in the form of International Swaps Derivatives Association Master Agreements.

These derivatives have been classified as "non-hedge derivatives". Changes in fair value of the interest rate swap and foreign currency forward strip contracts are recognized in the Statement of Comprehensive Loss as gains or losses on derivatives.

Interest Rate Swap Contracts

The Company has entered into U.S. dollar floating-to-fixed interest rate swaps intended to economically fix the interest rate on 75% of the outstanding principal of the balance of the Loan Facility based on the forecast loan drawdown schedule up to a maximum of US$277 million. The interest rate swaps terminate on March 31, 2020. The Company will pay a fixed rate of 1.827% and will receive a variable rate based on the 3 month LIBOR forward curve, reset quarterly. Payments are settled on a quarterly basis in March, June, September, and December of each year.

The table below provides a summary of interest rate swap contracts outstanding as at December 31, 2015:

Period of Interest Rate Contracts		Notional Amount (USD)
January 1, 2016 to December 31, 2016	$	224,693,146
January 1, 2017 to December 1, 2017		277,500,000
January 1, 2018 to December 31, 2018		161,932,194
January 1, 2019 to December 31, 2019		41,995,998
January 1, 2020 to March 31, 2020		5,877,827

Foreign Currency Forward Strip

On April 7, 2015, the Company executed foreign currency forward strip contracts to buy Canadian dollars and sell U.S. dollars for the period from April 7, 2015 to February 1, 2017 for notional amounts of $219,125,894 or US$175,666,949, with a weighted average price of $1.2474/US$1 and on July 10, 2015, the Company executed foreign currency forward strip contracts to buy Canadian dollars and sell U.S. dollars for the period from August 4, 2015 to February 1, 2017 for notional amounts of $54,832,365 or US$43,130,678, with a weighted average price of $1.2713/US$1.

The table below provides a summary of currency contracts outstanding as at December 31, 2015:

Period of Currency Contracts		Notional Amount (CAD)		Weighted Average Price (USD)		Notional Amount (USD)
January 1, 2016 to December 31, 2016	$	130,485,120	$	1.2544	$	104,024,890
January 1, 2017 to February 1, 2017		10,547,404		1.2447		8,473,595
	$	141,032,524	$	1.2536	$	112,498,485

The following table shows amounts recognized in the Statement of Comprehensive Loss for the year ended December 31, 2015:

		Year ended December 31, 2015
Loss on derivative contracts - currency contracts	$	**(16,437,853)**
Loss on derivative contracts - interest rate swap contracts		**(2,970,497)**
Total	$	**(19,408,350)**

11. SHAREHOLDERS' EQUITY

i. Authorized share capital

Unlimited common shares, without par value
There is no other class of shares in the Company.

ii. Share capital

The number of common shares issued and fully paid as at December 31, 2015 is 159,678,833. There are no shares issued but not fully paid.

On March 31, 2015, the Company closed a Rights Offering for gross proceeds of approximately $95 million. Under the Rights Offering, each registered holder of common shares of the Company as of the record date established as of February 27, 2015, received one right (a "Right") for each share held. 5.69 Rights plus the sum of $4.00 was required to subscribe

for one share ("Rights Share"). The Rights expired on March 30, 2015 (the "Expiry Date") with unexercised Rights becoming void and without value. The Rights were listed on the TSX until their expiry.

The Company entered into a stand-by agreement with Mr. Dermot Desmond an insider of the Company and principal owner of Bottin (International) Investments Ltd. ("Bottin") under which he undertook to fully subscribe for those Rights Shares not otherwise subscribed for on the Expiry Date. Mr. Dermot Desmond fully exercised his rights and received the previously agreed stand by fee of 3%. Mr. Desmond requested that payment be received in common shares of the Company at a price of $4.00 per common share, which was subject to shareholder approval at the Annual Special Meeting held on June 16, 2015. Shareholder approval was received and on June 25, 2015, Mr. Desmond was issued 712,500 common shares of the Company.

A total of 135,204,550 Rights were exercised by shareholders for 23,761,783 shares.

On October 16, 2014, Mountain Province closed a bought-deal private placement and non-brokered private placement for common shares for gross proceeds of $100,000,000. Mountain Province issued 20,000,000 common shares at a price of $5.00 per share. Transaction costs in the amount of $3,803,500 were paid in relation to the bought-deal private placement and other share issuance costs of $237,822 were incurred in connection with the private placements.

On June 28, 2014, Mountain Province closed a non-brokered private placement for common shares for gross proceeds of $45,525,140. Mountain Province issued 9,105,028 common shares at a price of $5.00 per share. Transaction costs in the amount of $755,250 were incurred which included 60,000 common shares at a price of $5.00 per share which were issued and other share issuance costs of $269,799.

On March 28, 2014, Mountain Province closed a bought-deal private placement and a non-brokered private placement for common shares for gross proceeds of $28,244,672. Mountain Province issued 5,538,171 common shares at a price of $5.10 per share. Transaction costs in the amount of $1,058,942 were paid in relation to the private placements and other share issuance costs of $150,775 were incurred in connection with the private placements.

On November 27, 2013**,** Mountain Province closed a non-brokered private placement of common shares for gross proceeds of $29,446,000. Mountain Province issued 5,889,200 common shares at a price of $5.00 per share. Transaction costs in the amount of $567,330 were paid in relation to the private placement and share issuance costs of $71,169 were incurred in connection with the private placement.

iii. Stock Options and Share-based Payments Reserve

The Company, through its Board of Directors and shareholders, adopted a stock option plan (the "Plan") which, among other things, allows for the maximum number of shares that may be reserved for issuance under the Plan to be 10% of the Company's issued and outstanding shares at the time of the grant. The Board of Directors has the authority and discretion to grant stock option awards within the limits identified in the Plan, which includes provisions limiting the issuance of options to insiders and significant shareholders to maximums identified in the Plan. As at December 31, 2015, the aggregate maximum number of shares pursuant to options granted under the Plan will not exceed 15,967,883 shares, and there were 12,867,883 shares available to be issued under the Plan. All stock options are settled by the issuance of common shares.

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

	December 31, 2015			December 31, 2014			December 31, 2013		
	Number of options		**Weighted average exercise price**	Number of options		Weighted average exercise price	Number of options		Weighted average exercise price
Balance at beginning of year	**1,400,000**	**$**	**5.08**	1,200,000	$	5.04	794,000	$	2.12
Granted during the year	**1,700,000**		**4.18**	200,000		5.29	850,000		4.89
Exercised during the year	**-**		**-**	-		-	(444,000)		1.26
Balance at end of the year	**3,100,000**	**$**	**4.58**	1,400,000	$	5.08	1,200,000	$	5.04
Options exercisable at the end of the year	**3,033,333**	**$**	**4.59**	1,350,000	$	5.11	1,200,000	$	5.04

The fair value of the 1,700,000 stock options granted during the year ended December 31, 2015 has been estimated on the date of the grant using the Black-Scholes option pricing model which is consistent with the methodology used in 2014 and 2013. The assumptions are presented below. Expected volatility is calculated by reference to the weekly closing share price for a period that reflects the expected life of the options. 200,000 stock options were granted in the year ended December 31, 2014 and valued using the assumptions below and 850,000 stock options were granted in the year ended December 31, 2013 and valued using the assumptions below.

	December 31, 2015	December 31, 2014	December 31, 2013
Exercise price	**$3.57 - $4.66**	$5.29	$4.06 - $5.28
Expected volatility	**34.65% - 37.76%**	38.19%	42.17% - 44.04%
Expected option life	**5 years**	2.70 years	3.00 - 3.50 years
Expected forfeiture	**none**	none	none
Expected dividend yield	**0%**	0%	0%
Risk-free interest rate	**0.73% - 0.85%**	1.21%	1.14% - 1.77%

In the year ended December 31, 2013, 444,000 stock options were exercised for gross proceeds of $559,440. The market price of stock options exercised during the year ended December 31, 2013 was $2,261,240.

The following tables reflect the Black-Scholes values (share-based payments reserve amounts), the number of stock options outstanding, the weighted average of options outstanding, and the exercise price of stock options outstanding at December 31, 2015.

At December 31, 2015

Expiry Date		Black-Scholes Value	Number of Options	Exercise Price
January 9, 2016		487,085	150,000	6.13
March 8, 2017		463,500	200,000	4.84
January 31, 2018		133,700	100,000	4.08
March 10, 2018		129,300	100,000	4.06
March 17, 2018		64,250	50,000	4.11
May 13, 2018		156,700	100,000	5.00
July 2, 2018		802,500	500,000	5.28
February 13, 2019		274,600	200,000	5.29
April 13, 2020		1,399,715	885,000	4.66
October 14, 2020		133,220	100,000	4.21
December 10, 2020		805,877	715,000	3.57
	$	4,850,447	3,100,000	4.58

The weighted average remaining contractual life of the options outstanding at December 31, 2015 is 3.45 years (December 31, 2014 - 3.06 years). On January 9, 2016, 150,000 options expired.

The share-based payments recognized as an expense for each year are:

		December 31, 2015		December 31, 2014		December 31, 2013
Expense recognized in the year for share-based payments	**$**	**2,268,263**	$	316,018	$	1,240,821

The share-based payments expense for the years ended December 31, 2015, 2014 and 2013 is recorded in consulting fees.

iv. Loss Per Share

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

		Year ended December 31, 2015		Year ended December 31, 2014		Year ended December 31, 2013
Numerator						
Net loss for the year	**$**	**(43,168,971)**	$	(4,394,079)	$	(26,603,938)
Denominator						
For basic - weighted average number of shares outstanding		**153,476,202**		113,865,562		94,838,537
Effect of dilutive securities		**-**		-		-
For diluted - adjusted weighted average number of shares outstanding		**153,476,202**		113,865,562		94,838,537
Loss Per Share						
Basic	**$**	**(0.28)**	$	(0.04)	$	(0.28)
Diluted	**$**	**(0.28)**	$	(0.04)	$	(0.28)

For the year ended December 31, 2015, stock options totaling 3,100,000 (2014 – 1,400,000 stock options; 2013 – 1,200,000 stock options) are not included in the calculation of diluted earnings per share since to include them would be anti-dilutive.

v. Shareholder Rights Plan

On September 7, 2010, the Board of Directors of the Company approved an amended Shareholder Rights Plan (the "Rights Plan"), which was ratified by the shareholders at the Annual General Meeting on November 18, 2010. The Rights Plan is intended to provide all shareholders of the Company with adequate time to consider value enhancing alternatives to a take-over bid and to provide adequate time to properly assess a take-over bid without undue pressure. The Rights Plan is also intended to ensure that the shareholders of the Company are provided equal treatment under a takeover bid.

12. 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% (2014 and 2013 – 26.5%):

	December 31, 2015	December 31, 2014	December 31, 2013
Loss before income taxes	**$ (43,168,971)**	$ (4,394,079)	$ (26,603,938)
	26.5%	*26.5%*	*26.50%*
Tax recovery calculated using statutory rates	**(11,439,777)**	(1,164,431)	(7,050,044)
Expenses not deductible (earnings not taxable)	**5,260,128**	84,395	329,796
Change in tax benefits not recognized	**6,179,649**	1,080,036	6,720,248
Income tax expenses (recovery)	**-**	-	-

Unrecognized deferred tax assets

Deductible temporary differences for which no deferred tax assets have been recognized are attributable to the following:

	December 31, 2015	December 31, 2014
Property and equipment	**$ 64,840,744**	$ 98,060,747
Decommissioning and restoration liability	**23,044,826**	7,996,825
Loss carryforwards	**29,839,942**	1,487,695
Share and debt issuance cost	**16,864,018**	6,417,087
Loan facility	**5,976,483**	-
Derivative liabilities	**17,241,753**	-
	$ 157,807,766	$ 113,962,354

As at December 31, 2015, the Company had the following non-capital losses available for carry forward and certain other tax attributes as follows:

		Amounts	Expiry Date
Tax basis of property and equipment	$	506,675,395	Indefinite
Capital loss carryforwards	$	2,166,000	Indefinite
Non-capital loss carryforwards	$	27,673,942	2026-2035

13. RELATED PARTIES

The Company's related parties include the operator of the Gahcho Kué Diamond Mine, Dermot Desmond, Bottin, key management and their close family members, and the Company's directors. Kennady Diamonds Inc. ("Kennady Diamonds") is also a related party since the Company and Kennady Diamonds have common members of key management.

Related party transactions are recorded at their exchange amount, being the amount agreed to by the parties. Outstanding balances are settled in cash.

The Company had the following transactions and balances with its related parties including key management personnel including the Company's directors, Dermot Desmond, Bottin, the operator of the Gahcho Kué Diamond Mine, and Kennady Diamonds. The transactions with key management personnel are in the nature of remuneration. The transactions with the operator of the Gahcho Kué Diamond Mine relate to the funding of the Company's interest in the Gahcho Kué Diamond Mine for the current year's expenditures, capital additions and management fee. The transactions with Kennady Diamonds are for a monthly management fee charged by the Company and reimbursement of expenses paid on behalf of Kennady Diamonds.

As discussed in Note 11, the Company issued 712,500 common shares or the equivalent of $2,850,000 to Mr. Dermot Desmond as a standby fee.

The balances as at December 31, 2015 and 2014 were as follows:

		December 31, 2015		December 31, 2014
Payable to the operator of the Gahcho Kué Diamond Mine*	$	1,210,408	$	1,345,183
Receivable from Kennady Diamonds		8,475		-
Payable to key management personnel		-		398,895

*included in accounts payable and accrued liabilities

The transactions for the year ended December 31, 2015, 2014 and 2013 were as follows:

		Year ended December 31, 2015		Year ended December 31, 2014		Year ended December 31, 2013
The total of the transactions:						
Kennady Diamonds	$	90,000	$	90,000	$	152,500
Remuneration to key management personnel		3,843,355		1,426,256		2,457,759
Asset purchase from De Beers Canada Inc.		32,945		70,560		-
Management fee charged by the operator of the Gahcho Kué Diamond Mine		6,522,109		4,067,683		1,113,848

The remuneration expense of directors and other members of key management personnel for the year ended December 31, 2015, 2014 and 2013 were as follows:

	Year ended December 31, 2015	Year ended December 31, 2014	Year ended December 31, 2013
Consulting fees, director fees, bonus and other short-term benefits	$ **1,575,092**	$ 1,110,238	$ 1,216,938
Share-based payments	**2,268,263**	316,018	1,240,821
	$ **3,843,355**	$ 1,426,256	$ 2,457,759

In accordance with International Accounting Standard 24 Related Parties, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

14. EXPLORATION AND EVALUATION COSTS

	December 31, 2015	December 31, 2014	December 31, 2013
Camp support and personnel	$ -	$ -	$ 1,001,910
Transportation and fuel	-	-	1,871,771
Drilling	**32,001**	1,508,329	990,223
Permitting	-	-	3,469,838
Safety, health and environmental costs	-	-	44,574
De Beers overhead	-	-	1,866,632
Engineering, procurement and construction management	-	-	12,483,069
Other	-	-	109,066
Total	$ **32,001**	$ 1,508,329	$ 21,837,083

15. CAPITAL MANAGEMENT

The Company considers its capital structure to consist of share capital, share-based payments reserve, and net of deficit. The Company manages its capital structure and makes adjustments to it, in order to have the funds available to support the acquisition, exploration and development of mineral properties. 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 Company's main property, Gahcho Kué Diamond Mine, is in the development stage, and as such the Company is dependent on external equity financing to fund its activities. In order to carry out the planned management of our properties and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company's capital is summarized as follows:

	December 31, 2015	December 31, 2014
Share capital	$ 472,285,993	$ 377,614,185
Share-based payments reserve	4,775,687	2,507,424
Deficit	(168,380,683)	(125,211,712)
	$ 308,680,997	$ 254,909,897

There were no changes in the Company's approach to capital management during the year ended December 31, 2015. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

16. SEGMENTED REPORTING

The Company has determined that it has only one operating segment.

17. PRIOR YEAR BALANCES

Certain prior year balances have been reclassified to conform to current year presentation.