



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

**MOUNTAIN PROVINCE  
DIAMONDS INC.**

Three and six months ended June 30, 2023  
(Unaudited)

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**RESPONSIBILITY FOR CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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

The unaudited condensed consolidated interim financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the Company's audited consolidated financial statements as at December 31, 2022. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the balance sheet date. The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards 34 – Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") appropriate in the circumstances.

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

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

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

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

*"Mark Wall"*

Mark Wall

President and Chief Executive Officer

Toronto, Canada

August 10, 2023

*"Steven Thomas"*

Steven Thomas

VP Finance and Chief Financial Officer

**Condensed Consolidated Interim Balance Sheets**

Expressed in thousands of Canadian dollars  
(Unaudited)

Notes	June 30, 2023	December 31, 2022
<b>ASSETS</b>		
Current assets		
Cash	\$ 9,310	\$ 17,247
Amounts receivable	3,763	912
Prepaid expenses and other	188	345
Derivative assets	14 3,056	2,214
Inventories	5 204,910	160,789
	<b>221,227</b>	181,507
Restricted cash	17 31,497	30,723
Reclamation deposit	250	250
Property, plant and equipment	6 687,619	686,061
<b>Total assets</b>	<b>\$ 940,593</b>	<b>\$ 898,541</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 57,724	\$ 43,623
Income taxes payable	302	-
Decommissioning and restoration liability	7 1,607	1,057
Lease obligations	248	317
Warrant liability	9, 10 6,538	7,247
	<b>66,419</b>	52,244
Dunebridge junior credit facility	9 59,008	60,078
Secured notes payable	8 236,417	256,889
Lease obligations	30	119
Decommissioning and restoration liability	7 79,493	80,133
Deferred income tax liabilities	45,820	41,920
Shareholders' equity:		
Share capital	12 637,898	637,862
Share-based payments reserve	12 9,222	8,552
Deficit	(195,048)	(240,590)
Accumulated other comprehensive income	1,334	1,334
<b>Total shareholders' equity</b>	<b>453,406</b>	407,158
<b>Total liabilities and shareholders' equity</b>	<b>\$ 940,593</b>	<b>\$ 898,541</b>
Subsequent events	6, 8	

**On behalf of the Board:**

"Ken Robertson"

**Director**

"Jonathan Comerford"

**Director**

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

**Condensed Consolidated Interim Statements of Comprehensive Income**

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

	Notes	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Sales		\$ 59,918	\$ 97,761	\$ 188,575	\$ 182,414
Cost of sales:					
Production costs		18,619	26,660	67,735	53,780
Cost of acquired diamonds		3,783	7,373	10,863	13,197
Depreciation and depletion		10,583	12,321	35,844	21,215
Earnings from mine operations		26,933	51,407	74,133	94,222
Exploration and evaluation expenses		3,359	4,557	5,461	8,360
Selling, general and administrative expenses	13	3,223	3,803	7,230	7,797
Operating income		20,351	43,047	61,442	78,065
Net finance expenses	11	(8,780)	(9,054)	(18,302)	(18,206)
Other income	10	573	7,322	719	5,882
Derivative gains (losses)	14	1,936	(1,361)	871	(1,438)
Foreign exchange gains (losses)		5,468	(11,670)	5,612	(7,422)
Income before taxes		19,548	28,284	50,342	56,881
Current income taxes		(150)	-	(900)	-
Deferred income taxes		(2,080)	(5,650)	(3,900)	(9,920)
Net income for the period		\$ 17,318	\$ 22,634	\$ 45,542	\$ 46,961
Total comprehensive income for the period		\$ 17,318	\$ 22,634	\$ 45,542	\$ 46,961
Basic earnings per share	12(iv)	\$ 0.08	\$ 0.11	\$ 0.22	\$ 0.22
Diluted earnings per share	12(iv)	\$ 0.08	\$ 0.11	\$ 0.21	\$ 0.22
Basic weighted average number of shares outstanding		211,513,982	210,909,141	211,501,630	210,839,500
Diluted weighted average number of shares outstanding		214,316,846	213,639,373	214,304,494	213,709,102

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

**Condensed Consolidated Interim Statements of Equity**

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

	Notes	Number of shares	Share capital	Share-based payments reserve	Deficit	Accumulated other comprehensive income	Total
<b>Balance, January 1, 2022</b>		210,697,474	\$ 631,717	\$ 7,469	\$ (289,785)	\$ 1,334	\$ 350,735
Net income for the period		-	-	-	46,961	-	46,961
Share-based payments	12(iii)	-	-	924	-	-	924
Issuance of common shares – restricted share units		211,667	184	(184)	-	-	-
<b>Balance, June 30, 2022</b>		210,909,141	\$ 631,901	\$ 8,209	\$ (242,824)	\$ 1,334	\$ 398,620
<b>Balance, January 1, 2023</b>		211,489,141	\$ 637,862	\$ 8,552	\$ (240,590)	\$ 1,334	\$ 407,158
Net income for the period		-	-	-	45,542	-	45,542
Share-based payments	12(iii)	-	-	706	-	-	706
Issuance of common shares - restricted share units		52,307	36	(36)	-	-	-
<b>Balance, June 30, 2023</b>		211,541,448	\$ 637,898	\$ 9,222	\$ (195,048)	\$ 1,334	\$ 453,406

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

## Condensed Consolidated Interim Statements of Cash Flows

Expressed in thousands of Canadian dollars  
(Unaudited)

	Notes	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Cash provided by (used in):					
Operating activities:					
Net income for the period		\$ 17,318	\$ 22,634	\$ 45,542	\$ 46,961
<i>Adjustments:</i>					
Net finance expenses		8,779	9,044	18,289	18,184
Depreciation and depletion		10,640	12,378	35,958	21,326
Premium paid on foreign currency put option		-	-	-	(696)
Share-based payment expense		366	480	706	924
Fair value gain of warrants		(563)	(7,322)	(709)	(5,797)
Derivative (gains) losses		(1,936)	1,360	(871)	1,757
Foreign exchange (gains) losses		(5,468)	11,792	(5,612)	7,650
Deferred income taxes		2,080	5,650	3,900	9,920
		31,216	56,016	97,203	100,229
<i>Changes in non-cash operating working capital:</i>					
Amounts receivable		(980)	3,054	(2,851)	(264)
Prepaid expenses and other		258	(401)	157	(262)
Income taxes payable		(448)	-	302	-
Inventories		(11,060)	(4,078)	(38,290)	(58,145)
Accounts payable and accrued liabilities		(36,840)	(17,275)	8,555	2,766
		(17,854)	37,316	65,076	44,324
Investing activities:					
Restricted cash		(401)	(79)	(774)	(126)
Interest income		798	158	1,437	227
Purchase of property, plant and equipment		(21,351)	(9,815)	(44,651)	(24,224)
		(20,954)	(9,736)	(43,988)	(24,123)
Financing activities:					
Payment of lease liabilities		(79)	(76)	(156)	(156)
Deferred financing costs		-	(758)	-	(1,034)
Provided by Dunebridge revolving credit facility		-	-	-	81
Cash held in trust for settlement of secured notes repayment	8	16,653	-	-	-
Repurchase of secured notes		(16,126)	(12,528)	(16,126)	(12,528)
Provided by Dunebridge junior credit facility		-	12,502	-	12,502
Financing costs paid	11	(11,631)	(14,814)	(11,955)	(14,933)
		(11,183)	(15,674)	(28,237)	(16,068)
Effect of foreign exchange rate changes on cash		(1,239)	102	(788)	300
(Decrease) increase in cash		(51,230)	12,008	(7,937)	4,433
Cash, beginning of period		60,540	17,425	17,247	25,000
Cash, end of period		\$ 9,310	\$ 29,433	\$ 9,310	\$ 29,433

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

## **MOUNTAIN PROVINCE DIAMONDS INC.**

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

**For the Three and Six Months Ended June 30, 2023**

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

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#### **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 Corporations Act effective May 8, 2006. The Company holds a 49% interest in the operating Gahcho Kué Project ("Gahcho Kué Diamond Mine" or "GK Mine" or "GK Project") in Canada's Northwest Territories. The Company also owns 100% of the mineral rights of the Kennedy North Project ("KNP") in Canada's Northwest Territories.

The address of the Company's registered office and its principal place of business is 161 Bay Street, Suite 1410, Toronto, ON, Canada, M5J 2S1. The Company's shares are listed on the Toronto Stock Exchange ("TSX") under the symbol 'MPVD'.

#### **2. BASIS OF PRESENTATION**

These condensed consolidated interim financial statements (the "Interim Financial Statements") have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") and follow the same accounting policies and methods of application as the annual consolidated financial statements of the Company for the year ended December 31, 2022 ("Annual Consolidated Financial Statements"), except as noted below under Note 3 adoption of new accounting standards.

These Interim Financial Statements were prepared under the historical cost convention except for certain financial instruments which are measured at fair value as explained in Note 3 of the accounting policies in the Company's Annual Consolidated Statements.

These condensed consolidated interim financial statements (the "Interim Financial Statements") were approved by the Board of Directors on August 10, 2023.

#### **3. SIGNIFICANT ACCOUNTING POLICIES**

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

###### *Definition of Accounting Estimates (Amendments to IAS 8)*

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

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

The IASB issued *Definition of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements)* on February 12, 2021. The amendments require the disclosure of material accounting policy information rather than disclosing significant accounting policies. They also clarify how to distinguish between



## MOUNTAIN PROVINCE DIAMONDS INC.

### Notes to the Condensed Consolidated Interim Financial Statements

For the Three and Six Months Ended June 30, 2023

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

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changes in accounting policies and changes in accounting estimates. The amendments are effective for annual periods beginning on or after January 1, 2023. The adoption of the amendments did not impact the condensed consolidated interim financial statements.

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

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

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

The preparation of Interim Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these condensed interim consolidated financial statements, are described in Note 3 of the Company's Annual Consolidated Financial Statements.

#### 5. INVENTORIES

	June 30, 2023	December 31, 2022
Ore stockpile	\$ 57,287	\$ 52,845
Rough diamonds	61,202	56,745
Supplies inventory	86,421	51,199
Total	\$ 204,910	\$ 160,789

Depreciation and depletion included in inventories at June 30, 2023 is \$39,607 (December 31, 2022 - \$32,299).

Included in inventories and production costs, for the three and six months ended June 30, 2023 are the Company's 49% share of payroll and employee benefits for staff of the GK Mine of \$13,088 and \$24,870 (three and six months ended June 30, 2022 - \$10,659 and \$21,384, respectively).

## MOUNTAIN PROVINCE DIAMONDS INC.

### Notes to the Condensed Consolidated Interim Financial Statements

For the Three and Six Months Ended June 30, 2023

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

## 6. PROPERTY, PLANT AND EQUIPMENT

The Company's property, plant and equipment as at June 30, 2023 and December 31, 2022 are as follows:

	Property, plant and equipment GK	Assets under construction GK	Property, plant and equipment KNP	Exploration and evaluation assets KNP	Total
<b>Cost</b>					
At January 1, 2022	\$ 959,788	\$ 10,185	\$ 1,686	\$ 169,392	\$ 1,141,051
Decommissioning and restoration adjustment	(12,415)	-	-	177	(12,238)
Additions/transfers*	66,369	127	-	-	66,496
Disposals	-	-	-	-	-
At December 31, 2022	1,013,742	10,312	1,686	169,569	1,195,309
Decommissioning and restoration adjustment	179	-	-	-	179
Additions/transfers*	48,213	(256)	-	-	47,957
Disposals	(3)	-	-	-	(3)
<b>At June 30, 2023</b>	<b>\$ 1,062,131</b>	<b>\$ 10,056</b>	<b>\$ 1,686</b>	<b>\$ 169,569</b>	<b>\$ 1,243,442</b>
<b>Accumulated depreciation and impairment</b>					
At January 1, 2022	\$ (426,571)	\$ -	\$ -	\$ -	\$ (426,571)
Depreciation and depletion**	(82,655)	-	(21)	-	(82,676)
At December 31, 2022	(509,226)	-	(21)	-	(509,247)
Depreciation and depletion**	(46,564)	-	(12)	-	(46,576)
<b>At June 30, 2023</b>	<b>\$ (555,790)</b>	<b>\$ -</b>	<b>\$ (33)</b>	<b>\$ -</b>	<b>\$ (555,823)</b>
<b>Carrying amounts</b>					
At December 31, 2022	\$ 504,516	\$ 10,312	\$ 1,665	\$ 169,569	\$ 686,061
<b>At June 30, 2023</b>	<b>\$ 506,341</b>	<b>\$ 10,056</b>	<b>\$ 1,653</b>	<b>\$ 169,569</b>	<b>\$ 687,619</b>

\*Included in additions of property, plant and equipment for GK is \$44,585 (December 31, 2022 - \$55,822) related to deferred stripping of which \$3,305 relates to the depreciation of earthmoving equipment (December 31, 2022 - \$5,987).

\*\*Included in depreciation and depletion is \$97 of depreciation on the right-of-use assets (December 31, 2022 - \$194).

Subsequent to the quarter ended June 30, 2023, the Company entered into an agreement to extend its head office lease for a period of 3 years commencing on May 1, 2024 and ending on April 30, 2027.

## 7. DECOMMISSIONING AND RESTORATION LIABILITY

The decommissioning and restoration liability is comprised of the liabilities for the GK Mine and the Kennady North Project.

The GK Mine decommissioning and restoration liability was calculated using the following assumptions as at June 30, 2023 and December 31, 2022:

	June 30, 2023	December 31, 2022
Expected undiscounted cash flows	\$ 90,703	\$ 90,317
Nominal risk-free discount rate	3.26%	3.30%
Inflation rate	2.00%	2.00%
Periods	2030	2030

**MOUNTAIN PROVINCE DIAMONDS INC.****Notes to the Condensed Consolidated Interim Financial Statements****For the Three and Six Months Ended June 30, 2023**

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

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

During the six months ended June 30, 2023, the GK Mine decommissioning and restoration liability decreased by \$1,368 (December 31, 2022 – decrease of \$13,965), resulting primarily from the change in nominal risk-free discount rate.

The continuity of the decommissioning and restoration liability at June 30, 2023 is as follows:

	GK Mine		KNP		Total
Balance, at January 1, 2023	\$	78,311	\$	2,879	\$ 81,190
Change in estimate of discounted cash flows		(1,368)		-	(1,368)
Accretion recorded during the period		1,226		52	1,278
Balance, at June 30, 2023	\$	78,169	\$	2,931	\$ 81,100
Less: current portion of decommissioning and restoration liability		1,607		-	1,607
Non-current decommissioning and restoration liability, at June 30, 2023	\$	76,562	\$	2,931	\$ 79,493

**8. SECURED NOTES PAYABLE (THE “NOTES”)**

As of June 30, 2023, the Company had an obligation of US\$183 million or \$242.3 million Canadian dollar equivalent under the secured notes payable (December 31, 2022 - US\$195 million or \$264.3 million).

	June 30, 2023		December 31, 2022	
Total outstanding secured notes payable	\$	242,329	\$	264,303
Less: unamortized deferred transaction costs and issuance discount		(5,912)		(7,414)
<b>Total secured notes payable</b>	\$	<b>236,417</b>	\$	<b>256,889</b>

Subsequent to the quarter ended June 30, 2023, the Company redeemed US\$6 million or \$7.9 million Canadian dollar equivalent of the Notes.

**9. DUNEBRIDGE JUNIOR CREDIT FACILITY (“DUNEBRIDGE JCF”)**

As at June 30, 2023, the Company had an obligation of US\$50 million or \$66.2 million Canadian dollar equivalent under the Dunebridge JCF (December 31, 2022 - US\$50 million or \$67.8 million Canadian dollar equivalent).

	June 30, 2023	
Total outstanding Dunebridge Junior Credit Facility	\$	66,210
Loss on loan previously recorded		10,031
Capital contribution previously recorded		(5,305)
		70,936
Less: unamortized deferred transaction costs		(11,928)
<b>Total Dunebridge Junior Credit Facility</b>	\$	<b>59,008</b>

## MOUNTAIN PROVINCE DIAMONDS INC.

### Notes to the Condensed Consolidated Interim Financial Statements

For the Three and Six Months Ended June 30, 2023

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

#### 10. WARRANT LIABILITY

As part of the Dunebridge JCF (Note 9), 41 million share warrants were issued at an exercise price of US\$0.60975 per common share with an expiry date of December 15, 2027. The warrants have an exercise price denominated in US dollars, which differs from the Company's Canadian dollar functional currency, and are therefore accounted for as derivative liabilities at fair value, with changes in fair value recorded in profit or loss as they occur.

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

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

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

As at June 30, 2023, the fair value of the warrants were revalued to \$6,538. The following assumptions were used in determining the fair value:

	June 30, 2023
Exercise price	US\$0.61 (\$0.80)
Expected volatility	70.00%
Expected warrant life	4.5 years
Expected dividend yield	0%
Risk-free interest rate	3.61%
Weighted average fair value per warrant granted	\$0.21

In valuing the warrants on June 30, 2023, the Company applied a liquidity discount of 25% from the Black-Scholes value.

The change in fair value of \$709 (June 30, 2022 - \$5,797) was recorded to other income in the condensed consolidated interim statements of comprehensive income.

#### 11. NET FINANCE EXPENSE

	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Interest income	\$ 798	\$ 158	\$ 1,437	\$ 227
Accretion expense on decommissioning and restoration liability	(606)	(322)	(1,278)	(645)
Interest expense	(7,771)	(7,884)	(16,173)	(15,447)
Amortization of deferred financing costs	(1,184)	(989)	(1,993)	(2,184)
Other finance costs	(17)	(17)	(295)	(157)
	\$ (8,780)	\$ (9,054)	\$ (18,302)	\$ (18,206)

## MOUNTAIN PROVINCE DIAMONDS INC.

### Notes to the Condensed Consolidated Interim Financial Statements

For the Three and Six Months Ended June 30, 2023

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

## 12. SHAREHOLDERS' EQUITY

### i. Authorized share capital

Unlimited common shares, without par value.

### ii. Share capital

The number of common shares issued and outstanding as at June 30, 2023 is 211,541,448 (December 31, 2022 - 211,489,141).

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

The Company has a long-term equity incentive plan (the "Plan") which, among other things, allows for the maximum number of shares that may be reserved for issuance under the Plan to be 10% of the Company's issued and outstanding shares at the time of the grant. The Board of Directors has the authority and discretion to grant stock options, restricted share units ("RSU") and deferred share units ("DSU") awards within the limits identified in the Plan, which includes provisions limiting the issuance of options to directors and employees of the Company to maximums identified in the Plan.

As at June 30, 2023, the aggregate maximum number of shares pursuant to options granted under the Plan will not exceed 21,154,145 shares. All stock options are settled by the issuance of common shares.

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

	Six months ended June 30, 2023		Six months ended June 30, 2022	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of the period	6,436,042	\$ 0.73	4,680,001	\$ 1.36
Granted during the period	2,249,234	0.61	3,101,042	0.71
Expired during the period	-	-	(100,000)	5.86
Forfeited during the period	(290,010)	0.67	-	-
<b>Balance at end of the period</b>	<b>8,395,266</b>	<b>\$ 0.70</b>	<b>7,681,043</b>	<b>\$ 1.04</b>
<b>Options exercisable at the end of the period</b>	<b>2,499,106</b>	<b>\$ 0.83</b>	<b>1,713,334</b>	<b>\$ 1.55</b>

The fair value of the stock options granted has been estimated on the date of grant using the Black-Scholes option pricing model. The assumptions are presented below for options granted during the June 30, 2023, and June 30, 2022 period. Expected volatility is calculated by reference to the weekly closing share price for a period that reflects the expected life of the options.

A total of 2,249,234 stock options were granted in the six months ended June 30, 2023, with an exercise price of \$0.61. The stock options will vest 1/3 on February 23, 2024, 1/3 on February 23, 2025 and 1/3 on February 23, 2026. A total of 3,101,042 stock options were issued during the six months ended June 30, 2022, with an exercise price of \$0.714. Of that total, 2,439,668 stock options vested 1/3 on January 17, 2023, and 1/3 will vest on January 17, 2024 and 1/3 on January 17, 2025. and for the balance of 661,376 stock options 1/3 vested on February 21, 2023, and 1/3 will vest on February 21, 2024 and 1/3 February 21, 2025.

**MOUNTAIN PROVINCE DIAMONDS INC.****Notes to the Condensed Consolidated Interim Financial Statements****For the Three and Six Months Ended June 30, 2023****Amounts in thousands of Canadian Dollars, except share and per share amounts, unless otherwise noted (Unaudited)**

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

	June 30, 2023	June 30, 2022
Weighted average exercise price per share	\$0.61	\$0.71
Expected volatility	67.44%	64.43% - 64.68%
Expected option life	5 years	5 years
Expected forfeiture	none	none
Expected dividend yield	0%	0%
Risk-free interest rate	3.54%	1.68% - 1.79%
Weighted average fair value per option granted	\$0.36	\$0.39

The following tables reflect the number of stock options outstanding, the grant date fair value, and the exercise price of stock options outstanding at June 30, 2023.

**At June 30, 2023**

Expiry Date	Grant Date	Number of	Number of	Exercise
	Fair Value	Options	Exercisable Options	Price
December 27, 2024	\$ 244	610,000	610,000	\$ 1.30
February 2, 2026	230	725,000	241,668	0.65
November 15, 2026	675	2,000,000	666,667	0.62
January 17, 2027	895	2,280,936	760,312	0.71
February 21, 2027	260	661,376	220,459	0.71
February 23, 2028	769	2,117,954	-	0.61
	\$ 3,073	8,395,266	2,499,106	\$ 0.70

The weighted average remaining contractual life of the options outstanding as of June 30, 2023 is 3.57 years (June 30, 2022 - 3.76 years).

The restricted and deferred share units issuable under the Plan are full value phantom shares that mirror the value of the Company's publicly traded common shares. RSU and DSU grants are made on a discretionary basis to directors and employees of the Company subject to the Board of Directors' approval. Under the Plan, RSUs and DSUs vest according to the terms set out in the award agreement which are determined on the initial grant date on an individual basis at the discretion of the Board of Directors. Vesting of the RSUs and DSUs is subject to special rules for death, disability and change in control. The awards can be settled through issuance of common shares or paid in cash, at the discretion of the Board of Directors. These awards are accounted for as equity settled RSUs and DSUs. The fair value of each RSU issued is determined at the closing share price on the grant date. No DSU awards have been granted to date, therefore as at June 30, 2023 there are no DSUs outstanding.

**MOUNTAIN PROVINCE DIAMONDS INC.**

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

RSU	June 30, 2023		June 30, 2022	
	Number of units	Weighted average value grant date fair value	Number of units	Weighted average value grant date fair value
Balance at beginning of period	1,755,892	\$ 0.69	1,426,667	\$ 0.87
Awards and payouts during the period (net):				
RSUs awarded	1,221,480	0.61	1,196,914	0.71
RSUs settled and common shares issued	(52,307)	0.69	(211,667)	0.87
RSUs forfeited	(122,201)	0.67	(76,022)	0.69
<b>Balance at end of the period*</b>	<b>2,802,864</b>	<b>\$ 0.66</b>	<b>2,335,892</b>	<b>\$ 0.80</b>

\*As at June 30, 2023, 722,927 RSUs (June 30, 2022 – 531,671 RSUs) have vested and have not yet been settled.

The share-based payments recognized as an expense in selling, general and administrative expenses for the three and six months ended June 30, 2023 and 2022 are as follows:

iv. Earnings per share

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

	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
<b>Numerator</b>				
Net income for the period	\$ 17,318	\$ 22,634	\$ 45,542	\$ 46,961
Effect of dilutive securities	162	166	286	339
	\$ 17,480	\$ 22,800	\$ 45,828	\$ 47,300
<b>Denominator</b>				
For basic - weighted average number of shares outstanding	211,513,982	210,909,141	211,501,630	210,839,500
Effect of dilutive securities	2,802,864	2,730,232	2,802,864	2,869,602
For diluted - adjusted weighted average number of shares outstanding	214,316,846	213,639,373	214,304,494	213,709,102
<b>Earnings Per Share</b>				
Basic	\$ 0.08	\$ 0.11	\$ 0.22	\$ 0.22
Diluted	\$ 0.08	\$ 0.11	\$ 0.21	\$ 0.22

For the three and six months ended June 30, 2023, 8,395,266 and 8,395,266 stock options, respectively and 41 million warrants were not included in the calculation of diluted earnings per share since to include them would be anti-dilutive (three and six months ended June 30, 2022 - 7,286,703 and 7,147,333 stock options, respectively and 41 million warrants).

## MOUNTAIN PROVINCE DIAMONDS INC.

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

	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Selling and marketing	\$ 1,169	\$ 1,369	\$ 2,930	\$ 2,510
General and administrative:				
Consulting fees and payroll	581	674	1,237	1,833
Share-based payment expense	366	480	706	924
Depreciation	57	57	114	111
Office and administration	273	264	555	564
Professional fees	434	441	995	924
Promotion and investor relations	64	91	109	131
Director fees	168	205	276	409
Transfer agent and regulatory fees	58	147	210	265
Travel	53	75	98	126
	\$ 3,223	\$ 3,803	\$ 7,230	\$ 7,797

#### 14. DERIVATIVES ASSETS AND LIABILITIES

- i) During the six months ended June 30, 2023 and the year ended December 31, 2022, the Company entered into foreign currency forward contracts and swing collars to mitigate the foreign currency risk associated with the U.S. dollar sales proceeds and the risk that the Company would not have sufficient Canadian dollar funds to contribute to the operations of the GK Mine. These derivatives have been accounted as non-hedge derivatives and are recorded at fair value. Changes in the fair value of the foreign currency put option contracts are recognized in the condensed consolidated interim statements of comprehensive income as gains or losses on derivatives.

The table below provides a summary of currency contracts outstanding as at June 30, 2023:

Execution Date of Contracts	Settlement Dates of Contracts	Notional Amount (CAD)	Weighted Average Price (USD)	Notional Amount (USD)
January 10, 2023	July 1, 2023 to September 29, 2023	\$ 15,984	\$ 1.3320	\$ 12,000
January 30, 2023*	July 1, 2023 to December 31, 2023	\$ 22,270	\$ 1.3100	\$ 17,000
March 10, 2023	July 5, 2023 to September 28, 2023	\$ 12,330	\$ 1.3700	\$ 9,000
April 26, 2023	January 2, 2024 to March 28, 2024	\$ 20,175	\$ 1.3450	\$ 15,000
<b>Total</b>		<b>\$ 70,759</b>	<b>\$ 1.3351</b>	<b>\$ 53,000</b>

\*On settlement date, if the spot rate exceeds 1.35, the Company will settle at 1.321 and if the spot rate is between 1.31 to 1.35, there is no obligatory settlement.

- ii) On December 11, 2017, the Company completed an offering of US\$330 million of 8.000% Senior Secured Second Lien Notes due 2022 ("Old Notes"). The Old Notes were settled in December 2022. The Company redeemed the Old Notes in whole on December 14, 2022, at a redemption price equal to 100% of the principal amount of the Old Notes, plus accrued and unpaid interest.

On December 14, 2022, the Company completed an offering of US\$195 million of 9.000% Senior Secured Second Lien Notes due 2025 ("Notes"). The Notes grant the Company the option to prepay the Notes at any time prior to the maturity of the instruments. In addition, upon the occurrence of certain events, the Company is either mandatorily required to, or can be requested to, at the option of the holder, prepay the Notes in part or in full. These events include a change of control of the Company, an event of default or in accordance with the excess cash flow sweep mechanism.

At the date of prepayment or redemption, the Company pays a total price equal to 100% of the principal amount



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of the Notes redeemed, plus accrued and unpaid interest to the date of redemption and the true-up amount (if any).

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

The following table presents the various derivative assets and liabilities as at June 30, 2023 and December 31, 2022:

	June 30, 2023	December 31, 2022
Currency derivative contracts	\$ 879	\$ (940)
Embedded derivatives	2,177	3,154
<b>(Liability) Asset</b>	<b>\$ 3,056</b>	<b>\$ 2,214</b>

The following table presents amounts recognized in the condensed consolidated interim statements of comprehensive income for the three and six months ended June 30, 2023 and 2022:

	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Gain (Loss) on currency derivative contracts	\$ 1,668	\$ (1,280)	\$ 1,800	\$ (1,591)
(Loss) gain on prepayment option embedded derivative	268	(81)	(929)	153
<b>Total</b>	<b>\$ 1,936</b>	<b>\$ (1,361)</b>	<b>\$ 871</b>	<b>\$ (1,438)</b>

## 15. FINANCIAL INSTRUMENTS

### Fair value measurement

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

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

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

The following table shows the carrying amounts and fair values of the Company's financial assets and financial liabilities, including their levels in the fair value hierarchy.

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June 30, 2023	Carrying amount				Fair value			
	Assets at amortized cost	Fair value through profit and loss	Liabilities at amortized cost	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>								
Derivative assets	\$ -	\$ 3,056	\$ -	\$ 3,056	\$ -	\$ -	\$ 3,056	\$ 3,056
	\$ -	\$ 3,056	\$ -	\$ 3,056				
<b>Financial assets not measured at fair value</b>								
Cash	\$ 9,310	\$ -	\$ -	\$ 9,310	9,310	-	-	9,310
Restricted cash	31,497	-	-	31,497	31,497	-	-	31,497
	\$ 40,807	\$ -	\$ -	\$ 40,807				
<b>Financial liabilities measured at fair value</b>								
Warrant liability	-	6,538	-	6,538	-	-	6,538	6,538
	\$ -	\$ 6,538	\$ -	\$ 6,538				
<b>Financial liabilities not measured at fair value</b>								
Dunebridge junior credit facility	-	-	59,008	59,008	-	66,210	-	66,210
Secured notes payable	-	-	236,417	236,417	-	-	237,571	237,571
	\$ -	\$ -	\$ 295,425	\$ 295,425				

#### I. Valuation techniques

##### *Cash, Cash held in trust and Restricted Cash*

Cash and restricted cash are included in Level 1 due to the short-term maturity of these financial assets.

##### *Warrant Liability*

The level 3 financial liability relates to warrants which are accounted for as derivative liabilities at fair value, with changes in fair value recorded to profit or loss as they occur (Note 10).

##### *Dunebridge JCF*

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

##### *Secured Notes Payable*

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

##### *Derivative assets*

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

As at June 30, 2023, the derivative asset is an embedded derivative that relates to the Company’s prepayment and redemption features attached to the Notes and foreign currency put options. See Note 8 and Note 14. The fair value of the embedded derivative has been determined by using a *with* and *without* approach. The estimated fair value of

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the embedded derivative was then calculated as the weighted average of the fair values estimated under two scenarios, based on the probability of each scenario occurring.

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

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

	June 30, 2023
<b>Key observable inputs</b>	
Risk free interest rate	4.70%
<b>Key unobservable inputs</b>	
Likelihood of redemption event occurring	75%
Interest rate volatility	38.2%
Credit spread of Notes	3.00%

The most significant input, which is unobservable, is the interest rate volatility. The overall valuation is sensitive to the interest rate volatility assumption as the estimated fair value increases if the interest rate volatility declines. Assuming all other inputs remain constant, a 10% change in the interest rate volatility used will have the following impact on the fair value of the embedded derivative at June 30, 2023:

	Original	20%	10%	(10%)	(20%)
Interest rate volatility at June 30, 2023	\$ 2,177	\$ 3,720	\$ 2,955	\$ 1,403	\$ 683

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

Balance, at January 1, 2022	\$ -
Issuance of embedded derivatives	3,154
Change in fair value	-
Balance, at December 31, 2022	\$ 3,154
Change in fair value	(977)
<b>Balance, at June 30, 2023</b>	<b>\$ 2,177</b>

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#### 16. COMMITMENTS

	Less than 1 Year	1 to 3 Years	4 to 5 Years	After 5 Years	Total
Gahcho Kué Diamond Mine commitments	\$ 2,443	\$ -	\$ -	\$ -	\$ 2,443
Gahcho Kué Diamond Mine decommissioning fund	10,000	15,000	-	-	25,000
Junior Credit facility - Principal	-	-	66,210	-	66,210
Junior Credit facility - Interest	-	-	47,113	-	47,113
Notes payable - Principal	-	242,329	-	-	242,329
Notes payable - Interest	21,809	32,654	-	-	54,463
	\$ 34,252	\$ 289,983	\$ 113,323	\$ -	\$ 437,558

#### 17. RELATED PARTIES

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

Related party transactions are recorded at their exchange amount, being the amount agreed to by the parties.

Transactions with key management personnel and directors are in respect of remuneration. The transactions with the Operator of the GK Mine relate to the funding of the Company's interest in the GK Mine for the current year's expenditures, capital additions, management fee, and production sales related to the 49% share of fancies and special diamonds. The transactions with IIU are for the director fees of the Chairman of the Company.

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

Between 2014 and 2020, the Company and De Beers signed agreements allowing De Beers ("the Operator") to utilize De Beers' credit facilities to issue reclamation and restoration security deposits to the federal and territorial governments. In accordance with these agreements, the Company agreed to a 3% fee annually for the Company's share of the letters of credit issued. In 2020, the Company and De Beers signed an agreement to reduce the fee from 3% to 0.3%, annually, for their share of the letters of credit issued. Furthermore, a resolution was passed by the joint venture management committee to establish a decommissioning fund, where the Company will fund \$15 million in 2020, and \$10 million each year for four years thereafter until the Company's 49% share totaling \$55 million is fully funded. In the year ended December 31, 2022, the joint venture management committee approved a funding of \$5 million. The target funding can change over time, dependent on future changes to the decommissioning and restoration liability and returns on decommissioning fund investments. During the six months ended June 30, 2023, the Company funded \$Nil (December 31, 2022 - \$15 million) into the decommissioning fund, which is presented as restricted cash on the balance sheet.

As at June 30, 2023, the Company's share of the letters of credit issued was \$44.7 million (December 31, 2022 - \$44.7 million).

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

The balances as at June 30, 2023 and December 31, 2022 were as follows:

	June 30, 2023	December 31, 2022
Payable De Beers Canada Inc. as the operator of the GK Mine*	\$ 7,293	\$ 3,427
Payable to De Beers Canada Inc. for interest on letters of credit	122	136
Loan payable to Dunebridge Worldwide Ltd.	71,971	68,923
Payable to key management personnel	60	592

\*included in accounts payable and accrued liabilities

The transactions for the three and six months ended June 30, 2023 and 2022 were as follows:

	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
The total of the transactions:				
International Investment and Underwriting	\$ 30	\$ 30	\$ 60	\$ 60
Remuneration to key management personnel	605	902	1,183	1,846
Diamonds sold to De Beers Canada Inc.	2,470	5,027	5,720	5,027
Diamonds purchased from De Beers Canada Inc.	5,115	5,142	13,687	11,682
Finance costs incurred from De Beers Canada Inc.	33	35	66	68
Finance costs incurred from Dunebridge Worldwide Ltd.	2,318	200	4,683	228
Management fee charged by the Operator of the GK Mine	858	833	1,716	1,666

The remuneration expense of directors and other members of key management personnel for the three and six months ended June 30, 2023 and 2022 were as follows:

	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Consulting fees, payroll, director fees, bonus and other short-term benefits	\$ 374	\$ 637	\$ 769	\$ 1,341
Share-based payments	261	295	474	565
	\$ 635	\$ 932	\$ 1,243	\$ 1,906

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. In addition to the directors of the Company, key management personnel include the Chief Executive Officer ("CEO") and Chief Financial Officer.

## 18. SEGMENTED REPORTING

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

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

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As at and for the six months ended June 30, 2023

	GK Mine	KNP	Total
Sales	\$ 188,575	\$ -	\$ 188,575
Cost of sales:			
Production costs	67,735	-	67,735
Cost of acquired diamonds	10,863	-	10,863
Depreciation and depletion	35,844	-	35,844
Earnings from mine operations	74,133	-	74,133
Exploration and evaluation expenses	1,988	3,473	5,461
Selling, general and administrative expenses	7,212	18	7,230
Operating income (loss)	64,933	(3,491)	61,442
Net finance expenses	(18,302)	-	(18,302)
Other income	719	-	719
Derivative gains	871	-	871
Foreign exchange gains	5,612	-	5,612
Net income (loss) before taxes	\$ 53,833	\$ (3,491)	\$ 50,342
Total assets	\$ 768,537	\$ 172,056	\$ 940,593
Total liabilities	\$ 483,689	\$ 3,498	\$ 487,187

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As at and for the three months ended June 30, 2023

	GK Mine	KNP	Total
Sales	\$ 59,918	\$ -	\$ 59,918
Cost of sales:			
Production costs	18,619	-	18,619
Cost of acquired diamonds	3,783	-	3,783
Depreciation and depletion	10,583	-	10,583
Earnings from mine operations	26,933	-	26,933
Exploration and evaluation expenses	1,533	1,826	3,359
Selling, general and administrative expenses	3,214	9	3,223
Operating income (loss)	22,186	(1,835)	20,351
Net finance expenses	(8,780)	-	(8,780)
Other income	573	-	573
Derivative gains	1,936	-	1,936
Foreign exchange gains	5,468	-	5,468
Net income (loss) before taxes	\$ 21,383	\$ (1,835)	\$ 19,548
Total assets	\$ 768,537	\$ 172,056	\$ 940,593
Total liabilities	\$ 483,689	\$ 3,498	\$ 487,187

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As at and for the six months ended June 30, 2022

	GK Mine	KNP	Total
Sales	\$ 182,414	\$ -	\$ 182,414
Cost of sales:			
Production costs	53,780	-	53,780
Cost of acquired diamonds	13,197	-	13,197
Depreciation and depletion	21,215	-	21,215
Earnings from mine operations	94,222	-	94,222
Impairment loss on property, plant and equipment	-	-	-
Exploration and evaluation expenses	1,226	7,134	8,360
Selling, general and administrative expenses	7,781	16	7,797
Operating income (loss)	85,215	(7,150)	78,065
Net finance expenses	(18,206)	-	(18,206)
Other income	5,797	85	5,882
Derivative losses	(1,438)	-	(1,438)
Foreign exchange losses	(7,422)	-	(7,422)
Net income (loss) before taxes	\$ 63,946	\$ (7,065)	\$ 56,881
Total assets	\$ 764,174	\$ 171,843	\$ 936,017
Total liabilities	\$ 534,086	\$ 3,311	\$ 537,397



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As at and for the three months ended June 30, 2022

	GK Mine	KNP	Total
Sales	\$ 97,761	\$ -	\$ 97,761
Cost of sales:			
Production costs	26,660	-	26,660
Cost of acquired diamonds	7,373	-	7,373
Depreciation and depletion	12,321	-	12,321
Earnings from mine operations	51,407	-	51,407
Exploration and evaluation expenses	863	3,694	4,557
Selling, general and administrative expenses	3,794	9	3,803
Operating income (loss)	46,750	(3,703)	43,047
Net finance expenses	(9,054)	-	(9,054)
Other income	7,322	-	7,322
Derivative losses	(1,361)	-	(1,361)
Foreign exchange losses	(11,670)	-	(11,670)
Net income (loss) before taxes	\$ 31,987	\$ (3,703)	\$ 28,284
Total assets	\$ 764,174	\$ 171,843	\$ 936,017
Total liabilities	\$ 534,086	\$ 3,311	\$ 537,397