Mountain Province Diamonds Inc.
Form 20-F
April 01, 2011
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

¨ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

¨ ANNUAL REPORT PURSUANT TO SECTION 13 OR (15d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2010

OR

x TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

¨ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Date of event requiring this shell company report__________________________

For the transition period from __________________ to __________________

Commission file number 001-32468

MOUNTAIN PROVINCE DIAMONDS INC.
(Exact name of Registrant as specified in its charter)

Not Applicable
(Translation of Registrant’s name into English)

Ontario
(Jurisdiction of incorporation or organization)

401 Bay Street, Suite 2700, PO Box 152, Toronto, Ontario Canada M5H 2Y4
(Address of principal executive offices)

Patrick Evans – 416-361-3562
Fax: 416-603-8565; Email: info@mountainprovince.com
401 Bay Street, Suite 2700, PO Box 152, Toronto, Ontario Canada M5H 2Y4
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
Common Shares no par value	NYSE Amex

Securities registered or to be registered pursuant to Section 12(g) of the Act.

Not Applicable
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None
(Title of Class)

Indicate the number of outstanding shares of the issuer's classes of capital or common stock as of the close of the period covered by the annual report. 77,416,057

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

¨ Yes x No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

¨ Yes x No

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
x Yes ¨ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to file such reports)

¨ Yes ¨ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨ Accelerated filer x Non-accelerated filer ¨

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ¨ International Financial Reporting Standards as issued by the International Accounting Standards Board ¨ Other x

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

xItem 17 ¨ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

¨ Yes x No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

¨ Yes ¨ No

Not Applicable

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GLOSSARY

2002 Agreement or Gahcho Kué Joint Venture Agreement or means the joint venture agreement entered into by Mountain Province Diamonds Inc., Camphor Ventures Inc., and De Beers Canada Exploration Inc. on October 24, 2002, but which took effect from January 1, 2002, and which was amended and restated on July 3, 2009;

2009 Gahcho Kué Joint Venture Agreement or Gahcho Kué Amended and Restated Joint Venture Agreement means the Gahcho Kué Joint Venture Agreement as amended and restated, and entered into by Mountain Province Diamonds Inc., Camphor Ventures Inc., and De Beers Canada Inc. on July 3, 2009;

2009 Technical Report means the Technical Report dated as of April 20, 2009 entitled "Gahcho Kué Kimberlite Project NI 43-101 Technical Report, Northwest Territories, Canada" prepared for the Company by AMEC Americas Limited;

2010 Technical Report, Definitive Feasibility Study, or Feasibility Study means the “Gahcho Kué Project, Definitive Feasibility Study, National Instrument (“NI”) 43-101 Technical Report” dated December 1, 2010 (with Information effective as of October 15, 2010) as prepared and completed by JDS Energy and Mining Inc., and filed by the Company on SEDAR on December 3, 2010;

Affiliate has the meaning given to affiliated bodies corporate under the Business Corporations Act (Ontario);

AK Property means the claims known as the "AK claims" held by the Gahcho Kué Joint Venture;

AK-CJ Properties means, collectively, the AK Property and CJ Property;

AMEC means AMEC Americas Limited;

AMEX means the American Stock Exchange prior to the take-over of the American Stock Exchange LLC by the New York Stock Exchange;

CJ Property means the claims known as the "CJ claims", which have now lapsed, previously held by MPV;

Arrangement means the arrangement between the Company and Glenmore which was effected as of June 30, 2000;

Arrangement Agreement means the Arrangement Agreement dated as of May 10, 2000, and made between MPV and Glenmore, including the Schedules to that Agreement;

Business Corporations Act (Ontario) means the R.S.O. 1990, CHAPTER B.16, as amended from time to time;

CDNX means the Canadian Venture Exchange Inc, formerly the Vancouver Stock Exchange, and now known as the TSX Venture Exchange;

Camphor or Camphor Ventures means Camphor Ventures Inc.;

Canadian National Instrument 43-101 means the National Instrument 43-101 (Standards of Disclosure for Mineral Projects) adopted by the Canadian Securities Administrators;

Code means the United States Internal Revenue Code of 1986, as amended;

Company, MPV or Registrant means Mountain Province Diamonds Inc.;

De Beers means De Beers Consolidated Mines Ltd.;

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De Beers Canada or Monopros means De Beers Canada Inc., formerly known as De Beers Canada Exploration Inc., and before that as Monopros Limited, a wholly-owned subsidiary of De Beers;

Desktop Study means the preliminary technical assessment of the Gahcho Kué resource conducted by De Beers Consolidated Mines Ltd. in 2000 (and updated in 2003, 2005, 2006, and 2008) and the Independent Qualified Persons' review of the Desktop Study provided by AMEC;

Definitive Feasibility Study, Feasibility Study, or 2010 Technical Report means the "Gahcho Kué Project, Definitive Feasibility Study, National Instrument ("NI") 43-101 Technical Report" dated December 1, 2010 (with Information effective as of October 15, 2010) as prepared and completed by JDS Energy and Mining Inc., and filed by the Company on SEDAR on December 3, 2010;

Exchange Act means the U.S. Securities Exchange Act of 1934, as amended;

Feasibility Study, Definitive Feasibility Study, or 2010 Technical Report means the "Gahcho Kué Project, Definitive Feasibility Study, National Instrument ("NI") 43-101 Technical Report" dated December 1, 2010 (with Information effective as of October 15, 2010) as prepared and completed by JDS Energy and Mining Inc., and filed by the Company on SEDAR on December 3, 2010;

GAAP means generally accepted accounting principles;

Gahcho Kué Amended and Restated Joint Venture Agreement or 2009 Gahcho Kué Joint Venture Agreement means the Gahcho Kué Joint Venture Agreement as amended and restated, and entered into by Mountain Province Diamonds Inc., Camphor Ventures Inc., and De Beers Canada Inc. on July 3, 2009;

Gahcho Kué Joint Venture or Joint Venture means the joint venture between Mountain Province Diamonds Inc., Camphor Ventures Inc., and De Beers Canada, for the Gahcho Kué Project, and as currently governed by the 2009 Gahcho Kué Joint Venture Agreement;

Gahcho Kué Joint Venture Agreement or 2002 Agreement means the joint venture agreement entered into by Mountain Province Diamonds Inc., Camphor Ventures Inc., and De Beers Canada Exploration Inc. on October 24, 2002, but which took effect from January 1, 2002, and which was amended and restated on July 3, 2009;

Gahcho Kué Project, located on Kennady Lake, and comprising four mineral leases that are 100% owned by De Beers Canada Inc. ("De Beers Canada"), which holds them on behalf of the Gahcho Kué Joint Venture. The participating interest of each of the joint venture parties is governed by the 2009 Gahcho Kué Joint Venture Agreement;

Glenmore means Glenmore Highlands Inc., a company incorporated under the Business Corporations Act (Alberta) and which, pursuant to the Arrangement, amalgamated with the Company's wholly-owned subsidiary, Mountain Glen Mining Inc., to form an amalgamated company, also known as Mountain Glen Mining Inc.;

Glenmore Shares means the common shares of Glenmore, as the same existed before the Arrangement took effect and "Glenmore Share" means any of them;

Glenmore Shareholder means a holder of Glenmore Shares;

JDS means JDS Energy and Mining Inc.;

Joint Information Circular means the joint information circular of the Company and Glenmore dated May 10, 2000 for the Extraordinary General Meeting and Special Meeting of the Company and Glenmore respectively to approve the Arrangement;

Joint Venture or Gahcho Kué Joint Venture means the joint venture between Mountain Province Diamonds Inc., Camphor Ventures Inc., and De Beers Canada, for the Gahcho Kué Project, and as currently governed by the 2009 Gahcho Kué Joint Venture Agreement;

Kennady North Project means the mining leases (4330, 4466, 4467, and 4468) and eight mineral claims which were staked in 2010 (Kwezi 01 to Kwezi 08) which are 100% owned by Mountain Province in the area around the Gahcho Kué Project and Kennady Lake;

Letter Agreement means the letter agreement dated March 6, 1997 among Mountain Province Mining Inc., Camphor Ventures Inc., Glenmore Highlands Inc., 444965 B.C. Ltd. and Monopros as amended or supplemented by: an agreement dated April 10, 1997 among Mountain Province Mining Inc., Camphor Ventures Inc., Glenmore Highlands Inc., 444965 B.C. Ltd. and Monopros; an assurance given to De Beers by the other parties., dated July, 1997; an agreement given to De Beers by the other parties dated November 1, 1997 and two agreements each dated December 17, 1999 among the parties;

Monopros or De Beers Canada means De Beers Canada Inc., formerly known as Monopros Limited, a wholly-owned subsidiary of De Beers and also formally known as De Beers Canada Exploration Inc.;

Mountain Glen means Mountain Glen Mining Inc., a wholly-owned subsidiary (now dissolved) of the Company;

MPV, Mountain Province, Company or Registrant means Mountain Province Diamonds Inc.;

MPV Shares means the common shares of MPV, and MPV Share means any of them;

Nasdaq means the National Association of Securities Dealers Automatic Quotation System, now the Nasdaq Stock Exchange;

NYSE Amex means the New York Stock Exchange Amex, after the take-over of the American Stock Exchange LLC by the New York Stock Exchange;

Old MPV means MPV prior to its amalgamation with 444965 B.C. Ltd.;

OTCBB means the OTC bulletin board;

PFIC means Passive Foreign Investment Company under the Code;

Qualified Person as defined by Canadian National Instrument 43-101 (Standards of Disclosure for Mineral Projects), means an individual who:

(a) is an engineer or geoscientist with a least five years experience in mineral exploration, mine development or operation or mineral project assessment, or any combination of these;

(b) has experience relevant to the subject matter of the mineral project and the technical report; and

(c) is a member in good standing of a professional association (as that term is defined in Canadian National Instrument 43-101).

Except where specifically indicated otherwise, scientific and technical information included in this report on Form 20F regarding the Company’s mineral projects has been reviewed by Carl Verley, a Director of the Company and a

Qualified Person as defined by National Instrument 43-101. Independent Qualified Persons responsible for the 2010 Technical Report prepared for the Gahcho Kué Joint Venture and discussed in Item 4 D "Property, Plants and Equipment" from the headings "Property Settings" to "Economic Analysis - Summary" are: Daniel D. Johnson, P.Eng., Mike Makarenko, P.Eng., and Ken Meikle, P.Eng.;

TSX means the Toronto Stock Exchange; and,

VSE means the Vancouver Stock Exchange, subsequently renamed the Canadian Venture Exchange, and now known as the TSX Venture Exchange.

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GLOSSARY OF TECHNICAL TERMS

Adit	A horizontal or nearly horizontal passage driven from the surface for the working of a mine.
Archean	The earliest eon of geological history or the corresponding system of rocks.
Area of Interest	A geographic area surrounding a specific mineral property in which more than one party has an interest and within which new acquisitions must be offered to the other party or which become subject automatically to the terms and conditions of the existing agreement between the parties. Typically, the area of interest is expressed in terms of a radius of a finite number of kilometers from each point on the outside boundary of the original mineral property.
Bulk Sample	Evaluation program of a diamondiferous kimberlite pipe in which a large amount of kimberlite (at least 100 tonnes) is recovered from a pipe.
Carat	A unit of weight for diamonds, pearls, and other gems. The metric carat, equal to 0.2 gram or 200 milligram, is standard in the principal diamond-producing countries of the world.
Caustic Fusion	An analytical process for diamonds by which rocks are dissolved at temperatures between 450-600°C. Diamonds remain undissolved by this process and are recovered from the residue that remains.
Craton	A stable relatively immobile area of the earth's crust that forms the nuclear mass of a continent or the central basin in an ocean.
Diabase	A fine-grained rock of the composition of gabbro but with an ophitic texture.
Dyke	A body of igneous rock, tabular in form, formed through the injection of magma.
Feasibility Study	As defined by Canadian National Instrument 43-101, means a comprehensive study of a deposit in which all geological, engineering, operating, economic and other relevant factors are considered in sufficient detail that it could reasonably serve as the basis for a final decision by a financial institution to finance the development of the deposit for mineral production.
Gneiss	A banded rock formed during high grade regional metamorphism. It includes a number of different rock types having different origins. It commonly has alternating bands of schistose and granulose material.
Indicator mineral	Minerals such as garnet, ilmenite, chromite and chrome diopside, which are used in exploration to indicate the presence of kimberlites.
Jurassic	The period of the Mesozoic era between the Triassic and the Cretaceous or the corresponding system of rocks marked by the presence of dinosaurs and the first appearance of birds.

Kimberlite	A dark-colored intrusive biotite-peridotite igneous rock that can contain diamonds. It contains the diamonds known to occur in the rock matrix where they originally formed (more than 100 km deep in the earth).
Macrodiamond	A diamond, two dimensions of which exceed 0.5 millimeters.
Microdiamond	Generally refers to diamonds smaller than approximately 0.5mm, which are recovered from acid dissolution of kimberlite rock.
Mineral Reserve	Means the economically mineable part of a Measured Mineral Resource or Indicated Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A Mineral Reserve includes diluting materials and allowances for losses that may occur when the material is mined. THE TERMS "MINERAL RESERVE," "PROVEN MINERAL RESERVE" AND "PROBABLE MINERAL RESERVE" USED IN THIS REPORT ARE CANADIAN MINING TERMS AS DEFINED IN ACCORDANCE WITH NATIONAL INSTRUMENT 43-101 - STANDARDS OF DISCLOSURE FOR MINERAL PROJECTS WHICH INCORPORATES THE DEFINITIONS AND GUIDELINES SET OUT IN THE CANADIAN INSTITUTE OF MINING, METALLURGY AND PETROLEUM (THE "CIM") DEFINITION STANDARDS FOR MINERAL RESOURCES AND MINERAL RESERVES (THE "CIM DEFINITION STANDARDS") AS ADOPTED BY THE CIM COUNCIL ON DECEMBER 11, 2005. IN THE UNITED STATES, A MINERAL RESERVE IS DEFINED AS A PART OF A MINERAL DEPOSIT WHICH COULD BE ECONOMICALLY AND LEGALLY EXTRACTED OR PRODUCED AT THE TIME THE MINERAL RESERVE DETERMINATION IS MADE. Under United States standards: "Reserve" means that part of a mineral deposit which can be economically and legally extracted or produced at the time of the reserve determination. "Economically," as used in the definition of reserve, implies that profitable extraction or production has been established or analytically demonstrated to be viable and justifiable under reasonable investment and market assumptions. "Legally," as used in the definition of reserve, does not imply that all permits needed for mining and processing have been obtained or that other legal issues have been completely resolved. However, for a reserve to exist, there should be a reasonable certainty based on applicable laws and regulations that issuance of permits or resolution of legal issues can be accomplished in a timely manner. Mineral Reserves are categorized as follows on the basis of the degree of confidence in the estimate of the quantity and grade of the deposit.

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"Proven Mineral Reserve" means, in accordance with CIM Definition Standards, the economically viable part of a Measured Mineral Resource demonstrated by at least a Preliminary Feasibility study. This Study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate at the time of reporting, that economic extraction is justified.

The definition for "proven mineral reserves" under CIM Definition Standards differs from the standards in the United States, where proven or measured reserves are defined as reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from the results of detailed sampling and (b) the sites for inspection, sampling and measurement are spaced so closely and the geographic character is so well defined that size, shape, depth and mineral content of reserves are well established.

"Probable Mineral Reserve" means, in accordance with CIM Definition Standards, the economically mineable part of an Indicated, and in some circumstances a Measured Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.

The definition for "probable mineral reserves" under CIM Definition Standards differs from the standards in the United States, where probable reserves are defined as reserves for which quantity and grade and/or quality are computed from information similar to that of proven reserves (under United States standards), but the sites for inspection, sampling, and measurement are further apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of observation.

Mineral Resource

Under CIM Definition Standards, a Mineral Resource is a concentration or occurrence of diamonds, natural solid inorganic material, or natural solid fossilized organic material including base and precious metals, coal, and industrial minerals in or on the Earth’s crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extractions. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge.

THE TERMS "MINERAL RESOURCE", "MEASURED MINERAL RESOURCE", "INDICATED MINERAL RESOURCE", "INFERRED MINERAL RESOURCE" USED IN THIS REPORT ARE CANADIAN MINING TERMS AS DEFINED IN ACCORDANCE WITH NATIONAL INSTRUMENT 43-101 - STANDARDS OF DISCLOSURE FOR MINERAL PROJECTS UNDER THE GUIDELINES SET OUT IN THE CIM DEFINITION STANDARDS. THE COMPANY ADVISES U.S. INVESTORS THAT WHILE SUCH TERMS ARE RECOGNIZED AND PERMITTED UNDER CANADIAN REGULATIONS, THE U.S. SECURITIES AND EXCHANGE COMMISSION DOES NOT RECOGNIZE THEM. THESE ARE NOT DEFINED TERMS UNDER THE UNITED STATES STANDARDS AND MAY NOT GENERALLY BE USED IN DOCUMENTS FILED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION BY U.S. COMPANIES. AS SUCH, INFORMATION CONTAINED IN THIS REPORT CONCERNING DESCRIPTIONS OF MINERALIZATION AND RESOURCES MAY

NOT BE COMPARABLE TO INFORMATION MADE PUBLIC BY U.S. COMPANIES SUBJECT TO THE REPORTING AND DISCLOSURE REQUIREMENTS OF THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION.

"Inferred Mineral Resource" means, under CIM Definition Standards, that part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. U.S. INVESTORS ARE CAUTIONED NOT TO ASSUME THAT ANY PART OR ALL OF AN INFERRED RESOURCE EXISTS, OR IS ECONOMICALLY OR LEGALLY MINEABLE.

"Indicated Mineral Resource" means, under CIM Definition Standards, that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics, can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed. U.S. INVESTORS ARE CAUTIONED NOT TO ASSUME THAT ANY PART OR ALL OF THE MINERAL DEPOSITS IN THIS CATEGORY WILL EVER BE CONVERTED INTO RESERVES.

"Measured Mineral Resource" means, under CIM Definition standards that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drillholes that are spaced closely enough to confirm both geological and grade continuity. U.S. INVESTORS ARE CAUTIONED NOT TO ASSUME THAT ANY PART OR ALL OF THE MINERAL DEPOSITS IN THIS CATEGORY WILL EVER BE CONVERTED INTO RESERVES.

Operator	The party in a joint venture which carries out the operations of the joint venture subject at all times to the direction and control of the management committee.

Ordovician	The period between the Cambrian and the Silurian or the corresponding system of rocks.
Overburden	A general term for any material covering or obscuring rocks from view.
Paleozoic	An era of geological history that extends from the beginning of the Cambrian to the close of the Permian and is marked by the culmination of nearly all classes of invertebrates except the insects and in the later epochs by the appearance of terrestrial plants, amphibians, and reptiles.
Pipe	A kimberlite deposit that is usually, but not necessarily, carrot-shaped.
Preliminary Feasibility Study	Under the CIM Definition Standards, means a comprehensive study of the viability of a mineral project that has advanced to a stage where the mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, has been established, and which, if an effective method of mineral processing has been determined, includes a financial analysis based on reasonable assumptions of technical, engineering, operating, economic factors and the evaluation of other relevant factors which are sufficient for a Qualified Person acting reasonably, to determine if all or part of the Mineral Resource may be classified as a Mineral Reserve.
Proterozoic	The eon of geologic time or the corresponding system of rocks that includes the interval between the Archean and Phanerozoic eons, perhaps exceeds in length all of subsequent geological time, and is marked by rocks that contain fossils indicating the first appearance of eukaryotic organisms (as algae).
Reverse Circulation Drill	A rotary percussion drill in which the drilling mud and cuttings return to the surface through the drill pipe.
Sill	Tabular intrusion which is sandwiched between layers in the host rock.
Stringers	The narrow veins or veinlets, often parallel to each other, and often found in a shear zone.
Tertiary	The Tertiary period or system of rocks.
Till Sample	A sample of soil taken as part of a regional exploration program and examined for indicator minerals.
Xenolith	A foreign inclusion in an igneous rock.

NOTE REGARDING FORWARD LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995 concerning the Company's exploration, operations, planned acquisitions and other matters. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management.

Statements concerning mineral resource estimates may also be deemed to constitute forward-looking statements to the extent that they involve estimates of the mineralization that will be encountered if the property is developed, and based on certain assumptions that the mineral deposit can be economically exploited. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "expects" or "does not expect", "is expected", "anticipates" or "does not anticipate", "plans", "estimates" or "intends", or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved) are not statements of historical fact and may be "forward-looking statements." Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation:

§ risks and uncertainties relating to the interpretation of drill results, the geology, grade and continuity of mineral deposits;

§ results of initial feasibility, pre-feasibility and feasibility studies, and the possibility that future exploration, development or mining results will not be consistent with the Company's expectations;

§ mining exploration risks, including risks related to accidents, equipment breakdowns or other unanticipated difficulties with or interruptions in production;

§ the potential for delays in exploration activities or the completion of feasibility studies;

§ risks related to the inherent uncertainty of exploration and cost estimates and the potential for unexpected costs and expenses;

§ risks related to commodity price fluctuations;

§ the uncertainty of profitability based upon the Company's history of losses;

§ risks related to failure of the Company and/or its joint venture partner to obtain adequate financing on a timely basis and on acceptable terms;

§ risks related to environmental regulation, permitting and liability;

§ political and regulatory risks associated with mining and exploration; and

§ other risks and uncertainties related to the Company's prospects, properties and business strategy.

Some of the important risks and uncertainties that could affect forward looking statements are described further in this Annual Report under the headings "Risk Factors", "History and Development of Company," "Business Overview," "Property, plants and equipment," and "Operating and Financial Review and Prospects". Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Forward looking statements are made based on management's beliefs, estimates and opinions on the date the statements are made and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change. Investors are cautioned against attributing undue certainty to forward-looking statements.

Forward-looking information is based on certain factors and assumptions regarding, among other things, exploration, permitting, construction, mining, and production at the Gahcho Kué Project and Kennady North Project as well as world and U.S. economic conditions and the future worldwide demand for diamonds. Specifically, in making statements regarding expected mineral recovery, diamond prices and expectations concerning the diamond industry, the Company has made assumptions regarding, among other things, foreign exchange rates, continuing recovery of world and U.S. economic conditions, our ability to successfully implement our exploration, construction and mining plans, the success of permitting the Gahcho Kué Project, and overall demand for diamonds. While the Company considers these assumptions to be reasonable based on the information currently available to it, they may prove to be incorrect. See “Risk Factors”.

NOTE REGARDING FINANCIAL STATEMENTS AND EXHIBITS

The financial statements and exhibits referred to herein are filed with this report on Form 20-F in the United States. This report is also filed in Canada as an Annual Information Form. Canadian investors should also refer to the annual consolidated financial statements of the Company as at December 31, 2010, which are incorporated by reference herewith, as filed with the applicable Canadian Securities regulators on SEDAR (the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval) under "Audited Annual Financial Statements - English".

METRIC EQUIVALENTS

For ease of reference, the following factors for converting metric measurements into imperial equivalents are provided:

To Convert From Metric	To Imperial	Multiply by
Hectares	Acres	2.471
Metres	Feet (ft.)	3.281
Kilometres (km.)	Miles	0.621
Tonnes	Tons (2000 pounds)	1.102
Grams/tonne	Ounces (troy/ton)	0.029

PART I

Item 1. Identity of Directors, Senior Management and Advisors

Not Applicable

Item 2. Offer Statistics and Expected Timetable

Not Applicable

Item 3. Key Information

A.Selected financial data.

The selected financial data set forth below should be read in conjunction with "Item 5 - Operating and Financial Review and Prospects", and in conjunction with the consolidated financial statements and related notes of the Company included under "Item 17, Financial Statements." The Company's consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Material measurement differences between accounting principles generally accepted in Canada and the United States, applicable to the Company, are described in Note 9 to the consolidated financial statements. The Company's financial statements are set forth in Canadian dollars.

The following chart summarizes certain selected financial information for the Company as at and for its fiscal years ended December 31, 2010, its fiscal nine month period ended December 31, 2009, and the years ended March 31, 2009, 2008, and 2007. Except as otherwise indicated, dollar amounts presented are equivalent under Canadian and United States generally accepted accounting principles.

For the year ending (except as noted) All in CDN$1,000's except Earnings (loss) per Share and Number of Common Shares	December 31, 2010 (12 months)	December 31, 2009 (9 months)	March 31, 2009 (12 months)	March 31, 2008 (12 months)	March 31, 2007 (12 months)
Operating Revenue	nil	nil	nil	nil	nil
Interest Revenue	123	12	37	62	24
Working Capital	29,451	8,315	206	1,567	180
Net (Loss) Earnings -					
Under Canadian GAAP:	(1,567)	(1,458)	(1,538)	166	(1,961)
Under U.S. GAAP1:	(13,890)	(5,388)	(1,969)	(70)	(2,050)
Basic and diluted (loss) earnings per share -					
Under Canadian GAAP:	(0.02)	(0.02)	(0.03)	-	(0.04)
Under U.S. GAAP1:	(0.20)	(0.09)	(0.03)	-	(0.04)
Total Assets -					
Under Canadian GAAP:	117,306	83,747	65,560	66,764	41,616
Under U.S. GAAP1:	64,769	43,044	28,219	29,601	10,925
Share Capital					
Under Canadian GAAP:	133,054	97,313	85,871	85,582	66,579
Under U.S. GAAP:	133,054	97,313	85,871	85,515	66,559

Net Assets -					
Under Canadian GAAP:	105,164	71,516	59,681	60,642	41,197
Under U.S. GAAP1:	56,727	35,991	28,028	29,388	10,506
Number of Common Shares issued	77,416,057	66,631,746	59,932,381	59,870,881	55,670,715

1 During the year ended December 31, 2010, the Company determined that a future income tax liability recognized for Canadian GAAP in its fiscal year ended March 31, 2008 should not be recognized for U.S. GAAP purposes as the carrying value of the mineral property for US GAAP purposes was less than its tax basis and also determined that the previously recorded adjustment to expense deferred exploration cost in the balance sheet reconciliation was overstated. The Company has revised comparative figures to correct the immaterial impact of these items in this chart and in Note 9(c) of its consolidated financial statements.

No dividends have been declared in any of the years presented above.

1

Currency and Exchange Rates

All dollar amounts set forth in this report are in Canadian dollars, except where otherwise indicated. The following tables set forth, (i) for the five most recent financial years, the average rate (the "Average Rate") of exchange for the Canadian dollar, expressed in U.S. dollars, calculated by using the average of the U.S. noon exchange rates per the Bank of Canada for each trading day of the fiscal year; and (ii) the high and low exchange rates for each of the previous twelve calendar months for the Canadian dollar, expressed per the Bank of Canada.

The Average Rate is set out for each of the periods indicated in the table below.

Dec-10	Dec-09 (nine months)	Mar-09	Mar-08	Mar-07
US$0.9704	US$0.9034	US$0.8878	US$0.9688	US$0.8784

The high and low exchange rates for each month during the previous twelve months are as follows:

Month	High (US$)	Low (US$)
January 2010	$ 0.9552	$ 0.9619
February 2010	$ 0.9425	$ 0.9505
March 2010	$ 0.9739	$ 0.9804
April 2010	$ 0.9911	$ 0.9990
May 2010	$ 0.9548	$ 0.9671
June 2010	$ 0.9577	$ 0.9678
July 2010	$ 0.9547	$ 0.9637
August 2010	$ 0.9564	$ 0.9639
September 2010	$ 0.9633	$ 0.9716
October 2010	$ 0.9776	$ 0.9857
November 2010	$ 0.9833	$ 0.9902
December 2010	$ 0.9890	$ 0.9950

On March 30, 2011, the noon buying rate in Canadian dollars as per the Bank of Canada (the "Exchange Rate") was $1 Canadian = US$1.0294.

B. Capitalization and indebtedness.

Not Applicable

C. Reasons for the offer and use of proceeds.

Not Applicable

D. Risk factors.

The Company, and thus the securities of the Company, should be considered a highly speculative investment and investors should carefully consider all of the information disclosed in this Annual Report prior to making an investment in the Company. In addition to the other information presented in this Annual Report, the following risk factors should be given special consideration when evaluating an investment in any of the Company's securities. Any or all of these risks could have a material adverse effect on the Company’s business, financial condition, results of operations, cash flows and on the market price of its common stock.

(a) The Company's limited operating history makes it difficult to evaluate the Company's current business and forecast future results.

The Company has only a limited operating history on which to base an evaluation of the Company's current business and prospects, each of which should be considered in light of the risks, expenses and problems frequently encountered in the early stages of growth of all companies, and in mining companies in particular. The Company has not commenced mining operations and is still in the development and permitting stage of the Gahcho Kué Project and the exploration stage of the Kennady North Project. The Company may not be able to obtain all of the permits which are necessary for it to commence operations. The Company’s mining operations may not be successful. As a result of this limited operating history, period-to-period comparisons of the Company’s operating results may not be meaningful and the results for any particular period should not be relied upon as an indication of future performance.

(b) The diamond mining business is speculative and the Company may not be successful in implementing its plans to establish a successful and profitable diamond mining business

Resource exploration and possible development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but from finding mineral deposits which, though present, are insufficient in quantity and quality to return a profit from production. Diamonds acquired or discovered by the Company may be required to be sold at a price which is reflective of the market at that time.

(c) The Company has no significant source of operating cash flow and failure to generate revenues in the future could cause the Company to go out business.

The Company currently has no significant source of operating cash flow. The Company has limited financial resources. The Company's ability to achieve and maintain profitability and positive cash flow is dependent upon the Company's ability to generate revenues. The Company’s current operations do not generate any cash flow. The Company’s annual operating costs, excluding its share of costs of the Gahcho Kué Project, and exploration costs for the Kennady North Project, are approximately $1.7 million.

(d) The Company is in the development and permitting stage for the Gahcho Kué Project and may never become profitable.

The Company's Gahcho Kué Project is in the permitting and engineering design stage. The Company’s proposed mining operations may never become profitable. Drilling of the 5034, Hearne, and Tuzo kimberlite pipes has been extensive and has now been completed. Reserves have been established through the Feasibility Study but the permitting of the mine is still underway. Estimates of mineral deposits, development plans and production costs, when made, can be affected by such factors as environmental permit regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. In addition, the grade of diamonds ultimately discovered may differ from that indicated by bulk sampling results. Mine plans and processing concepts that have been developed are not necessarily final.

(e) The preliminary process testing may not be accurate in predicting the actual presence and recoverability of diamonds on Company properties.

Process testing is limited to small scale testing based on a number of laboratory test programs, trade-off studies and design evaluations. There can be no assurance that diamonds recovered in small scale tests will be duplicated in large scale tests under on-site conditions or in production scale. Difficulties may be experienced in obtaining the expected diamond recoveries when scaling up to a production scale process plant.

3

(f) The Company may not have adequate funds to explore properties other than the Gahcho Kué Project.

Over time, as the Kennady North Project continues, the Company may not have the ability to pay for exploration or development costs on its Kennady North Project. If such funds were available, there is no assurance that expending such funds would result in discovery of any diamondiferous kimberlite.

(g) The Company has a history of losses and is likely to continue to incur losses for the foreseeable future.

The Company has a history of losses and is likely to continue to incur losses for the foreseeable future. During the fiscal year ended December 31, 2010, the fiscal nine month period ended December 31, 2009, and the fiscal year ended March 31, 2009, the Company incurred net losses or earnings during each of the following periods:

- $1.567 million loss for the year ended December 31, 2010;
- $1.458 million loss for the nine months ended December 31, 2009; and,
- $1.538 million net loss for the year ended March 31, 2009.

As of December 31, 2010, the Company had an accumulated deficit of $30.5 million. There can be no assurance that the Company will ever be profitable.

None of the Company's properties have advanced to the commercial production stage, and the Company has no history of earnings or cash flow from operations and, as an exploration and development company, has only a history of losses.

(h) The Company may never recover the amounts it has capitalized for mineral property costs.

The recoverability of the amounts capitalized for mineral properties in the Company's consolidated financial statements, prepared in accordance with Canadian generally accepted accounting principles, is dependent upon the ability of the Company to complete exploration and development, the discovery of economically recoverable reserves, and, if warranted, upon future profitable production or proceeds from disposition of some or all of the Company's mineral properties.

(i) The Company’s failure to generate revenues in the future could cause the Company to go out of business.

As of December 31, 2010, the Company had cash and cash equivalents and short-term investments of approximately $33.6 million and working capital of approximately $29.5 million. During the past three fiscal years ended December 31, 2010, December 31, 2009 (nine months), and March 31, 2009, the Company used approximately $3.517 million in cash flows in operating activities including approximately $0.988 million during the year ended December 31, 2010, $1.387 million during the nine months ended December 31, 2009, and $1.142 million during the fiscal year ended March 31, 2009.

The Company's administrative and other expenses are expected to be approximately $1.7 million for the next year, in addition to an estimated $6.2 million for expenses for the Gahcho Kué joint venture for 2011, any exploration costs for the Kennady North Project, and possible repayments of historic sunk costs.

In order to advance the Gahcho Kué Project and exploration of the Kennady North Project, the Company will be required to raise additional capital through equity and/or debt financings on terms that may be dilutive to its shareholders’ interests in the Company and the value of their common shares. The Company may consider debt financing, joint ventures, production sharing arrangements, disposing of properties or other arrangements to meet its capital requirements in the future. Such arrangements may have a material adverse affect on the Company’s business or results of operations. As well, there is no guarantee that the Company will be able to raise additional capital, or to raise additional capital on terms and conditions which it finds acceptable. If the Company is not able to raise sufficient capital, it may not be able to grow the Company, or it may be forced to cease doing business.

(j) Only the Company's Gahcho Kué Project has probable reserves.

The Gahcho Kué Project, the Company's major property, is in the permitting stage. The Kennady North Project is in the early stage of exploration. The Gahcho Kué Project has probable reserves in three of the four kimberlite bodies at Kennady Lake. See "Item 4D - Property, plants and equipment - Principal Properties". The Company has not yet determined whether the Kennady North Project contains mineral reserves that are economically recoverable. Failure to discover economically recoverable reserves at the Kennady North Project will require the Company to write-off costs capitalized in its financial statements.

(k) If the Company does not hold good title to properties, its ability to explore and eventually mine them could be prevented or restricted.

The Company's business depends upon having clear title to its properties and its ability to explore, develop and mine its properties without undue restriction. If any of its properties are subject to prior unregistered agreements that restrict the use of the properties, or if it does not hold title to the properties as it believes it does, its ability to explore, develop and mine on those properties could be limited or prevented completely. This would have a material adverse effect on the Company and its results of operation.

(l) Diamond prices can fluctuate significantly, and as a result, the Company's results of operation may fluctuate significantly.

The market for rough diamonds is subject to strong influence from demand in the United States, Japan, China and India, which are the largest markets for polished diamonds, and supply from major producers such as Alrosa of Russia and Debswana of Botswana. The price of diamonds has historically fluctuated. The price of diamonds dropped sharply after September 11, 2001. Between 2003 and 2006 diamond prices increased on average by approximately 15%. In 2007, rough diamond prices increased by an average of 25%, and in the first five months of 2008, by a further 11%. From about mid-2008 to mid-April 2009, rough diamond prices fell sharply with concerns of the global economic environment of the time. By mid-April 2009, rough diamond prices rebounded to pre-global recession levels. During 2010, rough diamond prices increased by approximately 30% and are currently trading at historic levels. Such fluctuations make it difficult to predict future diamond prices and the Company's future results of operation may fluctuate significantly with rough diamond prices.

(m) The Company may incur significant costs to comply with Environmental and Government Regulation

The current and anticipated future operations of the Company, including development activities and commencement of production on its properties, require permits from various federal, territorial and local governmental authorities and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in the development and operation of mines and related facilities generally experience increased costs, and delays in development, production and other schedules as a result of the need to comply with applicable laws, regulations and permits. The Company's exploration and development activities and its potential mining and processing operations in Canada are subject to various Canadian Federal and Territorial laws governing land use, the protection of the environment, prospecting, development, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, mine safety and other matters.

Such exploration, development and operation activities are also subject to substantial regulation under these laws by governmental agencies and may require that the Company obtain permits from various governmental agencies. The Company believes it is in substantial compliance with all material laws and regulations which currently apply to its activities. There can be no assurance, however, that all permits which the Company may require for construction of mining facilities and conduct of mining operations will be obtainable on reasonable terms or that such laws and regulations, or that new legislation or modifications to existing legislation, would not have an adverse effect on any exploration, development or mining activities which the Company might undertake.

Further detail on governmental regulation may be found in “Item 4 - Business Review - Government Regulation”, below.

Failure to comply with applicable laws, regulations and permit requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violation of applicable laws or regulations. The amount of funds required to comply with all environmental regulations and to pay for compensation in the event of a breach of such laws may exceed the Company's ability to pay such amounts.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation of existing or new laws, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining facilities.

(n) Climate and transportation costs may increase and have a negative effect on the Company’s results of operation.

The Gahcho Kué Project is subject to climate and transportation risks because of its remote northern location. Such factors can add to the costs of exploration, development and operation, thereby increasing costs and negatively affecting profitability.

(o) The Company is dependent upon its joint venture partner for the success of the Gahcho Kué Project.

The Company, and the success of the Gahcho Kué Project, are dependent on the efforts, expertise and capital resources of our joint venture partner, De Beers Canada, and its parent De Beers. De Beers Canada is the project operator and is responsible for exploring, permitting, developing and operating the Gahcho Kué Project. In addition, De Beers Canada is providing its share of financing for the Gahcho Kué Project. The Company is dependent on De Beers Canada for accurate information about the Gahcho Kué Project, and the proper and timely progress of exploration, permitting and development.

(p) Operating Hazards and Risks

Diamond exploration and mining involves many risks. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks (such as accidents, injuries, and hazardous waste) normally incidental to exploration, development and production of resources, any of which could result in work stoppages, damage to property and possible environmental damage.

(q) There are numerous factors beyond the control of the Company that may affect the marketability of any diamonds discovered.

Factors beyond the control of the Company may affect the marketability of any diamonds produced. Significant price movements over short periods of time may be affected by numerous factors beyond the control of the Company, including international economic and political trends, expectations of inflation, currency exchange fluctuations (specifically, the U.S. dollar relative to the Canadian dollar and other currencies), interest rates and global and/or regional consumption patterns. The effect of these factors on the prices of diamonds and therefore the economic viability of any of the Company's projects cannot accurately be predicted.

(r) The Company's expectations reflected in forward looking statements may prove to be incorrect.

This Form 20-F includes "forward looking statements". A shareholder or prospective shareholder should bear this in mind when assessing the Company's business. All statements, other than statements of historical facts, included in this annual report, including, without limitation, the statements under and located elsewhere herein regarding industry prospects and the Company's financial position are forward-looking statements. Although the Company believes that the expectations reflected in such forward looking statements are reasonable, such expectations may prove to be incorrect.

(s) The Mineral Resources Industry is intensely competitive and the Company competes with many companies with greater financial means and technical facilities.

The resource industry is intensely competitive in all of its phases, and the Company competes with many companies possessing greater financial resources and technical facilities. Competition could adversely affect the Company's ability to acquire suitable producing properties or prospects for exploration in the future.

(t) Future equity financings which the Company may undertake would cause shareholders' interests in the Company to be diluted.

The Company's current operations do not generate any cash flow. As the Company seeks additional equity financing, the issuance of additional shares will dilute the interests of the Company's current shareholders. The amount of the dilution would depend on the number of new shares issued and the price at which they are issued. The Company has raised funds in recent years through share, option and warrant issuances. As of December 31, 2010, the Company had cash and cash equivalents and short-term investments of approximately $33.6 million and working capital of approximately $29.5 million. To develop the Gahcho Kué mine, and perform exploration on the Kennady North Project and any other properties acquired, the Company will need to investigate sources of additional liquidity to increase the cash balances required in the future. These additional sources include, but are not limited to, share offerings, private placements, credit facilities, and debt, as well as further possible exercises of outstanding options by directors and officers. There can be no assurance that the Company will be able to raise additional funds as needed, or that funds raised, if any, would be on terms and conditions acceptable to the Company. The Company's annual cash administrative operating costs, excluding the costs directly associated with the Gahcho Kué Project or Kennady North Project, are approximately $1.7 million.

(u) If outstanding options to buy Company stock are exercised, existing shareholders' interests in the Company will be diluted.

As at March 30, 2011, there were 1,114,635 options outstanding with exercise prices ranging from $1.26 to $6.13 (expiring at various dates). There were 1,547,950 warrants outstanding with an exercise price of $3.20, expiring June 8, 2011. The stock options and warrants, if fully exercised, would increase the number of shares outstanding by 2,662,585. Such options and warrants, if fully exercised, would constitute about 3.2% (out of 81,309,558 shares (78,646,973 issued and outstanding, plus total outstanding options and warrants)) of the Company's resulting share capital as at March 30, 2011. It is unlikely that outstanding options and warrants would be exercised unless the market price of the Company's common shares exceeds the exercise price at the date of exercise. The exercise of such options and the subsequent resale of such Common shares in the public market could adversely affect the prevailing market price and the Company's ability to raise equity capital in the future at a time and price which it deems appropriate. The Company may also enter into commitments in the future which would require the issuance of additional common shares and the Company may grant new share purchase warrants and stock options. Any share issuances from the Company's treasury will result in dilution to existing shareholders.

(v) Members of our Board of Directors may have outside interests which conflict with the Company or its shareholders.

Patrick Evans and Jennifer Dawson have Consulting Agreements with the Company (see "Item 6C - Board Practices"). In addition, certain officers and directors of the Company are associated with other natural resource companies that acquire interests in mineral properties. Such associations may give rise to conflicts of interest from time to time.

(w) If the Company is not able to attract and maintain qualified key management personnel, it may not be able to successfully implement its planned business activities and growth.

The nature of the Company's business, its ability to continue its exploration, development and permitting activities and to thereby develop a competitive edge in its marketplace depends, in large part, on its ability to attract and maintain qualified key management personnel. Competition for such personnel is intense, and there can be no assurance that the Company will be able to attract and retain such personnel. The Company's development to date has depended, and in the future will continue to depend, on the efforts of Patrick Evans. See "Item 7B -Related party transactions" and "Item 6C - Board Practices". Loss of the key person could have a material adverse effect on the Company. The Company does not maintain key-man life insurance on Patrick Evans.

(x) The Company's stock price is subject to significant fluctuations.

Prices for the Company's shares on the TSX and on the NYSE Amex, have been extremely volatile. The price for the Company's common shares on the TSX ranged from $2.02 (low) and $6.65 (high) during the fiscal year ended December 31, 2010, and from $0.86 (low) to $3.07 (high) during the nine-month fiscal period ended December 31, 2009. The price on the NYSE Amex ranged from $1.96 US (low) and $6.64 US (high) during the fiscal year ended December 31, 2010, and from $0. 69 US (low) to $2.90 US (high) during the nine-month fiscal period ended December 31, 2009. Any investment in the Company's securities is therefore subject to considerable fluctuations in value.

(y) The Company has not paid dividends in the past and does not anticipate paying them in the foreseeable future.

Since its inception, the Company has not paid any cash dividends on its common stock and does not anticipate paying any cash dividends on its common stock in the foreseeable future. Without dividends on its common stock, shareholders will be able to profit from an investment only if the price of the stock appreciates before the shareholder sells it.

(z) Currency rate fluctuations may have a material effect on our financial position, results of operations, and timing of the development of the Company's properties.

Feasibility and other studies conducted to evaluate the Company's properties are typically denominated in U.S. dollars, and the Company conducts a significant portion of its operations and incurs a significant portion of its administrative and operating costs in Canadian dollars. The exchange rate for converting U.S. dollars into Canadian dollars has fluctuated in recent years. Accordingly, the Company is subject to fluctuations in the rates of currency exchange between the U.S. dollar and the Canadian dollar, and these fluctuations in the rates of currency exchange may materially affect the Company's financial position, results of operations and timing of the development of its properties. In particular, the recent strong increase in the value of the Canadian dollar compared to the U.S. dollar should be expected to have a material impact on projected future capital and operating costs, which could impact on the economic viability of the Gahcho Kué Project.

(aa) Historically, the Company has been dependent on the support of De Beers and there is no assurance that their support will continue in the future.

The exploration of the Gahcho Kué Project has historically been funded by De Beers Canada, De Beers Canada is the operator of the Project, and De Beers Canada has made an equity investment in the Company. With the execution of the 2009 Joint Venture Agreement, De Beers and the Company share funding responsibility for the Gahcho Kué Project. Under the 2009 Gahcho Kué Joint Venture Agreement, the Company and De Beers are required to fund their share of costs for future operations. As well, the Company is required to make certain repayments of agreed historic costs of the Gahcho Kué Project, funded by De Beers, if and when certain events occur. If either party is unable to fund their share of costs, or, if the Company defaults on its required payments of historic costs if and when they are due, in addition to interest on late or defaulted payments, marketing rights can be diluted for the defaulting party. As well, there is no assurance that the Company will have the required funds on hand when the payments are required to be made. Finally, there is no assurance that the level of support provided by De Beers will continue in the future.

(bb) It will be difficult for any shareholder of the Company to commence legal action against the Company's executives. Enforcing judgments against them or the Company will be difficult.

As the Company is a Canadian company, it may be difficult for U.S. shareholders of the Company to effect service of process on the Company or to realize on judgments obtained against the Company in the United States. Some of the Company's directors and officers are residents of Canada and a significant part of the Company's assets are, or will be, located outside of the United States. As a result, it may be difficult for shareholders resident in the United States to effect service of process within the United States upon the Company, directors, officers or experts who are not residents of the United States, or to realize in the United States judgments of courts of the United States predicated upon civil liability of any of the Company directors or officers under the United States federal securities laws. If a judgment is obtained in the U.S. courts based on civil liability provisions of the U.S. federal securities laws against the Company or its directors or officers it will be difficult to enforce the judgment in the Canadian courts against the Company and any of the Company's non-U.S. resident executive officers or directors. Accordingly, United States shareholders may be forced to bring actions against the Company and its respective directors and officers under Canadian law and in Canadian courts in order to enforce any claims that they may have against the Company or the Company's directors and officers. Subject to necessary registration, as an extra provincial company, under applicable provincial corporate statutes in the case of a corporate shareholder, Canadian courts do not restrict the ability of non-resident persons to sue in their courts. Nevertheless it may be difficult for United States shareholders to bring an original action in the Canadian courts to enforce liabilities based on the U.S. federal securities laws against the Company and any of the Company's Canadian executive officers or directors.

(cc) The MPV Shares may be delisted from NYSE Amex, and if this occurs, shareholders may have difficulty converting their investment into cash efficiently.

NYSE Amex has established certain standards for the continued listing of a security on this exchange. If the MPV Shares were to be excluded from NYSE Amex, the prices of the MPV Shares and the ability of shareholders to sell such stock would be adversely affected. If the Company were to be delisted, the Company would be required to comply with the initial listing requirements to be relisted on NYSE Amex.

Item 4. Information on the Company

A. History and development of the company.

The Corporate Organization

Mountain Province Diamonds Inc., formerly Mountain Province Mining Inc., was formed on November 1, 1997 by the amalgamation (the "MPV Amalgamation") of Mountain Province Mining Inc. ("Old MPV") and 444965 B.C. Ltd. ("444965") pursuant to an amalgamation agreement (the "MPV Amalgamation Agreement") dated as of August 21, 1997.

Under the terms of the MPV Amalgamation Agreement, as at November 1, 1997, each Old MPV share was exchanged for one MPV Share and each 444965 share was exchanged for approximately 0.80 of one MPV Share. The conversion ratios reflected the respective interests of Old MPV and 444965 in the AK-CJ Properties prior to the date of the MPV Amalgamation.

Old MPV was incorporated under the laws of British Columbia on December 2, 1986 under the British Columbia Company Act and was engaged in the exploration of precious and base mineral resource properties until the date of the MPV Amalgamation. Prior to the date of the MPV Amalgamation, Old MPV held an undivided 50% interest in the AK-CJ Properties and an interest in each of the other properties which are currently held by MPV, as described below.

444965, a wholly-owned subsidiary of Glenmore Highlands Inc., (Glenmore being a former controlling shareholder of the Company as defined under the Securities Act, British Columbia) prior to the MPV Amalgamation, was incorporated under the laws of British Columbia on August 20, 1993. Prior to the MPV Amalgamation, 444965's only material asset consisted of a 40% undivided interest in the AK-CJ Properties.

As of March 31, 2000, the Company had one wholly-owned subsidiary, Mountain Province Mining Corp. (USA), which has since been voluntarily dissolved.

On April 4, 2000, the Company incorporated a wholly-owned subsidiary, Mountain Glen Mining Inc. in Alberta. Pursuant to an arrangement agreement (the "Arrangement Agreement") with Glenmore dated May 10, 2000, Glenmore was amalgamated with Mountain Glen effective as of June 30, 2000 to form a wholly-owned subsidiary (also known as "Mountain Glen Mining Inc.") of the Company. All Glenmore Shares were exchanged for common shares in the Company on the basis of 0.5734401 MPV Shares to one Glenmore Share, and Glenmore Shares were concurrently cancelled. All of the assets of Glenmore became assets of Mountain Glen, including 16,015,696 MPV Shares previously held by Glenmore.

Glenmore had two wholly-owned subsidiaries, Baltic Minerals BV, incorporated in the Netherlands, and Baltic Minerals Finland OY, incorporated in Finland. Pursuant to the Arrangement Agreement, these companies became wholly-owned subsidiaries of the Company.

The Company changed its name from Mountain Province Mining Inc. to Mountain Province Diamonds Inc. effective October 16, 2000. It commenced trading under its new name on the TSX on October 25, 2000.

Pursuant to an Assignment and Assumption Agreement dated March 25, 2004 between the Company and Mountain Glen, Mountain Glen distributed its property and assets in specie to the Company with the object of winding up the affairs of Mountain Glen. The property transferred included Mountain Glen's shares in Baltic Minerals BV and the 16,015,696 MPV Shares. On March 30, 2004, the 16,015,696 MPV Shares were cancelled and returned to treasury.

Mountain Glen was voluntarily dissolved on August 4, 2004.

Pursuant to the repeal of the British Columbia Company Act and its replacement by the British Columbia Business Corporations Act (the "New Act"), the Company transitioned to the New Act and adopted new Articles of Incorporation. On September 20, 2005, the Company's shareholders approved a special resolution for the continuance of the Company into Ontario, and the Company amended its articles and continued incorporation under the Business Corporations Act (Ontario), transferring from the Company Act (British Columbia).

The Company is domiciled in Canada.

The names of the Company's subsidiaries, their dates of incorporation and the jurisdictions in which they were incorporated as at the date of filing of this Annual Report, are as follows:

Name of Subsidiary	Date of Incorporation	Juridiction of Incorporation
Baltic Minerals BV	January 26, 1996	The Netherlands
Baltic Minerals Finland OY	May 18, 1994	Finland
Camphor Ventures Inc.	May 9, 1986 (as Sierra Madre Resources Inc.)	British Columbia, Canada

The subsidiaries of the Company, represented diagrammatically, are as follows:

The Company's registered, records, administrative, and executive office is at 401 Bay Street, Suite 2700, PO Box 152, Toronto, Ontario, Canada M5H 2Y4, the telephone number is (416) 361-3562, and the fax number is (416) 603-8565.

The Company's initial public offering on the VSE was pursuant to a prospectus dated July 28, 1988 and was only offered to investors in British Columbia. The Company listed its shares on the TSX (Trading Symbol "MPV") on January 22, 1999 and on the Nasdaq Smallcap Market (Trading Symbol "MPVIF") on May 1, 1996. Its shares were delisted from the Vancouver Stock Exchange (now known as the TSX Venture Exchange and prior to that, as the CDNX) on January 31, 2000 and from the Nasdaq Smallcap Market on September 29, 2000. Presently, the Company's shares trade on the TSX under the symbol "MPV" and also on the NYSE Amex (formerly Amex) under the symbol “MDM”. Prior to April 4, 2005, the Company's shares traded on the OTCBB under the symbol "MPVI". The Company is also registered extra-provincially in the Northwest Territories, and is a reporting issuer in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland. The Company files reports in the United States pursuant to Section 13 of the Securities Exchange Act.

The Company’s transfer agent is Computershare Investor Services Inc. located at 100 University Avenue, 8th Floor, Toronto, Ontario, Canada, M5J 2Y1.

Principal Capital Expenditures and Divestitures

There are no principal capital expenditures and divestitures currently in progress.

Takeover offers

There were no public takeover offers by third parties in respect of the MPV Shares or by the Company in respect of other companies' shares during the last and current financial year.

Acquisitions and Dispositions

On October 10, 2002, the Company granted an option for the acquisition by Vision Gate Ventures Limited (now known as Northern Lion Gold Corp.) of a 70% interest in its Haveri Gold Property, which was not considered to be a property that was material to the Company. On October 4, 2004, the Company agreed to exchange the Company's 30% interest in the Haveri Gold Property for 4,000,000 common shares of Northern Lion Gold Corp. The shares were subject to a two-year hold period and there were volume restrictions on re-sale thereafter. The 4,000,000 common shares of Northern Lion Gold Corp. were sold in July 2007.

On July 5, 2006, the Company announced that it had entered into an agreement with certain Camphor Ventures Inc. (“Camphor” or “Camphor Ventures”) shareholders to acquire approximately 33.5 percent of the issued and outstanding shares of Camphor through a private agreement exempt share exchange on the basis of 0.3975 MPV Shares for each Camphor share. The acquisition was completed on July 24, 2006.

On January 19, 2007, the Company announced that Camphor had accepted an offer letter from the Company in terms of which the Company offered, subject to certain conditions, to acquire all of the outstanding securities of Camphor Ventures on the basis of 0.41 MPV Shares, options or warrants (as the case may be) per Camphor common share, option, or warrant. Offering documents and the Camphor Directors’ Circular were mailed to Camphor shareholders on February 23, 2007, and the offer remained open until March 30, 2007, following which Mountain Province took up the Camphor shares tendered into the offer increasing the Company’s interest in Camphor to over 90 percent. The offer was subsequently extended until April 16, 2007, following which the Company’s interest in Camphor increased to 96% percent on a fully diluted basis. On April 19, 2007, the Company issued a Notice of Compulsory Acquisition to acquire the balance of the outstanding shares of Camphor. The Notice expired June 19, 2007 and the Company took up the balance of the Camphor shares. Camphor Ventures was de-listed and is now a wholly owned subsidiary of Mountain Province.

B. Business overview.

1.1 Introduction

The Company is a natural resource property exploration and development company. The Company has interests in several natural resource properties, the most significant and principal property being a 49% interest (including the 4.9% interest in the property held by Camphor) in the AK Property located in the Northwest Territories of Canada. See "Item 4D - Property, plants and equipment".

Bulk sampling and drilling on the AK Property is complete, as is the Definitive Feasibility Study on the Gahcho Kué Project which demonstrates an economically viable project. The Project is currently in the permitting stage. There are no revenues from the Company’s natural resource properties.

In November 2010, the Company acquired eight (8) mineral claims just north and west of the Gahcho Kué Project mineral leases. The Company refers to these eight claims, and its five mineral leases, as the Kennady North Project. The Kennady North Project is currently undergoing a desktop study to compile the historic exploration information in order to assess what exploration, if any, should be done on these 13 claims and leases.

1.2 Historical Corporate Development

AK-CJ Properties, and the Gahcho Kué Project

In August 1992, the Company acquired a 100% interest in the AK-CJ Properties that encompassed approximately 520,000 acres. Pursuant to an agreement dated November 18, 1993 (as amended), the Company optioned 40% of its interest in the AK-CJ Properties to 444965, a subsidiary of Glenmore.

Pursuant to an agreement dated August 16, 1994 (as amended), the Company also optioned 10% of its interest in the AK-CJ Claims to Camphor. Following the merger of the Company with 444965, the Company held a 90% interest in the AK-CJ Claims, and Camphor, the remaining 10%. Exploration work in the form of soil sampling, aerial geophysical surveys and geochemical and geophysical analysis were undertaken on these properties during the period from 1992 to 1995.

During fiscal 1995, the Company focused the majority of its attention on the AK Property. In February 1995, a diamondiferous kimberlite was discovered (the "5034" kimberlite pipe) and a program of delineation drilling was undertaken. Activity during this period on the Company's other properties was minimal because of the focus on the AK Property.

During 1996, the Company completed a 104-tonne mini-bulk sample from the 5034 kimberlite pipe. The results indicated an average grade of 2.48 carats per tonne. During 1997, the Company concluded a joint venture agreement (the "Letter Agreement") with Monopros, a wholly-owned subsidiary of De Beers now known as De Beers Canada Inc., Camphor Ventures Inc., and other parties, and further amended it (as the Gahcho Kué Joint Venture Agreement) in 2002, to develop the AK-CJ Properties. The Letter Agreement granted De Beers the sole and exclusive right and option to acquire a 51% ownership interest in the AK Property in consideration of incurring certain expenditures.

During the 1997 exploration season, De Beers Canada discovered three new kimberlite pipes on the AK Property: Tesla, Tuzo and Hearne. All are diamondiferous.

During the spring of 1998, De Beers Canada conducted mini-bulk sampling on the three new pipes as well as the 5034 kimberlite pipe, the original pipe discovery on the AK Property. The results were positive enough for De Beers to commit to a major bulk sample in 1999.

During 1999, De Beers Canada completed a major bulk sample of the four major pipes. For the 5034 kimberlite pipe, a total of 1,044 carats were recovered from 609 tonnes of kimberlite. For the Hearne pipe, a total of 856 carats were recovered from 469 tonnes of kimberlite. For the Tuzo pipe, a total of 533 carats were recovered from 523 tonnes of kimberlite. For the Tesla pipe, 64 carats were recovered from 184 tonnes of kimberlite. The Tesla pipe was too low grade to be considered as part of a mine plan.

On March 8, 2000, the Company agreed to extend the feasibility study decision date, and De Beers Canada agreed to carry all exploration, development and other project costs.

On August 4, 2000, De Beers Canada presented the Desktop Study to the Company. Upon presentation, De Beers Canada was deemed to earn a 51% interest in the AK-CJ Properties. Consequently, the Company was left with a 44.1% interest and Camphor with a 4.9% interest in the AK-CJ Properties. The main conclusion of the Desktop Study was that only a 15 percent increase in diamond revenues was needed for De Beers Canada to proceed to the feasibility stage.

On May 4, 2001, De Beers Canada completed the bulk sample program of the Hearne and 5034 pipes. A total of approximately 307 tonnes and 550 tonnes of kimberlite were recovered from the Hearne and 5034 pipes respectively. The modeled values of the diamonds recovered from the Hearne and 5034 pipes were reported on December 18, 2001 and the results were encouraging enough for De Beers to commit to another bulk sample during the winter of 2002. The main purpose was to recover more high quality, top color diamonds, like the 9.9-carat diamond recovered in the 2001 program.

The CJ Property claims substantially lapsed in November 2001 and the remaining CJ Property claims lapsed on August 17, 2002.

During 2002, the Company entered into the Gahcho Kué Joint Venture Agreement. This agreement provided that De Beers Canada could have earned up to a 55% interest in the project by funding and completing a positive definitive feasibility study. The agreement also provided that De Beers Canada could have earned up to a 60% interest in the project by funding development and construction of a commercial-scale mine.

The winter 2002 bulk sample program of the 5034 and Hearne pipes was completed on April 20, 2002. The modeled grades and values per carat for both pipes were used to update the Desktop Study. De Beers Canada's 2003 updated Desktop Study showed that, due to the decrease in diamond prices since September 11, 2001 and a lower U.S. dollar against the Canadian dollar, the projected return on the project would be slightly less than that obtained previously. As a result of the indicated internal rate of return, well below the agreed hurdle rate of 15%, De Beers decided to postpone a pre-feasibility decision until the next year when the Desktop Study would be updated again.

At the end of July 2003, De Beers notified the Company that they had started work on a detailed internal cost estimate study on the Gahcho Kué Project that incorporated the Kennady Lake diamond deposits. They based their decision on their belief that the improving geo-political and economic conditions supported confidence in longer-term diamond price projections. In November 2003, the Joint Venture’s management committee approved a budget of approximately $25 million for the study which started in January 2004, and was completed mid-2005.

The projected profitability levels were sufficiently encouraging to the Joint Venture to support the Joint Venture's decision to proceed to the next phase of permitting and advanced exploration to improve the resource confidence and input data for mine design to support further study. On July 11, 2005, De Beers reported an increase in the modeled value of the diamonds for the Gahcho Kué Project with the modeled values increasing by approximately 6, 7 and 8 percent for the Tuzo, Hearne and 5034 pipes respectively.

During 2006, 2007 and the winter of 2008, advanced exploration and permitting work continued on the AK Property. For further particulars, reference should be made to "Item 4D - Property, plants and equipment - Principal Properties - Resource Properties".

Other Properties

The Company does not regard the properties, other than the AK Property (the "Gahcho Kué Project"), as material at this time, and other properties are only briefly discussed in this annual report. For further particulars, reference should be made to "Item 4D - Property, plants and equipment - Other Properties".

Kennady North

The Company (outside of the Joint Venture with De Beers Canada) has the following five mining leases at Kennady Lake, adjacent or close to the Gahcho Kué Project, with their respective lease numbers –4340, 4342, 4466, 4467, and 4468. These five mining leases represent about 12,555 acres. In late 2010, the Company also staked eight claims around Gahcho Kué – Kwezi 01 to Kwezi 08. These claims represent approximately 17,839 acres, and together with the five mining leases, comprise 30,394 acres – the Company's Kennady North Project. These mining leases and claims are not part of the 2009 Gahcho Kué Joint Venture Agreement with De Beers Canada and are not considered part of the Gahcho Kué Project. See also Item 4.D. Property, Plant and Equipment.

Historical exploration on the Kennady North Project was done starting in 1992 and continued until about 10 years ago when the Company and De Beers Canada focussed exploration efforts on the Gahcho Kué Project.

The Company is currently undertaking a desktop study of the exploration work done in the past on the Kennady North Project, and when the desktop study is completed, will be able to assess what further exploration work might be warranted.

Other

The Company has a 50% interest (acquired pursuant to an option/joint venture agreement with Opus Minerals Inc., now known as First Strike Diamonds Inc. on July 13, 1998) in claims held by Opus Minerals Inc. in the northern end of the Baffin Island. The property values for these claims have been written off and the Baffin Island property is no longer of interest to the Company.

Acquisition of Camphor Ventures Inc.

On July 5, 2006 the Company announced that it had entered into an agreement with certain Camphor shareholders to acquire approximately 33.5 percent of the issued and outstanding shares of Camphor through a private agreement exempt share exchange on the basis of 0.3975 Mountain Province shares for each Camphor share. The acquisition was completed on July 24, 2006.

On January 19, 2007, the Company announced that Camphor had accepted an offer letter from the Company in terms of which Mountain Province offered, subject to certain conditions, to acquire all of the outstanding securities of Camphor on the basis of 0.41 Mountain Province common shares, options or warrants (as the case may be) per Camphor common share, option, or warrant. Offering documents and the Camphor Directors' Circular were mailed to

Camphor shareholders on February 23, 2007, and the offer remained open until March 30, 2007, following which Mountain Province took up the Camphor shares tendered into the offer increasing the Company's interest in Camphor to over 90 percent. The offer was subsequently extended until April 16, 2007, following which the Company's interest in Camphor increased to 96% percent on a fully diluted basis. On April 19, 2007, the Company issued a Notice of Compulsory Acquisition to acquire the balance of the outstanding shares of Camphor. The Notice expired June 19, 2007, and the Company took up the rest of the shares. Camphor Ventures was de-listed and is now a wholly owned subsidiary of Mountain Province.

Foreign Assets

Until the Arrangement with Glenmore, all of the Company's assets are and have been located in Canada (see Item 4D - Property, plants and equipment - Principal Properties). Since the Arrangement, the Company has not generated any revenue from operations. Pursuant to the Arrangement, the assets of Glenmore, including properties in Finland, were acquired by Mountain Glen, and are now held by the Company, having been distributed to the Company on the winding up of Mountain Glen. The Haveri Gold Property in Finland was transferred to Northern Lion Gold Corp. in 2004. See “Item 4A - History and development of the Company - Acquisitions and Dispositions”.

Government Regulation

The current and anticipated future operations of the Company, including development activities and commencement of production on its properties, require permits from various federal, territorial and local governmental authorities and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in the development and operation of mine-related facilities generally experience increased costs, and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. The Company's exploration activities and its potential mining and processing operations in Canada are subject to various laws governing land use, the protection of the environment, prospecting, development, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, mine safety and other matters.

In most jurisdictions, mining is regulated by conservation laws and regulations. In the Northwest Territories, the mining industry operates primarily under Canadian federal law because the ownership of water, fisheries, and surface and sub-surface rights to land are vested in the federal government. Accordingly, federal legislation governs prospecting, development, production, environmental protection, exports, and collective bargaining. Matters of a purely local or territorial nature, such as mine safety standards, the establishment of a minimum wage, education and local health services are matters for the Territorial government. With respect to environmental matters, the Company's properties are subject to federal regulation under, inter alia, the Canadian Environmental Protection Act, the Fisheries Act, the Northwest Territories Waters Act, the Arctic Waters Pollution Prevention Act, the Navigable Waters Protection Act, the Mackenzie Valley Resource Management Act and the Mackenzie Valley Land Use Regulations. Territorial environmental legislation may also apply for some purposes. The Mackenzie Valley Land and Water Board established under the federal Mackenzie Valley Resource Management Act has the responsibility to receive and to process applications for water licenses under the Northwest Territories Waters Act in most areas of the Northwest Territories. These licenses outline the volume of water the mine may use, how tailings will be treated, the quality and types of waste that may be deposited into the receiving environment and how the quality and types of waste may be monitored and contain requirements regarding the restoration of the tailings disposal and other affected areas. The Mackenzie Valley Land and Water Board also issues land use permits applicable to most areas of the Northwest Territories under the Mackenzie Valley Land Use Regulations. Such permits govern the manner in which various development activities on federal Crown and other lands may be undertaken. Applicable territorial legislation and regulations include the Apprentice and Trade Certification Regulations, Archaeological Resources Act, Boilers and Pressure Vessels Regulations, Business Licence Fire Regulations, Civil Emergency Measures Act, Environmental Protection Act, Environmental Rights Act, Explosives Use Act, Explosives Regulations, Fire Prevention Act, Fire Prevention Regulations, Labour Standards Act, Mine Health and Safety Act, Mine Health and Safety Regulations, Public Health Act, Research Act, Wildlife Act, and Workers Compensation Act.

The Fisheries Act, Northwest Territories Waters Act, Territorial Lands Act and Regulations, Territorial Quarrying Regulations, Mackenzie Valley Land Use Regulations, Real Property Act, Transportation of Dangerous Goods Act, and the Canada Mining Regulations are federal legislation or regulations. Failure to comply with territorial and/or federal legislation or regulations may result in cease work orders and/or fines.

The Company's operations and exploration activities are also subject to substantial regulation under these laws by governmental agencies. The Company believes it is in substantial compliance with all material laws and regulations which currently apply to its activities. There can be no assurance, however, that all permits which the Company may require for construction of mining facilities and conduct of mining operations will be obtainable on reasonable terms or that such laws and regulations, or that new legislation or modifications to existing legislation, would not have an adverse effect on any exploration, development or mining project which the Company might undertake.

Portions of the Northwest Territories will also be subject to the jurisdiction of the Tlicho Government, a First Nations government which will have certain powers of regulation in respect of "Tlicho Lands" under the "Tlicho Agreement", a land claim agreement entered into between the Tlicho First Nation and the federal and territorial governments.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violation of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

On October 17, 2007, the Company entered into an agreement with the Government of the Northwest Territories pursuant to which it agreed to make available 10% of its share of the diamonds from the Gahcho Kué Project to the Northwest Territories diamond cutting and polishing facilities.

C. Organizational structure.

See “Item 4 A - History and development of the Company - The Corporate Organization”.

D. Property, plants and equipment.

Principal Properties

In this section on "Principal Properties", the reader should note that where disclosures pertaining to mineral resources are made, these are not mineral reserves and do not have demonstrated economic viability. The Company has only one principal property, the AK Property also known as the Gahcho Kué Project, which is located in the Canada’s Northwest Territories. The Gahcho Kué Project is in the permitting stage.

A "mineral resource" as defined under the Canadian Institute of Mining, Metallurgy and Petroleum Definition Standards for Mineral Resource and Mineral Reserves (the "CIM Definition Standards"), which are different from the U.S. Securities and Exchange Commission (“SEC”) guidelines (the "SEC Guidelines") set forth in Guide 7 under Item 802 of Regulation S-K, means a concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. See "Glossary of Technical Terms" in this Report.

A "mineral reserve" as defined under the CIM Standards, which are different from the SEC Guidelines set forth in Guide 7 under Item 802 of Regulation S-K, means the economically mineable part of a Measured Mineral Resource or Indicated Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A Mineral Reserve includes diluting materials and allowances for losses that may occur when the material is mined. See "Glossary of Technical Terms" in this Report.

In this Annual Report, because the Company is a Canadian company with mining properties in Canada, the definitions and disclosures are made in accordance with the CIM Definition Standards as required by Canadian law for disclosure of material facts. The CIM Definition Standards differ from those adopted by the SEC in its Industry Guideline No.7. See “Glossary of Technical Terms” in this Report.

It should be noted that the SEC Guidelines define "reserve" to mean "that part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination". See the Mineral Reserves Section, below.

Description of Property

Administrative Offices

The Company's administrative office is located at 401 Bay Street, Suite 2700, PO Box 152, Toronto, Ontario, Canada M5H 2Y4. The Company considers these premises suitable for its current needs.

Mineral Properties

Of the Company’s properties, the Gahcho Kué Project is under the most intense work because of the discovery of the Kennady Lake Kimberlite Field, and it is considered to be the Company's principal property.

Amended and Restated Joint Venture Agreement

Under the 2002 Agreement with De Beers Canada previously in effect, the Company was not responsible for funding the Gahcho Kué Project, and De Beers Canada had no recourse to the Company for repayment of funds until, and unless, the Gahcho Kué Project was built, in production, and generating net cash flows.

On July 3, 2009, the Company entered the “2009 Gahcho Kué Joint Venture Agreement” with De Beers Canada (jointly, the “Participants”) with respect to the Gahcho Kué Project that replaces the 2002 Agreement entered into by the Participants. Under the 2009 Gahcho Kué Joint Venture Agreement:

1. The Participants’ continuing interests in the Gahcho Kué Project will be Mountain Province 49% and De Beers Canada 51%, with Mountain Province’s interest no longer subject to the dilution provisions in the 2002 Agreement except for normal dilution provisions which are applicable to both Participants;
2. Each Participant will market their own proportionate share of diamond production in accordance with their participating interest;
3. Each Participant will contribute their proportionate share to the future project development costs;
4. 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;
5. The Participants agreed that the sunk historic costs to the period ending on December 31, 2008 will be reduced and limited to $120 million;

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6. Mountain Province would repay De Beers Canada $59 million (representing 49% of an agreed sum of $120 million) in settlement of the Company's share of the agreed historic sunk costs on the following schedule:

- $200,000 on execution of the 2009 Gahcho Kué Joint Venture Agreement (Mountain Province's contribution to the 2009 Gahcho Kué Joint Venture expenses to date of execution of the 2009 Gahcho Kué Joint Venture Agreement) (paid);
- Up to $5.1 million in respect of De Beers Canada's share of the costs of the feasibility study (paid $4,128,434 to December 31, 2010, recorded as "sunk cost repayment" in the Company's financial statements);
- $10 million upon the completion of a feasibility study with at least a 15% IRR and approval of the necessary development work for a mine (as defined in the 2009 Gahcho Kué Joint Venture Agreement);
- $10 million following the issuance of the construction and operating permits;
- $10 million following the commencement of commercial production; and
- The balance within 18 months following commencement of commercial production.

Mountain Province has agreed that the marketing rights provided to the Company in the 2009 Gahcho Kué Joint Venture Agreement will be diluted if the Company defaults on certain of the repayments described above.

Extracts from Technical Report

Unless otherwise stated, the technical information in this section from the sub-headings "Property Setting" to "Economic Analysis - Summary" is based upon Independent Qualified Person's Technical Report dated as of December 1, 2010 (with information effective as of October 15, 2010) (the "2010 Technical Report") entitled "Gahcho Kué Project, Definitive Feasibility Study, NI 43-101 Technical Report, Northwest Territories, Canada" prepared for the Gahcho Kue Joint Venture by JDS Energy and Mining Inc. by:

- Daniel D. Johnson, P.Eng. (JDS)
- Mike Makarenko, P.Eng. (JDS)
- Ken Meikle, P.Eng. (JDS)
- Bob Prince-Wright, P.Eng. (JDS)
- Jarek Jakubec, C.Eng. (SRK (Canada) Consulting Inc.)
- Kevin Jones, P.Eng. (EBA Engineering Consultants Inc.)

The details about the 2010 Technical Report were filed on EDGAR on December 3, 2010 under Form 6K. The full Technical Report was also filed with the relevant Securities Commissions in Canada on the System for Electronic Document Analysis and Retrieval ("SEDAR") on December 3, 2010. Portions of the following information are based on assumptions, qualifications and procedures which are not fully described herein. Reference should be made to the full text of the 2010 Technical Report.

Property Setting

The Gahcho Kué Project is located at the informally-named Kennady Lake, approximately 300 km east-northeast of Yellowknife in the Northwest Territories (NWT), Canada at the approximate latitude 63.26.16N and longitude 109.12.05W (NAD83 Zone 12 coordinates 7035620N, 589735E.

The Gahcho Kué Project is located 150 km south–southeast of the Diavik and Ekati diamond mines operated by Diavik Diamond Mines Inc. (Rio Tinto) and BHP Diamonds Inc. (BHP Billiton) respectively at Lac de Gras, and 80 km east–southeast of the De Beers Canada Snap Lake mine.

The Gahcho Kué Project consists Hearne North and South; 5034 West, Central and North-East; 5034 South Pipe; 5034 North Pipe; Wallace; Dunn Sheet and Tesla diamondiferous kimberlite pipes, sheets and dykes. Except for the northernmost part of 5034, the main kimberlite pipes all lie beneath Kennady Lake.

There are myriad lakes in the area. Kennady Lake, under which the kimberlite pipes lie, is a local headwater lake with a minimal catchment area, very pure water, and relatively low potential for aquatic life.

Physiography

The Gahcho Kué Project lies on the edge of the continuous permafrost zone in an area known as the “barren lands”, which are characterized by heath and tundra, with occasional knolls, bedrock outcrops, and localized surface depressions interspersed with lakes. Thin, discontinuous covers of organic and mineral soil and glacial till deposits overlie bedrock, which occurs typically within a few metres of surface. Some small stands of stunted spruce occur in the area.

Fauna includes red fox, arctic fox, sic sic, grizzly bear, wolf and caribou (during annual migration), ptarmigan, abundant migratory bird life in summer, and clouds of mosquitoes and black flies during the height of the summer months (mid-June to mid-August).

Vegetation in the area is characteristic of low arctic tundra. Shrubs of willow and birch occur in drainages, and in some areas may reach over 2 m in height. Heath tundra covers most upland areas. Conifer stands occur in patchy distribution north of the tree line in lowland, sheltered areas, and riparian habitats, and are found as far north as Kirk Lake.

Topographic elevations within the property range between 400 meters above sea level (“masl”) to 450 masl.

Accessibility

The Gahcho Kué Project occurs at the informally-named Kennady Lake, 20 km north of tree line with no permanent road access. Access to the Gahcho Kué Project is by float-equipped planes during summer months and ski- or wheel-equipped planes in winter. During winter, larger aircraft such as the Dash-7 and Super Hercules L100 Transport can operate from an artificially-thickened ice landing strip on Kennady Lake.

Helicopter pads are located within the base camp to support drilling and logistical operations. During the short ‘shoulder seasons’, access to the property is via a 1,000 ft long runway established on an esker at Kirk Lake Camp located approximately 26 km north of the Gahcho Kué Project; passengers and supplies are transferred to the site by helicopter.

During winter, a permitted 120 km winter ice road connecting the Gahcho Kué Project with the main Tibbitt Lake to Contwoyto Lake winter road is built, if required. The winter ice road supports shipment of fuel, heavy equipment, construction materials and bulk samples. The main winter ice road connects Yellowknife to the Snap Lake, Ekati, and Diavik mines from February to April each year to the extent that weather allows. The road is operated under a Licence of Occupation by the Joint Venture Partners who operate the Ekati (BHP Billiton), Snap Lake (De Beers Canada) and Diavik (Rio Tinto) mines.

Climate

As the Gahcho Kué Project is located 230 km south of the Arctic Circle, the climate is extreme and semi-arid. Temperatures range from -45°C to +25°C over a twelve-month period. Winter normally lasts from November to May and has average temperatures of about -20°C. Summer temperatures prevail from early July to mid-September, and average about 18°C. Freeze-up and ice break-up occur in November and June, respectively. Activities are possible on-site year-round.

Daylight hours range from near zero in mid winter (Winter Solstice) to effectively 24 hours (Summer Solstice). The spring and fall equinox occur in March and September respectively, marking the period when length of daylight and darkness are equal.

Infrastructure

Camp – A 124-person exploration camp was erected on the shore of Kennady Lake near the southeast edge of the postulated future limits of the 5034 pit. Living quarters are a mixture of four-person soft-shell cabins and skid-mounted dorm units, clustered with other detached buildings, including kitchen and dining room; recreation building; office building; core storage; men's and women's dry; waterless toilet system; fuel storage; shops; and warehouses. The camp is currently on care-and-maintenance.
Transport – Regular shipments of consumables and materials can occur over an annual winter road and, for year-round access and deliveries, by aircraft.
Power – There is currently no local electrical grid or power plant for power supply to site. Power generation for any planned mining operation is likely to be produced by an on-site diesel generation plant.
Communications – Current site communications comprise a satellite phone and internet connection.
Water – Process water for any planned mining operation may be obtained from open-pit water collection, recycling of process water, water management ponds and from re-treatment of water from waste piles. Hydrogeological studies are required to confirm whether there is adequate process water from these sources. Kennady Lake is the current source of potable water.

Tenure History

The Gahcho Kué Project was part of a larger group of mining claims, known as the AK Property, which currently consists of four remaining mining leases. The AK Property was initially staked in 1992 by Inukshuk Capital Corp., and optioned to Mountain Province Mining, Inc. (now Mountain Province Diamonds Inc.) later the same year.

On staking, the AK Property covered about 520,000 ha, and included the AK and CJ claims. The CJ claims substantially lapsed in November 2001, and the remaining CJ claims lapsed on August 17, 2002, leaving only the AK claims as current.

Additional partners in the AK Property included Camphor Ventures Inc. ("Camphor Ventures"), and 444965 B.C. Ltd, a subsidiary company of Glenmore Highlands Inc. ("Glenmore Highlands"). At the time, Glenmore Highlands was a controlling shareholder of Mountain Province Mining Inc. as defined under the Securities Act of British Columbia. The Glenmore Highlands subsidiary amalgamated with MPV in 1997, and Camphor Venture's interest in the AK Property was acquired by MPV during 2007.

In 1997, Monopros (now De Beers Canada) joint ventured the property.

Mineral Tenure

The Gahcho Kué Project comprises four mining leases, 4199, 4341, 4200, and 4201, covering a total area of 10,353 hectares. The mining leases are 100% owned by De Beers Canada who holds them on behalf of the Gahcho Kué Joint Venture. The participating interest of each of Gahcho Kué joint venture party is governed by the 2009 Gahcho Kué Joint Venture Agreement, which supersedes the (2002) Gahcho Kué Joint Venture Agreement. The (2002) Gahcho Kué Joint Venture Agreement is registered against the mineral leases. The 2009 Gahcho Kué Joint Venture Agreement provides for De Beers Canada's participating interest to be 51% and MPV's interest (including Camphor's) to be 49% of the Gahcho Kué Project.

Annual lease payments, payable to the Receiver General Canada (Northwest Territories, c/o Mining Recorders Office), comprise $1.00 per acre for the duration of the 21-year lease period (note that fees are payable on acres, not hectares, in the Northwest Territories and Nunavut). Payments increase to $2.00 per acre if a second 21-year term is granted after application to the Northwest Territories Mining Recorder for the extension. Payments for the leases for 2007 totalled $10,353, and a similar amount is expected for each succeeding year. All mining leases were legally surveyed by licensed surveyors.

Agreements

The Letter Agreement, dated March 6, 1997, was entered into between Monopros Ltd. (a wholly-owned Canadian subsidiary of De Beers Consolidated Mines and now known as De Beers Canada), MPV, and Camphor Ventures. The parties amended the Monopros Ltd. Joint Venture Agreement in 2000, as a result of agreements reached at a meeting on March 8, 2000.

The Gahcho Kué Joint Venture Agreement became effective on January 1, 2002, was signed October 24, 2002. This 2002 Agreement provided that De Beers Canada could earn up to a 55% interest in the Gahcho Kué Project by funding and completing a positive definitive feasibility study. The 2002 Agreement also provided that De Beers Canada could earn up to a 60% interest in the Gahcho Kué Project by funding development and construction of a commercial-scale mine.

MPV acquired Camphor Ventures' interest in the joint venture in 2007.

An updated and amended joint venture agreement between De Beers Canada and MPV was executed effective July 3, 2009. The 2009 Gahcho Kué Joint Venture Agreement superseded the previous joint venture agreements. The 2009 Gahcho Kué Joint Venture Agreement maintains the Gahcho Kué Project ownership at 51% De Beers Canada and 49% MPV. Each party is responsible for funding their respective share of the Gahcho Kué Project development costs from January 1, 2009 onward, and each party shall receive a proportional share of the diamond production.

The 2009 Gahcho Kué Joint Venture Agreement also sets forth the amount of "allowable" expenses of exploration work between March 8, 2000 and December 31, 2008 previously funded by De Beers Canada, and sets forth a repayment schedule by MPV to De Beers Canada for their 49% share of the allowable expenses. The repayment schedule is triggered by milestone events with the final payment required to be made 15 months after the start of commercial production.

Permits

Exploration Programs

Exploration programs to date were conducted under the permits obtained from the appropriate authority, including:

- Indian and Northern Affairs Canada – Class A Land Use Permit
- Indian and Northern Affairs Canada – Type B Water Licence
- Workers' Compensation Board (WCB), Mine Health and Safety – Drilling Authorization
- Indian and Northern Affairs Canada – Quarry Permit
- Indian and Northern Affairs Canada – Registration of Fuel Storage Tanks

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- Prince of Wales Northern Heritage Centre – Archaeology.

Future Development

The Gahcho Kué Project is being reviewed and permitted under the Mackenzie Valley Resource Management Act. A list of the permits that may be required for Gahcho Kué Project development is presented in the 2010 Technical Report.

Previous Work

There is no recorded exploration prior to 1992 for diamonds, base, or precious metals in the area covered by the Gahcho Kué Project. Exploration conducted on behalf of MPV by Canamera Geological Ltd. during 1995 resulted in the discovery of the 5034 kimberlite.

De Beers Canada became the operator of the property via a joint-venture agreement in 1997. Additional kimberlites, including Tesla, Hearne, and Tuzo were discovered the same year. Tesla, Tuzo, Hearne and 5034 form the main Gahcho Kué kimberlite cluster.

Summary of Exploration and Development Work Undertaken

Exploration and development work undertaken during 1997–2008 included:

- sediment sampling, including glacial till, sediment and outcrop sampling
- geological mapping
- airborne electromagnetic and ground geophysical surveys
- core drilling, including large diameter core mini-bulk sampling
- reverse circulation drilling, including mini-bulk and bulk sampling programs utilizing reverse-flood air-lift assist large diameter drill rigs
- geotechnical, hydrogeology, and civil engineering drilling
- micro- and macro-diamond sample processing and analysis
- diamond valuation and diamond breakage analysis
- bulk density determinations
- ore dressing studies
- construction of geological and micro-diamond grade models and Mineral Resource block models
- construction of density, geotechnical, and volume models
- conceptual mine plans
- conceptual process plant design.

A first-time Mineral Resource estimate was completed in 2003 to support a conceptual desktop study of the potential of these pipes. The study included Inferred Mineral Resources, considered too speculative geologically to have economic considerations applied to them. The study evaluated a conceptual open pit mining operation, using conventional truck and shovel equipment. A diamond recovery plant with a diamond recovery efficiency of not less than 98% by weight of free diamonds larger than the bottom cut-off size of 1.5 mm was designed, using established De Beers' diamond value management principles. The study indicated that the net present value and internal rate of return were likely to be positive and supported continuing exploration and evaluation work.

The 2009 Technical Report supersedes the 2003 mineral resource estimate. The new information was a combination of additional diamond and geotechnical drilling completed since 2003, conceptual open pit and underground design work, supplementary metallurgical testing and optimization studies.

From 2003 to 2008, a number of additional desktop studies were completed that consider aspects of conceptual mining studies. These have comprised conceptual mining and processing considerations, evaluation of different potential input factors and assumptions, and alternatives to and variations and iterations within such plans, including:

- changes to Mineral Resource estimation methodologies and strategies
- changes to dilution and reconciliation strategies
- changes to diamond prices
- changes in allocations of planned drilling, or drilling locations
- changes to deposit sequencing
- changes to production rates
- changes in mining equipment strategies
- alternate pit configurations, including laybacks or pit wall slope changes
- changes to geotechnical or hydrological assumptions
- changes in short-term production
- proposed mill design throughput reviews and potential mill modifications
- process flowsheet development and flowsheet modifications
- stockpile throughput, allocations, and planned depletion rates
- review of different cash flow scenarios
- changes to allocations of capital expenditures to different years within conceptual mine plans
- modifications to sustaining capital and operating cost assumptions within conceptual mine plans
- changes to accounting and taxation assumptions in conceptual mine plans.

None of the above desktop studies completed provided for a sufficiently economic robust project.

Between August 2009 and November 2010, JDS was engaged to provide a feasibility study that outlined a sufficiently robust mine development plan. On October 15, 2010, JDS delivered the Definitive Feasibility Study report to the Gahcho Kué Joint Venture from which a detailed summary is provided in the December 1, 2010 Technical Report. The 2010 Technical Report outlined a plan that exceeds the hurdle rate required by the 2009 Gahcho Kué Joint Venture Agreement to proceed with mine development.

Geology

This excerpt from the 2010 Technical Report was taken from the 2009 Technical Report. JDS reviewed the 2009 Technical Report and believes the information contained in this section to be accurate.

The Gahcho Kué kimberlite cluster occurs in the southeast Slave Craton.

Several kimberlite bodies were discovered and delineated by drilling. The 5034, Hearne North, Hearne South, and Tuzo pipes have the most attractive grades and tonnages delineated to date. Of the larger kimberlites on the property, the 5034 kimberlite is interpreted as forming an irregular hypabyssal root zone, Hearne and Tesla as transitional diatreme to root zones and Tuzo as the deeper part of a diatreme zone (Tesla is not included in the Gahcho Kué Mineral Resource because of its small size (0.4 ha) and relatively low-grade).

The 5034, Hearne, and Tuzo kimberlites have contrasting pipe shapes. The West Lobe, Centre Lobe, and eastern portion of the North-East Lobe of the 5034 kimberlite sub-crop below lake-bottom sediments; the northern portion of the 5034 North-East Lobe (referred to as the North Lobe) is a blind lobe overlain by approximately 80 m of in-situ country rock. The 5034 pipe is dominantly infilled with hypabyssal kimberlite (“HK”). Hearne South is a roughly circular pipe and smaller than Hearne North, which is a narrow elongated pipe. Hearne South is infilled predominantly with tuffisitic kimberlite breccia (“TK”); Hearne North is infilled with approximately equal amounts of HK and TK. Tuzo is characterized by smooth, steep-sided pipe walls and is predominantly infilled with TK with HK at depth.

In most cases, the top of the kimberlites occur between 380 and 390 masl.. Except for the 5034 North Lobe, which intrudes 70 to 80 m below a peninsula, the kimberlites subcrop at the bottom of Kennady Lake, covered by 10 to 15 m of water and between 5 to 15 m of glacial lake sediments. The kimberlites are surrounded laterally by granite and granite-gneiss country rock.

In the 2009 Technical Report, AMEC Americas Limited determined that the geological understanding of the deposit setting, lithologies, and kimberlite type distributions was adequate to support Mineral Resource estimation. Understanding of diamond distributions within each kimberlite type, as well as the style of mineralization were sufficient to support Mineral Resource estimation.

Drilling and Sampling

Drilling completed to date on and surrounding the Gahcho Kué kimberlite cluster totals 504 drill holes (96,493 meters). An additional 50 drill holes were completed on exploration targets located away from the Gahcho Kué cluster. Core holes included PQ (985 mm), HQ (63.5 mm) and NQ (47.6 mm) core sizes, and 76 mm tricone drilling for overburden. RC drill diameters included 140 mm, 149 mm, 324 mm, 334 mm and 610 mm sizes.

Exploration drilling programs were performed during 1995-2003 around the Gahcho Kué kimberlite cluster to test geophysical anomalies, discover kimberlites, define pipe boundaries and morphology, delineate internal geology and provide large diameter reverse circulation (“RC”) drill (“LDD”) mini-bulk samples for value and grade evaluation purposes.

Drilling between 2004 and 2008 comprised LDD and large diameter core (“LDC”) mini-bulk sample, programs, core drilling to provide information to support advanced evaluation geology, Mineral Resource estimation and ore dressing studies, civil engineering, geotechnical, hydrological, and geothermal core drilling programs. These drill programs also provided core that was used to inform and support environmental baseline studies.

5034

Canamera Geological Ltd. (“Canamera”) conducted the earliest drilling and discovered the 5034 kimberlite. Drilling in 1995 included 39 delineation NQ core holes (6,522 m). Since then, small-diameter NQ core drilling was used extensively to test kimberlite indicator mineral trains and geophysical anomalies in addition to delineation of the 5034 kimberlite.

Large diameter core drilling was used to collect small mini-bulk samples from 5034. In 1996, Canamera obtained PQ-sized core samples (85 mm diameter), and in 2007, the Gahcho Kué Project obtained 149 mm diameter LDC samples. The LDC samples provide additional information (macro-diamonds) regarding the diamond content of the pipes.

Large diameter reverse circulation drilling was used to collect kimberlite mini-bulk samples. LDD programs have included smaller scale 140 mm (5.5-inch) diameter drillholes in 1998, 311 mm (12.25-inch) drill holes in 1999, to the largest employed, the 610 mm (24-inch) diameter drill holes in the 2001, 2002, and 2008 mini-bulk sampling programs. The LDD mini-bulk sample programs obtained macro-diamonds for grade and revenue estimation.

The 1998 and 1999 drilling focused on the 5034 West, Centre and East lobes; in 2001 the East Lobe and the west neck of the Centre Lobe were drilled; in 2002 work focused on the narrow corridor drilled previously in 1999 through the West and Centre lobes. There was one delineation NQ core hole drilled by Gahcho Kué Joint Venture at 5034 in 2003.

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In 2004, 13 core holes drilled into the 5034 kimberlite as part of pit geotechnical, hydrogeology, and ore dressing studies ("ODS"). In 2005, a single core hole for hydrogeology studies drilled through the East Lobe of 5034, and two core holes were drilled at the North Lobe of 5034 to provide additional geological data. A substantial core program followed this in 2006 that comprised 13 HQ core holes for pit geotechnical, pipe volume delineation, and geological investigations. The last campaign of core drilling was conducted in 2007 with five HQ core holes being drilled to provide geological data from the 5034 East Lobe and 5 LDC holes (149 mm, 5.875-inch) drilled into the 5034 North Lobe to obtain a small parcel of macro-diamonds for comparative purposes.

Hearne

A total of 24 core holes were drilled in and around the Hearne kimberlite during 1997-2003 for delination. In 1998, 19 LDD holes (140 mm diameter) were drilled into the Hearne kimberlite to test the diamond grade.

In 1999, 10 LDD (311 mm diameter) holes were drilled into Hearne to obtain macro-diamonds for initial revenue estimation. In 2001, 5 LDD (610 mm diameter) holes were drilled into Hearne North, and 6 more LDD (610 mm diameter) holes tested in 2002, to increase the parcel of macro-diamonds available for revenue estimation.

In 2004, 14 NQ core holes were drilled into the Hearne kimberlite as part of pit geotechnical and ODS programs. In 2005 a single core hole was drilled for hydrogeological studies, and in 2006 a single core hole was drilled to support pit geotechnical studies.

Tuzo

Between 1997 and 1999, 7 NQ and 3 NQ3 core holes were drilled into Tuzo. All of these were angle holes collared outside the kimberlite body and drilled into, and sometimes through, the kimberlite. In 2002, 7 vertical HQ core holes were drilled into the pipe. LDD mini-bulk sample drilling took place in 1998 and 1999. Drilling to a maximum depth of 166 m, 18 LDD holes (140 mm diameter) were completed in 1998, and an additional 11 LDD holes (311 mm diameter) were completed in 1999 to a maximum depth of 300 m.

In 2004, 2 HQ core holes were drilled at Tuzo as part of a pit geotechnical study. This was followed by a 16-hole HQ core program in 2006 to provide pipe delineation and geological data and pilot holes. Two 610 mm holes were drilled in 2006 to provide samples. In 2007, a grid of 27 HQ core holes was completed to provide additional geological and pipe volume delineation data. The final resource drilling at Tuzo was an LDD mini-bulk sample program conducted in 2008 with 9 holes (610 mm) completed to provide additional macro-diamonds for diamond revenue estimation.

AMEC's Assessment

This excerpt from the 2010 Technical Report was taken from the 2009 Technical Report. JDS reviewed the 2009 Technical Report and believes the information contained in this section to be accurate.

AMEC assessed the exploration results to be appropriate to the style of mineralization and adequate to support Mineral Resource estimation. Drill hole types and orientations were appropriate for the type of mineralization. Small-diameter core holes defined the limits of the kimberlite bodies. Large-diameter core and reverse circulation drilling provided mini-bulk samples of kimberlite material for macro-diamond extraction. Micro-diamonds extracted from the small-diameter cores drilled to define the limits of the deposit. Three diamond breakage studies indicated that breakage was about 10–15% that is typical for this type of drilling program. The diamond parcels obtained in 2007–2008 were not evaluated for diamond breakage.

AMEC also assessed that the sampling and sample lengths were appropriate for the type of mineralization. Core sample lengths were somewhat variable during the early years of the Gahcho Kué Project. Later in the Gahcho Kué Project, core sample lengths were standardized at 12 m. These standardized samples provided most of the data used for the Mineral Resource estimates reported in the 2009 Technical Report.

Core and cuttings logging met and typically significantly exceeded industry practices. Core was quick-logged on site, and the kimberlite intersections were transported to De Beers' core logging facility in Sudbury, Ontario where experienced geologists log kimberlite type, mineral and inclusion types and concentrations, and structures. AMEC assessed that geotechnical work to date was appropriate for the stage of the Gahcho Kué Project and type of mining planned. Geotechnical logging of exploration core is a routine procedure performed by geologists trained in the logging methods required. A number of core holes were drilled specifically to obtain geotechnical data. Collar and downhole surveys were performed using industry-standard methods and instruments.

AMEC determined that the analytical and diamond recovery procedures were adequate to support Mineral Resource estimation. Macro-diamond and micro-diamond extractions were performed using procedures standard to the industry. Micro-diamonds were recovered from core using either caustic fusion or acid dissolution procedures. Both are standard to the industry, although caustic fusion is the most common procedure. Macro-diamonds are extracted using small-scale diamond recovery plants. Geochemical samples were analyzed using standard procedures and instrumentation. Density determinations were performed using standard procedures, and the number of density data is adequate to support Mineral Resource estimation. Most of the density data were obtained using a water immersion procedure standard to the industry. Some of the data were obtained using geophysical methods, and some were obtained by water displacement methods. Quality control during drilling, sampling, and sample analysis is adequate and reflects industry best practices. Quality control of diamond extractions consists of spikes using marked diamonds and tailings audits of a portion of the samples.

Sample and diamond security throughout the exploration process was determined by AMEC to be excellent and consisted of rigorous chain-of-custody procedures, multiple locks requiring at least two persons to open critical areas or containers, cameras in all plants and processing areas, and dedicated security personnel at all plants and processing areas. Shipping of diamonds and diamond concentrates conforms to requirements of Kimberley Process chain-of-custody procedures.

Geological Setting

This excerpt from the 2010 Technical Report was taken from the 2009 Technical Report. JDS reviewed the 2009 Technical Report and believes the information contained in this section to be accurate.

Gahcho Kué Kimberlites
The main Gahcho Kué kimberlite cluster comprises four pipes; the Hearne, 5034, Tuzo, and Tesla bodies. The Hearne Pipe, most of the 5034 Pipe, and the Tuzo and Tesla pipes occur under Kennady Lake, which has an average depth of 8 m.

Gahcho Kué kimberlites are overlain by varying thickness of glacial boulder outwash and lake sediments (averaging 10 m thick), and have a combined water and sediment cover as much as 25 m thick.

Hearne Kimberlite
Two bodies comprise the Hearne kimberlite, Hearne South and Hearne North. The bodies have smooth, steep-sided walls, and cover an area of about 1.5 ha. Hearne South is a roughly circular pipe, whereas Hearne North is a narrow, elongate pipe trending north–south. The pipes may join at depth. The width of country rock between the two bodies varies from a minimum of approximately 20 m at the sub-crop to approximately 70 m at depth. Hearne North

measures a maximum of 250 m x 50 m north–south. Hearne South has a dimension of about 80 m x 90 m at surface.

The present pipe geological model for Hearne South extends to 225 masl; there is no drill information below this level. At Hearne North, the pipe narrows to less than 10 m wide in the centre of the body at approximately 130 m below lake-surface. There is also evidence at the north and south ends of the body that the pipe extends below 115 masl.

The distance from the south end of Hearne to Tuzo is about 2 km.

5034 Kimberlite

The 5034 kimberlite is a highly irregularly-shaped pipe and dyke complex, which is comparable to kimberlite root zones elsewhere and has a surface area of approximately 2.1 ha (West, Centre and East Lobe).

The 5034 kimberlite is modelled as a semi-continuous occurrence composed of five discrete kimberlite bodies, three of which are modelled as joined at the subcrop to form one main continuous body, with two small outlying satellite pipes.

The five modelled kimberlite bodies are referred to as follows:

- 5034 South Pipe (that occurs along an interpreted dyke, the “Southwest Corridor”, that is also modelled incorporating the Wallace and Tuffisitic Kimberlite BBB drill core intersections)
- 5034 “Main” West Lobe
- 5034 “Main” Centre Lobe
- 5034 “Main” North-East Lobe (i.e., East Lobe and North Lobe)
- 5034 North Pipe.

The main part of the 5034 occurrence that reaches the surface occurs under Kennady Lake and can be divided into three lobes: West, Centre, and East. These three lobes are joined at the surface, but separate at depth. The Centre and East lobes are modelled separately at shallow depth, but rejoin at greater depth producing what appears to be a window of granite within the kimberlite. The East and North lobes are joined at depth, geologically continuous, and are collectively referred to as the North-East Lobe. The surface measurements of the three lobes of the 5034 Main Pipe are approximately as follows:

- West Lobe – 125 m x 45 m
- Centre Lobe – 125 m x 80 m
- East Lobe – 85 m x 65 m.

The northern portion of the 5034 North-East lobe, the North Lobe, is blind, and occurs under 60 m to 90 m of country rock cap. Approximately half of this northern lobe lies below the lake bed and half beneath the main peninsula. The blind northern portion of the 5034 North-East Lobe measures 240 m long and varies from approximately 20 to 50 m wide, averaging 30 m wide. A combined internal geology model is developed for the 5034 North-East Lobes. There are four major kimberlite types, three of which occur across both lobes.

Tuzo Kimberlite

The overall surface area of the Tuzo Pipe is about 1.2 ha, which is covered by as much as 25 m of water of and glacial overburden. The kimberlite body comprises various fragmental and coherent kimberlites, and it contains abundant inclusions of the surrounding granitic country rock. The 2007 drill program improved the definition of the shape of the pipe, which is unusual as it widens towards depth from 125 m in diameter near the surface to about 225 m diameter at 300 m depth. Tuzo geology model commences about 25 m below lake level (lake level 420.9 masl) to 354 m below lake level (66.9 masl).

All bodies remain open at depth.

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Data Verification

Independent data verifications were undertaken on a number of occasions between 1999 and 2008:

- 1999, 2004, 2007 – independent consultants made site visits to review quality assurance/quality control ("QA/QC")
- 1999 – external consultant audit of the 1999 evaluation program
- 2000 – geology (petrological) peer review
- 2004 – geotechnical and hydrogeology consultants QA/QC site visit, internal and external Mineral Resource evaluation data base audits, geology (petrological) peer review, Gemcom® three-dimensional ("3D") model peer review
- 2007 – internal and external petrological peer reviews; external verification of macro-diamond resource evaluation data set
- 2008 – external review of 2003 Technical Report resource estimation and density (rock density) models.

Resource evaluation data base verification included:

- audits of drill collar locations and lengths
- down-hole survey data
- geological logs
- bulk density data
- macro-diamond data.

Diamond Valuations

The Qualified Persons are not able to apply quality control measures to the valuation process performed by either De Beers or WWW.

The reason for this is that diamond valuation is, at best, only partially analytical (in the way that a gold assay process can be termed analytical), as the diamonds are sieved and subjectively classified by colour, clarity, and other factors. The dollar per carat determinations for various stones, however, is ultimately governed by the valuator's price-book. This part of the process is proprietary, governed by a given valuator's view of the marketplace and can vary from valuator to valuator, particularly for larger stones. Even in larger parcels, valuators must then 'model' or extrapolate values in the larger stone size classes where there may be few representatives. The methodology for modelling is also proprietary.

These diamond valuation procedures do not lend themselves to quality control measures that a qualified person could apply as with a commercial assay laboratory. At every step, the QPs are relying on the valuator's opinions of the diamond market and their subjective view of diamond values.

The Qualified Persons also rely on the valuators models which are heavily dependent on their view of the diamond market, their proprietary estimates of the likelihood of finding larger stones in the deposit because of sample-size support, and the perceived value of those larger stones.

The culmination of the process is the average prices for given zones, lobes or pipes. The heavy dependence of the process on economic market assessments, and the proprietary nature of the valuators' assumptions and methods, materially affects the quality of, and confidence in, the Mineral Resource estimate. In this way, the valuations used in the Mineral Resource assessments are markedly different than the concept of analytical mineral assays in, for instance, a precious metal project. The proprietary nature of the processes employed for valuations limit any quantitative assessment of the added risk to the Gahcho Kué Project. Other than reviewing the De Beers Canada data and the WWW report for transcription errors in the transfer of the valuation figures into the database, no other data verification procedures can be applied.

Diamond valuators are experts, but not Qualified Persons, and the Qualified Persons preparing the Mineral Resource estimates and assessing the reasonable prospects for economic extraction have had to completely rely on the De Beers Canada and WWW diamond values provided.

Mineral Resource and Mineral Reserve Estimates

Mineral Resource Summary

This Mineral Resource Summary excerpt and summary from the 2010 Technical Report was taken from the 2009 Technical Report. JDS reviewed the 2009 Technical Report and believes the information contained in this section to be accurate.

Cautionary Note to U.S. Investors concerning estimates of Indicated and Inferred Resources. This section uses the terms "indicated" and "inferred resources." We advise U.S. investors that while those terms are recognized and required by Canadian regulations, the SEC does not recognize them. "Inferred resources" have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an Inferred Mineral Resource will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases.

U.S. investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves.

U.S. investors are cautioned not to assume that part or all of an inferred resource exists, or is economically or legally minable.

The estimation and classification of the mineral resources was completed by AMEC and are summarized in Table 1.

Table 1

Resource	Classification	Volume (Mm3)	Tonnes (Mt)	Carats (Mct)	Grade (cpht)
5034	Indicated	5.1	12.7	23.9	188
	Inferred	0.3	0.8	1.2	150
Hearne	Indicated	2.3	5.3	11.9	223
	Inferred	0.7	1.6	2.9	180
Tuzo	Indicated	5.1	12.2	14.8	121
	Inferred	1.5	3.5	6.2	175
Summary	Indicated	12.4	30.2	50.5	167
	Inferred	2.5	6.0	10.3	173

Notes:
1) Mineral Resources are reported at a bottom cut-off of 1.0 mm; cpht = carats per hundred tonnes.
2) Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability
3) Volume, tonnes, and carats are rounded to the nearest 100,000
4) Tuzo volumes and tonnes exclude 0.6 Mt of a granite raft
5) Diamond price assumptions used to assess reasonable prospects of economic extraction reflect mid-2008 pricebooks with a 20% increase factor. The prices assumed, on a per pipe basis (in US$), equate to $113/ct for 5034, $76/ct for Hearne and $70/ct for Tuzo.

Mineral Reserves

Cautionary Note for U.S. Investors

The United States Securities and Exchange Commission, Industry Guide 7, defines the following with respect to mining operations:

Reserves. That part of a mineral deposit which could be economically and legally extracted or produced at the time of reserve determination.

Proven (Measured) Reserves. Reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from the results of detailed sampling and (b) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves is well-established.

Probable (Indicated) Reserves. Reserves for which quantity and grade and/or quality are computed from information similar to that used for proved (measured) reserves, but the sites for inspection, sampling, and measurements are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven (measured) reserves, is high enough to assume continuity between points of observation.

In Canada, a Mineral Reserve is the economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Feasibility Study includes adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.

Mineral Reserves are those parts of Mineral Resources which, after the application of all mining factors, result in an estimated tonnage and grade which is the basis of an economically viable project. The project must take account of all relevant processing, metallurgical, economic, marketing, legal, environmental, socioeconomic and governmental factors. Mineral Reserves are inclusive of diluting material that will be mined in conjunction with the Mineral Reserves and delivered to the treatment plant or equivalent facility. The term 'Mineral Reserve' need not necessarily signify that extraction facilities are in place or operative or that all governmental approvals have been received. It does signify that there are reasonable expectations of such approvals.

Mineral Reserves are subdivided in order of increasing confidence into Probable Mineral Reserves and Proven Mineral Reserves. A Probable Mineral Reserve has a lower level of confidence than a Proven Mineral Reserve.

The reserve classifications used in this report conform to the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) classification of National Instrument 43-l0l ("NI 43-101") resource and reserve definitions and Companion Policy 43-101CP and are listed below.

A 'Proven Mineral Reserve' is the economically mineable part of a Measured Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified. Application of the Proven Mineral Reserve category implies that the Qualified Person has the highest degree of confidence in the estimate with the consequent expectation in the minds of the readers of the report. The term should be restricted to that part of the deposit where production planning is taking place and for which any variation in the estimate would not significantly affect potential economic viability.

A 'Probable Mineral Reserve' is the economically mineable part of an Indicated Mineral Resource, and in some circumstances a Measured Mineral Resource, demonstrated by at least a Preliminary Feasibility Study. The study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.

The information that follows is excerpted from the 2010 Technical Report as prepared by JDS.

Open Pit Mineral Reserves

The detailed pit designs determined the mineral reserve estimate for each pipe as summarized in Table 2. A mining recovery of 100% was used in mine design and planning to determine the mineral reserve estimate. The full mining recovery reflects 1.5 m of waste dilution being added to the circumference of the kimberlite pipes. Therefore, mining ore recovery is 100% because the plan mines an additional 1.5 m of material past the ore contact around the pipe on every bench.

Table 2

Pipe	Classification	Tonnes (Mt)	Carats (Mct)	Grade (cpt)
5034	Probable	13.2	23.3	1.77
Hearne	Probable	5.4	11.5	2.10
Tuzo	Probable	12.6	14.2	1.13
Total	Probable	31.3	49.0	1.57

The Mineral reserves identified in Table 2 comply with CIM definitions and standards for an NI 43-101 Feasibility Study. Detailed information on mining, processing, metallurgical, and other relevant factors are contained in the followings sections of this report and demonstrate, at the time of this report, that economic extraction is justified.

The economic viability of the Gahcho Kué Project is presented in the economic analysis section of the full 2010 Technical Report, and confirms the probable reserve estimates meet and comply with CIM definitions and NI 43-101 standards. At the time of this report, and currently, the Gahcho Kué Project is economically viable using current diamond prices and, JDS believes, prevailing long-term price estimates.

The 2010 Technical Report did not identify any mining, metallurgical, infrastructure or other relevant factors that may materially affect the estimates of the mineral reserves or potential production.

Data Interpretation

The Qualified Persons, as authors of the 2010 Technical Report, have reviewed the data for the Gahcho Kué Project and are of the opinion that:

- Mining tenure held by De Beers Canada on behalf of the Gahcho Kué Joint Venture is valid and sufficient to support Mineral Reserves and plans for mine development. The Gahcho Kué Joint Venture has taken appropriate steps to insure extension of the leases which will remain valid for several years. Surface rights have not, as yet, been acquired but this in not viewed by JDS as a significant obstacle to further development of the Gahcho Kué Project. Those rights can be obtained by application to the Crown and are part of the normal permitting processes.

- At this time, all permits required for ongoing exploration are in force. Permits required for construction and operation were identified and the process for obtaining those permits defined.
- The 2009 Technical Report which provided Mineral Resource estimations and resources models suitable for feasibility project work were completed to acceptable standards.
- Metallurgical testwork is appropriate for the stage of the Gahcho Kué Project and is adequate to support Mineral Reserve estimation, Gahcho Kué Project feasibility, and economic analysis.
- Estimates of Mineral Reserves conform to industry-standard practices. Mine plans, dilution and economic parameters applied to resource estimates have been prepared to industry standard practices.
- Pit slope stability analysis work has been done to industry standards and conclusions are supported by practices at similar sized operations in the area.
  - Mineral reserves support a 3M tonne per year operation with a mine life of 11 years.
  - Mine plans use traditional open pit mining utilizing proven equipment.
  - Process plant design has been adequately defined for cost estimating purposes.
  - Mine infrastructure has been adequately designed and estimated in the feasibility study.
  - Sound environmental management plans have been developed for the feasibility study.
  - Progressive reclamation plans are included in the feasibility study.
  - Mine closure plans have been developed.
- The Gahcho Kué Project is sufficiently robust for proceeding into a staged development program commencing with environmental permitting and detail design phases as precursors for mine construction and operations.

Feasibility Study Conclusions

The 2010 Technical Report represents an economically viable, technically credible and environmentally sound development plan for the Gahcho Kué Project. (All amounts, unless otherwise indicated, are in Canadian dollars.)

The Gahcho Kué Project is economically viable, generating $4,143 million in realized value ("RV") revenues over an 11-year mine life resulting in a 20.7% internal rate of return ("IRR") (including agreed historic "sunk" costs) and a $136 million net present value ("NPV") at 15%. Excluding sunk costs, the Gahcho Kué Project yields a 33.9% IRR and a $277 million NPV. Diamond values averaged US$74.52 per carat over the life of the mine. Total life-of-mine capital costs are estimated at $776.5 million consisting of $141.5 million in sunk costs; $549.5 million initial capital; $49.4 million working capital; and $36.1 million in sustaining and closure costs. Total life-of-mine pre-tax cash operating costs are estimated at $1,522 million, which equates to $48.68 per tonne processed or $31.04 per carat recovered.

The Gahcho Kué Project is technically credible, utilizing designs and practices that are proven in the Canadian diamond industry. The Gahcho Kué Project design is based on open pit mining of the 5034, Hearne and Tuzo deposits in a sequential fashion. Mine plans call for the extraction of 234 metric tonnes ("Mt") of waste and 31.3 Mt of ore over a 13-year period utilizing standard drill/blast - truck/shovel equipment and pit designs that are similar to other open pit diamond mines operating in the area. Ore will be fed to a 3.0 Mt per annum ("Mt/a") processing plant with three stages of crushing, dense media separation and X-ray/grease belt diamond recovery circuits. Process plant designs and equipment selection are based on experience from other operations and utilize proven suppliers. Security designs are based on De Beers Canada's standards and practices.

Supporting infrastructure includes a 14.1 megawatt packaged diesel power plant, 1,350 meter gravel airstrip, five-bay truckshop, emulsion plant, 40 million litres of fuel storage and a 432 bed accommodation/office complex. The primary facilities are interconnected by utilidors (enclosed corridors) providing interior access for personnel. These basic fit-for-purpose designs and plans are prepared by Feasibility Study project personnel that have designed, constructed and operated similar facilities at other diamond mines operating in the area. Likewise, the suppliers, contractors and service providers nominated in the Feasibility Study are providing similar services for other mines in the north. Cost estimates are built up from first principles and are benchmarked against relevant operations. Appropriate contingencies have been applied. De Beers Canada operates the Snap Lake mine in the NWT and has provided estimates of general and administrative costs, payroll costs, licenses and fees. De Beers Canada has a trained workforce that can assist in the design, commissioning, training and operation of the Gahcho Kué mine.

The Gahcho Kué Project is environmentally sound, utilizing simple and proven management plans. Water management plans are adaptations of plans used successfully at other diamond mines. At Gahcho Kué, all potentially contaminated water is kept within a controlled management basin formed by natural drainage patterns. Excess storage capacity allowances provide for operational flexibility and contingencies. Normal mine operations incorporate a program of progressive reclamation that minimizes costs and allows time monitoring of performance. The mined out 5034 and Hearne pits are used for waste storage during the later years of the mine life providing ample time for the completion of reclamation of waste storage areas used in the earlier years. A viable plan for fish habitat compensation has been developed and provides for no-net-loss of habitat. New lake areas for fish habitat replacement are created at the beginning of operations providing ample time to monitor and measure effectiveness during the mine operation period.

The Gahcho Kué Project provides socioeconomic benefits. The mine will create close to 1,000 jobs during the two-year construction phase and some 400 permanent jobs during the 11-year operational phase. Additional employment will be created by service providers to operations. Territorial and Federal taxes and royalties are estimated to be close to $800 million. In addition, property and payroll taxes will add significant tax revenues to the local municipality. Impact benefit agreements are planned for the First Nation groups in the area.

Risks for the Gahcho Kué Project are identified and considered reasonable. The greatest economic risk/opportunity is related to diamond values. Over the past several years, rough diamond demand/prices/sales have experienced unprecedented volatility as a result of the world economic crisis. Currently demand is strong, and the Gahcho Kué Joint Venture partners forecast a 1% real growth in diamond prices over the life of the Gahcho Kué Project.

The Gahcho Kué Project also faces environmental and regulatory risks, as the Gahcho Kué Project must proceed through the Mackenzie Valley Environmental Impact Review Board environmental screening process. There are risks that the permitting process might take longer than the scheduled 24 to 27 months, causing delays in construction start-up, and/or the regulatory authorities might require significant modifications to be made to the plans, which will affect designs and costs. In this event, a decision might even be taken to not proceed with the Gahcho Kué Project.

Economic Analysis - Summary

The financial evaluation of the Gahcho Kué Project has been undertaken on an after-tax, unleveraged, real rate of return to the Gahcho Kué Joint Venture partners as a whole. The analyses assumed that three kimberlite ore bodies will be developed, with production on the first pipe (5034) starting in January 2015. Only probable reserves (derived from indicated resources) were used in the 2010 Technical Report. Production for the base case ceases part way through the 11th year of production. All production, costs, and revenues are based on calendar fiscal years.

The Gahcho Kué Project is economically viable and the projected returns surpass the hurdle rates established by the 2009 Gahcho Kué Joint Venture Agreement. The Gahcho Kué Project provides a real rate of return to the partners of 20.7% and a real net present value at 15% of $135.9 million in calendar 2010 Canadian dollars. After excluding sunk costs incurred to September 30, 2010, the Gahcho Kué Project provides a real rate of return of 33.9% and a real NPV of $277.4 million at a discount rate of 15%. The Gahcho Kué Project is most sensitive to changes in diamond prices, with real dollar returns decreasing the IRR by 3.4% for a 10% reduction in prices and increasing the IRR by 3.0% for a 10% increase in prices. The Gahcho Kué Project shows a lesser sensitivity to capital with returns changing by 1.3% for a 10% change in either direction for capital. The sensitivity to operating cost is about 1.2% in the IRR rate for a 10% in operating costs.

Table 3 provides a summary of selected financial model inputs and the corresponding results. All costs are quoted in July 2010 Canadian dollars unless otherwise indicated.

Table 3

Description	3.0 Mt/a Case
Material Processed – Annual million tonnes (Mt)	3.0
Material Processed – Life-of-mine million tonnes (Mt)	31.3
Sunk Costs Exploration and Development pre-July 2009 ($millions)	120.0
Sunk Costs Feasibility Study and Permitting– 2009-2010 ($millions)	21.5
Initial Gahcho Kué Project Capital – 2011 to 2014 ($millions)	549.5
Working Capital (4 months of operating costs) ($millions)	49.4
Sustaining Capital including Mine Closure ($millions)	36.1
Operating Costs – Average over life-of-mine ($/tonne processed)	48.68
Real Diamond Price Escalation – 2010 forward (%/annum) [amount over U.S. Consumer Price Index]	1.00
Projected Mine Life (years)	11.0
Processing Diamond Cut-off Size (millimeter)	1.0
Inflation used for Escalation/De-escalation – (%/annum)	1.80
Total Carats Recovered (millions)	49.0
Diamond Price (RV life-of-mine Escalated, U.S.$/carat)	102.48
Diamond Price (RV life-of-mine Un-Escalated, U.S.$/carat)	74.52
Gahcho Kué Project IRR – Including sunk costs (%)	20.7
NPV @ 5% – Including sunk costs ($millions)	650.5
Gahcho Kué Joint Venture Required IRR Hurdle Rate (%)	15.0
Gahcho Kué Project IRR – Sunk costs not included (%)	33.9
NPV @ 5% – Sunk costs not included ($millions)	792.0

The Gahcho Kué Project is a joint venture. All of the numbers presented in this table are based upon 100% ownership and do not include any management fees or financing costs that are payable between the joint venture partners. Furthermore, the Gahcho Kué Project is evaluated on a 100% equity basis only, and excludes any financial leveraging effects, as well as any interest expense items that could impact taxable income and/or provide interest deduction tax shields.

One primary case has been considered, with variations from this base case model assessed as sensitivities. The base case uses an open pit mining operation with a processing throughput of 3.0 Mt/annum using probable reserves and is based on a nominal +1.00 mm carat cut-off size for the processing plant. The variations of the base case are as follows:

- project delay of one year due to permitting with the same throughput of 3.0 Mt/annum for base case
    - sensitivity analyses on diamond prices, capital costs, and operating costs.

The financial analysis is based on mineral reserves, with the objective of demonstrating economic viability; therefore, the analysis is classified as a “feasibility study” under NI 43-101. The feasibility study is a precursor to formal permit applications, definitive engineering design, formal commitment to construct, and includes mineral resources that are sufficiently defined geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves.

GAHCHO KUÉ PROJECT LOCATION MAP (2007)

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Gahcho Kué Leases (2011)

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GAHCHO KUE MAP – LOCATION OF PIPES

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Information Prepared by the Company

The following information is prepared by the Company. The Company has issued press releases commenting upon recent results and activities for the Gahcho Kué Project. Such disclosure has been reviewed by Carl G. Verley, P.Geo., or Daniel D. Johnson from JDS (for disclosure relating to the Definitive Feasibility Study), who serve as the Qualified Persons in relation to such disclosures.

2010 Independent Diamond Valuation

The market for rough diamonds is subject to strong influence from demand in the United States, which is the largest market for polished diamonds, and supply from major producers such as Alrosa of Russia and Debswana of Botswana. The price of diamonds dropped sharply after September 11, 2001. Between 2003 and 2006, diamond prices increased on average by approximately 15%. In 2007, rough diamond prices increased by an average of 25%, and in the first five months of 2008, by a further 11%. From about mid-2008 to mid-April 2009, rough diamond prices fell sharply as a consequence of the global economic recession. Starting in mid-April 2009, rough diamond prices have started to recover, tempered by concerns of consumer buying confidence and behaviour. Regardless, continuing trends suggest an over demand for rough diamonds in the mid- to long-term.

On August 4, 2010, the Company announced the results of an updated independent diamond valuation of the diamonds recovered from the Gahcho Kué Project during the exploration phase. The valuation was conducted by WWW International Diamond Consultants Ltd. ("WWW") and took place at the London offices of the Diamond Trading Company in early April 2010. All diamond values presented below are based on the WWW Price Book as at April 13, 2010.

The independent diamond valution resulted in substantially the same actual price of the Gahcho Kué diamonds to US$134 per carat compared to the 2008 independent diamond valuation done by WWW International Diamond Consultants Ltd. for the Company.

Table 4 below reflects the actual price per carat for the parcel of 8,243.56 carats of diamonds recovered from the Gahcho Kué Project.

Table 4

		Actual Price US$/carat		
Pipe	Zone	Total Carats	$/Carat	Total Dollars
5034	Centre Lobe	633.80	80.23	$ 50,852
	West Lobe	1,119.40	79.63	89,134
	East Lobe	1,264.21	178.59	225,770
5034 Total		3,017.41	121.22	365,757
Hearne		2,906.45	60.44	175,654
Tuzo		2,319.70	243.03	563,750
Total		8,243.56	134.06	$ 1,105,161

Table 5 below presents models of the average price per carat (US$/carat) for each kimberlite lithology. The modeled price per carat is determined using statistical methods to estimate the average value of diamonds that will be recovered from potential future production from Gahcho Kué.

Table 5

Modeled Average Price US$/carat

		+ 1.00mm			+1.50mm	
Pipe	High	Model	Low	High	Model	Low
5034 NE Lobe	131	107	96	143	116	104
5034 Centre	122	100	91	137	113	102
5034 West	141	114	103	157	127	114
Tuzo	81	67	61	93	77	70
Hearne	82	68	62	93	78	71

Note: 1.50mm prices provided for reference purposes only.

In their report to Mountain Province, WWW stated: "The Tuzo sample and the 5034 East sample both contained one high value large stone. For Tuzo there was a 25.14 carat stone valued at $17,000 per carat and 5034 East had a 9.90 carat stone valued at $15,000 per carat. It is encouraging that such high value stones were recovered in samples of this size. If they are found in the same frequency throughout the resource then the modelled APs [Average Prices'] will certainly be towards the 'high' values."

Definitive Feasibility Study

On September 1, 2009, the Company announced that the Gahcho Kué Joint Venture had appointed JDS, an independent engineering firm, to produce the Definitive Feasibility Study for the Gahcho Kué Joint Venture. The Definitive Feasibility Study was expected to take approximately twelve months to complete with a budget of approximately $10 million.

On October 21, 2010, in a press release titled "Mountain Province Diamonds Announces Positive Gahcho Kué Independent Feasibility Study", Mountain Province announced the results of the independent feasibility study. JDS led and prepared the feasibility study dated October 15, 2010, which was presented to the Gahcho Kué Joint Venture. The Company filed the 2010 Technical Report, representing a detailed summary of the Feasibility Study, on SEDAR and provided notification of such filing under Form 6K on EDGAR on December 3, 2010. See Item 4.D, Property Plant and Equipment, for a full summary of the 2010 Technical Report.

The following are the financial and project highlights from the 2010 Technical Report:

· Project IRR including sunk costs	20.7%*
· Project IRR excluding sunk costs	33.9%
· Initial project capital	$549.5 million
· Working capital	$49.4 million
· Sustaining capital including mine closure	$36.1 million
· Operating costs	$48.68 per tonne
· Project mine life	11 years
· Average annual production	3 million tonnes
· Total diamond production	49 million carats
· Average annual diamond production	4.45 million carats
· Diamond price	US$102.48 per carat**

*After taxes/royalties and unleveraged

**The base case model uses an average realized diamond price of US$102.48 per carat derived from the mean average between the modeled values of De Beers and WWW (based on their respective April 2010 price books) inclusive of a real 1% escalation over LOM less an assumed 4% marketing fee.

Permitting

In November 2005, De Beers Canada, as operator of the Gahcho Kué Project, applied to the Mackenzie Valley Land and Water Board for a Land Use Permit and Water License to undertake the development of the Gahcho Kué diamond mine. On December 22, 2005, Environment Canada referred the applications to the Mackenzie Valley Environmental Impact Review Board (“MVEIRB”), which commenced an Environmental Assessment ("EA"). On June 12, 2006, the MVEIRB ordered that an Environment Impact Review (“EIR”) of the applications should be conducted. The MVEIRB published draft Terms of Reference and a draft Work Plan for the Gahcho Kué Project in June 2007, and called for comments from interested parties by July 11, 2007.

The EIR is designed to identify all of the key environmental issues that will be impacted by the development of the Gahcho Kué diamond mine and to facilitate participation by key stakeholders in addressing these issues.

On December 17, 2007, the Company announced that the MVEIRB published the final terms of reference for the Gahcho Kué Environment Impact Statement (“EIS”) on October 5, 2007. On May 9, 2008, the Project Operator, De Beers, advised the MVEIRB that the filing of the EIS will be deferred to the fall 2008.

The feasibility study commissioned in August 2009 was expected to impact the final project description and the Project Operator, De Beers Canada, had previously advised the MVEIRB that submission of the EIS would be further deferred pending the completion of an updated project description.

The final Gahcho Kué Project description was presented to the Gahcho Kué Joint Venture partners, and was incorporated into the EIS to be submitted to the MVEIRB before the end of 2010. Key elements of the project description include the following:

- Average annual production rate of approximately 3 million tonnes of ore;
- Life of mine from the open-pit resource of approximately 11 years; and
- Average annual production rate of approximately 4.45 million carats.

On November 5, 2010, the Company announced that the Operator of the Gahcho Kué Joint Venture, De Beers Canada, had notified the MVEIRB on November 3, 2010 that the Gahcho Kué EIS was on track for completion and submission before the end of 2010. The Company also announced that the submission of the EIS will result in the resumption of the environmental impact review by the independent administrative tribunal established under the Mackenzie Valley Environmental Resource Management Act.

On December 23, 2010, the Company, in a joint news release with De Beers Canada, announced that the EIS for the Gahcho Kué mine had been submitted to the Gahcho Kué Environmental Impact Review Panel (the “Panel”) of the MVEIRB. The EIS details the construction and operation of the proposed mine to ensure it is sustainable. The EIS has been assembled to meet the rigorous Terms of Reference established by the Panel for the Gahcho Kué Project.

The Joint Venture partners further announced that the next step in the regulatory process will be for the Panel to review the Project's EIS submission and to confirm that the EIS conforms to the Terms of Reference. When this determination is made, the next steps in the Analytical Phase of the Environmental Impact Review will commence. Subsequent to the year-end, on March 17, 2011, the Panel wrote a letter to the Gahcho Kué Project operator, De Beers Canada, advising that while the EIS addressed the great majority of the items under the terms of reference, five items had not been adequately addressed, and the Panel requested responses in respect of these five items by May 2, 2011.

Project Costs to Date

The 2009 Gahcho Kué Joint Venture Agreement contains the following key terms with respect to the Gahcho Kué Project costs:

1. Each Joint Venture partner will contribute their proportionate share to the future project development costs;
2. The Joint Venture partners have agreed that the sunk historic costs to the period ending on December 31, 2008 will be reduced and limited to $120 million;
3. Mountain Province will repay De Beers Canada $59 million (representing 49% of an agreed sum of $120 million) in settlement of the Company's share of the agreed historic sunk costs on the following schedule:

- $200,000 on execution of the 2009 Gahcho Kué Joint Venture Agreement (Mountain Province's contribution to the 2009 Joint Venture expenses to date of execution of the 2009 Gahcho Kué Joint Venture Agreement – paid);
- Up to $5.1 million in respect of De Beers Canada's share of the costs of the feasibility study commissioned in August 2009 (paid $4,128,434 to December 31, 2010, recorded as "sunk cost repayment" in the Company's financial statements);
- $10 million upon the completion of the feasibility study with at least a 15% IRR and approval of the necessary development work for a mine (as defined in the 2009 Gahcho Kué Joint Venture Agreement);
- $10 million following the issuance of the construction and operating permits;
- $10 million following the commencement of commercial production; and
- The balance within 18 months following commencement of commercial production.

Subsequent to the year end, the Company made a payment to De Beers Canada of $10 million representing the payment required with the completion of the feasibility study with a 15% IRR, pending the Joint Venture's approval of the necessary development work for a mine.

The following table outlines the Project costs to date:

Period of Time		Amount (1)
Agreed historic sunk costs to December 31, 2008	$	120,000,000
Agreed expenses January 1, 2009 to December 31, 2009		1,654,383
Costs for Feasibility Study from August 2009 to December 2009 (of approved budget of $10 million)		2,531,056
Total Costs to December 31, 2009	$	124,185,439
Agreed expenses January 1, 2010 to December 31, 2010		10,754,884
Costs for Feasibility Study from January 2010 to December 2010 (of approved budget of $10 million)		5,593,913
Total Costs to December 31, 2010	$	140,534,236
Approved Budget January 1, 2011 to December 31, 2011	$	12,553,133

Other Properties

Kennady North

Mountain Province (outside of the Joint Venture with De Beers Canada) has the following five mining leases with their respective lease numbers – 4340, 4342, 4466, 4467, and 4468 – in the Kennady Lake area. These five mining leases represent about 12,555 acres. The Company also staked in late 2010 eight claims around Gahcho Kué – Kwezi 01 to Kwezi 08. These claims represent approximately 17,839 acres, and together with the five mining leases, comprise 30,394 acres – the Company's Kennady North Project. These mining leases and claims are not part of the 2009 Gahcho Kué Joint Venture Agreement with De Beers Canada and are not considered part of the Gahcho Kué

Project.

Historical exploration on the Kennady North Project was done starting in 1992, and continued until about 10 years ago when the Company and De Beers Canada focussed exploration efforts on the Gahcho Kué Project.

The Company is currently undertaking a desktop study of the exploration work done in the past on the Kennady North Project, and when the desktop study is completed, will be able to assess what further exploration work might be warranted.

Gahcho Kué Project and Kennady North Project Claims and Leases (2011)

Other

As well, the Company has a 50% interest (acquired pursuant to an option/joint venture agreement with Opus Minerals Inc., now known as First Strike Diamonds Inc. on July 13, 1998) in claims held by Opus Minerals Inc. in the northern end of the Baffin Island. The property values for these claims were written off in fiscal 2004, and the Baffin Island property is no longer of interest to the Company. Pursuant to the amalgamation of Mountain Glen and Glenmore, the Company's wholly-owned subsidiary, Mountain Glen, acquired mineral properties in Finland. These mineral properties were transferred to the Company when Mountain Glen wound up its affairs.

The Company had one non-material property in Finland, the Haveri Gold Property. An option was granted on October 10, 2002 to Northern Lion Gold Corp. (formerly Vision Gate Ventures Limited) for the acquisition of a 70% interest in the Haveri Property. On October 4, 2004, the Company agreed to exchange its remaining 30% interest in the Haveri Property for 4,000,000 shares of Northern Lion Gold Corp. The shares of Northern Lion Gold Corp. were sold in 2007.

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

A.Operating results.

The following discussion of the financial condition and operating results of the Company should be read in conjunction with the consolidated financial statements and related notes to the financial statements which have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Discussion and analysis set forth below covers the results obtained under GAAP in Canada. A significant difference between Canadian and U.S. GAAP exists with respect to accounting for mineral property exploration costs which have been capitalized under Canadian GAAP but are required to be expensed under U.S. GAAP when incurred until such time as commercially mineable deposits are determined to exist within a particular property. Material measurement differences between accounting principles generally accepted in Canada and the United States, applicable to the Company, are described in Note 9 to the consolidated financial statements.

Fiscal Period ended December 31, 2010 compared to Fiscal Year ended December 31, 2009.

The Company has changed its yearend to December 31, effective December 31, 2009, to align its fiscal yearend with that of De Beers Canada, the operator of the Gahcho Kué Project.

The Company’s net loss for the year ended December 31, 2010 was $1,566,715, or $0.02 per share, compared with a net loss of $1,458,338, or $0.02 per share for the nine months ended December 31, 2009. Before the Company’s tax recovery of $498,745 for the year ended December 31, 2010 (nine months ended December 31, 2009 - $509,686), the net loss was $2,065,460 for the year ended December 31, 2010 (nine months to December 31, 2009 - $1,968,024).

The net loss for the year ended December 31, 2010 includes the Company’s proportional share of expenses of the Gahcho Kué Project in the amount of $560,715 compared to $210,789 for the nine months ended December 31, 2009. The increase is attributable not only to a longer fiscal period but also that the proportional share of costs for the 2010 fiscal year was for a full year, and increased Gahcho Kué activity compared to the nine months ended December 31, 2009 when the costs were only effective with the signing of the 2009 Gahcho Kué Joint Venture Agreement with De Beers Canada in mid-2009.

Operating expenses, excluding stock-based compensation (nil for the year ended December 31, 2010 and $268,405 for the nine months ended December 31, 2009) and the expenses associated with the Project, totaled $1,627,335 for the year ended December 31, 2010 compared to $1,500,795 for the nine months ended December 31, 2009, reflecting only a small increase for the additional three months in 2010’s fiscal year. Reductions in Promotion and Investor Relations (about $75,000) and Salary and Benefits (about $78,000) were offset by an increase in Travel (about $75,000), and Consulting Fees ($195,000) for increased marketing efforts for the Company.

Interest income of $122,590 for the year ended December 31, 2010 increased over the prior fiscal period (nine months ended December 31, 2009 - $11,965) as a result of significantly improved cash balances as a result of financings done in the second half of 2009 and through 2010.

Fiscal Nine-Month Period ended December 31, 2009 compared to Fiscal Year ended March 31, 2009

The Company's net loss for the nine months ended December 31, 2009 was $1,458,338, or $0.02 per share, compared with a net income of $1,537,590, or $0.03 per share for the twelve months ended March 31, 2009. Before the Company's tax recovery of $509,686 (March 31, 2009 - $222,796), the net loss was $1,968,024 (March 31, 2009 - $1,760,386) for the nine months ended December 31, 2009.

The net loss for the nine months ended December 31, 2009 includes stock-based compensation expense of $268,405 compared to stock-based compensation expense for the twelve months ended March 31, 2009 of $574,200. The options were granted in August 2009 to an officer of the Company, and vested with the approval of the Company's amended stock option plan by the shareholders at the annual and general meeting on September 10, 2009, and the receipt of regulatory approval of the Company's amended stock option plan in October 2009. They were granted for a five-year term.