

THIRD QUARTER REPORT

MARCH 31, 2002

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DIAMOND FIELDS INTERNATIONAL LTD.

Consolidated Balance Sheets

(Expressed in Canadian Dollars)

	<u>March 31,</u> <u>2002</u>	<u>June 30,</u> <u>2001</u>
ASSETS	(Unaudited)	
CURRENT		
Cash	\$ 1,117,866	\$ 2,237,372
Accounts receivable	162,159	95,316
Inventory	647,029	434,439
Prepaid expenses	78,868	78,869
	<u>2,005,922</u>	<u>2,845,996</u>
INVESTMENT	21,311	1
MINERAL PROPERTIES AND INTERESTS	12,281,831	12,505,736
OTHER CAPITAL ASSETS	682,432	656,590
DEFERRED FINANCING COSTS	56,965	-
	<u>\$ 15,048,461</u>	<u>\$ 16,008,323</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 483,012	\$ 749,580
NOTE PAYABLE (Note 2)	2,665,383	2,166,523
FUTURE INCOME TAXES	2,450,473	2,511,519
	<u>5,598,868</u>	<u>5,427,622</u>
SHAREHOLDERS' EQUITY		
Share capital		
Authorized - Unlimited number of common shares without par value		
Issued and outstanding - 52,777,335		
(June 30, 2001 - 52,534,318) shares	26,834,725	26,742,232
Equity portion of note payable	1,084,952	1,084,952
Deficit	(18,470,085)	(17,246,483)
	<u>9,449,592</u>	<u>10,580,701</u>
	<u>\$ 15,048,461</u>	<u>\$ 16,008,323</u>

DIAMOND FIELDS INTERNATIONAL LTD.
Consolidated Statements of Loss and Deficit

(Unaudited)

(Expressed in Canadian Dollars)

	Three months ended March 31,		Nine months ended March 31,	
	2002	2001	2002	2001
DIAMOND SALES	\$ 1,622,841	\$ -	\$ 2,789,401	\$ -
OPERATING COSTS				
Production costs (including depreciation and depletion)	596,854	-	1,239,117	-
Royalties, selling and marketing	174,644	-	305,948	-
	771,498	-	1,545,065	-
ADMINISTRATIVE EXPENSES				
Accounting and audit	37,998	4,633	57,729	28,964
Consulting	62,902	287,933	236,582	318,147
Depreciation	4,215	4,500	12,646	13,500
Interest on note payable	139,379	22,300	391,043	22,300
Investor relations	10,730	7,136	55,202	55,746
Legal	14,762	63,971	53,281	81,221
Maintenance	7,508	7,696	20,004	30,467
Office	89,544	55,523	249,893	180,947
Regulatory	11,488	14,500	30,576	36,272
Salaries	319,878	682,440	911,889	1,176,426
Stock-based compensation	32,107	-	32,107	-
Travel and accommodation	53,754	41,621	200,994	93,552
	784,265	1,192,253	2,251,946	2,037,541
OTHER INCOME				
Interest and other income	6,703	26,340	29,617	142,865
Foreign exchange gain (loss)	(27,399)	40,365	(239,517)	38,334
	(20,696)	66,705	(209,900)	181,199
INCOME (LOSS) BEFORE INCOME TAXES	46,383	(1,125,550)	(1,217,510)	(1,856,343)
Recovery of future income taxes	23,529	-	61,046	-
NET INCOME (LOSS)	69,912	(1,125,550)	(1,156,464)	(1,856,343)
DEFICIT, BEGINNING OF PERIOD	(18,538,845)	(15,270,003)	(17,246,483)	(14,539,210)
PREMIUM PAID ON PURCHASE OF COMMON SHARES FOR CANCELLATION	(1,151)	-	(67,137)	-
DEFICIT, END OF PERIOD	\$ (18,470,085)	\$ (16,395,553)	\$ (18,470,085)	\$ (16,395,553)
NET INCOME (LOSS) PER SHARE	\$ 0.00	\$ (0.02)	\$ (0.02)	\$ (0.03)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING (in 000's)	52,645	52,018	52,525	51,922

DIAMOND FIELDS INTERNATIONAL LTD.
Consolidated Statements of Cash Flows

(Unaudited)

(Expressed in Canadian Dollars)

	Three months ended March 31,		Nine months ended March 31,	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss)	\$ 69,912	\$ (1,125,550)	\$ (1,156,464)	\$ (1,856,343)
Items not involving use of cash				
Recovery of future income taxes	(23,529)	-	(61,046)	-
Accrued interest	48,558	22,300	134,333	22,300
Non-cash interest expense	90,821	-	256,710	-
Depreciation and depletion	132,039	4,500	258,690	13,500
Unrealized foreign exchange loss	420	-	107,817	-
Stock-based compensation	32,107	-	32,107	-
Net change in non-cash operating working capital items	(82,711)	66,205	(546,000)	3,235
	267,616	(1,032,545)	(973,854)	(1,817,308)
CASH FLOWS FROM FINANCING ACTIVITIES				
Share capital issued, net of issue costs	99,008	481,886	124,202	509,249
Common shares purchased for cancellation	(7,755)	-	(130,953)	-
Loan payable	-	3,073,600	-	3,073,600
Financing fees	(56,965)	-	(56,965)	-
	34,288	3,555,486	(63,716)	3,582,849
CASH FLOWS FROM INVESTING ACTIVITIES				
Expenditures on mineral properties and interests	(56,094)	(58,579)	(56,094)	(883,997)
Expenditures on other capital assets	(9,936)	-	(25,842)	(832)
	(66,030)	(58,579)	(81,936)	(884,829)
INCREASE (DECREASE) IN CASH	235,874	2,464,362	(1,119,506)	880,711
CASH, BEGINNING OF PERIOD	881,993	893,295	2,237,372	2,476,945
CASH, END OF PERIOD	\$ 1,117,866	\$ 3,357,655	\$ 1,117,866	\$ 3,357,655

DIAMOND FIELDS INTERNATIONAL LTD.
Notes to the Consolidated Financial Statements
(Expressed in Canadian Dollars)
(Unaudited)

1) BASIS OF PRESENTATION

These interim financial statements do not contain all the information required by generally accepted accounting principles for annual financial statements and therefore should be read in conjunction with the most recent annual financial statements of the Company.

These financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements except for that during the second quarter of 2002, the Company adopted the new accounting recommendations of the Canadian Institute of Chartered Accountants with respect to the translation of foreign currencies. As a consequence, the Company now charges operations with the unrealized foreign exchange gain or loss on translation of the liability portion of the note payable. Previously, the unrealized gain or loss was deferred and amortized over the remaining term of the note. This change, which was applied retroactively, resulted in an increase in the net loss for the three and nine months ended March 31, 2002 of \$107,817.

2) NOTE PAYABLE

Details of the note payable are described in Note 8 to the Company's most recent annual financial statements.

The financial liability component of the note is comprised of the following:

Total proceeds	\$ 3,073,600
Deduct portion allocated to the equity instrument	(1,084,952)
Financial liability component at inception	1,988,648
Add (deduct):	
Accretion of discount on issue	384,922
Accrued interest	211,078
Foreign exchange translation adjustment	80,735
Balance of financial liability component, March 31, 2002	<u>\$ 2,665,383</u>

The estimated future minimum annual repayments of the outstanding financial liability component at March 31, 2002 is as follows:

2002	\$ -
2003	1,078,018
2004	<u>1,587,365</u>
	<u>\$ 2,665,383</u>

The face value of the note plus accrued and unpaid interest to March 31, 2002 amounted to U.S.\$2,134,137 (Cdn.\$3,400,747).

DIAMOND FIELDS INTERNATIONAL LTD.
Notes to the Consolidated Financial Statements
(Expressed in Canadian Dollars)
(Unaudited)

3) SHARE CAPITAL

During the three month period ended March 31, 2002, the Company issued a total of 318,785 Common Shares. During the nine month period ended March 31, 2002, the Company issued a total of 368,417 Common Shares and cancelled a total of 125,400 pursuant to the normal course issuer bid which is currently active from June 1, 2001 to May 31, 2002.

In the third quarter of 2002, a total of 266,201 options were exercised. Common Share purchase options outstanding at May 30, 2002 totaled 2,113,000 with exercise prices and expiry dates ranging from Cdn.\$1.25 to Cdn.\$0.66 and June 15, 2002 to March 12, 2007, respectively. At May 30, 2002 a total of 52,853,238 Common Shares of the Company were outstanding.

4) SEGMENTED INFORMATION

The Company considers its business to consist of one reportable business segment. All of the Company's revenue for the three and nine month periods ended March 31, 2002 was earned in Namibia.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Stated in Canadian Dollars)

Overview

Net income for the Company's third quarter ended March 31, 2002 was \$69,912, or \$0.001 per share, compared with a net loss of \$1,125,550, or \$0.02 per share for the same period in 2001.

Net loss for the nine months ended March 31, 2002 was \$1,156,464, or \$0.02 per share, compared with \$1,856,343, or \$0.03 per share for the same period in 2001.

On March 5, 2001, the Company entered into a joint venture with Trans Hex Group Limited to mine two areas within the Company's Luderitz offshore diamond concessions in Namibia using airlift-type diamond mining vessels. The joint venture began operations on May 24, 2001. For the quarter ended March 31, 2002, the Company recorded diamond sales from its joint venture operations of \$1,622,841 against direct operating costs of \$771,498 for a gross profit from operations of \$851,343. For the nine months ended March 31, 2002, diamond sales were \$2,789,401 and the gross profit was \$1,244,336. The Company's share of the assets, liabilities and operating results of the joint venture have been included in the Company's consolidated financial statements as at and for the nine months ended March 31, 2002.

At March 31, 2002, working capital was \$1,522,910 including cash of \$1,117,866, compared with working capital of \$2,096,416, including cash of \$2,237,372 at June 30, 2001. The decrease in both cash and working capital is largely attributed to the net loss for the nine months.

Joint venture operations

Joint venture operations commenced on May 24, 2001 with a program of trenching and mining in the Marshall Fork area of the Company's Luderitz concessions in order to assess how airlift technology applies itself in the various geological and grade environments of the joint venture area. On November 6, 2001, full-scale mining commenced when Trans Hex deployed a fully dedicated vessel to Marshall Fork. Results from the operations to March 31, 2002 were as follows:

	<u>Joint venture</u>		<u>Company's share</u>	
	<u>March 31, 2002</u>		<u>March 31, 2002</u>	
	<u>Quarter</u>	<u>Nine months</u>	<u>Quarter</u>	<u>Nine months</u>
Carats produced	10,330	26,800	6,198	16,080
Carats sold	11,235	21,359	6,741	12,815
Gross profit from operations			\$ 851,343	\$1,244,336

Gross profit from operations increased during the quarter ended March 31, 2002 as compared to the quarters ended December 31, 2001 and September 30, 2001 primarily due to continued low production costs and improved mining efficiencies.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Stated in Canadian Dollars)

Administrative and other expenses

The Company recorded administrative expenses of \$784,265 during the quarter ended March 31, 2002 compared to \$1,192,253 in the same period last year. The difference is primarily the result of interest on note payable, as described below, offset by a decrease in consulting fees and salaries. Salaries in the quarter ended March 31, 2001 included severance to a former officer of the Company.

In February 2001, the Company received proceeds from a U.S.\$2,000,000 loan supported by a promissory note payable to a company controlled by a shareholder of the Company. The note bears interest at a rate of 6% per annum. Interest expense of \$139,379 and \$391,043 was recorded for the quarter and for the nine months ended March 31, 2002 respectively. Reference is made to Note 2 to these consolidated financial statements.

For the nine months ended March 31, 2002, the Company incurred administrative expenses of \$2,251,946 compared to \$2,037,541 in the same period in 2001. The difference is primarily the result of interest on note payable, and increases in office and travel and accommodation.

Office expenses increased as a result of additional personnel working in the Southern Africa office hired to administer the Company's joint venture operations and to advance the Company's own projects that are outside the joint venture. This also resulted in a slight increase in salaries over the previous year, excluding the severance paid last year as described above. Travel and accommodation expenses were incurred in the course of ongoing corporate stewardship of the Company's operations.

The Company experienced a foreign exchange loss of \$27,399 in the quarter ended March 31, 2002 and \$239,517 in the nine months ended March 31, 2002. The nine-month foreign exchange loss resulted from a drop in the value of the Namibian dollar compared to the Canadian dollar and a loss of \$107,817 on translation of the U.S. dollar note payable into Canadian dollars (see Note 2 to these consolidated financial statements). The exchange rate for the conversion of one Namibian dollar into one Canadian dollar was Cdn.\$0.1405 on March 31, 2002, compared to Cdn.\$ 0.1886 on June 30, 2001.

During the nine months ended March 31, 2002, the Company spent \$130,953 on the purchase of 125,400 of its common shares from the open market at prices ranging from Cdn.\$1.50 to Cdn.\$0.65 per share, bringing the total number of shares purchased and cancelled under its normal course issuer bid to 130,500 common shares since the inception of the bid on June 1, 2001. During the nine months, the Company recorded a premium paid on purchase of these shares for cancellation of \$67,137.

Liquidity and outlook

Various risks, including fluctuations in diamond prices and foreign exchange rates, financing and global uncertainties, can impact on the Company's future profitability. Anticipated production levels are directly affected by improvements in mining technology, weather conditions and vessel availability.

During the quarter ended March 31, 2002, the Company incurred \$56,965 in financing costs. The Company plans to develop and mine its known diamond resource outside of the joint venture area and is currently in discussions with prospective lenders with respect to project financing for the purchase of its own dedicated mining vessel equipped with processing plant and mining equipment. Insofar as factors beyond the Company's control may adversely affect its access to funding, there can be no assurance that any such additional funding will be available to the Company or, if available, that it will be on acceptable terms.