

Third Quarter Report



March 31, 2005 and 2004

Table of Contents

1. Management's Discussion and Analysis of Financial Condition and Results of Operations

2. Financial Statements

Consolidated Balance Sheets at March 31, 2005 (unaudited) and June 30, 2004

Unaudited Consolidated Statements of Loss and Deficit for the three and nine months ended March 31, 2005 and 2004

Unaudited Consolidated Statements of Cash Flows for the three and nine months ended March 31, 2005 and 2004

Notes to the Unaudited Consolidated Financial Statements

DIAMOND FIELDS INTERNATIONAL LTD.

Management's Discussion and Analysis of Financial Condition and Results of Operations

(All amounts are expressed in U.S. dollars except where otherwise indicated)

INTRODUCTION

This discussion and analysis of financial position and results of operations ("MD&A") of Diamond Fields International Ltd. ("Diamond Fields", "the Company", or "DFI") should be read in conjunction with the unaudited consolidated financial statements of Diamond Fields International Ltd. and the notes thereto for the three and nine months ended March 31, 2005 and with the audited annual consolidated financial statements and the notes thereto for the year ended June 30, 2004. The quarterly financial statements at March 31, 2005 are unaudited and have not been reviewed by the Company's external auditor. The effective date of this MD&A is May 13, 2005. Additional information about Diamond Fields, including its annual information form, is available on SEDAR at www.sedar.com

FORWARD-LOOKING STATEMENTS

Certain statements contained herein are forward-looking, and are based on the opinions and estimates of management, or on opinions and estimates provided and accepted by management. These opinions and estimates include those that relate to geological and mining factors, commodity prices and marketing parameters used by management.

Forward-looking statements are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ, possibly significantly. When used in this document, the words such as "could", "plan", "estimate", "expect", "intend", "intent", "may", "potential", "should", and similar expressions are forward-looking statements. Although Diamond Fields believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements. The Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change. Readers are therefore cautioned not to place undue reliance on any forward-looking statements.

OVERVIEW

Diamond Fields is a Canadian public company listed on the Toronto Stock Exchange. The Company is active in diamond mining and mineral exploration.

International exploration activities are currently focused on the Company's nickel project in Greenland and its diamond and gold properties in Liberia. Production on DFI's Namibian marine concessions from its joint operations with Samicor Mining Services (Pty) Ltd. ("Samicor") yielded 31,910 carats (the Company's 50% share was 15,954 cts). This combined with sales of inventory, generated revenue of \$5,391,621 and operating earnings of \$2,901,554. The Company has recently purchased the marine mining vessel mv Diamond Fields Discoverer which it is refitting and intends to re-commence mining activities in 2005.

DIAMOND FIELDS INTERNATIONAL LTD.

Management's Discussion and Analysis of Financial Condition and Results of Operations

(All amounts are expressed in U.S. dollars except where otherwise indicated)

RESULTS OF OPERATIONS

Mining Activities

Samicor Joint Operations

During the prior fiscal year the Company entered into an agreement, for an initial six month period, with Samicor Mining Services (Pty) Ltd. ("Samicor") to mine diamonds from the Company's marine concessions. Diamond production was split equally on a 50/50 basis between the parties, but operational costs paid by Diamond Fields were capped to a fixed US dollar amount.

Diamond mining by Samicor's marine mining vessel, the mv Kovambo, on the Namibia Marine Diamond Project produced 31,910 carats (the Company's 50% share was 15,954 cts) from the Luderitz sea diamond concession (ML111). Sales from both current production and existing inventory amounted to \$5,391,621. Operating costs, including production, royalty and selling expenses associated with the sale of inventory totalled \$2,490,067, and generated a gross margin of \$2,901,554.

On October 14, 2004 Diamond Fields announced production on the Company's marine concessions had been suspended. DFI and its partner did not renew the agreement and Diamond Fields is now planning to re-commence mining activities in 2005 with the mv DF Discoverer.

Mining Vessel Acquisition

Diamond Fields acquired a twin airlift diamond mining vessel, "mv DF Discoverer" (formerly mv Anya) in a sealed tender process ordered by the High Court of Namibia in early October 2004.

The Company has been refitting and upgrading the vessel to improve its mining efficiency. Funding for the purchase price and applicable taxes have been provided under a secured loan from Quest Capital Corp. in the amount of Cdn \$ 1,950,000. Quest Capital Corp. was paid a fee of 380,000 common shares of DFI plus interest for the loan, in addition to the 100,000 common shares of Diamond Fields that were previously issued to it for providing a standby guarantee.

Mining Tool Lease Agreement

During the current nine month period Diamond Fields entered into a two year lease with an option to purchase a new marine sampling and mining technology, the Sea Diamond Miner. Under the terms of the agreement, Diamond Fields must pay a license fee for two years and can acquire full ownership of the patent for the tool by paying US\$400,000 in a combination of stock and cash within 2 years of the agreement.

DIAMOND FIELDS INTERNATIONAL LTD.

Management's Discussion and Analysis of Financial Condition and Results of Operations

(All amounts are expressed in U.S. dollars except where otherwise indicated)

Exploration Projects

Elimination of Royalty Obligations

Pursuant to an agreement dated April 27, 2005 among DFI, Mr. Boule and companies controlled by Mr. Boule (a major shareholder of the Company), the parties have agreed that all outstanding gross overriding royalties granted to a company controlled by Mr. Boule in respect of proceeds received from production in Madagascar, Sierra Leone, Angola, the Democratic Republic of the Congo, Russia, Algeria, and certain areas of Greenland will be eliminated in consideration for the payment to Mr. Boule, directly or indirectly, of an aggregate of 1,700,000 common shares of DFI. The transactions are subject to regulatory approval and the acceptance of the Toronto Stock Exchange.

Greenland Nickel Exploration Project

The Company expanded its Greenland mineral property holdings during the current period through a joint venture and direct acquisition of new licences. DFI's Ammassalik project area, on the east coast of Greenland, has been expanded through a joint venture agreement with adjacent land holder NunaMinerals A/S which will allow DFI to earn an initial 65% interest for exploration expenditures of US\$1.7 million over 3 years at Diamond Fields' option. The Company also acquired an interest in a new licensed area at Nassuttooq in West Greenland covering 84,600 hectares.

The Company announced on November 29, 2004 preliminary results from exploration on its properties in Greenland during the 2004 season. On the east coast, field work on the 63,737 hectare Ammassalik project included a 2,000 line km airborne mag-EM survey completed in July, geological mapping and collection of 344 rock samples. Scree and outcrop grab samples ranging from 0.5% to greater than 1% nickel (Ni) were collected in the southern part of the property within 2.5 km along strike of the initial discovery showing. On the west coast, exploration on the 84,600 hectare Nassuttooq property delineated a 5km long zone of alteration within mafic volcanic rocks and discovered several outcroppings of massive sulphides. Analytical results include nickel in the range of 0.1% Ni to 0.3% Ni, and copper (Cu) in concentrations from 0.1% Cu to 0.4% Cu (not coincident) in samples from outcrop and scree boulders.

Liberia Exploration Properties

In late March 2005 the company identified five additional kimberlite targets in the Grand Cape diamond prospect based on further stream sediment sampling results. Grid sampling has begun on two targets from this new group that have generated G10 garnets.

Results from initial diamond and gold exploration were announced on February 1 and February 8, 2005. On the Grand Cape property, indicator minerals from the first stream sediment samples included kimberlitic garnets (including G9 and G10 garnets) and kimberlitic ilmenites. On the Grand Gedeh property, thirty-nine soil and stream sediment samples included a 17.7 g/t Au sample, and two samples that graded greater than 1 g/t Au. Five samples had visible gold in field concentrates and a further 26

DIAMOND FIELDS INTERNATIONAL LTD.

Management's Discussion and Analysis of Financial Condition and Results of Operations

(All amounts are expressed in U.S. dollars except where otherwise indicated)

samples were anomalous with Au averaging 0.2 g/t within a 5km x 1km envelope. The prospective area is open in all directions.

Diamond Fields entered into an option agreement in early August 2004 with Liberia-based Ducor Minerals Inc. ("Ducor"), pursuant to which it may earn an interest in Ducor's rights held under two mineral exploration agreements between Ducor and the Republic of Liberia. The Gbapolu (Grand Cape) and Grand Gedeh properties cover a total area of 1813.72 km² and are prospective for diamonds and gold, respectively.

The Company may earn 70% of Ducor's interest by issuing to Ducor 1,000,000 shares in five annual installments of 200,000 shares each, and by spending US\$2,000,000 on exploration over the next four years. Ducor has the right to request \$30,000 in lieu of one-half of each annual stock issue, and DFI has the right to pay \$60,000 in lieu of one-half of each annual stock issue. The Company may withdraw from the project at any time.

Ogna Nickel-Copper Project in Norway

Based on drilling results, the Company has decided not to pursue further exploration on its Ogna nickel project in Norway and has disposed of the property. Associated accumulated exploration costs have been written off as of the period ended March 31, 2005.

Sierra Leone and Madagascar

Diamond Fields has discontinued its diamond exploration programs in Sierra Leone and Madagascar. Consistent with the terms of the acquisition agreement announced on July 31, 2003, DFI will return its remaining exploration interest in Sierra Leone to Mr. Boule or companies controlled by Mr. Boule, along with related assets, including diamond laboratories in Sierra Leone and Madagascar, and two diamonds. A provision for impairment with respect to these exploration projects has been recorded in the current period.

DIAMOND FIELDS INTERNATIONAL LTD.

Management's Discussion and Analysis of Financial Condition and Results of Operations

(All amounts are expressed in U.S. dollars except where otherwise indicated)

SELECTED FINANCIAL INFORMATION

The following table sets forth selected financial information for the nine months ended March 31, 2005 and 2004.

Nine Months Ended March 31:		
	2005	2004 ⁽¹⁾
Total Revenues	5,391,621	1,294,182
Total Operating Costs	2,490,067	881,218
General and Administrative Expenses	2,562,851	2,433,149
Other Income (Expense)	(1,352,101)	(46,690)
Net Loss	994,631	2,054,378
Net Loss per Share (basic and diluted)	0.01	0.03

⁽¹⁾ During the year ended June 30, 2004, the Issuer adopted the amended recommendations of the CICA Handbook Section 3870, "Stock-based Compensation and Other Stock-based Payments". The amended recommendations have been adopted retroactively from July 1, 2002.

All revenue for the nine months ended March 31, 2005 resulted from the sale of diamonds held in inventory or recovered during operations. A total of 26,250 carats were sold at an average price of approximately \$205 per carat generating revenue of \$5,391,621. Comparatively, the Company sold 8,872 carats in the same period during 2004 at an average price of \$146 per carat generating revenue of \$1,294,182. Production, royalty and selling expenses associated with the sale of inventory totalled \$2,490,067; whereas, these operating costs for the same period in 2004 were \$881,218. The Company generated an operating margin of \$2,901,554 for the nine months ended March 31, 2005 compared with \$412,964 for the same period in 2004.

The Company incurred general and administrative expenses of \$2,562,852 during the nine months ended March 31, 2005 compared to \$2,433,149 during the same period in 2004. Interest increased due to the Company's restructuring of its long term debt and legal expense increased due to acquisition of the Company's new mining vessel. During the year ended June 30, 2004, the Company adopted the amended recommendations of the CICA Handbook Section 3870, "Stock-based Compensation and Other Stock-based Payments". The amended recommendations have been adopted retroactively from July 1, 2002. Office expense and Salaries and benefits increased as a result of increased staffing requirements related to the Company's expanded operations. During the nine months ended March 31, 2005 the Company recorded a provision for impairment on certain of its exploration properties.

Net loss for the nine months ended March 31, 2005 was \$994,631 or \$0.01 per share, compared with a net loss of \$2,054,378 or \$0.03 per share in 2004. The change was primarily due to the Company's joint operations with Samicor during the current period.

DIAMOND FIELDS INTERNATIONAL LTD.

Management's Discussion and Analysis of Financial Condition and Results of Operations

(All amounts are expressed in U.S. dollars except where otherwise indicated)

SELECTED QUARTERLY DATA

The following table sets forth selected financial information for the eight most recently completed quarters.

	31-Mar-05	31-Dec-04	30-Sep-04	30-June-04 ⁽¹⁾	31-Mar-04 ⁽¹⁾	31-Dec-03 ⁽¹⁾	30-Sep-03 ⁽¹⁾	30-June-03 ⁽¹⁾
Total Revenues	Nil	1,014,846	4,376,775	Nil	504,252	700,793	89,137	639,870
Net Earnings (Loss)	(1,356,803)	(459,987)	822,159	(1,564,223)	(985,078)	(590,913)	(478,387)	(1,133,229)
Net Earnings (Loss) per Share (basic and diluted)	(0.02)	(0.01)	0.01	(0.03)	(0.01)	(0.01)	(0.01)	(0.02)

⁽¹⁾ During the year ended June 30, 2004, the Issuer adopted the amended recommendations of the CICA Handbook Section 3870, "Stock-based Compensation and Other Stock-based Payments". The amended recommendations have been adopted retroactively from July 1, 2002.

As production on the Company's marine concessions has been suspended as of October 2004, there were no diamond sales during the three months ended March 31, 2005. Consequently, quarterly net loss of \$1,356,803 or \$0.02 per share is primarily general and administrative expenses and the provision for impairment of exploration properties.

CAPITAL RESOURCES AND LIQUIDITY

The Company entered into an agreement on April 13, 2005 with GMP Securities Ltd. as lead agent and Haywood Securities Inc. (the "Agents") to offer by way of private placement 14,285,715 units of Diamond Fields at Cdn\$0.35 per unit to raise up to Cdn\$5,000,000. In light of market conditions, the Company has agreed with the Agents to cancel its previously announced brokered private placement. DFI is in negotiations with an investment group, led by its major shareholder Mr. Jean-Raymond Boule, to secure alternative financing.

The Company plans to raise additional financing, continue exploration activities, operate its newly-acquired mining vessel, and meet its debt repayment obligations.

At March 31, 2005, the Company had working capital deficit of \$2,374,305 which includes cash of \$1,350,550 compared with working capital of \$1,932,429, including cash of \$2,401,051, at June 30, 2004. The decrease in working capital at March 31, 2005 is primarily a result of general and administrative costs and cash used to refit the vessel mv DF Discoverer.

The March 31, 2005 consolidated financial statements for Diamond Fields International Ltd. have been prepared in accordance with generally accepted accounting principles applicable to a going concern which assume that the Company will realize its assets, discharge its liabilities and meet its future obligations in the normal course of business. The Company's ability to continue its operations in the normal course of business is dependent upon, securing financing arrangements, receiving the continued support from its noteholder and other creditors and, ultimately, obtaining profitable operations. The

DIAMOND FIELDS INTERNATIONAL LTD.

Management's Discussion and Analysis of Financial Condition and Results of Operations

(All amounts are expressed in U.S. dollars except where otherwise indicated)

consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values of assets and liabilities should the Company be unable to continue as a going concern.

TRANSACTIONS WITH RELATED PARTIES

The Company has a loan supported by a promissory note payable to a company controlled by a major shareholder of the Company. The nominal balance due, including accrued nominal interest to March 31, 2005 amounted to \$2,053,410. The note bears interest at 6% per annum and is repayable, commencing August 15, 2004, in minimum monthly instalments of \$100,000 until maturity on July 15, 2006. Payments are currently suspended with the consent of the creditor. This note was issued in settlement of a previous note payable that matured in December 2003.

The noteholder is entitled to elect, at any time prior to the full repayment of the note, to convert all or any part of the outstanding principal of the note plus any accrued and unpaid interest into common shares of the Company at a conversion price of Cdn\$0.60 per share.

Accounts payable at March 31, 2005 include legal and other fees, including proxy solicitation costs, totalling \$183,000 (June 30, 2004 - \$183,000) payable to a company controlled by a major shareholder of the Company.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles in Canada requires companies to establish accounting policies and to make estimates that affect both the amount and timing of the recording of assets, liabilities, revenues and expenses. Some of these estimates require judgements about matters that are inherently uncertain.

A detailed summary of all of the Company's significant accounting policies and the estimates derived there from is included in Note 2 to the annual Consolidated Financial Statements for the year ended June 30, 2004.

DIAMOND FIELDS INTERNATIONAL LTD.

Management's Discussion and Analysis of Financial Condition and Results of Operations

(All amounts are expressed in U.S. dollars except where otherwise indicated)

The following policies are considered to be the critical accounting policies as they involve the use of significant estimates:

Mineral Properties

Significant estimates used in the preparation of these consolidated financial statements include, amongst other things, the estimated indicated resources (probable diamond reserves), and the estimated future operating results and net cash flows from the Company's mineral properties. The estimation of reserves and resources is inherently uncertain and involves subjective judgements about many relevant factors. The accuracy of any such estimates is a function of the quantity and quality of available data, and of the assumptions made and judgements used in engineering and geological interpretation, which may prove to be unreliable. There can be no assurance that estimates of mineral resources will be accurate or that such mineral resources can be mined or processed profitably.

On the commencement of commercial production, the net capitalized costs are charged to operations on a unit-of-production basis, by property, using the estimated indicated resources (probable diamond reserves) as the depletion base.

The Company carries its mining properties at cost less a provision for impairment. The Company defers exploration and development costs, which are related to specific projects until the commercial feasibility of the project is determinable. Deferred expenditures relating to exploration projects represent costs to be charged to operations in the future and do not necessarily reflect the present or future values of the particular projects. The costs of each property and related expenditures will be amortized over the economic life of the property on a units-of-production basis. Costs are charged to operations when a property is abandoned or when impairment in value that is other than temporary has been determined.

The Company undertakes a review of the carrying values of mining properties and related expenditures whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts determined by reference to estimated future operating results and undiscounted net cash flows. An impairment loss is recognized when the carrying value of those assets is not recoverable and exceeds their fair value. In undertaking this review, management of the Company is required to make significant estimates of, among other things, the estimated indicated resources (probable diamond reserves), future production and sales volume, unit sales prices, future operating and capital costs and reclamation costs to the end of the project's life. These estimates are subject to various risks and uncertainties, which may ultimately have an affect on the expected recoverability of the carrying values of the mining properties and related expenditures.

DIAMOND FIELDS INTERNATIONAL LTD.

Management's Discussion and Analysis of Financial Condition and Results of Operations

(All amounts are expressed in U.S. dollars except where otherwise indicated)

Note Payable

The note has been accounted for as a compound financial instrument comprising both a financial liability and an equity instrument. The allocation of the proceeds of the note between the two components was based on the estimated present value of the future payments of principal and interest on the note, discounted at the prevailing rate for a similar note without a conversion privilege, and the estimated fair value of the conversion privilege based on a Black-Scholes Model.

Stock-based Compensation

The Company accounts for its grants under the Employees' and Directors' Equity Incentive Plan using the fair value based method of accounting for stock-based compensation. Accordingly, the fair value of the options at the date of grant is charged to operations, with an offsetting credit to contributed surplus, on a graded basis over the vesting period. The Company used the Black-Scholes option pricing model to estimate the value of the options granted.

Income Taxes

Future income tax assets and liabilities are computed based on differences between the carrying amount of assets and liabilities on the balance sheet and their corresponding tax values, generally using the enacted income tax rates at each balance sheet date. Future income tax assets also result from unused loss carry-forwards and other deductions. The valuation of future income tax assets is reviewed quarterly and adjusted, if necessary, by use of a valuation allowance to reflect the estimated realizable amount.

CHANGES IN ACCOUNTING POLICIES

During the year ended June 30, 2004, the Company adopted the amended recommendations of the CICA Handbook Section 3870, "Stock-based Compensation and Other Stock-based Payments". Under the amended standards of this Section, the fair value of all stock-based awards granted are estimated using the Black-scholes model and are recorded in operations over their vesting periods.

The Section, as it relates to the Company, requires retroactive application and either:

- a) Restatement of prior periods to include as an expense the stock-based compensation expense that was included in the pro forma note disclosures for prior periods; or,
- b) Adjustment to the opening balance of the deficit as of January 1, 2004 for the cumulative effect of the change on, but without restatement of, prior periods.

The Company has adopted the amended standard and applied it retroactively with restatement of prior periods.

DIAMOND FIELDS INTERNATIONAL LTD.

Management's Discussion and Analysis of Financial Condition and Results of Operations

(All amounts are expressed in U.S. dollars except where otherwise indicated)

FINANCIAL INSTRUMENTS

The carrying amounts of cash, accounts receivable and accounts payable as at March 31, 2005 and June 30, 2004 approximate their fair values. The fair value of the loan payable and the financial liability portion of the note payable are not determinable, due to the non-arm's length nature of these transactions.

The Company operates internationally and as such is exposed to fluctuations in foreign exchange rates. The Company does not currently use financial instruments to limit its exposure to fluctuations in foreign exchange rates.

RISKS

The Company's properties and operations are subject to certain risks including but not limited to government regulations related to mining, mineral prices and currency fluctuations, competition, receipts of permits and approval from government authorities, operating hazards and other risks inherent to mineral exploration, development and mining operations.

OUTSTANDING SHARE DATA

At May 13, 2005, a total of 69,012,355 Common Shares of the Company were outstanding. Stock options outstanding at May 13, 2005 totalled 5,008,000 with exercise prices ranging from Cdn\$0.31 to Cdn\$0.91 per share and expiry dates between October 23, 2006 to March 3, 2010.

DIAMOND FIELDS INTERNATIONAL LTD.

Consolidated Balance Sheets

(All amounts are expressed in U.S. dollars except where otherwise indicated)

	March 31, 2005	June 30, 2004
	(Unaudited)	(Note 2)
ASSETS		
CURRENT		
Cash	\$ 1,350,550	\$ 2,401,051
Accounts receivable	18,552	144,066
Diamond inventory	20,603	454,544
Prepaid expenses	100,781	160,614
	1,490,486	3,160,274
INVESTMENT	1	1
MINERAL PROPERTIES (Note 3)	9,028,156	9,150,887
OTHER CAPITAL ASSETS (Note 4)	4,060,289	484,003
	\$ 14,578,932	\$ 12,795,165
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 1,219,727	\$ 713,232
Loan payable (Note 5)	1,560,866	-
Current portion of note payable (Note 6)	1,084,198	514,614
	3,864,791	1,227,845
NOTE PAYABLE (Note 6)	660,154	1,162,714
FUTURE INCOME TAXES (Note 7)	1,482,498	1,501,265
	6,007,443	3,891,825
SHAREHOLDERS' EQUITY		
Share capital (Note 8)		
Authorized - Unlimited number of common shares without par value		
Issued and outstanding - 69,012,355 (June 30, 2004 - 67,958,285)	25,921,995	25,502,804
Contributed Surplus	2,005,821	1,762,233
Equity portion of note payable (Note 6)	709,496	709,496
Deficit	(19,061,089)	(18,066,458)
Cumulative translation adjustments	(1,004,734)	(1,004,734)
	8,571,489	8,903,340
	\$ 14,578,932	\$ 12,795,165

APPROVED BY THE BOARD:

"Gregg Sedun"

Director

"Earl Young"

Director

See accompanying Notes to the Consolidated Financial Statements
These interim financial statements have not been reviewed by the Company's external auditors.

DIAMOND FIELDS INTERNATIONAL LTD.

Consolidated Statements of Loss and Deficit

(Unaudited)

(All amounts are expressed in U.S. dollars except where otherwise indicated)

	Three months ended March 31,		Nine months ended March 31,	
	2005	2004	2005	2004
		(Note 2)		(Note 2)
DIAMOND SALES	-	\$ 504,252	\$ 5,391,621	\$ 1,294,182
OPERATING COSTS				
Production costs (including depletion)	-	325,449	1,948,860	734,358
Royalties, selling and marketing	-	55,230	541,206	146,860
	-	380,679	2,490,067	881,218
	-	123,573	2,901,554	412,964
GENERAL AND ADMINISTRATIVE EXPENSES				
Accounting and audit	15,823	7,714	73,814	33,151
Consulting	43,231	38,661	152,576	85,926
Depreciation	4,419	6,485	14,011	19,456
Interest on note payable (Note 6)	151,164	34,049	467,024	223,944
Investor relations	22,948	23,918	100,946	114,902
Legal	41,840	67,434	114,912	104,906
Maintenance	4,465	11,166	24,612	39,834
Office	89,831	67,943	259,725	170,650
Regulatory	21,709	18,595	51,920	48,685
Salaries and benefits	287,455	226,011	857,254	629,800
Stock-based compensation	76,946	343,105	278,951	818,784
Travel and accommodation	43,395	40,626	167,107	143,111
	803,226	885,707	2,562,852	2,433,149
OTHER INCOME (EXPENSE)				
Interest and other income	(108,382)	5,943	(175,581)	11,759
Provision for impairment of exploration properties	(377,766)	-	(1,174,557)	-
Financing cancellation fee		(150,000)		(150,000)
Foreign exchange gain (loss)	(67,429)	(78,887)	(1,963)	91,551
	(553,577)	(222,944)	(1,352,101)	(46,690)
LOSS BEFORE INCOME TAXES	1,356,803	985,078	1,013,399	2,066,875
FUTURE INCOME TAX RECOVERY (Note 7)	-	-	18,768	12,497
LOSS FOR THE PERIOD	1,356,803	985,078	994,631	2,054,378
DEFICIT, BEGINNING OF PERIOD	17,704,286	15,517,157	18,066,458	14,447,857
DEFICIT, END OF PERIOD	\$ 19,061,089	\$ 16,502,235	\$ 19,061,089	\$ 16,502,235
BASIC AND DILUTED LOSS PER SHARE	\$ 0.02	\$ 0.01	\$ 0.01	\$ 0.03
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (000's)	68,946	67,203	68,630	59,537

See accompanying Notes to the Consolidated Financial Statements
These interim financial statements have not been reviewed by the Company's external auditors.

DIAMOND FIELDS INTERNATIONAL LTD.

Consolidated Statements of Cash Flows

(Unaudited)

(All amounts are expressed in U.S. dollars except where otherwise indicated)

	Three months ended March 31,		Nine months ended March 31,	
	2005	2004	2005	2004
		(Note 2)		(Note 2)
OPERATING ACTIVITIES				
Net Earnings (loss)	\$ (1,356,803)	\$ (985,078)	\$ (994,631)	\$ (2,054,378)
Items not involving use of cash				
Depreciation and depletion	2,940	6,485	242,560	81,682
Accrued interest	151,165	33,811	226,947	99,713
Non-cash interest expense	-	-	218,069	123,951
Recovery of future income taxes	-	-	(18,768)	(12,497)
Stock-based compensation	76,946	343,105	278,951	711,387
Provision for impairment of exploration properties	377,766	-	1,174,557	-
Net change in non-cash operating working capital items (Note 9)	821,777	211,768	1,125,783	(152,716)
	73,791	(389,909)	2,253,468	(1,202,858)
FINANCING ACTIVITIES				
Share capital issued, net of issue costs	25,810	20,721	348,088	6,195,714
Loan Payable	-	-	1,560,866	(315,945)
Repayment of note payable	-	-	(341,043)	-
	25,810	20,721	1,567,911	5,879,769
INVESTING ACTIVITIES				
Expenditures on mineral properties	(198,452)	(288,203)	(1,281,583)	(763,737)
Expenditures on other capital assets	(1,849,730)	(25,356)	(3,590,297)	(43,090)
	(2,048,182)	(313,559)	(4,871,880)	(806,827)
INCREASE (DECREASE) IN CASH	(1,948,581)	(682,747)	(1,050,501)	3,870,084
CASH, BEGINNING OF PERIOD	3,299,131	5,117,233	2,401,051	564,402
CASH, END OF PERIOD	\$ 1,350,550	\$ 4,434,486	\$ 1,350,550	\$ 4,434,486

See accompanying Notes to the Consolidated Financial Statements
These interim financial statements have not been reviewed by the Company's external auditors.

DIAMOND FIELDS INTERNATIONAL LTD.

Notes to the Consolidated Financial Statements

Three and nine months ended March 31, 2005 and 2004

(Unaudited)

(All amounts are expressed in U.S. dollars except where otherwise indicated)

1. BASIS OF PRESENTATION

These interim financial statements do not contain all the information required by Canadian 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 for the year ended June 30, 2004.

These interim financial statements follow the same accounting policies and methods of application as described in Note 2 to the Company's most recent annual financial statements.

2. ACCOUNTING POLICY CHANGE

During the year ended June 30, 2004, the Company adopted the amended recommendations of the CICA Handbook Section 3870, "Stock-based Compensation and Other Stock-based Payments". Under the amended standards of this Section, the fair value of all stock-based awards granted are estimated using the Black-scholes model and are recorded in operations over their vesting periods.

Previously, the Company provided note disclosure of pro forma net loss and pro forma loss per share as if the fair value based method had been used to account for stock options granted to employees, directors and officers after July 1, 2002. The amended recommendations have been adopted retroactively.

3. MINERAL PROPERTIES

Details of the Company's mineral properties are described in Note 6 to the Company's most recent annual financial statements.

	March 31, 2005	Depletion	Exploration expenditures	Provision for impairment	June 30, 2004
Namibian sea concessions	\$ 7,444,597	(230,028)	-	-	\$ 7,674,625
South African sea concessions	1	-	-	-	1
Other exploration properties	1,583,558	-	1,281,854	(1,174,557)	1,476,261
	\$ 9,028,156	(230,028)	1,281,854	(1,174,557)	\$ 9,150,887

DIAMOND FIELDS INTERNATIONAL LTD.

Notes to the Consolidated Financial Statements

Three and nine months ended March 31, 2005 and 2004

(Unaudited)

(All amounts are expressed in U.S. dollars except where otherwise indicated)

3. MINERAL PROPERTIES (Continued)

In July 2004 Diamond Fields expanded its Greenland mineral property holdings through a joint venture and direct acquisition of new licences. DFI's Ammassalik project area, on the east coast of Greenland, has been expanded through a joint venture agreement with adjacent land holder, NunaMinerals A/S, which will allow DFI to earn an initial 65% interest for exploration expenditures of US\$1.7 million over 3 years at Diamond Fields' option. The Company has also acquired an interest in a new licensed area at Nassuttooq in West Greenland.

In August 2004 Diamond Fields entered into an option agreement with Liberia-based Ducor Minerals Inc. ("Ducor"), pursuant to which it may earn an interest in Ducor's rights held under two mineral exploration agreements between Ducor and the Republic of Liberia. The Gbapolu and Grand Gedeh properties are prospective for diamonds and gold, respectively. The Company may earn 70% of Ducor's interest by issuing to Ducor 1,000,000 shares in five annual instalments of 200,000 shares each, and by spending US\$2,000,000 on exploration over the next four years. Ducor has the right to request \$30,000 in lieu of one-half of each annual stock issue, and DFI has the right to pay \$60,000 in lieu of one-half of each annual stock issue. The Company may withdraw from the project at any time.

Diamond Fields has decided to discontinue its diamond exploration programs in Sierra Leone and Madagascar. Consistent with the terms of the acquisition agreement announced on July 31, 2003, DFI will return its remaining exploration interest in Sierra Leone to Mr. Boule or companies controlled by Mr. Boule, along with related assets, including diamond laboratories in Sierra Leone and Madagascar, and two diamonds. Additionally, based on drilling results, the Company has decided not to pursue further exploration on its Oгна nickel project in Norway and has disposed of the property. A provision for impairment with respect to these properties has been recorded in the current period.

4. OTHER CAPITAL ASSETS

	<u>March 31, 2005</u>		<u>June 30, 2004</u>	
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 95,535	\$ -	\$ 95,535	\$ 95,535
Buildings, plant & equip.	288,958	4,517	284,441	285,281
Automobiles	34,076	20,576	13,500	18,000
Office equipment	168,978	105,510	63,468	64,984
Software	17,753	4,578	13,175	14,092
Leasehold improvements	7,285	1,468	5,817	6,111
Mining vessel	3,584,353	-	3,584,353	-
	<u>\$ 4,196,938</u>	<u>\$ 136,649</u>	<u>\$ 4,060,289</u>	<u>\$ 484,003</u>

DIAMOND FIELDS INTERNATIONAL LTD.

Notes to the Consolidated Financial Statements

Three and nine months ended March 31, 2005 and 2004

(Unaudited)

(All amounts are expressed in U.S. dollars except where otherwise indicated)

5. LOAN PAYABLE

The Company has a secured loan from Quest Capital Corporation in the amount of \$1,560,866 (Cdn \$1,950,000). Interest payments are due on a monthly basis with the principal maturing June 30, 2005. Quest Capital Corp. was paid a fee of 380,000 common shares of DFI plus interest on the loan at 12%, in addition to the 100,000 common shares of Diamond Fields that were previously issued to it for providing a standby guarantee. The loan is secured by a mortgage over the Company's mining vessel, mv Diamond Fields Discoverer.

6. NOTE PAYABLE

Details of the note payable are described in Note 9 to the Company's most recent annual financial statements. The financial liability component of the note is comprised of the following:

Total proceeds	\$ 2,349,875
Deduct portion allocated to the equity instrument (the deemed discount on issue)	(709,496)
<hr/>	
Financial liability component at inception	1,640,379
Less:	
Principal repayments	(341,043)
Add:	
Accretion of the deemed discount on issue	218,069
Accrued effective interest	226,947
<hr/>	
Balance of financial liability component	1,744,352
Less:	
Amount included in current liabilities	(1,084,198)
<hr/>	
Long-term balance	\$ 660,154

The note bears interest at 6% per annum and is repayable, in minimum monthly instalments of \$100,000 until maturity on July 15, 2006. Payments are currently suspended with the consent of the creditor. The nominal balance of the note, including accrued and unpaid nominal interest to March 31, 2005, amounted to \$2,053,410.

7. INCOME TAXES

The provision for tax has been reduced as a result of previously un-utilized tax loss carry forwards. The potential future tax benefits of these income tax loss carry-forwards have not been recognized in the accounts of the Company.

DIAMOND FIELDS INTERNATIONAL LTD.

Notes to the Consolidated Financial Statements

Three and nine months ended March 31, 2005 and 2004

(Unaudited)

(All amounts are expressed in U.S. dollars except where otherwise indicated)

8. SHARE CAPITAL

During the nine months ended March 31, 2005 the following share transactions took place:

230,570 common shares were issued for \$69,300 pursuant to the Company's Share Purchase Plan;

43,500 compensation warrants were exercised at a price of Cdn\$0.74 per share;

200,000 stock options were exercised at a price of Cdn\$0.31 per share;

100,000 common shares with a fair value of \$51,360 (Cdn\$68,000) were issued as a standby fee for a loan guarantee;

100,000 common shares with a fair value of \$53,995 (Cdn\$70,000) were issued as partial compensation for an option to acquire a working interest in certain exploration properties.

380,000 common share with a fair value of \$137,803 (Cdn\$171,000) were issued to facilitate a loan.

During the nine months ended March 31, 2005, 325,000 options were granted at a prices between Cdn\$0.74 and Cdn\$0.43 per share. The options vest over three years and expire between December 7, 2007 and March 3, 2010. The fair value of stock based compensation for the options granted during the period was estimated at \$43,657. The Company used the Black-Scholes option pricing model to estimate the value of the options at each grant date. Additionally, 645,000 options were cancelled at prices between Cdn\$0.70 and Cdn\$0.91 per share and expiry dates between September 22, 2008 and July 12, 2009.

At May 13, 2005, a total of 69,012,355 Common Shares of the Company were outstanding. Stock options outstanding at May 13, 2005 totalled 5,008,000 with exercise prices ranging from Cdn\$0.31 to Cdn\$0.91 per share and expiry dates between October 23, 2006 to March 3, 2010.

9. CASH FLOW INFORMATION

The net change in non-cash operating working capital items is comprised of:

	Three months ended March 31		Nine months ended March 31	
	2005	2004	2005	2004
(Increase) decrease in:				
Accounts receivable	\$ 98,816	\$ (16,842)	\$ 125,514	\$ (60,297)
Inventory	-	209,405	433,941	66,744
Prepaid expenses	108,871	(19,630)	59,833	(48,255)
Increase (decrease) in:				
Accounts payable and accrued liabilities	614,090	38,835	506,495	(110,908)
	<u>\$ 821,777</u>	<u>\$ 211,768</u>	<u>\$ 1,125,783</u>	<u>\$ (152,716)</u>

DIAMOND FIELDS INTERNATIONAL LTD.

Notes to the Consolidated Financial Statements

Three and nine months ended March 31, 2005 and 2004

(Unaudited)

(All amounts are expressed in U.S. dollars except where otherwise indicated)

10. 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, 2005 and 2004 was earned in Namibia.

11. OTHER RELATED PARTY TRANSACTIONS

Accounts payable at March 31, 2005 include legal and other fees, including proxy solicitation costs, totalling \$183,000 (June 30, 2004 - \$183,000) payable to a company controlled by a major shareholder of the Company.

12. JOINTLY CONTROLLED OPERATIONS

During the nine month period ended March 31, 2005 the Company operated under an agreement with Samicor Mining Services (Pty) Ltd. ("Samicor") whereby Samicor mined diamonds from the Company's marine concessions. Samicor provided to the operations a vessel equipped with mining tools and costs to Diamond Fields were capped to a fixed US dollar amount. Diamond production was shared by DFI and Samicor on a 50/50 basis.

On October 14, 2004 Diamond Fields announced production on the Company's marine concessions was suspended as DFI and its partner did not renew the agreement.

13. COMMITMENTS

Lease Agreement

As of October 2004 the Company entered into a two year lease, with an option to purchase, of a new marine sampling and mining technology, the Sea Diamond Miner. Under the terms of the lease, Diamond Fields must pay a license fee for two years and can acquire full ownership of the patent for the tool by paying US\$400,000 in a combination of stock and cash within 2 years of the agreement.

DIAMOND FIELDS INTERNATIONAL LTD.

Notes to the Consolidated Financial Statements

Three and nine months ended March 31, 2005 and 2004

(Unaudited)

(All amounts are expressed in U.S. dollars except where otherwise indicated)

14. SUBSEQUENT EVENTS

Elimination of Royalty Obligations

Pursuant to an agreement dated April 27, 2005 among DFI, Mr. Boule and companies controlled by Mr. Boule (a major shareholder of the Company), the parties have agreed that all outstanding gross overriding royalties granted to a company controlled by Mr. Boule in respect of proceeds received from production in Madagascar, Sierra Leone, Angola, the Democratic Republic of the Congo, Russia, Algeria, and certain areas of Greenland will be eliminated in consideration for the payment to Mr. Boule, directly or indirectly, of an aggregate of 1,700,000 common shares of DFI. The transactions are subject to regulatory approval and the acceptance of the Toronto Stock Exchange.

Financing

On May 13, 2005 the Company announced it is in negotiations with an investment group, led by its major shareholder Mr. Jean-Raymond Boule, to secure financing.