

First Quarter Report



September 30, 2005 and 2004

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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 management discussion and analysis of financial position and results of operations ("MD&A") of Diamond Fields International Ltd. ("Diamond Fields", or "the Company") should be read in conjunction with the un-audited consolidated financial statements of Diamond Fields International Ltd. and the notes thereto for the three months ended September 30, 2005 and with the audited annual consolidated financial statements and the notes thereto for the year ended June 30, 2005. The quarterly financial statements at September 30, 2005 are un-audited and have not been reviewed by the Company's external auditor. The effective date of this MD&A is November 14, 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 during the quarter ended September 30, 2005 focused on the Company's nickel project in Greenland and its diamond and gold properties in Liberia. In October 2004 the Company purchased the marine mining vessel mv Diamond Fields Discoverer, with which it recommenced mining activities on its marine Diamond project near Luderitz, Namibia in June 2005.

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RESULTS OF OPERATIONS

Mining Activities

Mining Vessel DF Discoverer

Diamond Fields acquired the twin airlift diamond mining vessel, "mv DF Discoverer" (formerly mv Anya) in early October 2004. Subsequent to the purchase, the Company moved the vessel to Cape Town, South Africa, and there initiated a program to refit and upgrade the vessel to improve its mining efficiency. In June 2005 the mv DF Discoverer commenced mining operations on Diamond Fields' marine diamond Mining License 111 near Luderitz, Namibia.

Exploration Projects

Greenland Nickel Exploration Project

On August 2, 2005 the Company announced that Diamond Fields, Inco, and Nuna have entered into an agreement whereby Inco may earn an interest in exploration licenses previously optioned by Diamond Fields from Nuna on Ammassalik Island in East Greenland. These properties are adjacent to the Diamond Fields licenses optioned by Inco under the agreement announced on June 2, 2005. This new agreement modifies the terms of the earlier Diamond Fields/Nuna agreement to grant Inco the option to earn a 51% interest in up to 160 square kilometers of the property by spending at least \$ 500,000 on the property by December 1, 2007. Inco is also granted a second option, such that if it spends a further \$ 500,000 (for a total of \$ 1,000,000) by December 1, 2007, it can earn its 51 % interest in the full 403 square kilometers. In either case, the remaining 49 % interest in the property would be shared by Diamond Fields and Nuna, with each retaining 24.5 % interests.

Liberia Exploration Properties

Diamond Fields entered into an option agreement in 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 approximately 1,800 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 (200,000 shares issued to date and the Company has paid \$60,000 in lieu of 200,000 shares), 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 Diamond Fields 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.

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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 samples were anomalous with Au averaging 0.2 g/t within a 5km x 1km envelope. Results are pending on additional sampling of the Batejama area of Grand Gedeh.

By late March 2005 the company identified eight kimberlite targets in the Grand Cape diamond prospect based on stream sediment sampling results. A sampling grid of 1km x 3km has been established over the initial target area. Grid samples testing positive for garnets with diamond inclusion chemistry (G10 garnets) are followed up with the excavation of pits to explore for the diamondiferous kimberlite source rock. To date 8 pits have been completed and samples from these pits of both heavy mineral concentrate and rock chips are awaiting processing.

SELECTED FINANCIAL INFORMATION

The following table sets forth selected financial information for the three months ended September 30, 2005 and 2004:

	2005	2004
Total revenues	\$ 750,141	\$ 4,376,775
Net income (loss)	(1,141,526)	822,159
Net loss per share (basic and diluted)	(0.01)	0.01

Net loss for the three months ended September 30, 2005 was \$(1,141,526) or \$(0.01) per share, compared with a net earnings of \$811,898 or \$0.01 per share in 2004. All revenue for the three months ended September 30, 2005 resulted from the sale of diamonds held in inventory or recovered during operations. A total of 3,727 carats were sold at an average price of approximately \$201 per carat generating revenue of \$750,141. Comparatively, the Company sold 20,799 carats in the three months ended September 30, 2004 at an average price of \$210 per carat generating revenue of \$4,376,775. Production, royalty and selling expenses associated with the sale of inventory totaled \$849,528; whereas, these operating costs for the same period in 2004 were \$1,921,057. The higher costs in 2004 resulted from higher production and the terms of the contract mining agreement with Samicor Mining (Pty) Ltd. The Company generated an operating loss of \$(99,387) for the quarter ended September 30, 2005 compared with \$2,455,718 for the quarter ended September 30, 2004. Factors contributing to the loss included downtime due to equipment failures on the m.v. Discoverer, along with weather delays, a port call for refueling, and the unpredictable grade of the resource.

The Company incurred general and administrative expenses of \$1,054,683 during the three months ended September 30, 2005 compared to \$823,135 during 2004. Financing fees and interest increased due to the loan with Quest Capital Corporation and the Company's restructuring of its note payable. Office expense increased as a result of the Company's expanded operations. Stock based compensation decreased due to the graded vesting of the Company's stock option plan.

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SELECTED QUARTERLY DATA

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

	30-Sept-05	30-June-05	31-Mar-05 (Restated)	31-Dec-04	30-Sept-04	30-June-04	31-Mar-04	31-Dec-03
Total Revenues	750,141	Nil	Nil	1,014,846	4,376,775	Nil	504,252	700,793
Net Earnings (Loss)	(1,141,526)	(2,048,849)	(2,127,571) ¹	(459,987)	822,159	(1,564,223)	(985,078)	(590,913)
Net Earnings (Loss) per Share (basic and diluted)	(0.01)	(0.03)	(0.03) ¹	(0.01)	0.01	(0.03)	(0.01)	(0.01)

1. The net loss for the three month period ended March 31, 2005 has been restated to reflect an increase of \$770,768 for expenses that were previously capitalized to the mining vessel and plant equipment. For the three month period ended March 31, 2005, the previously reported net loss of \$1,356,803 increased by \$770,768 and the previously reported net loss per share (basic and diluted) of \$0.02 per share increased by \$0.01 per share.

Production on the Company's marine concessions under joint operations with Samicor was suspended October 2004 and recommenced using the Company's mining vessel mv Diamond Fields Discoverer in June of 2005.

CAPITAL RESOURCES AND LIQUIDITY

At September 30, 2005, the Company had a working capital deficit of \$3,129,109 including cash of \$261,922 compared with a working capital deficit of \$607,573, including cash of \$1,351,146, at June 30, 2005. The decrease in working capital at September 30, 2005 is primarily a result of general and administrative costs, exploration activities, and the vessel mv DF Discoverer.

On October 24, 2005, the Company announced that it had negotiated a private placement with investors for a total of Cdn\$5,000,000 by the issuance of 25,000,000 units ("Units") at a price of Cdn\$0.20 per Unit, each Unit consisting of one common share and one transferable share purchase warrant, each warrant entitling the holder to purchase one additional common share, exercisable on or before June 2, 2008 at an exercise price of Cdn\$0.40 per share (the "Private Placement"). On November 7, 2005, the Company announced that the amount of the private placement was revised to Cdn\$6,096,735 consisting of 30,483,676 Units, which was accepted for filing by the Toronto Stock Exchange ("TSX") on November 4, 2005, and that the first tranche of Cdn\$4,878,735 consisting of 24,393,676 Units (the "First Tranche") had been released to the Company, with the balance to be released upon receipt of shareholder approval as set out below.

The second tranche of 6,090,000 Units for proceeds of Cdn\$1,218,000 (the "Second Tranche") will be released upon receipt of requisite shareholder approvals at the Company's annual general meeting scheduled for November 16, 2005.

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Finders fees in connection with the Private Placement totalled Cdn\$221,894 cash, 354,000 Units (on the same terms as the Units under the Private Placement), and 621,500 Compensation Warrants (on the same terms as the warrants forming part of the Units under the Private Placement). Proceeds of the Private Placement will be used towards paying down outstanding debt, maintaining and advancing the Company's exploration projects, and for general working capital.

Funding for the purchase of mv DF Discoverer and applicable taxes were provided under a secured loan from Quest Capital Corp. ("Quest") in the amount of Cdn\$1,950,000. Quest Capital Corp. was paid a fee of 380,000 common shares of Diamond Fields 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. Quest also received 975,000 free-trading common shares of Diamond Fields on June 16, 2005 in consideration for Quest's agreement to extend the maturity date of its loan to November 30, 2005. This loan was paid in full and retired on November 10, 2005, with all security taken in connection with the loan, including a ship's mortgage over the DF Discoverer, to be discharged by the lender.

The September 30, 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 additional financing arrangements, receiving the continued support from its noteholder and, ultimately, obtaining profitable operations. The 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 AND BALANCES 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 balance due, including accrued interest to June 30, 2005 amounted to \$2,116,711. The note bears interest at 6% per annum and is repayable in minimum monthly instalments of \$100,000 until maturity on July 15, 2006. 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.

Diamond Fields announced on June 7, 2005 that it had successfully renegotiated this debt obligation. Diamond Fields reached agreement with Spirit Resources SARL ("Spirit"), a company controlled by Jean-Raymond Boule, to extend the date on which payments are due to resume on its loan to Diamond Fields to November 30, 2005 unless Diamond Fields completes a further financing of \$4.5 million or more. Payments have been deferred on this loan with the consent of the lender since November 2004. In consideration for this one year deferral of payments on this debt, the Company has agreed, subject to shareholder approval, to reduce the conversion price on which the debt is convertible into shares of Diamond Fields from Cdn\$0.60 to Cdn\$0.25. If the reduction to the conversion price of this loan is approved by shareholders, the maximum number of common shares issuable to the lender on conversion of the loan will increase from 4,096,188 to 9,830,852, representing an increase of 5,734,666 common shares, based on the Bank of Canada noon Cdn/US exchange rate in effect on September 30, 2005. The

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

actual number of common shares issuable on conversion of the loan at the reduced conversion price (Cdn\$0.25) as of any given date will depend on the Bank of Canada noon Cdn/US exchange rate on such date due to the fact that the outstanding amount of the loan is stated in US dollars and the conversion price of the loan is stated in Canadian dollars.

In connection with the Private Placement described above (see CAPITAL RESOURCES AND LIQUIDITY), the Second Tranche includes the indirect subscription of a total of 2,500,000 Units by Jean-Raymond Boulle, a major shareholder and insider of the Company who, before giving effect to the Private Placement, holds directly or indirectly approximately 19.5% of the Company's issued and outstanding common shares and approximately 2.70% of the Company's outstanding warrants. After giving effect to the Private Placement in full, Mr. Boulle will hold directly or indirectly approximately 16.4% of the Company's issued and outstanding common shares and approximately 6.08% of the Company's outstanding warrants. The portion of the Private Placement subscribed to by Mr. Boulle is considered to be a "related party transaction" as defined under Ontario Securities Commission Rule 61- 501 (the "Rule"). In connection with Mr. Boulle's subscription, DFI is relying on the exemptions from the formal valuation and minority shareholder approval requirements of the Rule on the basis that the fair market value of the securities issued to Mr. Boulle is less than 25% of DFI's market capitalization, as determined by all of the directors of the Company in accordance with the Rule.

Accounts payable at June 30, 2005 include legal and other fees, including proxy solicitation costs, totalling \$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.

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 indicated mineral resources (probable diamond reserves) will be accurate or that such mineral resources can be mined or processed profitably. Estimated indicated resources (probable diamond reserves) for the Company's Namibian marine diamond concessions are based on the September 2000 feasibility study by AGRA Simons Ltd., which contemplated different mining technology than that in use by or available to the company.

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

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 mineral 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 mineral 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, geological potential, 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.

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.

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FINANCIAL INSTRUMENTS

The carrying amounts of cash, accounts receivable, accounts payable and loan payable as at September 30, 2005 and June 30, 2005, approximate their fair values. The fair value of the financial liability portion of the note payable is 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 November 14, 2005, a total of 112,849,658 common shares of the Company were outstanding. Stock options outstanding at November 14, 2005 totalled 5,448,000 with exercise prices ranging from Cdn\$0.31 to Cdn\$0.91 per share and expiry dates between October 23, 2006 to July 12, 2009, respectively. Warrants outstanding at November 14, 2005 totalled 50,401,106 with exercise prices ranging from Cdn\$0.40 to Cdn\$1.00 per share and expiry dates between November 27, 2005 and June 2, 2008. Each such warrant is exercisable at the applicable exercise price to purchase one common share of Diamond Fields on or before the applicable expiry date.

DIAMOND FIELDS INTERNATIONAL LTD.

Consolidated Balance Sheets

(Expressed in U.S. dollars)

	September 30, 2005 (Unaudited)	June 30, 2005
ASSETS		
CURRENT		
Cash	\$ 261,922	\$ 1,351,146
Accounts receivable	72,472	66,244
Inventories	807,305	291,829
Prepaid expenses and other	180,954	330,118
	1,322,653	2,039,337
INVESTMENT	1	1
MINERAL PROPERTIES (Note 2)	8,865,953	8,772,684
PROPERTY, PLANT & EQUIPMENT	3,289,745	3,216,761
	\$ 13,478,352	\$ 14,028,783
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 958,510	\$ 638,118
Loan payable (Note 3)	1,664,715	1,588,212
Current portion of note payable (Note 4)	1,828,537	420,580
	4,451,762	2,646,910
NOTE PAYABLE (Note 4)	-	1,282,670
FUTURE INCOME TAXES	1,530,093	1,537,375
	5,981,855	5,466,955
SHAREHOLDERS' EQUITY		
Share capital (Note 5)		
Authorized - Unlimited number of common shares without par value		
Issued & outstanding: 82,011,982 (June 30, 2005: 81,818,557)	28,737,480	28,696,567
Contributed Surplus	2,076,486	2,041,205
Equity portion of note payable (Note 4)	709,496	709,496
Deficit	(23,022,231)	(21,880,706)
Cumulative translation adjustments	(1,004,734)	(1,004,734)
	7,496,497	8,561,828
	\$ 13,478,352	\$ 14,028,783

APPROVED BY THE BOARD:

"Gregg Sedun"
Director

"John Collier"
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 Earnings (Loss) and Deficit
Three months ended September 30, 2005 and 2004
(Un-audited – prepared by management)
(Expressed in U.S. dollars)

	<u>2005</u>	<u>2004</u>
DIAMOND SALES	\$ 750,141	\$ 4,376,775
OPERATING COSTS		
Production costs (including depletion)	754,046	1,509,481
Royalties, selling and marketing	95,482	411,576
	849,528	1,921,057
	(99,387)	2,455,718
GENERAL AND ADMINISTRATIVE EXPENSES		
Amortization	10,998	7,735
Consulting	27,543	64,471
Financing fees	202,914	-
Interest on note payable (Note 3 and 4)	174,783	162,032
Investor relations	45,247	18,623
Maintenance	9,918	9,745
Office	105,300	69,629
Professional fees	76,488	83,488
Regulatory	8,097	7,786
Salaries and benefits	286,039	267,847
Stock-based compensation	35,281	98,414
Travel and accommodation	72,075	33,365
	1,054,683	823,135
OTHER INCOME (EXPENSE)		
Interest and other income	3,981	11,035
Provision for impairment of exploration properties	-	(796,791)
Foreign exchange gain (loss)	1,281	(34,929)
	5,262	(820,685)
EARNINGS (LOSS) BEFORE INCOME TAXES	(1,148,808)	811,898
RECOVERY OF FUTURE INCOME TAXES	7,282	10,261
NET EARNINGS (LOSS) FOR THE PERIOD	(1,141,526)	822,159
DEFICIT, BEGINNING OF PERIOD	(21,880,706)	(18,066,458)
DEFICIT, END OF PERIOD	\$ (23,022,231)	\$ (17,244,299)
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE	\$ (0.01)	\$ 0.01
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (in 000's)	81,864	68,301

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

Three months ended September 30, 2005 and 2004

(Un-audited – prepared by management)

(Expressed in U.S. dollars)

	<u>2005</u>	<u>2004</u>
OPERATING ACTIVITIES		
Net Earnings (loss)	\$ (1,141,526)	\$ 822,159
Items not involving use of cash		
Amortization	189,020	229,990
Accrued interest	31,613	18,232
Non-cash interest expense	93,674	106,323
Financing fees	202,914	-
Provision for impairment of exploration properties	-	796,791
Recovery of future income taxes	(7,282)	(10,261)
Stock-based compensation	35,281	98,414
Unrealized foreign exchange	76,503	-
Net change in non-cash operating working capital items (Note 6)	(255,062)	(101,809)
	(774,866)	1,959,839
FINANCING ACTIVITIES		
Share capital issued, net of issue costs	40,913	93,791
Repayment of note payable	-	(162,523)
	40,913	(68,732)
INVESTING ACTIVITIES		
Expenditures on mineral properties	(115,504)	(735,217)
Expenditures on property, plant and equipment	(239,767)	(2,950)
	(355,271)	(738,167)
INCREASE (DECREASE) IN CASH	(1,089,224)	1,152,940
CASH, BEGINNING OF PERIOD	1,351,146	2,401,051
CASH, END OF PERIOD	\$ 261,922	\$ 3,553,991

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

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Notes to the Consolidated Financial Statements

Three months ended September 30, 2005 and 2004

(Un-audited – prepared by management)

(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 audited annual financial statements of the Company for the year ended June 30, 2005.

These interim financial statements follow the same accounting policies and methods of application as described in Note 1 and Note 3 to the Company's most recent audited annual financial statements.

2. MINERAL PROPERTIES

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

	September 30, 2005	June 30, 2005
Namibian sea concessions	\$ 7,373,426	\$7,396,194
South African deep sea concessions	1	1
Other exploration properties	1,492,526	1,376,489
	\$ 8,865,953	\$8,772,684

Greenland Nickel Exploration Project

On August 2, 2005 the Company announced that Diamond Fields, Inco, and Nuna entered into an agreement whereby Inco may earn an interest in exploration licenses previously optioned by Diamond Fields from Nuna on Ammassalik Island in East Greenland. These properties are adjacent to the Diamond Fields licenses optioned by Inco under the agreement announced on June 2, 2005. This new agreement modifies the terms of the earlier Diamond Fields/Nuna agreement to grant Inco the option to earn a 51% interest in up to 160 square kilometers of the property by spending at least \$ 500,000 on the property by December 1, 2007. Inco is also granted a second option, such that if it spends a further \$ 500,000 (for a total of \$ 1,000,000) by December 1, 2007, it can earn its 51 % interest in the full 403 square kilometers. In either case, the remaining 49 % interest in the property would be shared by Diamond Fields and Nuna, with each retaining 24.5 % interests.

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Notes to the Consolidated Financial Statements

Three months ended September 30, 2005 and 2004

(Un-audited – prepared by management)

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

3. LOAN PAYABLE

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

At September 30, 2005 the Company had a loan from Quest Capital Corporation supported by a promissory note in the principal amount of \$1,664,715 (Cdn\$1,950,000).

4. NOTE PAYABLE

Details of the note payable are described in Note 9 to the Company's most recent audited 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)
Financial liability component at inception	1,640,379
Less:	
Principal repayments	(341,043)
Add:	
Accretion of the deemed discount on issue	407,579
Accrued interest	121,622
Balance of financial liability component	1,828,537
Less:	
Amount included in current liabilities	(1,828,537)
Long-term balance	\$ -

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 have been deferred on the loan, with the consent of the lender, since November 2004 and are scheduled to resume November 2005. The nominal balance of the note, including accrued and unpaid interest to September 30, 2005, amounted to \$2,116,711.

DIAMOND FIELDS INTERNATIONAL LTD.

Notes to the Consolidated Financial Statements

Three months ended September 30, 2005 and 2004

(Un-audited – prepared by management)

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

5. SHARE CAPITAL

During the three months ended September 30, 2005 the following share transactions to place:

93,425 common shares were issued for \$20,876 pursuant to the Company's Share Purchase Plan;

100,000 common shares with a fair value of \$23,795 (Cdn\$29,000) were issued as partial compensation for an option to acquire a working interest in certain exploration properties.

During the three months ended September 30, 2005, 760,000 options were granted at a price of Cdn\$0.27 per share. The options vest over three years and expire September 1, 2010. The fair value of stock based compensation for the options granted during the period was estimated at \$128,487. The Company used the Black-Scholes option pricing model to estimate the value of the options at each grant date. Additionally, 320,000 options were cancelled at prices between Cdn\$0.57 and Cdn\$0.80 per share and expiry dates between March 12, 2007 and June 23, 2009.

At November 14, 2005, a total of 112,849,658 common shares of the Company were outstanding. Stock options outstanding at November 14, 2005 totalled 5,448,000 with exercise prices and expiry dates ranging from Cdn\$0.31 to Cdn\$0.91 per share and October 23, 2006 to July 12, 2009, respectively. Warrants outstanding at November 14, 2005 totalled 50,401,106 with exercise prices and expiry dates ranging from Cdn\$0.40 to Cdn\$1.00 per share and maturity dates ranging from November 27, 2005 and June 2, 2008.

6. CASH FLOW INFORMATION

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

	<u>September 30,</u> <u>2005</u>	<u>September 30,</u> <u>2004</u>
(Increase) decrease in:		
Accounts receivable	\$ (6,228)	\$ (70,964)
Diamond inventory	(515,476)	(24,140)
Prepaid expenses	(53,751)	91,539
(Decrease) increase in:		
Accounts payable and accrued liabilities	320,392	(98,244)
	<u>\$ (255,063)</u>	<u>\$ (101,809)</u>

DIAMOND FIELDS INTERNATIONAL LTD.

Notes to the Consolidated Financial Statements

Three months ended September 30, 2005 and 2004

(Un-audited – prepared by management)

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

7. SEGMENTED INFORMATION

The Company considers its business to consist of one reportable business segment. All of the Company's revenue for the three-month period ended September 30, 2005 and 2004 was earned in Namibia.

8. OTHER RELATED PARTY TRANSACTIONS

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

9. SUBSEQUENT EVENTS

Private Placement Financing

On October 24, 2005, the Company announced that it had negotiated a private placement with investors for a total of Cdn\$5,000,000 by the issuance of 25,000,000 units ("Units") at a price of Cdn\$0.20 per Unit, each Unit consisting of one common share and one transferable share purchase warrant, each warrant entitling the holder to purchase one additional common share, exercisable on or before June 2, 2008 at an exercise price of Cdn\$0.40 per share (the "Private Placement"). On November 7, 2005, the Company announced that the amount of the private placement was revised to Cdn\$6,096,735 consisting of 30,483,676 Units, which was accepted for filing by the Toronto Stock Exchange ("TSX") on November 4, 2005, and that the first tranche of Cdn\$4,878,735 consisting of 24,393,676 Units (the "First Tranche") had been released to the Company, with the balance to be released upon receipt of shareholder approval as set out below.

The second tranche of 6,090,000 Units for proceeds of Cdn\$1,218,000 (the "Second Tranche") will be released upon receipt of requisite shareholder approvals at the Company's annual general meeting scheduled for November 16, 2005.

Finders fees in connection with the Private Placement totalled Cdn\$221,894 cash, 354,000 Units (on the same terms as the Units under the Private Placement), and 621,500 Compensation Warrants (on the same terms as the warrants forming part of the Units under the Private Placement). Proceeds of the Private Placement will be used towards paying down outstanding debt, maintaining and advancing the Company's exploration projects, and for general working capital.

Retirement of Loan from Quest Capital Corporation

On November 10, 2005, the Company paid in full and retired its loan to Quest Capital Corporation with all security taken in connection with the loan, including a ship's mortgage over the DF Discoverer, to be discharged by the lender.