

Third Quarter Report



March 31, 2006 and 2005

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

Financial Statements

Consolidated Balance Sheets at March 31, 2006 (un-audited – prepared by management) and June 30, 2005

Un-audited (prepared by management) Consolidated Statements of Loss and Deficit for the three and nine months ended March 31, 2006 and 2005

Un-audited (prepared by management) Consolidated Statements of Cash Flows for the three and nine months ended March 31, 2006 and 2005

Notes to the un-audited (prepared by management) 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 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 and nine months ended March 31, 2006 and with the audited annual consolidated financial statements and the notes thereto for the year ended June 30, 2005. The quarterly financial statements at March 31, 2006 are un-audited and have not been reviewed by the Company's external auditor. The effective date of this MD&A is May 15, 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.

Exploration activities during the period ended March 31, 2006 focused on the Company's diamond and gold properties in Liberia. In Namibia, the Company's marine diamond project undertook a new phase of resource development during December 2005 and January 2006. The DF Discoverer recommenced full mining operations in February 2006. The Company closed a private placement financing in early November 2005 of Cdn\$6,096,735 with part of the proceeds used to repay a loan obtained from Quest Capital Corporation in the principal amount of Cdn\$1,950,000. Lastly, during the period, the Company closed its Vancouver office as of the end of February 2006 and relocated to its existing office in Cape Town, South Africa.

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RESULTS OF OPERATIONS

Mining Activities

Mining Vessel DF Discoverer

In December 2005 the Company's marine diamond project in Namibia moved to a new phase of resource development.: the completed program in the Diaz Reef section of DFI's licenses recovered diamonds of larger average stone size than Marshall Fork and the grade of the mining defined area is estimated to be roughly double the previously announced grade for the Company's resource in this area. The successful trenching program in the Elephant Basin and Reef Edge features of Diaz Reef lead to the mv DF Discoverer returning to full mining mode in February 2006. The high grade deposit found in Elephant Basin is still open to the west and south while the deposit found in Reef Edge is open to the north. Further development work is planned to expand the area of high grade material.

Updated Technical Report on Sea Diamonds Project

The Company has filed with applicable Canadian securities regulators through the SEDAR website an updated technical report dated March 30, 2006 entitled "The Marine Alluvial Diamond Properties ML 111, EPL 1607 A & B and ML 32, Lüderitz, Namibia" prepared by R.H. De Decker of De Decker and Associates Consulting Services. The technical report was prepared under National Instrument 43-101 and relates to the Company's marine alluvial diamond mining and exploration properties off the coast of Lüderitz, Namibia.

The updated report comments upon mining undertaken in Mining Licence ML111 since November 2002. Such mining operations were undertaken by contractors, joint ventures and with the Company's own vessel. Diamond Fields acquired its vessel in late 2004 and the report comments on commercial and technical aspects specific to this vessel.

Joint Operations Agreement on Exclusive Prospecting License area EPL 1607b

Diamond Fields announced on April 20, 2006 that it signed a Joint Operation Agreement ("JOA") with a 100% owned subsidiary of Bonaparte Diamond Mines NL ("Bonaparte"), a company listed on the Australian Stock Exchange, for the continued development of one of its marine diamond concessions, the Exclusive Prospecting License area EPL1607b.

Under the terms of the JOA, Bonaparte will spend a minimum of US\$500,000 over three years to earn 50% interest in any diamond deposits brought to production. Should Diamond Fields elect not to mine any deposits found by Bonaparte it would retain a 10% gross royalty on all diamonds produced.

Bonaparte will have exclusive rights to use its Bonaparte Seabed Sampler (BoSS) sampling system to explore for diamonds in Exclusive Prospecting License area EPL 1607b, a part-explored diamond property located between active marine mining operations in Luderitz Bay in the south and Hottentot Bay to the north. Exploration work conducted on the property by Diamond Fields includes a geophysical survey from which a number of prospective targets were identified as well as a limited amount of seabed sampling, which confirmed the presence of diamonds in the property.

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Exploration Projects

Liberia Exploration Properties

On March 8, 2006 Diamond Fields announced that at the initial kimberlite discovery, now called Bravo 1, mapping has discovered a second kimberlite outcrop in the swamp now estimated to be in excess of 6 hectares in area. Kimberlite is hosted in coarse grained granodiorite gneiss and appears to enclose a large block of the host rock in its centre. A second swampy area adjacent to this target is also generating G10 garnets from pit samples. This target, called Bravo 2, is within 100m of Bravo 1 and the recessive area it occupies measures approximately 4 hectares. The Company first announced the discovery of kimberlite on its 1,095 km² Grand Cape exploration license in western Liberia on January 9, 2006. Positive results from development work, including grid sampling and pitting encouraged the Company to increase the level of spending on the advancement of its Liberian projects.

A second kimberlite outcrop in a second target area was also announced on March 8, 2006. Kimberlite was recovered from a swampy area measuring over 50m across and extending over a kilometre along strike. The area has been previously identified as the Camp Alpha Dyke trend and has been targeted by artisanal miners. Additional indicator mineral anomalies coincident with recessive swamps have been identified in three other locations on this grid.

100kg samples of weathered kimberlite were recovered from both the dyke trend and the Bravo target. These samples were sieved into three size fractions and are being analyzed for diamonds in Diamond Fields' newly established sample processing facility in Monrovia. Stream sediment reconnaissance sampling continues to generate kimberlite indicator minerals in areas to the west of the Camp Alpha and Bravo clusters, indicating that the Company has at least 4 clusters of kimberlite anomalies containing a number of individual targets.

Also on the Grand Cape property, artisanal gold mining has begun in 4 areas surrounding the Henry Town mining centre. Free gold is present in cross cutting quartz veins and in silicified fuchsite, tremolite schists and appears to be associated with a period of deformation generating overturned folds and kink bands in the precursor granodiorite gneiss. Gold is being recovered from deeply weathered regolith and by crushing the host quartz and schist where it is most friable. The Company plans further reconnaissance as well as detailed mapping around current workings to generate targets for drilling.

As announced in previous public disclosures, 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) property is prospective for diamonds and gold while the Grand Gedeh property is a gold prospect. Both properties are roughly equal in size covering a total area of approximately 1,800 km². 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 before August 2008. 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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Greenland Nickel Exploration Project

On December 28, 2005 the Company reported that Inco Ltd. had advised Diamond Fields that it does not plan further work on the Company's Ammassalik nickel project in East Greenland and thereby retains no interest in the land package compiled by Diamond Fields. Previously, Diamond Fields, Inco, and Nuna entered into agreements whereby Inco may have earned an interest in exploration licenses held by the Company or optioned by Diamond Fields from Nuna, on Ammassilik Island in East Greenland. The Company is not currently planning further exploration programs. Accordingly, a provision for impairment of associated accumulated exploration costs has been recorded in the current period.

SELECTED FINANCIAL INFORMATION

The following table sets forth selected financial information for the nine months ended March 31, 2006 and 2005:

	2006	2005
Total revenues	\$ 2,107,399	\$ 5,391,621
Net loss	(4,896,063)	(994,631)
Net loss per share (basic and diluted)	(0.05)	(0.01)

Net loss for the nine months ended March 31, 2006 was \$(4,896,063) or \$(0.05) per share, compared with a net loss of \$(994,631) or \$(0.01) per share in 2005. All revenue for the six months ended March 31, 2006 resulted from the sale of diamonds held in inventory or recovered during operations. A total of 11,309 carats were sold at an average price of approximately \$186 per carat generating revenue of \$2,107,399. Comparatively, the Company sold 26,250 carats in the nine months ended March 31, 2005 at an average price of \$205 per carat generating revenue of \$5,391,621. Production, royalty and selling expenses associated with the sale of inventory totaled \$3,322,750; whereas, these operating costs for the same period in 2005 were \$2,490,067. The difference in costs between 2006 and 2005 resulted from the terms of the contract mining agreement with Samicor Mining (Pty) Ltd. The Company generated an operating loss of \$(1,215,351) for the nine months ended March 31, 2006 compared with a surplus of \$2,901,554 for the nine months ended March 31, 2005. Factors contributing to the loss included downtime due to equipment failures on the m.v. Discoverer, along with weather delays and port calls.

The Company incurred general and administrative expenses of \$2,732,155 during the nine months ended March 31, 2006 compared to \$2,562,852 during 2005. Included in these amounts are financing fees and interest which increased due to the loan with Quest Capital Corporation and the note payable. Stock based compensation decreased due to the graded vesting of the Company's stock option plan. During the nine months ended March 31, 2006 the Company recorded a provision for impairment on certain of its exploration properties.

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SELECTED QUARTERLY DATA

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

	31-Mar-06	31-Dec-05	30-Sept-05	30-June-05	31-Mar-05 (Restated)	31-Dec-04	30-Sept-04	30-June-04
Total Revenues	675,488	1,431,911	750,141	Nil	Nil	1,014,846	4,376,775	Nil
Net Earnings (Loss)	(2,009,933)	(2,894,106)	(1,141,526)	(2,048,849)	(2,127,571) ¹	(459,987)	822,159	(1,564,223)
Net Earnings (Loss) per Share (basic and diluted)	(0.02)	(0.02)	(0.01)	(0.03)	(0.03) ¹	(0.01)	0.01	(0.03)

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 in October 2004 and recommenced using the Company's mining vessel mv Diamond Fields Discoverer in June of 2005. In December 2005 the Company's marine diamond project in Namibia moved to a new phase of resource development and has recently returned to mining.

CAPITAL RESOURCES AND LIQUIDITY

At March 31, 2006, the Company had a working capital deficit of \$782,330 including cash of \$1,041,074 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 March 31, 2006 is primarily a result of general and administrative costs, exploration activities, and the vessel mv DF Discoverer operations.

The March 31, 2006 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. While these financial statements have been prepared on the basis of accounting principles applicable to a going concern several adverse conditions and events cast substantial doubt upon the validity of this assumption. The Company's vessel mv DF Discoverer requires dry docking for statutory inspection and maintenance in early June 2006. Costs associated with the dry docking are budgeted in the amount of approximately \$1.5 million. Currently the Company does not have the budgeted funds required for the dry docking which leads into question the validity of the going concern assumption. The Company is considering alternatives for securing additional financing required for the vessel's dry docking, continuing its exploration activities, and maintaining its exploration properties. There can be no assurance as to the success of future financing activities necessary to meet these obligations and operating requirements. Accordingly, the Company's ability to continue its operations in the normal course of business is dependent upon its ability to obtain additional financing, to receive the continued support from its noteholder and other creditors and, ultimately, to obtain profitable operations. These consolidated financial statements do not give effect to adjustments that would be

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necessary to the carrying values of assets and liabilities should the Company be unable to continue as a going concern.

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. 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 on November 4, 2005, and that the first tranche of Cdn\$4,878,735 consisting of 24,393,676 Units had been released to the Company. The second tranche of 6,090,000 Units for proceeds of Cdn\$1,218,000 was released upon receipt of requisite shareholder approvals at the Company's annual general meeting on 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 are being 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 was 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.

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 March 31, 2006 amounted to \$2,180,834. The note bears interest at 6% per annum and is repayable in minimum monthly instalments of \$100,000 until maturity on July 15, 2006. 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\$0.25 per share. At March 31, 2006 an aggregate of 8,723,336 common shares were issuable under this conversion privilege. Payments have been deferred on this loan with the consent of the lender since November 2004. Diamond Fields agreed 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 unless Diamond Fields completes a further financing of \$4.5 million or more. In consideration for this deferral of payments on this debt, the Company has, and approved by shareholders on November 16, 2005, reduced the conversion price on which the debt is convertible into shares of Diamond Fields from Cdn\$0.60 to Cdn\$0.25.

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In connection with the Private Placement (see CAPITAL RESOURCES AND LIQUIDITY), the Second Tranche included the indirect subscription of a total of 2,500,000 Units by Jean-Raymond Boule, a major shareholder and insider of the Company who, before giving effect to the Private Placement, held 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. Boule holds 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. Boule is considered to be a "related party transaction" as defined under Ontario Securities Commission Rule 61- 501 (the "Rule"). In connection with Mr. Boule's subscription, DFI relied 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. Boule 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 March 31, 2006 include legal and other fees, including proxy solicitation costs, totalling \$183,000 payable to a company controlled by a major shareholder of the Company. During the nine month period ending March 31, 2006 the Company was charged fees for consulting services of \$23,000 by a director of the Company. Included in accounts payable and accrued liabilities at March 31, 2006 is \$6,250 payable for such services.

PROPOSED TRANSACTION

On March 1, 2006 Diamond Fields announced that the Company and Moydow Mines International Inc. ("Moydow") have reached an agreement effective February 28, 2006 pursuant to which Moydow security holders will exchange their Moydow securities for securities of Diamond Fields. The acquisition is conditional on, among other things, the approval of the shareholders of Moydow. Moydow is engaged in mineral exploration and development worldwide.

As a condition to the acquisition, Moydow is required to complete a private equity placement to raise net proceeds of at least US\$1.8 million. Upon completion of the placing and the satisfaction of all conditions and regulatory requirements, Moydow shareholders will exchange all of their Moydow shares including shares to be issued as part of the placing for a total of 75,412,208 Diamond Fields shares, with warrants and options of Moydow being exchanged for warrants and options of Diamond Fields in proportion to the share exchange. Diamond Fields will acquire all of the issued shares of Moydow and the shares to be issued pursuant to the placing. Diamond Fields currently has 113,118,312 outstanding common shares. Upon completion of the proposed acquisition Diamond Fields will have 188,530,520 shares in issue of which Moydow shareholders (including the shareholders pursuant to the placing) will own 40%.

The acquisition is subject to, among other things, receipt of all necessary regulatory, court and stock exchange approvals, Moydow shareholder approval, a valuation and/or fairness opinion by each company and lock-up agreements executed by Noel and Brian Kiernan under which they will have agreed to vote in favour of the business combination and entry of the parties into a definitive agreement. In the event that the business combination is not completed under certain circumstances, the party who terminates the agreement will be required to pay to the other a break fee of US\$250,000.

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Diamond Fields and Moydow have agreed that following completion of the acquisition, Diamond Fields' board will consist of three directors from Diamond Fields' current board, three directors from Moydow's current board, and one director agreed upon by directors of both companies. It is the intention of the parties that the President and Chief Executive Officer of Diamond Fields on conclusion of the transaction will be Brian Kiernan, the current Chief Executive Officer of Moydow.

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.

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.

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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.

FINANCIAL INSTRUMENTS

The carrying amounts of cash, accounts receivable, accounts payable and loan payable as at March 31, 2006 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.

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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 12, 2006, a total of 113,150,261 common shares of the Company were outstanding. Stock options outstanding at May 12, 2006 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 May 12, 2006 totalled 50,401,106 with exercise prices ranging from Cdn\$0.40 to Cdn\$1.00 per share and expiry dates between November 27, 2006 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.
Notice of Auditor Review of Financial Statements

Notice regarding Auditor Review of Financial Statements

To the Shareholders of
Diamond Fields International Ltd.

The interim consolidated financial statements of Diamond Fields International Ltd for the three and nine months ended March 31, 2006 have not been reviewed by the Company's auditors.

Diamond Fields International Ltd.
Cape Town, South Africa
May 12, 2006

DIAMOND FIELDS INTERNATIONAL LTD.

Consolidated Balance Sheets

(Expressed in U.S. dollars)

	March 31, 2006 (Unaudited)	June 30, 2005
ASSETS		
CURRENT		
Cash	\$ 1,041,074	\$ 1,351,146
Accounts receivable	121,127	66,244
Inventories	788,032	291,829
Prepaid expenses	63,048	330,118
	2,013,281	2,039,337
INVESTMENT	1	1
MINERAL PROPERTIES (Note 3)	8,090,068	8,772,684
PROPERTY, PLANT AND EQUIPMENT	2,994,779	3,216,761
	\$ 13,098,129	\$ 14,028,783
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 707,850	\$ 638,118
Loan payable (Note 4)	-	1,588,212
Current portion of note payable (Note 5)	2,087,760	420,580
	2,795,610	2,646,910
NOTE PAYABLE (Note 5)	-	1,282,670
FUTURE INCOME TAXES	1,518,543	1,537,375
	4,314,153	5,466,955
CONTINUING OPERATIONS (Note 1)		
SHAREHOLDERS' EQUITY		
Share capital (Note 6)		
Authorized - Unlimited number of common shares without par value		
Issued & outstanding: 113,150,261 (June 30, 2005: 81,818,557)	33,708,181	28,696,567
Contributed Surplus	2,147,802	2,041,205
Equity portion of note payable (Note 5)	709,496	709,496
Deficit	(26,776,769)	(21,880,706)
Cumulative translation adjustments	(1,004,734)	(1,004,734)
	8,783,976	8,561,828
	\$ 13,098,129	\$ 14,028,783
APPROVED BY THE BOARD:		
"Roger Daniel"	"Earl Young"	
Director	Director	

See accompanying Notes to the Consolidated Financial Statements

DIAMOND FIELDS INTERNATIONAL LTD.
Consolidated Statements of Earnings (Loss) and Deficit
(Un-audited – prepared by management)
(Expressed in U.S. dollars)

	Three months ended March 31,		Nine months ended March 31,	
	2006	2005	2006	2005
DIAMOND SALES	\$ 675,488	\$ -	\$ 2,107,399	\$ 5,391,621
OPERATING COSTS				
Production costs (including depletion)	915,404	-	3,079,466	1,948,860
Royalties, selling and marketing	82,458	-	243,284	541,206
	997,862	-	3,322,750	2,490,067
	(322,374)	-	(1,215,351)	2,901,554
GENERAL AND ADMINISTRATIVE EXPENSES				
Amortization	15,714	4,419	37,624	14,011
Consulting	59,517	43,231	118,988	152,576
Financing fees	-	-	304,371	-
Interest on loan and note payable (Note 4 and 5)	128,324	151,164	457,772	467,024
Investor relations	14,797	22,948	131,564	100,946
Maintenance	11,826	4,465	33,013	24,612
Office	65,544	89,831	264,293	259,725
Professional fees	70,317	57,663	247,296	188,726
Regulatory	25,991	21,709	57,631	51,920
Salaries and benefits	214,319	287,455	828,136	857,254
Stock-based compensation	36,034	76,946	106,596	278,951
Travel and accommodation	46,151	43,395	144,871	167,107
	688,534	803,226	2,732,155	2,562,852
OTHER INCOME (EXPENSE)				
Interest and other income	12,690	(108,382)	29,783	(175,581)
Loss on the sale of property, plant and equipment	(20,109)	-	(20,109)	-
Provision for impairment of exploration properties	(976,888)	(377,766)	(976,888)	(1,174,557)
Foreign exchange	(14,718)	(67,429)	(100)	(1,963)
	(999,025)	(553,577)	(967,314)	(1,352,101)
EARNINGS (LOSS) BEFORE INCOME TAXES	(2,009,933)	(1,356,803)	(4,914,820)	(1,013,399)
RECOVERY OF FUTURE INCOME TAXES	7,976	-	18,757	18,768
NET EARNINGS (LOSS) FOR THE PERIOD	(2,001,957)	(1,356,803)	(4,896,063)	(994,631)
DEFICIT, BEGINNING OF PERIOD	(24,774,812)	(17,704,286)	(21,880,706)	(18,066,458)
DEFICIT, END OF PERIOD	\$ (26,776,769)	\$ (19,061,089)	\$ (26,776,769)	\$ (19,061,089)
BASIC AND DILUTED LOSS PER SHARE	\$ (0.02)	\$ (0.02)	\$ (0.05)	\$ (0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (in 000's)	113,150	68,946	98,222	68,630

See accompanying Notes to the Consolidated Financial Statements

DIAMOND FIELDS INTERNATIONAL LTD.

Consolidated Statements of Cash Flows

(Un-audited – prepared by management)

(Expressed in U.S. dollars)

	Three months ended March 31,		Nine months ended March 31,	
	2006	2005	2006	2005
OPERATING ACTIVITIES				
Net loss	\$ (2,001,957)	\$ (1,356,803)	\$ (4,896,063)	\$ (994,631)
Items not involving use of cash:				
Depreciation and depletion	195,808	2,940	562,437	242,560
Accrued interest	34,763	151,165	101,717	226,947
Non-cash interest expense	93,561	-	282,793	218,069
Financing fees	-	-	304,371	-
Recovery of future income taxes	(8,051)	-	(18,832)	(18,768)
Stock-based compensation	36,034	76,946	106,596	278,951
Loss on sale of PPE	20,109	76,946	20,109	278,951
Provision for impairment of exploration properties	976,888	377,766	976,888	1,174,557
Net change in non-cash operating working capital items (Note 7)	(329,373)	821,777	(518,655)	1,125,783
	(982,218)	73,791	(3,078,639)	2,253,468
FINANCING ACTIVITIES				
Share capital issued, net of issue costs	28,614	25,810	5,011,614	348,088
Proceeds (Repayment) of loan payable	-	-	(1,588,212)	1,560,866
Repayment of note payable	-	-	-	(341,043)
	28,614	25,810	3,423,402	1,567,911
INVESTING ACTIVITIES				
Expenditures on mineral properties	(121,281)	(198,452)	(294,272)	(1,281,583)
Proceeds on disposal of PPE	4,416	(198,452)	4,416	(1,281,583)
Expenditures on other PPE	(59,560)	(1,849,730)	(364,979)	(3,590,297)
	(176,425)	(2,048,182)	(654,835)	(4,871,880)
INCREASE (DECREASE) IN CASH	(1,130,029)	(1,948,581)	(310,072)	(1,050,501)
CASH, BEGINNING OF PERIOD	2,171,103	3,299,131	1,351,146	2,401,051
CASH, END OF PERIOD	\$ 1,041,074	\$ 1,350,550	\$ 1,041,074	\$ 1,350,550

See accompanying Notes to the Consolidated Financial Statements

DIAMOND FIELDS INTERNATIONAL LTD.

Notes to the Consolidated Financial Statements

Three and nine months ended March 31, 2006 and 2005

(Un-audited – prepared by management)

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

1. CONTINUING OPERATIONS

These consolidated financial statements 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. While these financial statements have been prepared on the basis of accounting principles applicable to a going concern several adverse conditions and events cast substantial doubt upon the validity of this assumption. The Company's vessel mv DF Discoverer requires dry docking for statutory inspection and maintenance in early June 2006. Costs associated with the dry docking are budgeted in the amount of approximately \$1.5 million. Currently the Company does not have the budgeted funds required for the dry docking which questions the validity of the going concern assumption. The Company is considering alternatives for securing additional financing required for the vessel's dry docking, continuing its exploration activities, and maintaining its exploration properties. There can be no assurance as to the success of future financing activities necessary to meet these obligations and operating requirements. Accordingly, the Company's ability to continue its operations in the normal course of business is dependent upon its ability to obtain additional financing, to receive the continued support from its noteholder and other creditors and, ultimately, to obtain profitable operations.

These 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.

2. 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.

DIAMOND FIELDS INTERNATIONAL LTD.

Notes to the Consolidated Financial Statements

Three and nine months ended March 31, 2006 and 2005

(Un-audited – prepared by management)

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

3. MINERAL PROPERTIES

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

	March 31, 2006	June 30, 2005
Namibian sea concessions	\$ 7,337,682	\$7,396,194
South African deep sea concessions	1	1
Other exploration properties	752,385	1,376,489
	\$ 8,090,068	\$8,772,684

Greenland Nickel Exploration Project

On December 28, 2005 the Company reported that Inco Ltd. had advised Diamond Fields that it does not plan further work on the Company's Ammassalik nickel project in East Greenland and thereby retains no interest in the land package complied by Diamond Fields. Previously, Diamond Fields, Inco, and Nuna entered into agreements whereby Inco may have earned an interest in exploration licenses held by the Company or optioned by Diamond Fields from Nuna, on Ammassilik Island in East Greenland. The Company is not currently planning further exploration programs. Accordingly, a provision for impairment of associated accumulated exploration costs has been recorded in the current period.

4. LOAN PAYABLE

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

On November 10, 2005, the Company paid in full and retired its loan to Quest Capital Corporation.

DIAMOND FIELDS INTERNATIONAL LTD.

Notes to the Consolidated Financial Statements

Three and nine months ended March 31, 2006 and 2005

(Un-audited – prepared by management)

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

5. 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)	<u>(709,496)</u>
Financial liability component at inception	1,640,379
Less:	
Principal repayments	(341,043)
Add:	
Accretion of the deemed discount on issue	596,698
Accrued interest	<u>191,726</u>
Balance of financial liability component	2,087,760
Less:	
Amount included in current liabilities	<u>(2,087,760)</u>
Long-term balance	<u>\$ -</u>

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. At the Company's annual general meeting on November 16, 2005 the agreement to reduce the conversion price from \$0.60 to \$0.25 received shareholder approval. At March 31, 2006 an aggregate of 8,723,336 common shares were issuable under this conversion privilege. The face value of the note, including accrued and unpaid interest to March 31, 2006, amounted to \$2,180,834.

DIAMOND FIELDS INTERNATIONAL LTD.

Notes to the Consolidated Financial Statements

Three and nine months ended March 31, 2006 and 2005

(Un-audited – prepared by management)

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

6. SHARE CAPITAL

During the nine months ended March 31, 2006 the following share transactions took place:

229,028 common shares were issued for \$42,335 pursuant to the Company's Share Purchase Plan;

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

30,483,676 common shares were issued for net proceeds of \$4,984,424 pursuant to a private placement financing.

354,000 common shares with a fair value of \$61,256 were issued as a finder's fee.

165,000 common shares with a fair value of \$30,193 were issued as compensation for severance.

During the nine months ended March 31, 2006, 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 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 May 12, 2006, a total of 113,150,261 common shares of the Company were outstanding. Stock options outstanding at May 12, 2006 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 May 12, 2006 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 28, 2006 and June 2, 2008.

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. 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 on November 4, 2005, and that the first tranche of Cdn\$4,878,735 consisting of 24,393,676 Units had been released to the Company. The second tranche of 6,090,000 Units for proceeds of Cdn\$1,218,000 was released upon receipt of requisite shareholder approvals at the Company's annual general meeting on November 16, 2005.

DIAMOND FIELDS INTERNATIONAL LTD.

Notes to the Consolidated Financial Statements

Three and nine months ended March 31, 2006 and 2005

(Un-audited – prepared by management)

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

6. SHARE CAPITAL (Cont.)

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 are being used towards paying down outstanding debt, maintaining and advancing the Company's exploration projects, and for general working capital.

7. 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	
	2006	2005	2006	2005
(Increase) decrease in:				
Accounts receivable	\$ (4,413)	\$ 98,816	\$ (54,883)	\$ 125,514
Inventory	(204,655)	-	(496,203)	433,941
Prepaid expenses	(3,446)	108,871	(37,301)	59,833
Increase (decrease) in:				
Accounts payable and accrued liabilities	(116,859)	614,090	69,732	506,495
	<u>\$ (329,373)</u>	<u>\$ 821,777</u>	<u>\$ (518,655)</u>	<u>\$ 1,125,783</u>

8. 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, 2006 and 2005 was earned in Namibia.

9. OTHER RELATED PARTY TRANSACTIONS

Accounts payable at March 31, 2006 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. During the nine month period ending March 31, 2006 the Company was charged fees for consulting services of \$23,000 (2005 – nil) by a director of the Company. Included in accounts payable and accrued liabilities at March 31, 2006 is \$6,250 (2005 – nil) payable for such services.

DIAMOND FIELDS INTERNATIONAL LTD.

Notes to the Consolidated Financial Statements

Three and nine months ended March 31, 2006 and 2005

(Un-audited – prepared by management)

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

10. SUBSEQUENT EVENT

Joint Operations Agreement on Exclusive Prospecting License area EPL 1607b

Diamond Fields announced on April 20, 2006 that it signed a Joint Operation Agreement ("JOA") with a 100% owned subsidiary of Bonaparte Diamond Mines NL ("Bonaparte"), a company listed on the Australian Stock Exchange, for the continued development of one of its marine diamond concessions, the Exclusive Prospecting License area EPL1607b.

Under the terms of the JOA, Bonaparte will spend US\$500,000 over three years to earn 50% interest in any diamond deposits brought to production. Should Diamond Fields elect not to mine any deposits found by Bonaparte it would retain a 10% gross royalty on all diamonds produced.

Bonaparte will have exclusive rights to use its BoSS sampling system to explore for diamonds in Exclusive Prospecting License area EPL 1607b, a part-explored diamond property located between active marine mining operations in Luderitz Bay in the south and Hottentot Bay to the north. Exploration work conducted on the property by Diamond Fields includes a geophysical survey from which a number of prospective targets were identified as well as a limited amount of seabed sampling, which confirmed the presence of diamonds in the property.