

First Quarter Report



September 30, 2006 and 2005

Table of Contents

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

2. Financial Statements

Consolidated Balance Sheets at September 30, 2006 (unaudited – prepared by management) and June 30, 2006

Unaudited (prepared by management) Consolidated Statements of Loss and Deficit for the three months ended September 30, 2006 and 2005

Unaudited (prepared by management) Consolidated Statements of Cash Flows for the three months ended September 30, 2006 and 2005

Notes to the Unaudited (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 unaudited consolidated financial statements of Diamond Fields International Ltd. and the notes thereto for the three months ended September 30, 2006 and with the audited annual consolidated financial statements and the notes thereto for the year ended June 30, 2006. The quarterly financial statements at September 30, 2006 are unaudited and have not been reviewed by the Company's external auditor. The effective date of this MD&A is November 23, 2006. 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, 2006 focused on the Company's diamond and gold properties in Liberia. There was no production from Diamond Fields' Namibian marine concessions during the quarter ended September 30, 2006 as a result of the suspension of operations on June 7, 2006 for the vessel's 2.5 yearly statutory dry dock inspection, maintenance and upgrade program. However, a total of 1,563 carats were sold from inventory during the quarter (average price received per carat \$181.38). The vessel resumed mining operations on November 19, 2006.

The Company is in the process of seeking to raise additional financing required to continue its operations in the normal course of business (see "Capital Resources and Liquidity").

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

Mining Vessel DF Discoverer

As announced on May 16, 2006 the vessel suspended operations in early June 2006 and sailed for Cape Town for its statutory dry docking, maintenance and refit program. Apart from the statutory aspects of this port call the work program was designed with the objective of improving mining equipment reliability and efficiency. The overall program was delayed as a result of late entry into the dry dock due to time overruns with other vessels previously occupying the dock, poor weather with severe winter storms affecting the region, and finalizing arrangements for the Company's financing. The dry docking and other scheduled work has been completed and the vessel resumed mining operations on November 19, 2006.

Joint Operations Agreement for Resource Development in ML111

Diamond Fields announced on August 18, 2006 that it signed a Joint Operation Agreement with a 100% owned subsidiary of Bonaparte Diamond Mines NL ("Bonaparte"), a company listed on the Australian Stock Exchange, for the continued development of marine diamond resources within Diamond Fields' ML111 in Luderitz Bay, Namibia.

By issuing 1.5 million Bonaparte shares to Diamond Fields and completing a NAM\$3.0 million (US\$0.45 million) sampling program within six months in the 1,200,000m² seabed area designated under this agreement, Bonaparte can earn a 30% interest in any indicated category marine diamond resources (JORC and NI 43-101 code compliant) as defined by their program. This agreement includes an option for Bonaparte to explore an additional 400,000m² area by issuing an additional 0.5 million shares to DFI. All shares issued under this agreement are subject to a six month hold period. Further detail and information is provided in the MD&A for the year ended June 30, 2006.

On November 6, 2006 the Company announced encouraging results from the successful 35 day resource development sampling program conducted by Bonaparte and completed in late October 2006. A total of 291 gem quality diamonds weighing 135.92 carats (ct) were recovered .

A total of 577 grid-based samples were taken, out of which 159 samples were positive and multiple diamond recoveries (more than 1 stone) were made at 56 sites. Based on groups of closely associated positive results, a total of 9 discrete zones of near-continuous mineralisation covering a substantial cumulative area of approximately 290,000m², have been identified.

Sampling was undertaken on a grid of approximately 50m x 40m spacing and the average sample size was approximately 2.6m². This is sufficient density for estimation of NI 43-101 compliant resources to the "Indicated" category. In terms of the joint operations agreement Bonaparte has appointed independent experts, Steffen Roberson & Kirsten (SRK) of Cardiff, United Kingdom to analyse these

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)

sampling results and carry out delineation, grade estimation and classification of resources in compliance with the NI 43-101 and JORC codes. Any such indicated resources will result in an increase to the Company's resource base and improve mine planning options.

All diamonds recovered during the sampling and any future mining programs will be sold subject to Diamond Fields marketing agreement with Diamond Tenders of Belgium.

Exploration Projects

Liberia Exploration Project

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 a prospective for diamonds and gold, while the Grand Gedeh property is a gold prospective. Both properties are roughly equal in size covering a total area of approximately 1,800km². The Company may earn 70% of Ducor's interest by issuing Ducor 1,000,000 shares in five annual installments of 200,000 shares each (300,000 shares issued to date and the Company has paid \$90,000 in lieu of 300,000 shares), and by spending US\$2,000,000 on exploration before August 2008 (approximately \$973,000 spent to September 30, 2006). 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.

Nine kimberlite targets have been generated on the Grand Cape property with 75% of the reconnaissance sampling completed. Two targets are pipe-like bodies; three are inferred dyke trends in excess of 500m long. The source kimberlite for the remaining indicator mineral anomalies have not as yet been identified, pending completion of reconnaissance sampling. Ground magnetic anomalies are present, coincident with interpreted kimberlite pipes and dykes on the three targets surveyed so far. The Company is investigating the possibility of mobilizing a diamond recovery plant to Liberia to facilitate bulk sampling of kimberlites for grade. Sampling grids over a 500m width and one kilometer length over high grade gold anomalies have been completed on both Grand Cape and Grand Gedeh properties.

The Company has advanced to mapping, grid sampling, and pitting(1) on five kimberlite targets, with ground geophysics completed on three of these. Magnetic response indicative of kimberlite is present on all three of these, confirming the presence of two pipe-like bodies on Grid 4 and a dyke trend in excess of 500m long on Grid 3. Macro-diamonds (0.05 cts, 0.08 cts and 0.22 cts) have been recovered during grid sampling and pitting of a fourth 3 km long dyke target on Grid 5.

Geophysical response of the pipes on Grid 4, sampled at 25m intervals along the line and 50m between lines, indicated discreet non-linear anomalies. The area of the pipe like bodies could not be confirmed by the magnetics, but they are inferred from the size of the swamps within which they occur, appearing to be approximately 3 hectares and 1 hectare, respectively. The extensive (>500m) dyke trend on Grid 3 was surveyed at 10m intervals across strike, with response indicating widths of the anomaly of 5m or more. Alternatively, there are a series of smaller parallel striking dykes within a 5m wide or greater zone. 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)

dyke continues off the geophysical grid in both northeast and southwest directions. On Grid 5, two parallel dyke trends about 150m apart extend up to three kilometers along strike.

These targets will require further investigation with geophysics (EM and/or ground penetrating radar) and drilling to confirm dimensions. A comprehensive test of grade by bulk sampling these targets is planned, after pitting on one pipe target failed to produce diamonds. The acquisition of a small diamond recovery plant is being considered to facilitate analysis of bulk samples of the kimberlitic material for grade, under secure conditions.

Artisinal mining of high grade quartz veins assaying 13 grams/ton gold across 1.5m vein width on the Grand Cape property at Henry Town, and visible gold in stream sediment samples (2) from both the Henry Town area and the Grand Gedeh property adjacent to the Cestos Shear Zone prompted the Company to proceed with soil sampling and mapping grids over these targets to explore along and across strike extensions of this mineralization. Soil sample grids have been completed over these targets with the collection of over 300 samples. Sampling results did not definitively define the source of the gold anomaly on either the Grand Gedeh Nico Grid or the Grand Cape Point Point grid although spot high values were obtained. The sampling methodology will be reviewed for both grids and infill sampling will be completed around strong anomalies. Further work on these targets will include trenching to determine widths and drilling if warranted to explore along strike continuity of grade and thickness.

Madagascar nickel exploration program

The Company has extended the option period for purchase of the mining rights to the Valozoro lateritic nickel deposit in Madagascar. The extension to the end of 2006 has been made to facilitate fund raising efforts by a potential JV partner. At the end of 2006 the company will decide, based on funding progress, whether to buy the license outright or to extend the option 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)

Discontinued Projects

On December 28, 2005 the Company reported that Inco Ltd. advised Diamond Fields that it did not plan further work on the Company's Ammassalik nickel project in East Greenland and thereby retained 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. A provision for impairment of associated accumulated exploration costs has been recorded in the current period. The Company still holds rights to the Ammassalik Nickel property on the East Coast of Greenland. Tenure is due to expire at the end of 2007. No further work is planned for this property at this time. It is the subject of possible Joint Venture opportunities.

SELECTED FINANCIAL INFORMATION

The following table sets forth selected financial information for the three months ended September 30, 2006 and 2005:

	2006	2005
Total revenues	\$ 283,561	\$ 750,141
Net income (loss)	(1,961,422)	(1,141,526)
Net loss per share (basic and diluted)	(0.02)	(0.01)

Net loss for the three months ended September 30, 2006 was \$1,961,422 or \$0.02 per share, compared with a net loss of \$1,141,526 or \$0.01 per share in 2005. All revenue for the three months ended September 30, 2006 resulted from the sale of diamonds held in inventory. A total of 1,563.54 carats were sold at an average price of \$181 per carat, generating revenue of \$283,561. Comparatively, the company sold 3,727 carats in the three months ended September 30 2005 at an average price of \$201 per carat generating, revenue of \$750,141. Production, royalty and selling expenses associated with the sale of inventory totaled \$721,232; whereas, the operating costs for the same period in 2005 were \$849,528. The higher costs and lower sales in 2006 resulted from lost mining time associated with the Cape Town port call for the statutory dry-docking, maintenance and upgrade programs. The Company generated an operating loss of \$437,671 for the quarter ended September 30, 2006 compared with \$99,387 for the quarter ended September 30, 2005.

General and administrative expenses amounted to \$372,249 during the three months ended September 30, 2006 compared to \$1,054,683 during 2005. Office expense decreased from \$105,300 to \$46,712, Salaries and Benefits decreased from \$286,039 to \$146,323 and Travel and accommodation decreased from \$72,075 to \$16,663. These changes are the result of the Company's change of location of its head office from Vancouver to Cape Town, South Africa and management restructuring. Stock based compensation decreased due to the cancellation of expired options from previous employees. No financing fees were paid in this period, compared to \$202,914 at September 30, 2005. Interest paid decreased from \$174,783 to \$33,646, due to the settlement of the Quest Capital loan during the previous financial year. A loss of \$1,177,155 was recorded on the write-off of previous plant and equipment on the company's mining vessel, which is being overhauled as part of the refit program.

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:

	30-Sept-06	30-June-06	31-Mar-06	31-Dec-05	30-Sept-05	30-June-05	31-Mar-05 (Restated)	31-Dec-04
Total Revenues	283,561	809,334	675,488	681,770	750,141	Nil	Nil	1,014,846
Net Earnings (Loss)	(1,961,422)	(1,294,097)	(2,001,957)	(1,752,580)	1,141,526	(2,048,849)	(2,127,571) ¹	(459,987)
Net Earnings (Loss) per Share (basic and diluted)	(0.02)	(0.01)	(0.02)	(0.02)	(0.01)	(0.03)	(0.03) ¹	(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. Consequently, there were diamond sales only during the first two quarters of fiscal 2005.

CAPITAL RESOURCES AND LIQUIDITY

At September 30, 2006, the Company had a working capital deficit of \$3,889,831 including cash of \$564,509 compared with a working capital deficit of \$2,243,929, including cash of \$286,887 at June 30, 2006. The decrease in working capital at September 30, 2006 is primarily a result of costs associated with the vessel mv DF Discoverer, advances received on the proposed rights offering (see discussion below), general and administrative costs and exploration activities.

The Company plans efforts to raise additional financing to meet its debt repayment obligations, continue its exploration activities, maintain its exploration properties, and operate its mining vessel. There can be no assurance as to the success of future financing activities necessary to meet its debt obligations and operating requirements.

The September 30, 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. On May 16, 2006 the Company announced that it was considering alternatives for securing additional financing required for the vessel's dry docking, continuing its exploration activities, and maintaining its exploration properties. On September 1, 2006 the Company announced that it has entered into a standby guarantee agreement with Spirit Resources SARL ("Spirit") in relation to a proposed rights offering of the Company pursuant to which the Company

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)

will, subject to receipt of all necessary regulatory approvals, offer to distribute to the Company's shareholders on a pro rata basis and at no charge, transferable rights to purchase up to approximately 28 million common shares of the Company at a price of \$0.09 per share for gross proceeds of up to approximately Cdn\$2.5 million (representing up to approximately 24.7% of the Company's outstanding shares). Pursuant to the standby guarantee agreement, Spirit has agreed to participate in the proposed rights offering by purchasing up to Cdn\$2 million of the offering through exercising its basic subscription privilege, additional subscription privilege and by purchasing additional shares on a stand-by commitment basis if necessary. Spirit has also advanced to the Company Cdn\$1.8 million to be applied towards Spirit's participation in the rights offering. Under the agreement, DFI is entitled to employ such funds for its general corporate purposes and the advance will, pending closing of the rights offering, constitute a non-interest bearing loan from Spirit to DFI. The amounts advanced to date have been applied towards the vessel dry docking, upgrade, maintenance repair and operating costs, Liberian exploration and general working capital and administrative purposes.

Spirit is controlled by Jean-Raymond Boulle, who is the Company's largest shareholder currently beneficially owning, directly or indirectly, approximately 16% of the Company's issued and outstanding common shares. None of Spirit, Jean-Raymond Boulle or any affiliated company will receive any consideration from DFI for Spirit's covenant to participate in the rights offering pursuant to the standby guarantee agreement. The standby guarantee agreement has been accepted by the Toronto Stock Exchange.

Further details on the proposed rights offering will be provided by the Company in due course and will be contained in a rights offering circular to be mailed to shareholders as of a record date to be set by DFI's Board of Directors. The rights offering remains subject to applicable Canadian securities laws and stock exchange rules, including completion and approval of all necessary filings with applicable Canadian securities regulatory authorities and the Toronto Stock Exchange.

The Company anticipates that the proceeds of the rights offering will be used for completion of the Company's mining vessel dry docking, upgrade and maintenance program, continuation of the Liberian diamond and gold exploration projects and for general working capital and administrative expenses.

There can be no assurance as to the success of the financing activities necessary to meet the Company's 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 value 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 Spirit Resources SARL ("Spirit"), a company controlled by the Company's major shareholder, Jean-Raymond Boulle. The balance due, including accrued interest to September 30, 2006 amounted to \$2,247,266. The note bears interest at 6% per annum and is repayable in minimum monthly instalments of \$100,000 until maturity on July 15, 2006.

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 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 September 30, 2006 an aggregate of 10,015,615 common shares were issuable under this conversion privilege. Payments have been deferred on this loan with the consent of the lender since November 2004 and as of the date of this MD&A, payments on this loan continue to be deferred.

Spirit has advanced Cdn\$1.8 million to the Company in connection with the standby guarantee agreement between Spirit and the Company and the proposed rights offering of the Company announced on September 1, 2006 (see "CAPITAL RESOURCES AND LIQUIDITY" above for further details).

Accounts payable at September 30, 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.

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

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)

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.

FINANCIAL INSTRUMENTS

The carrying amounts of cash, accounts receivable, accounts payable and loan payable as at September 30, 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.

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)

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 September 30, 2006, a total of 113,273,157 common shares of the Company were outstanding. Stock options outstanding at September 30, 2006 totalled 4,853,000 with exercise prices ranging from Cdn\$0.14 to Cdn\$0.91 per share and expiry dates between October 23, 2006 to July 5, 2011, respectively. Warrants outstanding at September 30, 2006 totalled 48,983,676 with exercise prices ranging from Cdn\$0.40 to Cdn\$1.00 per share and expiry dates between November 28, 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.

Consolidated Balance Sheets

(Expressed in U.S. dollars)

	September 30, 2006 (Unaudited)	June 30, 2006
ASSETS		
CURRENT		
Cash	\$ 564,509	\$ 286,887
Accounts receivable	12,416	47,266
Prepaid expenses and other	20,843	41,116
Inventories	128,908	502,564
	726,676	877,833
MINERAL PROPERTIES (Note 2)	8,272,264	8,148,381
PROPERTY, PLANT & EQUIPMENT	2,359,937	2,776,959
	\$ 11,358,877	\$ 11,803,173
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 1,202,485	\$ 908,142
Loan payable (Note 3)	1,166,756	-
Current portion of note payable (Note 4)	2,247,266	2,213,620
	4,616,507	3,121,762
FUTURE INCOME TAXES	1,215,234	1,215,234
	5,831,741	4,336,996
SHAREHOLDERS' EQUITY		
Share capital (Note 5)		
Authorized - Unlimited number of common shares without par value		
Issued & outstanding: 113,273,157 (June 30, 2006: 113,173,157)	33,720,554	33,709,774
Contributed Surplus	2,134,108	2,122,507
Equity portion of note payable (Note 4)	709,496	709,496
Deficit	(30,032,288)	(28,070,866)
Cumulative translation adjustments	(1,004,734)	(1,004,734)
	5,527,136	7,466,177
	\$ 11,358,877	\$ 11,803,173

APPROVED BY THE BOARD:

"Roger Daniel"

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 Earnings (Loss) and Deficit
Three months ended September 30, 2006 and 2005
(Unaudited – prepared by management)
(Expressed in U.S. dollars)

	<u>2006</u>	<u>2005</u>
DIAMOND SALES	\$ 283,561	\$ 750,141
OPERATING COSTS		
Production costs (including depletion)	711,706	754,046
Royalties, selling and marketing	9,526	95,482
	<u>\$ 721,232</u>	<u>849,528</u>
	<u>(437,671)</u>	<u>(99,387)</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
Amortization	7,121	10,998
Consulting	19,195	27,543
Financing fees	-	202,914
Interest on loans and note payable (Note 3 and 4)	33,646	174,783
Investor relations	13,606	45,247
Maintenance	4,760	9,918
Office	46,712	105,300
Professional fees	66,671	76,488
Regulatory	5,951	8,097
Salaries and benefits	146,323	286,039
Stock-based compensation	11,601	35,281
Travel and accommodation	16,663	72,075
	<u>372,249</u>	<u>1,054,683</u>
OTHER INCOME (EXPENSE)		
Interest and other income	1,442	3,981
Loss on Disposal of Property, plant and equipment	(1,177,155)	-
Foreign exchange gain (loss)	24,211	1,281
	<u>(1,151,502)</u>	<u>5,262</u>
EARNINGS (LOSS) BEFORE INCOME TAXES	<u>(1,961,422)</u>	<u>(1,148,808)</u>
RECOVERY OF FUTURE INCOME TAXES	-	7,282
NET EARNINGS (LOSS) FOR THE PERIOD	<u>(1,961,422)</u>	<u>(1,141,526)</u>
DEFICIT, BEGINNING OF PERIOD	<u>(28,070,866)</u>	<u>(21,880,706)</u>
DEFICIT, END OF PERIOD	<u>\$ (30,032,288)</u>	<u>\$ (23,022,232)</u>
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE	<u>\$ (0.02)</u>	<u>\$ (0.01)</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (in 000's)	<u>113,213</u>	<u>81,864</u>

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, 2006 and 2005

(Unaudited – prepared by management)

(Expressed in U.S. dollars)

	<u>2006</u>	<u>2005</u>
OPERATING ACTIVITIES		
Net Earnings (loss)	\$ (1,961,422)	\$ (1,141,526)
Items not involving use of cash		
Amortization, depreciation and depletion	57,117	189,021
Accrued interest	5,526	31,613
Non-cash interest expense	28,120	93,674
Financing fees	-	202,914
Recovery of future income taxes	-	(7,282)
Stock-based compensation	11,601	35,281
Loss on sale of property, plant and equipment	1,177,155	-
Unrealized foreign exchange	-	76,503
Net change in non-cash operating working capital items (Note 6)	723,122	(255,062)
	41,219	(774,866)
FINANCING ACTIVITIES		
Share capital issued, net of issue costs	10,780	40,913
Proceeds from loan payable	1,166,756	-
	1,177,536	40,913
INVESTING ACTIVITIES		
Expenditures on mineral properties	(123,883)	(115,504)
Expenditures on other property, plant and equipment	(817,250)	(239,767)
	(941,133)	(355,271)
INCREASE (DECREASE) IN CASH	277,622	(1,089,224)
CASH, BEGINNING OF PERIOD	286,887	1,351,146
CASH, END OF PERIOD	\$ 564,509	\$ 261,922

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 months ended September 30, 2006 and 2005

(Unaudited – 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, 2006.

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, 2006	June 30, 2006
Namibian sea concessions	7,215,401	\$ 7,215,401
Other exploration properties	1,056,863	932,980
	\$ 8,272,264	\$ 8,148,381

3. LOAN PAYABLE

On September 1, 2006 the Company announced that it has entered into a standby guarantee agreement with Spirit Resources SARL ("Spirit") in relation to a proposed rights offering of the Company pursuant to which the Company will, subject to receipt of all necessary regulatory approvals, offer to distribute to the Company's shareholders on a pro rata basis and at no charge, transferable rights to purchase up to approximately 28 million common shares of the Company at a price of \$0.09 per share for gross proceeds of up to approximately Cdn\$2.5 million (representing up to approximately 24.7% of the Company's outstanding shares). Pursuant to the standby guarantee agreement, Spirit has agreed to participate in the proposed rights offering by purchasing up to Cdn\$2 million of the offering through exercising its basic subscription privilege, additional subscription privilege and by purchasing additional shares on a stand-by commitment basis if necessary.

As at September 30, 2006, Spirit has also advanced to the Company \$1,166,756 (Cdn\$1.3 million) to be applied towards Spirit's participation in the rights offering. Under the agreement the advance will constitute a non-interest bearing loan from Spirit, pending closing of the rights offering.

DIAMOND FIELDS INTERNATIONAL LTD.

Notes to the Consolidated Financial Statements

Three months ended September 30, 2006 and 2005

(Unaudited – prepared by management)

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

4. NOTE PAYABLE

Details of the note payable are described in Note 8 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	709,496
Accrued interest	<u>238,434</u>
Balance of financial liability component	2,247,266
Less:	
Amount included in current liabilities	-
Long-term balance	<u>\$ 2,247,266</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 and have not resumed as at September 30, 2006. The nominal balance of the note, including accrued and unpaid interest to September 30, 2006, amounted to \$2,247,266

DIAMOND FIELDS INTERNATIONAL LTD.

Notes to the Consolidated Financial Statements

Three months ended September 30, 2006 and 2005

(Unaudited – 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, 2006 the following share transactions took place:

100,000 common shares with a fair value of \$10,780 (Cdn\$12,000) were issued as partial compensation for an option to acquire a working interest in certain exploration properties.

During the three months ended September 30, 2006, 50,000 options were granted at a price of Cdn\$0.14 per share. The options vest over three years and expire July 5, 2011. The fair value of stock based compensation for the options granted during the period was estimated at \$4,823. 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\$0.27 and Cdn\$0.80 per share and expiry dates between March 12, 2007 and August 31, 2010.

At September 30, 2006, a total of 113,273,157 common shares of the Company were outstanding. Stock options outstanding at September 30, 2006 totalled 4,853,000 with exercise prices ranging from Cdn\$0.14 to Cdn\$0.91 per share and expiry dates between October 23, 2006 to July 5, 2011, respectively. Warrants outstanding at September 30, 2006 totalled 48,983,676 with exercise prices ranging from Cdn\$0.40 to Cdn\$1.00 per share and expiry dates between November 28, 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.

6. CASH FLOW INFORMATION

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

	September 30, 2006	September 30, 2005
(Increase) decrease in:		
Accounts receivable	\$ 34,850	\$ (6,228)
Inventory	373,656	(515,476)
Prepaid expenses	20,273	(53,751)
(Decrease) increase in:		
Accounts payable and accrued liabilities	294,343	320,392
	\$ 723,122	\$ (255,063)

DIAMOND FIELDS INTERNATIONAL LTD.

Notes to the Consolidated Financial Statements

Three months ended September 30, 2006 and 2005

(Unaudited – 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, 2006 and 2005 was earned in Namibia.

8. OTHER RELATED PARTY TRANSACTIONS

Accounts payable at September 30, 2006 include legal and other fees, including proxy solicitation costs, totalling \$183,000 (June 30, 2006 - \$183,000) payable to Spirit, a company controlled by a major shareholder of the Company.

9. SUBSEQUENT EVENTS

There are no additional subsequent events to report for this period, apart from those disclosed in Note 17 of the most recent audited annual financial statements.