

Second Quarter Report



December 31, 2006 and 2005

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(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 six months ended December 31, 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 December 31, 2006 are un-audited and have not been reviewed by the Company's external auditor. The effective date of this MD&A is February 14, 2007. 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 December 31, 2006 focused on the Company's diamond and gold properties in Liberia. Production from Diamond Fields' Namibian marine concessions resumed on November 19, 2006 following suspension of operations for the vessel's 2.5 yearly statutory dry dock inspection, maintenance and upgrade program. A total of 1163.89 carats were sold during the quarter (average price received per carat \$180.30).

The Company successfully completed a fully subscribed Rights offering at the end of January 2007 and 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").

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RESULTS OF OPERATIONS

Mining Activities

Mining Vessel DF Discoverer

As announced on November 20, 2006 the vessel resumed mining operations on November 19 in the Diaz Reef area in mining licence ML111 offshore Luderitz, Namibia following the port call for statutory dry docking, repair, maintenance and upgrade programs.

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 appointed independent experts, Steffen Roberson & Kirsten Consulting ("SRK") of Cardiff, United Kingdom to analyse these sampling results and carry out delineation, grade estimation and classification of resources in compliance with the NI 43-101 and JORC codes.

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

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On January 4, 2007 Diamond Fields announced that independent consulting company SRK has estimated an Indicated Resource of 63,000 carats in the Diaz Prospect 1 (DP1) joint operations area in ML 111 offshore Luderitz, Namibia, derived from sampling conducted under the joint operations agreement with Bonaparte.

Details of the Indicated Resource calculation, including the key assumptions, parameters and methods used to estimate the Indicated Resource, are contained in the NI 43-101 technical report entitled "Resource Estimates for the Diaz Prospect 1, Namibia" dated December, 2006 prepared by SRK for DFI and Bonaparte, a copy of which has been filed under DFI's profile on the SEDAR website at www.sedar.com.

Key points from SRK report:

- Indicated Resource of 63,000 carats of newly defined resource has been independently estimated in the Diaz Prospect 1 area in ML111, Namibia.
- Total resource area of 315,000m² at average grade of 0.2ct/m².
- 76% of total resource (48,000 carats) occurs at an average grade of 0.43ct/m² in an area of 111,500m² within defined resource area.
- Anticipated 30% increase in estimated grades during mining.
- Large average stone size of 0.47 carats per stone.

SRK's NI 43-101 compliant Indicated Resource estimate of 63,000 carats occurs within 7 discrete zones in DP1 with a combined area of 315,000m² and an average grade of 0.2 ct/m². This global grade exceeds the assay cut-off of 0.1 ct/m² which is normally applied to offshore diamond resource estimates. Application of an assay cut-off of 0.2ct/m² shows that within this global resource area, at least 76% (48,000 carats) of the resource is contained in an area of approximately 111,500m² at an average grade of 0.43ct/m². SRK anticipates that grades achieved during mining could be in the order of 30% higher than estimated as a result of operational experience in the Namibian offshore environment.

SRK comments that these resource areas are all readily accessible to airlift mining, as employed by the Company's mining ship, MV DF Discoverer. The diamondiferous gravels generally lie at shallow depths within relatively thin average sediment thickness ranging from 0.5m to 2.5m conducive to high production rates and lower unit costs.

The average size of the diamonds in DP1 is estimated by SRK at 0.47ct/stone (arithmetic mean) which is significantly higher than displayed in most deposits delineated to date in the Luderitz area. The diamonds recovered in sampling have an average Namibian Government Diamond Valuation of US\$318/ct.

Dr. A.E. Annels is responsible for the resource estimates contained within the SRK report and is the designated Qualified Person. Dr. Annels has 39 years of postgraduate experience in exploration and mining geology and in particular, has been involved in the auditing of off-shore diamond projects and the estimation of their resources for the last 6 years. He is a Fellow of the Institution of Mining and Metallurgy (now IOM3) and thus meets all the requirements of a Qualified Person in terms of NI 43-101. SRK has given its approval to the reference to the SRK report and information derived there from in this announcement in the form and context in which it appears.

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On January 29, 2007 Diamond Fields announced that diamond production had commenced in the indicated resource areas defined under the joint operations agreement with Bonaparte after signing a short form mining agreement with Bonaparte.

DFI's mining vessel MV DF Discoverer commenced mining operations on January 27, 2007 in the Joint Operations area in the Diaz Prospect 1 (DP1) where SRK estimated a NI 43-101 compliant Indicated Resource of 63,000 carats derived from sampling conducted under the joint operations agreement with Bonaparte.

DFI and Bonaparte concluded a short form mining agreement to enable both companies to benefit from the high diamond grades identified while a more comprehensive agreement is concluded between the parties. In summary, the mining joint operations are being conducted by DFI utilizing its vessel mv DF Discoverer on a 70%(DFI) : 30% (Bonaparte) shared revenue and agreed operating cost basis. The mining is being undertaken under an agreed mining plan and the full mining agreement is being finalized.

On February 7, 2007 Diamond Fields announced that initial diamond production from the indicated resource areas in the DP1 joint operations (JO) area was exceeding expectations. In the area mined to date, more diamonds have been recovered than were predicted from the grade estimates within the defined Indicated Resource area derived from sampling data. A total of 1,448 diamonds weighing 705 carats at average stone size of 0.49 carats per stone were reported recovered in the first 8.5 days of operations.

In addition, mining to date has also shown that the mineralization and payable grades are more extensive than originally defined by the sampling data and mining has thus progressed into some areas not included in the original resource estimate and mine plans. The diamonds recovered continue to be more than 95% gem quality, and their average size, at 0.49 carats/stone, is significantly higher than displayed in most deposits delineated to date in the Luderitz area.. Mine plans comprising 625m² mining blocks (25m x 25m) have been prepared for the 7 Indicated Resource areas in DP1 covering a total area of 315,000 m² which contain an Indicated Resource of 63,000 carats.

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

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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 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.

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Madagascar nickel exploration program

Signed letters of intent have been concluded and the Company is finalizing the outright purchase of the mining rights to the Valozoro lateritic nickel deposit in Madagascar.

SELECTED FINANCIAL INFORMATION

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

	2006	2005
Total revenues	\$ 493,414	\$ 1,431,911
Net income (loss)	(2,774,711)	(2,894,106)
Net loss per share (basic and diluted)	(0.02)	(0.03)

Net loss for the six months ended December 31, 2006 was \$2,774,711 or \$0.02 per share, compared with a net loss of \$2,894,106 or \$0.03 per share in 2005. All revenue for the six months ended December 31, 2006 resulted from the sale of diamonds held in inventory. A total of 2,727.43 carats were sold at an average price of \$180.91 per carat, generating revenue of \$493,414. Comparatively, the company sold 7,846 carats in the six months ended December 31, 2005 at an average price of \$183 per carat generating revenue of \$1,431,911. Production, royalty and selling expenses associated with the sale of inventory totaled \$1,173,721; whereas, the operating costs for the same period in 2005 were \$2,324,888. The lower 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 \$680,387 for the six months ended December 31, 2006 compared with \$892,977 for the six months ended December 31, 2005.

General and administrative expenses amounted to \$848,558 during the six months ended December 31, 2006 compared to \$2,043,621 during 2005. Consulting expenses decreased from 59,471 to 28,692, Investor Relations from \$116,767 to \$47,927, Office expense from \$198,748 to \$143,241, Salaries and Benefits decreased from \$613,817 to \$268,716 and Travel and accommodation decreased from \$98,720 to \$35,537. 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 \$304,371 at December 31, 2005. Interest paid decreased from \$329,448 to \$67,716, due to the settlement of the Quest Capital loan during the previous financial year. A current year loss of \$1,230,918 was recorded on disposal of capital assets, comprising the write-off of previous plant and equipment on the company's mining vessel, and the disposal real estate properties of the Namibian operations.

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SELECTED QUARTERLY DATA

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

	31-Dec-06	30-Sept-06	30-June-06	31-Mar-06	31-Dec-05	30-Sept-05	30-June-05	31-Mar-05
Total Revenues	209,853	283,561	809,334	675,488	681,770	750,141	Nil	Nil
Net Earnings (Loss)	(813,289)	(1,961,422)	(1,294,097)	(2,001,957)	(1,752,580)	1,141,526	(2,048,849) ¹	(2,127,571)
Net Earnings (Loss) per Share (basic and diluted)	(0.01)	(0.02)	(0.01)	(0.02)	(0.02)	(0.01)	(0.03) ¹	(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 October 2004 and recommenced using the Company's mining vessel mv Diamond Fields Discoverer in June of 2005. Consequently, there were no diamond sales during the last two quarters of fiscal 2005.

CAPITAL RESOURCES AND LIQUIDITY

At December 31, 2006, the Company had a working capital deficit of \$4,948,563 including cash of \$47,440 compared with a working capital deficit of \$2,243,929, including cash of \$286,887, at June 30, 2006. The increase in the working capital deficit 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 December 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 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 had entered into a standby guarantee agreement with Spirit Resources SARL

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("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 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 also advanced to the Company Cdn\$2.0 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 were 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 Boule, who is the Company's largest shareholder currently beneficially owning (following successful conclusion of the Rights Offering - see below), directly or indirectly, approximately 27% of the Company's issued and outstanding common shares. None of Spirit, Jean-Raymond Boule or any affiliated company received any consideration from DFI for Spirit's covenant to participate in the rights offering pursuant to the standby guarantee agreement. The standby guarantee agreement was accepted by the Toronto Stock Exchange.

On December 18, 2006 the Company announced that it had received applicable Canadian regulatory approvals for and was proceeding with the proposed Rights Offering originally announced in the Company's news release dated September 1, 2006. The Rights Offering was made to shareholders resident in Canada and shareholders resident in eligible offshore jurisdictions. Under the Rights Offering, each shareholder of record on December 28, 2006 received one transferable right for every common share of the Company held. 4.041 rights entitled eligible shareholders to purchase one common share of the Company at the subscription price of \$0.09, up to the expiration of the Rights Offering at 4:00 p.m., Toronto time, on January 30, 2007.

On February 5, 2007 the Company announced that the Rights Offering had been successfully concluded and a total of 28,036,629 common shares of the Company were subscribed for at a price of \$0.09 per share for total gross proceeds of approximately \$2,523,297. Pursuant to the standby guarantee agreement entered into between Spirit and the Company in connection with the Rights Offering (as announced in the Company's news release dated September 1, 2006), of the approximately \$2,523,297 raised in the Rights Offering, an aggregate of \$1,761,825.96 was provided by Spirit through the exercise of its basic and additional subscription privileges for the issue of 19,575,844 shares under the Rights Offering. Spirit is controlled by DFI's major shareholder, Jean-Raymond Boule, who, following completion of the Rights Offering, beneficially holds, directly or indirectly, 38,174,305 common shares of the Company representing approximately 27% of the Company's 141,332,646 issued and outstanding shares.

As disclosed in detail in the Company's rights offering circular dated December 14, 2006, the proceeds from the Rights Offering has been or will be used to fund the completion of the Company's mining vessel dry docking, upgrade and maintenance program, to continue the Liberian diamond and gold

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exploration projects, to pay for the expenses of the Rights Offering 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 a company controlled by a major shareholder of the Company. The balance due, including accrued interest to December 31, 2006 amounted to \$2,281,336. 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 December 31, 2006 an aggregate of 10,643,801 common shares were issuable under this conversion privilege. Payments have been deferred on this loan with the consent of the lender since November 2005. 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, 2006, reduced the conversion price on which the debt is convertible into shares of Diamond Fields from Cdn\$0.60 to Cdn\$0.25.

Spirit has also advanced Cdn\$2.0 million to the Company in connection with the standby guarantee agreement between Spirit and the Company and the Rights Offering of the Company announced in releases dated September 1, 2006, December 18, 2006 and February 5, 2007 (see "CAPITAL RESOURCES AND LIQUIDITY" above for further details).

Spirit is controlled by DFI's major shareholder, Jean-Raymond Boule, who, following completion of the Rights Offering, beneficially holds, directly or indirectly, 38,174,305 common shares of the Company representing approximately 27% of the Company's 141,332,646 issued and outstanding shares.

In a further transaction disclosed in a release dated December 5, 2006, the company announced that it had entered into agreements for the sale of two real estate properties in Luderitz, Namibia to Spirit for aggregate consideration of US\$320,000 (the "Purchase Price"). The properties, each held by the Company's wholly-owned subsidiary Diamond Fields (Namibia) (Proprietary) Limited, consist of a commercial warehouse facility housing a basic diamond recovery plant designed to treat gravel recovered from small scale diver operations, and a nearby residential property containing two semi-detached houses with out buildings which have been used primarily for crew accommodations as required during transit to the Company's mining vessel. Neither property has been extensively used by the Company in recent years

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but should the Company require future use of the properties, Spirit has agreed to a lease-back on commercially reasonable terms.

The purchase price for the properties is based upon and supported by reports of an independent Namibian property valuer. The Transaction constitutes a "related party transaction" under Ontario Securities Commission Rule 61-501, but is exempted from the formal valuation and minority approval requirements of that Rule as neither the fair market value of the subject matter of, nor the fair market value of the consideration for, the Transaction, exceeds 25% of the Company's market capitalization, as determined by the directors of the Company. The Transaction was unanimously approved by the directors of DFI, all of whom are independent of Spirit and Jean-Raymond Boule. The proceeds from the transaction were received by the Company and have been applied to the Company's ongoing running expenses and working cash requirements.

Accounts payable at December 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.

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.

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

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

Note Payable

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

Stock-based Compensation

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

Income Taxes

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

FINANCIAL INSTRUMENTS

The carrying amounts of cash, accounts receivable, accounts payable and loan payable as at December 31, 2006 and June 30, 2006, 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.

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

RISKS

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

OUTSTANDING SHARE DATA

At February 14, 2007, a total of 141,332,646 common shares of the Company were outstanding. Stock options outstanding at February 14, 2007 totalled 4,428,000 with exercise prices ranging from Cdn\$0.14 to Cdn\$0.91 per share and expiry dates between March 12, 2007 to July 5, 2011, respectively. Warrants outstanding at February 14, 2007 totalled 35,483,676 with exercise prices of Cdn\$0.40 per share and expiry dates at 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)

	December 31, 2006 (Unadited)	June 30, 2006
ASSETS		
CURRENT		
Cash	\$ 47,440	\$ 286,887
Accounts receivable	41,910	47,266
Prepaid Expenses	20,370	41,116
Inventories	566,036	502,564
	675,756	877,833
MINERAL PROPERTIES (Note 2)	8,331,085	8,148,381
PROPERTY, PLANT AND EQUIPMENT	2,560,243	2,776,959
	\$ 11,567,084	\$ 11,803,173
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 1,560,293	\$ 908,142
Loan payable (Note 3)	1,782,690	-
Current portion of note payable (Note 4)	2,281,336	2,213,620
	5,624,319	3,121,762
FUTURE INCOME TAXES	1,215,234	1,215,234
	6,839,553	4,336,996
SHAREHOLDERS' EQUITY		
Share capital (Note 5)		
Authorized - Unlimited number of common shares without par value		
Issued & outstanding: 113,296,017 (June 30, 2006: 113,173,157)	33,722,637	33,709,774
Contributed Surplus	2,145,709	2,122,507
Equity portion of note payable (Note 4)	709,496	709,496
Deficit	(30,845,577)	(28,070,866)
Cumulative translation adjustments	(1,004,734)	(1,004,734)
	4,727,531	7,466,177
	\$ 11,567,084	\$ 11,803,173
APPROVED BY THE BOARD:		
<u>"Roger Daniel"</u> Director	<u>"Earl Young"</u> 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
(Un-audited – prepared by management)
(Expressed in U.S. dollars)

	Three months ended December 31,		Six months ended December 31,	
	2006	2005	2006	2005
DIAMOND SALES	\$ 209,853	\$ 681,770	\$ 493,414	\$ 1,431,911
OPERATING COSTS				
Production costs (including depletion)	433,406	1,410,016	1,145,112	2,164,062
Royalties, selling and marketing	19,083	65,344	28,609	160,826
	452,489	1,475,360	\$ 1,173,721	2,324,888
	(242,636)	(793,590)	(680,307)	(892,977)
GENERAL AND ADMINISTRATIVE EXPENSES				
Amortization	9,565	10,912	16,686	21,910
Consulting	9,497	31,928	28,692	59,471
Financing fees	-	101,457	-	304,371
Interest on loan and note payable (Note 6)	34,070	154,665	67,716	329,448
Investor relations	33,691	71,520	47,297	116,767
Maintenance	4,110	11,269	8,870	21,187
Office	96,529	93,448	143,241	198,748
Professional fees	103,032	100,491	169,703	176,979
Regulatory	32,947	23,543	38,898	31,640
Salaries and benefits	122,393	327,778	268,716	613,817
Stock-based compensation	11,601	35,281	23,202	70,562
Travel and accommodation	18,874	26,645	35,537	98,720
	476,309	988,938	848,558	2,043,620
OTHER INCOME (EXPENSE)				
Interest and other income	185	13,112	1,627	17,093
Loss on sales of property, plant and equipment	(53,763)		(1,230,918)	
Provision for impairment of exploration properties	-	-	-	-
Foreign exchange	(40,766)	13,337	16,555	14,618
	(93,344)	26,449	(1,245,846)	31,711
EARNINGS (LOSS) BEFORE INCOME TAXES	(813,289)	(1,756,078)	(2,774,711)	(2,904,886)
RECOVERY OF FUTURE INCOME TAXES	-	3,499	-	10,781
NET EARNINGS (LOSS) FOR THE PERIOD	(813,289)	(1,752,579)	(2,774,711)	(2,894,105)
DEFICIT, BEGINNING OF PERIOD	(30,032,288)	(23,022,231)	(28,070,866)	(21,880,706)
DEFICIT, END OF PERIOD	\$ (30,845,577)	\$ (24,774,810)	\$ (30,845,577)	\$ (24,774,811)
BASIC AND DILUTED LOSS PER SHARE	\$ (0.01)	\$ (0.02)	\$ (0.02)	\$ (0.03)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (in 000's)	113,286	100,112	113,250	90,988

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

(Un-audited – prepared by management)

(Expressed in U.S. dollars)

	Three months ended December 31,		Six months ended December 31,	
	2006	2005	2006	2005
OPERATING ACTIVITIES				
Net loss	\$ (813,289)	\$ (1,752,580)	\$ (2,774,711)	\$ (2,894,106)
Items not involving use of cash:				
Depreciation and depletion	109,174	177,610	166,291	366,630
Accrued interest	370	35,341	5,896	66,954
Non-cash interest expense	33,700	95,558	61,820	189,232
Financing fees	-	101,457	-	304,371
Recovery of future income taxes	-	(3,499)	-	(10,781)
Stock-based compensation	11,601	35,281	23,202	70,562
Loss on sales of PPE	53,763		1,230,918	
Provision for impairment of exploration properties	-	-	-	-
Net change in non-cash operating working capital items (Note 6)	(108,341)	65,780	614,781	(189,282)
	(713,022)	1,245,052	(671,803)	(2,096,420)
FINANCING ACTIVITIES				
Share capital issued, net of issue costs	2,083	4,942,087	12,863	4,983,000
Proceeds (Repayment) of loan payable	615,934	(1,588,212)	1,782,690	(1,588,212)
Repayment of note payable	-	-	-	-
	618,017	3,353,875	1,795,553	3,394,788
INVESTING ACTIVITIES				
Expenditures on mineral properties	(58,821)	(133,989)	(182,704)	(172,991)
Proceeds of disposal of PPE	316,908		316,908	
Expenditures on other capital assets	(680,151)	(65,652)	(1,497,401)	(305,419)
	(422,064)	(199,641)	(1,363,197)	(478,410)
INCREASE (DECREASE) IN CASH	(517,069)	1,909,181	(239,447)	819,957
CASH, BEGINNING OF PERIOD	564,509	261,922	286,887	1,351,146
CASH, END OF PERIOD	\$ 47,440	\$ 2,171,103	\$ 47,440	\$ 2,171,103

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

DIAMOND FIELDS INTERNATIONAL LTD.

Notes to the Consolidated Financial Statements

Three and six months ended December 31, 2006 and 2005

(Un-audited – prepared by management)

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

1. BASIS OF PRESENTATION

These interim financial statements do not contain all the information required by Canadian generally accepted accounting principles for annual financial statements and therefore should be read in conjunction with the most recent audited annual financial statements of the Company for the year ended June 30, 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.

	December 31, 2006	June 30, 2006
Namibian sea concessions	\$ 7,214,840	\$7,215,401
Other exploration properties	1,116,245	932,980
	\$ 8,331,085	\$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 \$1,782,690 (Cdn\$2 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 and six months ended December 31, 2006 and 2005

(Un-audited – 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 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	709,496
Accrued interest	<u>272,504</u>
Balance of financial liability component	<u>\$ 2,281,336</u>

Per the initial agreement 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 2006. At the Company's annual general meeting on November 16, 2006 the agreement to reduce the conversion price from \$0.60 to \$0.25 received shareholder approval. At December 31, 2006 an aggregate of 10,643,801 common shares were issuable under this conversion privilege. The face value of the note, including accrued and unpaid interest to December 31, 2006, amounted to \$2,281,336.

5. SHARE CAPITAL

During the six months ended December 31, 2005 the following share transactions took place:

22,860 common shares were issued for \$2,355 pursuant to the Company's Share Purchase Plan;

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 six months ended December 31, 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. Additionally, 745,000 options were cancelled at prices between Cdn\$0.27 and Cdn\$0.91 per share and expiry dates between March 12, 2007 and August 31, 2010.

DIAMOND FIELDS INTERNATIONAL LTD.

Notes to the Consolidated Financial Statements

Three and six months ended December 31, 2006 and 2005

(Un-audited – prepared by management)

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

5. SHARE CAPITAL (cont.)

At February 14, 2007, a total of 141,332,646 common shares of the Company were outstanding. Stock options outstanding at February 14, 2007 totalled 4,428,000 with exercise prices ranging from Cdn\$0.14 to Cdn\$0.91 per share and expiry dates between March 12, 2007 to July 12, 2009, respectively. Warrants outstanding at February 14, 2007 totalled 35,483,676 with exercise prices of Cdn\$0.40 per share and expiry dates at June 2, 2008.

6. CASH FLOW INFORMATION

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

	Three months ended		Six months ended	
	December 31		December 31	
	2006	2005	2006	2005
(Increase) decrease in:				
Accounts receivable	\$ (29,494)	\$ (44,242)	\$ 5,356	\$ (50,470)
Inventory	(437,128)	223,928	(63,472)	(291,548)
Prepaid expenses	(473)	19,894	20,746	(33,855)
Increase (decrease) in:				
Accounts payable and accrued liabilities	357,808	(133,800)	652,151	186,591
	\$ (108,341)	\$ (65,780)	\$ 614,781	\$ (189,282)

7. SEGMENTED INFORMATION

The Company considers its business to consist of one reportable business segment. All of the Company's revenue for the three and six month periods ended December 31, 2006 and 2005 was earned in Namibia.

8. OTHER RELATED PARTY TRANSACTIONS

Accounts payable at December 31, 2006 include legal and other fees, including proxy solicitation costs, totalling \$183,000 (June 30, 2006 - \$183,000) payable to a company controlled by a major shareholder of the Company.

The company entered into agreements for the sale of two real estate properties in Luderitz, Namibia to Spirit for aggregate consideration of US\$320,000. The purchase price for the properties is based upon and supported by reports of an independent Namibian property valuer.