

Third Quarter Report



March 31, 2008 and 2007

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DIAMOND FIELDS INTERNATIONAL LTD.

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

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

INTRODUCTION

This management discussion and analysis of financial position and results of operations ("MD&A") of Diamond Fields International Ltd. ("Diamond Fields", or "the Company") should be read in conjunction with the un-audited consolidated financial statements of Diamond Fields International Ltd. and the notes thereto for the three and nine months ended March 31, 2008 and with the audited annual consolidated financial statements and the notes thereto for the year ended June 30, 2007. The quarterly financial statements at March 31, 2008 are un-audited and have not been reviewed by the Company's external auditor. The effective date of this MD&A is April 30, 2008. 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, but are not limited to, 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 March 31, 2008 focused on the Company's diamond and gold properties in Liberia, a nickel prospect in Madagascar and a zinc copper prospect in Zambia. Diamond production from Diamond Fields' Namibian marine concessions continued throughout the quarter ended March 31, 2008. A total of 5,881.74 carats were produced by the Company's vessel during the quarter, and 5,342.55 carats were sold (average price received per carat \$217.74) for gross proceeds of \$1,163,298. A portion of these proceeds is attributable to a Joint Operations partner.

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RESULTS OF OPERATIONS

Mining Activities

Mining Vessel DF Discoverer

Marine operations off the coast of Namibia utilizing the Company's vessel M.V. DF Discoverer was continuous throughout the quarter ended March 31, 2008. Operations were conducted as part of a joint venture with Bonaparte Diamonds Mines NL ("Bonaparte"), the details of which are in the JO Agreement disclosed in the 2007 AIF and in the MD&A accompanying the audited annual consolidated financial statements for the year ended June 30, 2007.

A total of 5,882.74 carats of diamonds were recovered by the Discoverer during the quarter ended March 31. Pursuant to the JO agreement, Bonaparte is entitled to 30% to 35% of the proceeds from this production but is obligated to pay 30% to 35% of operating and sales costs.

Production for the month of January was 1,889.45 carats, 1,229.01 carats in February, and 2,763.28 carats in March. Average stone size throughout this period was 0.37 carats/stone. In February, the Company initiated a comprehensive program to improve marine operations. As a result, ship availability in March 2008 was approximately 80%, an all-time high.

Marine Sampling Programme

The resource development sampling program with JOA 2 with Bonaparte was completed in December 2007, covering an area of the Diaz Reef. A total of 668 samples were collated using the De Beers Mega Drill onboard the MV Douglas Bay, on a 50 metre by 50 metre grid. A total of seven potential resource areas have been identified from this sampling program, to which statistical resource modelling is in progress.

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. Subsequent to an analysis of the regional sampling data executed within the two properties, the Company, in conjunction with Ducor, has voluntarily retrocede approximately 40% of the concession areas back to the Government of Liberia. The retained areas include two blocks within the former Grand Cape concession, one located near Camp Alpha containing various kimberlite structures and anomalies, and the other, situated at Henry Town, the site of several gold anomalies. Within the Grand Gedah property, two significant sites of potential gold mineralization have been retained, the Cestos Shear, and Bartejaam.

The Company has completed its second phase of exploration over the Henry Town shear zone completing a secondary soil sampling program over recently discovered over gold anomalies announced last year in

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order to define potential drilling targets for follow up. Approximately an additional 5,000 samples have been collated over a 5meter by 25 metre grid. Native gold has been frequently reported to be visible within collated soil samples. The samples are currently being analysed by Alex Stewart (Assayers) Ltd., a U.K. based company which is NI43-101 compliant laboratory. Results from the survey are initially expected by the end of May 2008, which it is hoped will provide sufficient time to commence a provisional drill program before the rainy season this year. In addition, reconnaissance sampling of a secondary splay shear at Guyama , approximately 1.5km to the south of the Henry Town shear has commenced. A grab sample taken from this shear has yielded a gold value of 36.4g/t Au.

The Company is optimistic that the Henry Town Shear zone and related structures comprise a significant source of quartz vein associated gold.

Madagascar nickel exploration program

The Company's focus of exploration in Madagascar is the Valozoro nickel laterite deposit located 60 kilometres north of the town of Fianarantsoa in south central Madagascar. It is reported in the Catalogue des Principaux Gites Mineraux de Madagascar (Catalogue of Principal Mineral Deposits of Madagascar). Weathering and alteration of a harzburgite protolith has produced a type A Ni-laterite deposit up to 17 metres thick.

The Company has completed a channel sampling program of 424 prospecting pits, logged and sampled at half metre intervals. In finality 5149 samples collated by the program are currently being analyzed at the accredited Als Chemex laboratory in Johannesburg, with the results expected from a revised timetable by the end of May 2008. The program was designed to enable the estimation of a measured resource in terms of National Instrument 43-101, and allow the construction and delineation of an ore body model to produce a mine development plan.

In addition, the company has completed a baseline EMPR of the concession which has been submitted to the Government of Madagascar to upgrade the license from a "PRE" status to an "R" license, which will expire in 2018.

Zambia zinc copper project

In pursuant with the Company's joint venture operation with Lion Fields Ltd., in which the Company has exclusive right to explore for copper, gold, silver, zinc, lead and germanium over a 444 square kilometer property (the "Zambia Property") in the Solwezi district of western Zambia, the Company has completed the first exploration phase. This has included regional stream sediment and soil sampling over the Kipushi anticline, satellite data compilation, reduction and interpretation, including Ikonos high resolution imagery.

The current focus of exploration on the property is evaluating the extension of the Kipsuhi ore body (which comprises one of the highest grade zinc mine in the world) beneath the Zambian boarder in to the concession. The Company is in discussion with Gecamines (the owner of the Kipushi Mine in the Democratic Republic of Congo) to conduct a survey of the Kipushi workings on the Congolese side of the

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boarder. It is hoped that extrapolation of data will enable the construction of a model for possible extensions of the Kipushi ore body into the Zambian side of the boarder.

DFI is the appointed operator of the Joint Venture with overall management responsibility for the prospecting operations on the Property and, among other things, will be required to incur minimum exploration expenditures of US\$200,000 over the existing term of the Zambia Property license (which is due to expire in December 2008) and US\$200,000 during each subsequent renewal term of the license, if any, in order to maintain its interest in the Zambia Property.

BOARD CHANGES

On December 24, 2007 the Company announced the appointment of Wayne Malouf as a director and as President and Interim Chief Executive Officer effective January 1, 2008. This follows the announcement on October 2, 2007 that Roger Daniel is leaving the Company at the end of December 2007.

On January 22, 2008 the Company announced that Wayne Malouf has been appointed Chairman of the Board, effective January 17, 2008.

SELECTED FINANCIAL INFORMATION

The following table sets forth selected financial information for the nine months ended March 31, 2008 and 2007:

| | 2008 | 2007 |
|--|--------------|--------------|
| Total revenues | \$ 2,019,108 | \$ 1,156,533 |
| Net income (loss) | (2,666,863) | (3,528,899) |
| Net loss per share (basic and diluted) | (0.01) | (0.03) |

Net loss for the nine months ended March 31, 2008 was \$2,666,863 or \$0.01 per share, compared with a net loss of \$3,528,899 or \$0.03 per share in 2007. All revenue for the nine months ended March 31, 2008 resulted from the sale of diamonds held in inventory. Diamond sales generated net revenue of \$2,019,108, compared to \$1,156,533 in the nine months ended March 31, 2007. These revenue numbers represent net proceeds after deducting between 30% to 35% attributable to a Joint Operations partner. Production, royalty and selling expenses associated with the sale of inventory totaled \$3,282,577; whereas, the operating costs for the same period in 2007 were \$1,990,529. The higher costs and higher sales in 2008 resulted from lost mining time associated with the Cape Town port call for the statutory dry-docking, maintenance and upgrade programs in 2007. The mining vessel commenced mining in November 2006. The Company generated an operating loss of \$1,263,469 for the nine months ended March 31, 2008 compared with \$833,996 for the nine months ended March 31, 2007.

General and administrative expenses amounted to \$1,524,763 during the nine months ended March 31, 2008 compared to \$1,541,180 during the same period for 2007. Amortization increased from \$25,149 to \$63,360 because of computer hardware and software purchases. Because of a conversion of debt to equity by Spirit Resources Ltd. ("Spirit"), there was no interest paid on loans in the current year, as opposed to \$121,919 in the prior year (see detailed discussion on Spirit below). Salaries and Benefits were reduced from \$463,153 to \$367,533 as a result of a decrease in staff numbers, and use of consultants. As a result

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primarily of an increase in exploration and new project activity, travel and accommodations increased from \$69,319 to \$137,100. Professional fees increased from \$334,701 to \$403,854 due to a combination of a prior year under-accrual for audit fees and the employment of tax and accounting specialists, as well as legal expenses. Stock based compensation decreased due to the graded vesting of the option plan.

Interest received increased significantly as a result of a larger cash balance. There were no significant write-offs or disposals of fixed assets in the current year.

SELECTED QUARTERLY DATA

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

| | 31-Mar-08 | 31-Dec-07 | 30-Sept-07 | 30-June-07 | 31-Mar-07 | 31-Dec-06 | 30-Sept-06 | 30-June-06 |
|---|-----------|-------------|------------|-------------|-----------|----------------------|----------------------|-------------|
| Total Revenues | 682,006 | 726,143 | 610,959 | 1,346,497 | 663,119 | ¹ 209,853 | ¹ 283,561 | 809,334 |
| Net Earnings (Loss) | (801,840) | (1,024,169) | (840,854) | (1,554,633) | (754,188) | (813,289) | (1,961,422) | (1,294,097) |
| Net Earnings (Loss) per Share (basic and diluted) | (0.01) | (0.01) | (0.01) | (0.01) | (0.01) | (0.01) | (0.02) | (0.01) |

1. Production using the Company's mining vessel mv Diamond Fields Discoverer commenced in June 2005. Production was interrupted from June 2006 due to the Cape Town port call for the statutory dry-docking, maintenance and upgrade programs.

CAPITAL RESOURCES AND LIQUIDITY

At March 31, 2008, the Company had a working capital surplus of \$5,202,632 including cash of \$4,738,622 compared with a working capital surplus of \$8,254,940 including cash of \$8,995,041 at June 30, 2007. The decrease in the working capital deficit is primarily a result of losses incurred with the Namibian mining operations, general and administrative costs and exploration activities.

The March 31, 2008 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. Accordingly, the accompanying financial statements do not include any adjustments to the recoverability and classification of recording of assets, or the amounts or classification of liabilities, that might be necessary should the company be unable to continue as a going concern.

TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Following the conversion of the Company's total combined debt to Spirit of \$3,901,110.53 into 26,007,403 common shares in July 2007, the Company no longer has any indebtedness to related parties.

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Following the conversion, Mr. Boulle held directly or indirectly approximately 26.1% of the Company's issued and outstanding common shares (at July 26, 2007).

In July 2007 the Company entered into a joint venture agreement with Lion Fields Limited ("Lions Field") for mineral exploration in a highly prospective area in western Zambia. Lion Fields, a company that is controlled by Mr. Jean-Raymond Boulle, the largest shareholder of the Company, has been granted the exclusive right to conduct exploration work for copper, gold, silver, zinc, lead and germanium over a 444 square kilometer property (the "Zambia Property") in the Solwezi district of western Zambia. Management of DFI believe that the Zambia Property has the potential to host extensions to the world-class Kipushi ore-body, located immediately adjacent to the Zambia Property, within the Democratic Republic of Congo. Kipushi is one of the highest grade zinc mines in the world.

Following the acceptance of the Toronto Exchange, Lion Fields and DFI have formed a Joint Venture on an 80% (DFI) to 20% (Lion Fields) basis, for the exploration, valuation and, if justified, the development and mining of any mineral resources discovered on the Zambia Property, upon the terms and conditions set out in the Joint Venture agreement.

Pursuant to the Joint Venture agreement, DFI has reimbursed Lion Fields US\$200,000 against a portion of Lion Fields' total project costs incurred to date.

DFI is appointed operator of the Joint Venture with overall management responsibility for the prospecting operations on the Property and, among other things, will be required to incur minimum exploration expenditures of US\$200,000 over the existing term of the Zambia Property license (which is due to expire in December 2008) and US\$200,000 during each subsequent renewal term of the license, if any, in order to maintain its interest in the Zambia Property.

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

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

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

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

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 effect on the expected recoverability of the carrying values of the mining properties and related expenditures.

Stock-based Compensation

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

Income Taxes

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

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

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

FINANCIAL INSTRUMENTS

The carrying amounts of cash, accounts receivable, accounts payable and loan payable as at March 31, 2008 and June 30, 2007, approximate their fair values. 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 12, 2008, a total of 234,506,715 common shares of the Company were outstanding. Stock options outstanding at February 12, 2008 totalled 3,215,000 with exercise prices ranging from Cdn\$0.14 to Cdn\$0.91 per share and expiry dates between May 7, 2008 to March 18, 2012, respectively. Warrants outstanding at February 12, 2008 totalled 36,459,176 with exercise prices of Cdn\$0.40 per share and an expiry date 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In the June 2007 Management Discussion and Analysis, management indicated that it would rely on consistency in its financial function to enable it to meet financial reporting requirements.

The company is currently undergoing significant staff restructuring, which directly impacts the finance function. This restructuring could potentially affect future financial reporting.

DIAMOND FIELDS INTERNATIONAL LTD.

Consolidated Balance Sheets

(Expressed in U.S. dollars)

| | March 31, 2008 (Unaudited) | June 30, 2007 |
|--|----------------------------------|----------------------|
| ASSETS | | |
| CURRENT | | |
| Cash | \$ 4,738,622 | \$ 8,995,041 |
| Accounts receivable | 317,973 | 131,122 |
| Prepaid Expenses | 41,561 | 51,395 |
| Inventories | 729,373 | 617,025 |
| | 5,827,529 | 9,794,583 |
| INVESTMENTS | 104,219 | 104,219 |
| MINERAL PROPERTIES (Note 2) | 9,054,686 | 8,330,913 |
| PROPERTY, PLANT AND EQUIPMENT | 1,590,431 | 2,065,370 |
| | \$ 16,576,865 | \$ 20,295,085 |
| LIABILITIES | | |
| CURRENT | | |
| Accounts payable and accrued liabilities | \$ 624,897 | \$ 1,539,643 |
| | 624,897 | 1,539,643 |
| NOTES PAYABLE (Note 8) | | 3,677,034 |
| FUTURE INCOME TAXES | 1,072,426 | 1,262,189 |
| | 1,697,323 | 6,478,866 |
| SHAREHOLDERS' EQUITY | | |
| Share capital (Note 5) | | |
| Authorized - Unlimited number of common shares without par value | | |
| Issued & outstanding: 234,506,715 (June 30, 2007: 208,399,312) | 48,717,521 | 45,031,029 |
| Contributed Surplus | 2,988,016 | 2,669,107 |
| Equity portion of note payable (Note 4) | - | 275,215 |
| Deficit | (35,821,261) | (33,154,398) |
| Cumulative translation adjustments | (1,004,734) | (1,004,734) |
| | 14,879,542 | 13,816,219 |
| | \$ 16,576,865 | \$ 20,295,085 |

APPROVED BY THE BOARD:

"Edward Wayne Malouf "

Director

"Gooroodeo Sookun "

Director

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

| | Three months ended March 31, | | Nine months ended March 31, | |
|---|------------------------------|-----------------|-----------------------------|-----------------|
| | 2008 | 2007 | 2008 | 2007 |
| DIAMOND SALES | \$ 682,006 | \$ 663,119 | \$ 2,019,108 | \$ 1,156,533 |
| OPERATING COSTS | | | | |
| Production costs (including depletion) | 948,072 | 731,878 | 3,070,328 | 1,876,990 |
| Royalties, selling and marketing | 92,387 | 84,930 | 212,249 | 113,539 |
| | 1,040,459 | 816,808 | \$ 3,282,577 | \$ 1,990,529 |
| | (358,453) | (153,689) | (1,263,469) | (833,996) |
| GENERAL AND ADMINISTRATIVE EXPENSES | | | | |
| Amortization | 29,195 | 8,463 | 63,360 | 25,149 |
| Consulting | 52,784 | 68,241 | 116,616 | 96,933 |
| Financing fees | - | - | - | - |
| Interest on loan and note payable (Note 6) | - | 54,203 | - | 121,919 |
| Investor relations | 21,981 | 16,758 | 80,805 | 64,055 |
| Maintenance | 6,995 | 5,593 | 19,648 | 14,463 |
| Office | 49,101 | 67,144 | 227,346 | 210,385 |
| Professional fees | 106,498 | 164,998 | 403,854 | 334,701 |
| Regulatory | 31,337 | 14,811 | 64,807 | 53,709 |
| Salaries and benefits | 57,770 | 194,437 | 367,533 | 463,153 |
| Stock-based compensation | (3,607) | 64,192 | 43,694 | 87,394 |
| Travel and accommodation | 59,001 | 33,782 | 137,100 | 69,319 |
| | 411,055 | 692,622 | 1,524,763 | 1,541,180 |
| OTHER INCOME (EXPENSE) | | | | |
| Interest and other income | 30,258 | 12,239 | 110,154 | 13,866 |
| Interest on loans and note payable | - | - | - | - |
| Loss on sales of property, plant and equipment | (3,189) | - | (3,189) | (1,230,918) |
| Provision for impairment of exploration properties | - | - | - | - |
| Foreign exchange | (276,910) | 79,884 | (175,360) | 63,329 |
| | (249,841) | 92,123 | (68,395) | (1,153,723) |
| EARNINGS (LOSS) BEFORE INCOME TAXES | (1,019,349) | (754,188) | (2,856,627) | (3,528,899) |
| RECOVERY OF FUTURE INCOME TAXES | (217,509) | - | (189,764) | - |
| NET EARNINGS (LOSS) FOR THE PERIOD | (801,840) | (754,188) | (2,666,863) | (3,528,899) |
| DEFICIT, BEGINNING OF PERIOD | (35,019,421) | (30,845,577) | (33,154,398) | (28,070,866) |
| DEFICIT, END OF PERIOD | \$ (35,821,261) | \$ (31,599,765) | \$ (35,821,261) | \$ (31,599,765) |
| BASIC AND DILUTED LOSS PER SHARE | \$ (0.01) | \$ (0.01) | \$ (0.01) | \$ (0.03) |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (in 000's) | 234,506 | 131,885 | 232,689 | 119,320 |

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 March 31, | | Nine months ended March 31, | |
|---|------------------------------|--------------------|-----------------------------|--------------------|
| | 2008 | 2007 | 2008 | 2007 |
| OPERATING ACTIVITIES | | | | |
| Net loss | \$ (801,840) | \$ (754,188) | \$ (2,666,863) | \$ (3,528,899) |
| Items not involving use of cash: | | | | |
| Depreciation and depletion | 259,475 | 130,551 | 754,090 | 296,842 |
| Accrued interest | - | (5,896) | - | - |
| Non-cash interest expense | - | 30,099 | - | 91,919 |
| Financing fees | - | - | - | - |
| Recovery of future income taxes | (217,509) | - | (189,764) | - |
| Stock-based compensation | (3,607) | 64,192 | 43,694 | 87,394 |
| Loss on sales of PPE | 3,189 | - | 3,189 | 1,230,918 |
| Provision for impairment of exploration properties | - | - | - | - |
| Net change in non-cash operating working capital items (Note 6) | 167,712 | (886,818) | (1,204,111) | (272,037) |
| | (592,580) | (1,422,060) | (3,259,765) | (2,093,863) |
| FINANCING ACTIVITIES | | | | |
| Share capital issued, net of issue costs | - | 2,208,664 | 3,686,492 | 2,221,527 |
| Proceeds (Repayment) of loan payable | - | (368,745) | (3,677,034) | 1,413,945 |
| Repayment of note payable | - | - | - | - |
| | - | 1,839,919 | 9,458 | 3,635,472 |
| INVESTING ACTIVITIES | | | | |
| Expenditures on mineral properties | (253,167) | (218,862) | (822,179) | (401,566) |
| Proceeds of disposal of PPE | - | - | - | 316,908 |
| Expenditures on other capital assets | (5,266) | 46,155 | (183,933) | (1,451,246) |
| | (258,433) | (172,707) | (1,006,112) | (1,535,904) |
| INCREASE (DECREASE) IN CASH | (851,013) | 245,152 | (4,256,419) | 5,705 |
| CASH, BEGINNING OF PERIOD | 5,589,635 | 47,440 | 8,995,041 | 286,887 |
| CASH, END OF PERIOD | \$ 4,738,622 | \$ 292,592 | \$ 4,738,622 | \$ 292,592 |

DIAMOND FIELDS INTERNATIONAL LTD.

Notes to the Consolidated Financial Statements

Three and nine months ended March 31, 2008 and 2007

(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, 2007.

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.

| | <u>March 31, 2008</u> | <u>June 30, 2007</u> |
|------------------------------|-----------------------|--------------------------|
| Namibian sea concessions | \$ 6,897,143 | \$6,995,548 |
| Other exploration properties | 2,157,543 | 1,335,365 |
| | <u>\$ 9,054,686</u> | <u>\$8,330,913</u> |

3. NOTE PAYABLE

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

The company announced on July 26, 2007 that Spirit Resources SARL has converted all of the outstanding debt under its credit facility with the Company into common shares. Details of the conversion are described in Note 17 to the Company's most recent audited annual financial statements.

4. SHARE CAPITAL

During the nine months ended March 31, 2007 the following share transactions took place:

100,000 common shares with a fair value of \$9,458 (Cdn\$10,000) were issued as partial compensation for an option to acquire a working interest in certain exploration properties.

26,007,403 common shares with a fair value of \$3,901,111 were issued as settlement for the note payable to Spirit Resources SARL (Note 3).

DIAMOND FIELDS INTERNATIONAL LTD.

Notes to the Consolidated Financial Statements

Three and nine months ended March 31, 2008 and 2007

(Un-audited – prepared by management)

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

During the nine months ended March 31, 2008, 1,523,000 options were cancelled at prices between Cdn\$0.22 and Cdn\$0.43 per share and expiry dates between January 28, 2008 and March 18, 2012. The options vest over three years and expire July 5, 2011.

At February 12, 2008, a total of 234,506,715 common shares of the Company were outstanding. Stock options outstanding at February 12, 2008 totalled 3,215,000 with exercise prices ranging from Cdn\$0.14 to Cdn\$0.91 per share and expiry dates between May 28, 2008 to March 18, 2012, respectively. Warrants outstanding at February 12, 2008 totalled 36,459,176 with exercise prices of Cdn\$0.40 per share and an expiry date 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.

5. CASH FLOW INFORMATION

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

| | Three months ended | | Nine months ended | |
|--|--------------------|--------------|-------------------|--------------|
| | March 31 | | March 31 | |
| | 2008 | 2007 | 2008 | 2007 |
| (Increase) decrease in: | | | | |
| Accounts receivable | \$ 813,213 | \$ (91,875) | \$ (186,851) | \$ (86,519) |
| Inventory | (48,981) | (195,583) | (112,348) | (259,055) |
| Prepaid expenses | (10,357) | (19,377) | 9,834 | 1,369 |
| Increase (decrease) in: | | | | |
| Accounts payable and accrued liabilities | (586,163) | (579,983) | (914,746) | 72,168 |
| | \$ 167,712 | \$ (866,818) | \$ (1,204,111) | \$ (272,037) |

6. SEGMENTED INFORMATION

The Company considers its business to consist of one reportable business segment. All of the Company's revenue for the three and nine month periods ended March 31, 2008 and 2007 was earned in Namibia.

7. 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.