DIAMOND FIELDS RESOURCES

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

INTRODUCTION

*On December 6, 2017, the Company changed its name from **Diamond Fields International Ltd** to **Diamond Fields Resources Inc.***

This Management's Discussion and Analysis ('MD&A") has been prepared as at October 29, 2018 and contains certain "forward-looking statements" under the Canadian securities laws. All statements, other than statements of historical fact included herein, including without limitation statements regarding potential mineralization, exploration results and future plans and objectives of Diamond Fields Resources Inc. ("Diamond Fields", or "the Company"), are forward-looking statements that involve various risks, uncertainties and assumptions. The MD&A should be read in conjunction with the audited consolidated financial statements of Diamond Fields Resources Inc.

Additional information about Diamond Fields is available on SEDAR at www.sedar.com.

Management's responsibility for financial reporting

The consolidated financial statements have been prepared by management who, when necessary, has made informed judgements and estimates of the outcome of events and transactions, with due consideration given to materiality. Management acknowledges its responsibility for the fairness, integrity and objectivity of all information in the consolidated financial statements.

As a means of executing its responsibility, management relies on the company's system of internal control. This system has been established to ensure, within reasonable limits, that the assets are safeguarded, transactions are properly recorded and are executed in accordance with management's authorization, and that the accounting records provide a solid foundation from which to prepare the consolidated financial statements.

The Board of Directors carries out its responsibility for the consolidated financial statements principally through its Audit Committee, consisting solely of non-management directors. This committee makes its recommendations to the Board of Directors. Based on those recommendations, the Board of Directors approves the consolidated financial statements.

OVERVIEW

Description of business

Diamond Fields is a British Columbia incorporated company listed on the TSX Venture Exchange. The Company is active in mineral exploration, and has ongoing business interests in Namibia, Madagascar and in the Red Sea (jointly managed by The Kingdom of Saudi Arabia and the Republic of Sudan).

The Company's trading symbol on the TSX Venture Exchange is DFR.

Principal Assets

Beravina (Zircon). The Company through its Madagascar based subsidiary, Compagnie Generale des Mines de Madagascar, owns a Mining Licence ("Permis d'Exploitation" 8096) for the exploration and mining of the Beravina deposit that is valid until June 22, 2055. The Beravina Project has an historic JORC-Compliant Indicated Mineral Resource estimate of 1.8 million tons at 29% zircon (~530,000 tons of contained zircon). The Company cautions that the resource estimate is historical and as such is not treating it as a current resource under NI43-101. The Project, which covers 625 hectares, is located in Western Madagascar within the Melaky region and is approximately 220km east of the port of Maintirano, near a state road. The Company has commissioned various analyses including mineralisation, minerology, metallurgy and other deposit characteristics and targets to issue a NI 43-101-compliant resource statement by the end of 2018.

Namibia (Diamond). Through its Namibian subsidiaries the Company owns several offshore diamond mining licences in Namibia, including ML111 where the Company had historical diamond production (2001-2004, 2005-2008 and 2016). The Company also owns ML138, ML139 and 70% of ML32. The Company announced on October 3, 2018 that International Mining and Dredging Holdings (Pty) Limited ("IMDH") has confirmed, via its subsidiary Nutam Operations (Pty) Ltd ("Nutam"), that the mining vessel m/v Ya Toivo is scheduled to enter Namibian waters during the first week of November 2018. Once in position the m/v Ya Toivo will commence mining operations on the ML111 licence area, which is held by DFR through its Namibian subsidiary Diamond Fields (Namibia) (Pty) Ltd. In November 2017, IMDH and Nutam presented DFR with an initial six month (non-continuous) mining program. The parties expect to review operational performance during the initial term to find a sustainable balance for the sharing of future exploration and mining costs, particularly in relation to further resource and reserve development.

Red Sea (Zinc, Copper, Manganese, Cobalt and others). The Atlantis II basin containing the Atlantis II deposit is located at the bottom of the Red Sea, The Project is currently on hold pending resolution of a dispute with DFR's joint venture partner, Manafa International Ltd., over performance and contractual issues.

REVIEW OF OPERATIONS

Highlights

Equity Financing and Issuance of Shares in Settlement of Debt

In May 2018, the Company announced that the TSX-V had accepted the Company's private placement of 6,472,496 common shares at a price of CAD $0.125 per share and the issuance of 14,078,170 common shares at a deemed price of CAD $0.125 per share to settle a total of CAD $1,759,771 in outstanding debt owing to its major shareholder, Spirit Resources SARL. Accordingly, on May 29, 2018 the Company issued a total of 20,550,666 common shares at CAD $0.125 per share, having an aggregate value of CAD $2,568,833. After closing the transactions, the Company had eliminated its outstanding loans and, as at 30th June 2018, had cash of US$ 1,425,450.

On August 28, 2018, the Company announced that it had increased its fixed, less than 10%, Stock Option Plan from 4,700,000 shares to 6,789,000 shares which remained less than 10% of the Company's then 67,895,662 issued and outstanding share capital. The Company had 5,200,000 options granted and outstanding as at the date of this MD&A.

Changes at Board and senior management level

The Company continues to strengthen its Board and senior management.

On February 5, 2018, David Reading, a geologist with over 35 years' experience in mining and mine development, was appointed as a Director of the Company.

On April 25, 2018, Philip Murphy, CEO of World Titanium Resources and former Managing Director of TZ Mineral International Pty Ltd (TZMI), was appointed as a Director of the Company.

The Board is now comprised of eight (8) Directors, being Norman Roderic Baker, Bertrand Boulle, Francois Colette, Al Gourley (Chairman of the Board), Sybrand van der Spuy (CEO), David Reading, Philip Murphy and Earl Young.

On March 19, 2018, Jean Lindberg Charles, an experienced CFO and Commercial Director, formerly CFO of Sierra Rutile Limited, was appointed as CFO and Secretary of the Company.

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

Overall operation updates and performance

During the previous quarter, the Company commissioned consultants SGS South Africa, HATCH and the MSA Group to conduct analyses of the Beravina mineralisation, minerology, metallurgy and other deposit characteristics. On October 11, 2018, the Company announced that the results showed that zircon could be concentrated to levels of between 50% ZrO_2 and 58% ZrO_2 with varying levels of thorium ingrained and that further works were anticipated in 2018 and 2019. Future work is expected to include the assessment of further processing solutions to improve concentrate grade and remove deleterious elements, market testing of various potential products and, depending on market acceptance of the concentrates, a further drilling campaign. The Company expects to issue a NI 43-101 compliant resource statement towards the end of the calendar year 2018.

In November 2017, IMDH via its local subsidiary Nutam presented DFR with an initial six month (non-continuous) mining program. During the quarter under review, the Company clarified various technical issues related to its authorization to mine ML 111 by IMDH/Nutam. On October 3, 2018, the Company announced that IMDH via Nutam informed that the mining vessel m/v Ya Toivo was scheduled to enter Namibian waters during November 2018. Once in position the m/v Ya Toivo would commence mining operations on the ML111 licence area.

The Company continues to review and assess the suitability of additional projects to the advancement of the Company's growth plans. The nickel project in Madagascar was disposed earlier during the year.

For the year and quarter ended June 20, 2018, other income and gains on disposal of assets amounted to $1,079,308 and $4,482 (minus closing cost of Nickel Fields sale of $8,000) respectively (2017: Nil), Net Comprehensive Income/Loss amounted to Income $599,953 and $28,548 respectively (2017: Loss $1,515,315 and $730,642).

RESULTS OF OPERATIONS

Review of selected financial and operating results

Selected three and twelve month period financial and non-financial information

All amounts in US$ except as otherwise indicated	**Three month ended June 30, 2018**	Three month ended June 30, 2017	**Twelve month ended June 30, 2018**	Twelve month ended June 30, 2017
Revenue, other income and gains on disposal of assets	**(3,518)**	-	**1,071,308**	-
Exploration expenditures	**(54,307)**	(80,577)	**(391,707)**	(200,583)
Mineral property acquisition costs	**-**	-	**-**	(411,817)
Adminitrative and corporate expenses	**(98,936)**	(65,082)	**(326,296)**	(255,181)
Share based compensation	**(31,015)**	(339,844)	**(31,015)**	(339,844)
Fair value movement on derivatives, finance charges and exchange differences	**321,449**	(271,528)	**273,178**	(328,908)
Derecognication of payables	**-**	27,871	**-**	27,871
Differences on translation of foreign operations	**(105,125)**	(1,482)	**4,485**	(6,853)
Comprehensive (Loss) / Income	**28,548**	(730,642)	**599,953**	(1,515,315)
Gross Proceeds from Share Issue	**1,997,037**	-	**1,997,037**	768,000
Loans (paid / extinguished) / received	**(1,368,059)**	-	**(1,018,059)**	
Weighted average number of shares outstanding (units)*	**49,146,698**	44,739,299	**49,146,698**	44,739,299
EPS - basic (Cents)	**0.06**	(1.63)	**1.22**	(3.39)

* Same number of shares utilised for three and twelve month period for consistency

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (the "IFRS"). The MD&A includes certain non-IFRS measures, to provide meaningful information, where appropriate.

Other income and gains on sale of assets for the twelve months to 30 June 2018 also include proceeds of $670,000 from IMDH for the Company's share of the 2016 bulk sampling program on its ML 111 licence in Namibia and net proceeds of $392,000 from the disposal of Nickel Fields (Mauritius) Ltd.

During the twelve and three months under review, the Company incurred $391,707 and $54,307 exploration expenditures (2017: $200,583 and $80,577) respectively, mainly in relation to the Namibian projects $235,097 and Beravina project $135,918. Administrative and corporate overheads amounted to $326,296 and $98,936 for the twelve and three months ended June 30, 2018 respectively, compared to $255,181 and $65,082 for 2017.

The main changes in costs during the year relate mainly to:

- Administrative costs associated with preparing for the recommencement of mining on the Namibian marine concessions;
- Preparatory works for the development of the Madagascar project and Namibian projects including preliminaries with regards to restart of mining ML111 towards the end of calendar year 2018 as well as some expenses on ML 32;
- Increased corporate overheads in relation to additional resources and share issue;
- Decreased share based compensation due to less stock options issued during financial year 2018 as compared to 2017; and,
- Acquisition cost of Beravina Zircon deposit expensed during financial year 2017.

Projects

Madagascar "Beravina" Zircon

In 2016, the Company acquired the Beravina zircon project in Madagascar from Pala Investments Limited. Beravina is a pegmatite-hosted, hard rock, zircon deposit located approximately 325 kilometers west-northwest of Antananarivo, the capital of Madagascar. The deposit is characterized by a small surface footprint, with the mineralised pegmatite describing a steeply dipping cone-shaped structure. A historical independent JORC compliant geological resource estimate on the property, undertaken by Badger Mining and Consulting (Pty) Ltd. in 2012, estimated an indicated resource of 1.8mt at 29.5% zircon, open at depth (the "2012 Resource Estimate"). This historical resource estimate is considered relevant by the Company as it formed the primary justification for the acquisition of the Beravina Project.

The Company cautions that the 2012 Resource Estimate is historical in nature and the Company is not treating such resources as a current resource under NI 43-101. Investors are further cautioned that a qualified person has not yet completed sufficient work to be able to verify the historical resources, and therefore they should not be relied upon.

During the previous quarter, the Company commissioned consultants SGS South Africa, HATCH and the MSA Group to conduct analyses of the Beravina mineralisation, minerology, metallurgy and other deposit characteristics ("Work Program") in advance of an intended drill program. The Work Program reviewed the 2012 Resource Estimate and re-assayed historic drill core samples, which is expected to result in the production of a NI 43-101 compliant resource statement by the end of calendar year 2018. Results from initial metallurgical and material processing test released in October 2018 confirmed that zircon can be concentrated to levels of between 50% ZrO_2 and 58% ZrO_2 with varying levels of thorium ingrained.

Further work at Beravina is expected to include: evaluation of additional processing techniques to improve concentrate grade and remove deleterious elements; market testing of various potential products; and a further drilling campaign, depending on positive market acceptance of the Beravina concentrates.

The Company incurred $135,918 on the Beravina project during the year ended 30 June 2018 (2017: Nil), and further funds have been applied to the project post balance sheet date.

Namibian Marine Concessions

The Company's principal marine diamond mining licence, ML111, held by its subsidiary, Diamond Fields Namibia (Pty) Limited ("DFN"), has been renewed until December 4, 2025. DFN also holds mid to deep water offshore concessions ML138 and ML139. The ML138 and ML139 licences are valid until November 2019 and November 2029, respectively. The Company's subsidiary, Namibian Diamond Company (Pty) Limited ("NDC"), holds 70% in the near shore concession ML32, and the other 30% is held by a private Namibian company, Full Screen Investments (Pty) Ltd.

As referred earlier in this MD&A, in November 2017, IMDH and its local subsidiary Nutam presented the Company with an initial six month (non-continuous) mining program. During the fourth quarter, the Company clarified various technical issues related to its authorization to mine ML 111 by IMDH/Nutam. On 3 October 2018, the Company announced that IMDH via Nutam confirmed that the mining vessel m/v Ya Toivo was scheduled to enter Namibian waters during the month of November 2018. Once in position the m/v Ya Toivo will commence mining operations on the ML111 licence area. The parties expect to review operational performance during the initial term to find a sustainable balance for the sharing of future exploration and mining costs, particularly in relation to further resource and reserve development.

The Company has incurred $235,097 on its Namibian diamond assets during the year ended June 30, 2018 (2017: $169,270).

Atlantis II, Red Sea, Saudi Arabia

The Atlantis II deposit comprises a series of interlinked sub-basins predominantly infilled by a series of SEDEX (Sedimentary Exhalative) sedimentary sequences. A 30-year mining licence, issued by the Joint Red Sea Commission to Manafa International Trade Company ("Manafa"), was as per a 2011 agreement, to be transferred into a joint venture company that was to be majority owned by the Company. DFR was entitled to a 50.1% in such company, with Manafa holding the remaining 49.9% of shares.

Diamond Fields has subsequently completed an independent resource analysis based on the original core data from the Atlantis II Deeps collated by Preussag. Development of the project has been hindered since April 2013 following a dispute with Manafa over contractual terms. The Company continues to explore avenues to resolve the impasse. No significant expenditure has been directly incurred on the project during the year.

Madagascar Nickel Exploration program

On December 21, 2017, the company disposed of its wholly owned subsidiary, Nickel Fields (Mauritius) Ltd, for a gross consideration of $400,000 (net $392,000).

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

SELECTED QUARTERLY FINANCIAL INFORMATION

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

All amounts in US$	June 30 2018	Mar 31 2018	Dec 31 2017	Sep 30 2017	Jun 30 2017	Mar 31 2017	Dec 31 2016	Sep 30 2016
(Loss) /Other Income and gains on sale of assets	(3,518)	4,826	1,070,000	-	-	-	15,616	-
Comprehensive Income/(Loss)	28,548	(240,711)	890,112	(187,607)	(729,160)	(108,942)	(151,446)	(518,914)
Basis Earnings / (Loss) per share	0.00	(0.00)	0.02	(0.00)	(0.02)	(0.00)	(0.00)	(0.01)

SELECTED ANNUAL FINANCIAL INFORMATION

The following table sets forth selected financial information for the years ended June 30, 2018, 2017 and 2016:

All amounts in US$	**2018**	**2017**	**2016**
Other income / gain on disposal of assets	1,071,308	-	-
Comprehensive Income / (Loss)	599,953	(1,515,315)	(392,507)
Comprehensive Income / (loss) per share (basic)	0.01	(0.03)	(0.01)
Cash and cash equivalents	1,425,450	128,257	192,187
Total assets	1,454,550	160,679	221,087
Working capital / (deficiency)	653,205	(1,963,851)	(886,758)

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Comprehensive Income for the year and quarter ended June 2018 were $599,953 or $0.01 per share and $28,548 or $0.00 per share respectively, compared with a Loss of $1,515,315 or $0.03 per share and $729,160 or $0.02 per share for 2017. Gain on fair value of warrant derivative during the year amounted to $305,106 contributing towards improving the comprehensive income.

The $2,115,268 improvement in Comprehensive income from 2017 to 2018 is mainly attributed to:

Share of proceeds for bulk sampling performed in 2016 earned during 2018 – gain $670,000;
Net proceeds from disposal of Nickel Fields – gain $392,000;
Reduction in share-based compensation – gain $308,829;
Fair value movement of derivatives – gain $567,050;
Acquisition cost of Beravina project impacting 2017 only – gain $411,817;
Increase in salaries – loss $59,722;
Increase in exploration expenditures – loss $191,124

CAPITAL RESOURCES AND LIQUIDITY

Cash and Working Capital

At June 30, 2018, the Company had $653,205 working capital including Cash amounting to $1,425,450 compared to working capital deficiency of $1,963,851 including cash of $128,257 at June 30, 2017. The improvement in working capital ($2,617,056) is mainly attributable to cash generated from the disposal of Nickel Fields $392,000, receipt of share of bulk proceeds from the Namibian diamond project $670,000 , in addition to reduction of current liabilities through a gain of $305,106 (2017 - Loss $261,944) on fair value of financial derivatives, cash $579,184 raised through a the private placement completed during the year and a debt for share transaction closed with the majority shareholder, Spirit Resources eliminating debts amounting to $1,368,059. The cash will be used during future quarters mainly to finance the Company's ongoing costs and the Madagascar Beravina project.

Share Transactions

Shareholders' Equity amounted to $653,205 as at 30 June 2018 compared to a deficiency of $1,963,851 in 2017. During the year, the Company closed a private placement of 6,472,496 common shares (raising net cash proceeds of $579,184) and issuance of 14,078,170 common shares in settlement of debt, both at a price of CAD $0.125 per share, bringing the total number of issued and outstanding shares to 67,895,662 common shares.

During the year ended 30 June 2017, the company recorded the following share transactions:

On September 22, 2016, the Company effected a common share consolidation on the basis of five pre-consolidation common shares for one post-consolidation common share of the Company.

On September 23, 2016, the Company closed a CAD $1,000,000 financing on a post-consolidated basis through the issuance of 10,666,667 units at a price of CAD $0.09375 per unit. Each unit comprised of one common share and one warrant, each warrant entitling the holder to purchase one additional common share at an exercise price of CAD $0.125 per share for five years from the date of issuance.

On September 6, 2016 the Company issued a total of 653,130 common shares at a value of CAD $0.10 per share to Pala Investments Limited as part of the purchase price of the Beravina project.

Stock options and warrants

The Company operates a fixed, less than 10%, stock option plan and had 3,452,800 outstanding options as at 30 June 2017 out of the approved 4,700,000. During the year, the Company issued a further 400,000 options at an exercise price of CAD $0.145 to a Director, and 3,852,800 options were outstanding as at 30 June 2018 with exercise prices varying between CAD $0.145 and CAD $0.50.

After the financial year, 490,000 options lapsed, and on August 28, 2018, the Company announced that it had increased its fixed, less than 10% stock option plan to 6,789,000 which remained less than 10% of the Company's then (and current) 67,895,662 issued and outstanding shares and, granted further 1,837,200 options at an exercise price of CAD $0.145. As at the date of this MD&A the Company had a total of 5,200,000 issued and outstanding all at exercise price of CAD $0.145 per share and had a balance of 1,589,000 unissued options.

On September 23, 2016, the Company issued Spirit Resources, its majority shareholder, 10,666,667 warrants exercisable as a price of CAD $0.125 each, expiring five years after the issue date, upon closing a financing of CAD $1,000,000.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed below:

Share-based Payment Transactions

The Company measures the cost of equity-settled transactions with employees and other parties by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 12 of the latest audited financial statements.

Derivative Financial Instruments

The Company has determined that its functional currency is the US dollar and has issued non-broker warrants in a currency other than its functional currency. The Company measures the cost of the derivative financial instruments by reference to the fair value of the instruments at the date at which they are granted and revalues them at each reporting date. Estimating fair value for non-broker warrant transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the warrant, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value derivative financial instrument transactions are disclosed in Notes 13 of the latest audited financial statements.

Convertible Debentures

The Company has issued and modified convertible debentures, the valuation and accounting for which is complex and requires the application of management estimates and judgments with respect to the determination of appropriate valuation models, certain assumptions applied within such valuation models, whether the modification of the debt instruments are significant and certain aspects of the accounting method applied on initial recognition. The convertible debentures have been settled through the issuance of shares during the year. The assumptions and models previously used for estimating the fair value of convertible debenture transactions are disclosed in Note 14 of the latest audited financial statements.

Title to Mineral Property Interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

ADOPTION OF NEW ACCOUNTING STANDARDS & OTHER PROPOSED FUTURE ACCOUNTING CHANGES

Standards, amendments and interpretations not yet effective

The IASB or the International Financial Reporting Interpretations Committees ("IFRIC") have issued a number of new or revised standards or interpretations that will become effective for future periods and have a potential implication for the Company.

IFRS 9 Financial Instruments

On July 24, 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

This standard will include changes in the measurement bases of financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model.

The standard is effective for annual periods beginning on or after January 1, 2018 with retrospective application, early adoption is permitted.

The Company has not early adopted this standard and the directors of the Company do not anticipate that the application of IFRS 9 in the future will have a material impact on the amounts reported and disclosures made in the Company's consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange of those goods and services.

The directors of the Company do not anticipate that the application of IFRS 15 in the future will have a material impact on the amounts reported and disclosures made in the Company's financial statements. This standard is effective for annual periods beginning on or after January 1, 2018.

IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It will supersede the following lease Standard and Interpretations upon its effective date:

- IAS 17 *Leases*
- IFRIC 4 *Determining whether an arrangement contains a lease*
- SIC 15 *Operating Lease – Incentives*; and
- SIC 27 *Evaluating the Substance of Transactions involving the Legal Form of a Lease*

IFRS 16 is effective for reporting periods beginning on or after January 1, 2019 with early application permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16.

The directors of the Company do not anticipate that the application of IFRS 16 in the future will have a material impact on the amounts reported and disclosures made in the Company's financial statements. The Company has not early adopted any of these standards or interpretations.

CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENT RISKS

(i) Capital Management

The Company's objective is to ensure it has sufficient capital to maintain its ongoing mining operations and safeguard its ability to continue as a going concern in order to pursue the continued development of its various mineral properties.

The Company's capital consists of shareholders' equity. The Company's policy is to fund ongoing exploration activities, as well as its administration and corporate activities, from the issuance of shares and debt instruments. The Company may acquire additional funds from capital or debt markets where advantageous circumstances arise. The Company assesses capital and debt markets on a case by case basis to minimize the cost of capital in the prevailing markets and maintain an optimal capital structure. The Company plans to raise capital or borrow funds, although there is no certainty that such financing will be available on terms acceptable to the Company. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. No investments in asset backed commercial paper are used. There are no outside restrictions on the Company's capital.

The Company's capital management policies have not changed during the year.

(ii) Financial Instrument Risks

The Company is exposed in varying degrees to a variety of financial instrument related risks. The type of risk exposure and the way in which such exposure is managed is provided as follows:

<u>Market Risk</u>

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of four types of risk: foreign currency risk, interest rate risk, equity price risk and commodity price risk.

Foreign currency risk

Foreign currency risk is the risk that a variation in exchange rates between currencies with which the Company transacts will affect the Company's operations and financial results. The Company primarily transacts business in Canada, Mauritius, Namibia, Madagascar and South Africa and purchases goods and services denominated in US dollars, Canadian dollars, Namibian dollars, Madagascar Ariary and South African Rand. As such, the Company has exposure to foreign currency exchange rate fluctuations at this time. The Company has not entered into any agreements or purchased any instruments to hedge possible foreign currency risks.

Interest rate risk

The Company does not have any financial instruments subject to interest rate risk at the date of reporting.

Equity price risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company has no equity holdings and is therefore not exposed to this risk.

Commodity price risk

Commodity price risk is the uncertainty associated with the valuation of assets arising from changes in commodities. The Company is not currently impacted by such risk as its mineral properties are at an early exploration stage.

Credit risk

The Company is primarily exposed to credit risk on its cash and the risk of financial loss if counterparty to a financial instrument fails to meet its financial obligation. Credit risk exposure on cash is limited through maintaining cash with high-credit quality financial institutions and instruments.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking harm to the Company's reputation. The Company monitors cash flows to ensure it has sufficient available funds to meet current and foreseeable financial requirements at a reasonable cost.

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.

Political Risks

The Company strives to minimize political risk by monitoring events in countries where it operates or where it considers operating, and by complying with local laws and regulations. The Company operates and conducts exploration activities in countries which have experienced civil unrest and/or civil warfare in recent years. It attempts to minimize the risks inherent in conducting operations and exploration in frontier areas by monitoring local conditions and avoiding high risk areas.

Additional financing Requirement

The Company's ability to continue its activities depends on its ability to obtaining additional financing. The Company plans efforts to raise additional financing to meet its debt repayment obligations, continue its exploration activities and maintain its exploration properties. There can be no assurance as to the success of future financing activities necessary to meet its debt obligations and operating requirements.

Estimates of reserves and resources are inherently uncertain

Sea diamond deposits are alluvial deposits located on the ocean floor. These deposits are difficult to sample because of their remote nature, variable terrain and the location of diamonds in irregular gravel beds lying above and within crevices and potholes in the bedrock. As a result, there are no standard sampling tools and resource estimation practices employed for these types of deposits.

There is a degree of uncertainty attributable to the calculation of reserves, resources and corresponding grades being mined or dedicated to future production. Until reserves or resources are actually mined and processed, the quantity of reserves or resources and grades must be considered as estimates only. In addition, the quantity of reserves or resources may vary depending on diamond prices, operating costs and mining efficiency. Any material change in the quantity of reserves, resources or grade may affect the economic viability of the Namibian Marine Concessions. Mining tools currently available to the Company differ from those used for calculating indicated resources (probable reserves) in the 2000 feasibility study.

Exploration activities will not necessarily result in the discovery of commercially recoverable quantities of targeted minerals (currently diamonds, zinc, copper, gold, nickel and zircon)

Mineral exploration activities involve a high degree of risk and uncertainty. There is no assurance that continued exploration of the Company's concessions will result in any discovery of commercial quantities of diamonds, zircon and/or nickel over and above those previously identified. Even if commercial quantities of diamonds, zircon and/or nickel are discovered, economic recovery is dependent upon a number of factors, including the particular attributes of the deposit, such as terrain, size and grade, diamond prices and government regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. Most of these factors are beyond the control of the Company.

Offshore diamond mining involves significant risks

The business of offshore diamond mining is subject to a variety of risks such as accidents, extreme marine and weather conditions, natural disasters, environmental hazards, the discharge of toxic chemicals and other hazards. Such occurrences, against which the Company cannot, or may elect not to, insure, may result in damage to or destruction of mining equipment and infrastructure, injuries and loss of life, environmental damage, delayed production, increased production costs and possible legal liability to third parties, any or all of which may have a material adverse effect on the Company's financial position. The mining and processing systems and the vessels to be used in the
Namibian Marine Concessions are to be at sea year-round, and weather conditions will inevitably have an effect on operations. Other projects of this type have succeeded, but some have experienced problems during operations and cost overruns. Technical problems may affect the operations of the sea diamonds projects which may adversely affect profitability.

The offshore diamond mining technology selected by the Company may not be as efficient as expected

Geological conditions in those areas of the concession in which sampling activities were carried out contributed to a suspected under sampling bias by the sampling tool and could adversely affect the ability of the mining tool to recover all of the diamonds which are actually present on the sea floor. The extent to which this will occur cannot be quantified at this time and will only be known as mining progresses. Even if a sampling bias is confirmed, there is no assurance that any additional diamonds can be entirely recovered.

The nature of the Company's Beravina Zircon deposit may present operational and environmental risks

The Beravina deposit has a JORC compliant but NI 43-101 non-compliant Indicated Mineral Resource estimate. Results from test work showed that zircon can be concentrated to varying levels of between 50% ZrO_2 and 58% ZrO_2 with varying levels of thorium ingrained. Whilst the Company anticipate to do further work including evaluation of additional processing techniques to improve concentrate grade and remove deleterious elements as well as market testing of various potential products, there is no certainty that the Company will achieve product grade and selling price which may be commercially viable.

Certain of the Company's mining and exploration concessions may not be in good standing, there can be no assurance that circumstances will change

The Company has investigated its rights to explore and exploit its concessions and to the best of its knowledge those rights are in good standing. However, no assurance can be given that applicable governments will not revoke, or significantly alter the conditions of, the applicable exploration and mining authorizations and that such exploration and mining authorizations will not be challenged or impugned by third parties. Mining and prospecting licences may be revoked by the applicable government authorities for failure to perform the obligations there under. Licences must be renewed periodically. The renewal process involves a review of the licence holder's performance by government authorities.

Directors and officers of the Company may have conflicts of interest

Certain of the directors of the Company are directors or officers of, or have shareholdings in, other mining companies. If, and to the extent that, such other companies participate in business ventures in which the Company also participates, those directors may have a conflict of interest. These other mining companies may also compete with Company for the acquisition of mineral property rights. In the event that any such conflict of interest arises, a director who has such a conflict will disclose the conflict to a meeting of the directors of the Company and will refrain from participating in any Board decisions concerning the matter giving rise to the conflict. In appropriate circumstances, the Company will establish a special committee of independent directors to review a matter in which several directors, or management, may have a conflict.

In accordance with the laws of the British Columbia, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. The Company's directors and senior officers have advised the Company that they intend to bring forward to the Company in priority to others, new opportunities that become available to them for the acquisition of, or participation in, mineral properties in the countries in which the Company is presently active for the consideration of the Company's Board of Directors. In such event, the Company will apply the procedures and mechanisms set forth above. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the potential benefits to the Company, the degree of risk to which the Company may be exposed and its financial position at that time.

Exchange controls may restrict the Company's ability to repatriate earnings

Namibia is part of the South African Rand Common Monetary Area ("CMA"). Exchange controls in the CMA require that dividends, loans, repayment of loans and payment of all invoices to parties outside the CMA by companies registered in the CMA require prior approval. The controls, as they relate to Namibia, are applied by the Bank of Namibia. There can be no assurance that the Company will obtain the requisite approvals in the future to repay loans or pay invoices to parties outside the CMA, including companies within the Company's corporate group not resident in the CMA, thus exchange controls may restrict the Company from repatriating funds and using those funds for other purposes.

Profitability may be affected by fluctuations in the market price of gem quality diamonds

Diamond production from the Company's offshore diamonds licences has historically contained a high percentage of gem quality stones and is anticipated to continue to do so. There is no assurance that prices received in the market place will be at the same level as the prices used in the financial analyses of the Company's feasibility study of the sea diamonds project. The United States currently accounts for approximately half of worldwide consumption of diamond jewellery by value. There can be no assurance that an economic recession in the United States, a global recession, increased supplies, or the actions of authorities will not adversely affect the prices the Company will receive for its diamonds and its revenues from mining operations.

In Namibia, a 10% royalty is levied on rough and uncut diamonds mined and sold, exported or otherwise disposed of. The royalty is calculated on the Namibian government valuator's estimate of the market value of the stones.

Diamond prices in international markets may also be affected by concerns of diamond origin. So-called "conflict diamonds" that originate in countries involved in civil war and that are alleged to fund the activities of warring factions in these countries tend to bring the international diamond market into disrepute. Although none of the Company's production includes "conflict diamonds", any proliferation of "conflict diamonds" in international markets could have an adverse effect on demand and prices, thereby hurting the Company's profitability.

Government regulations in foreign countries may limit the Company's activities and harm its business

The concessions comprising the Company's diamond projects are located off the coast of Namibia and are subject to the laws and regulations of Namibia. Although mining in Namibia has a long history and has never been adversely impacted by unreasonable or arbitrary government action, there can be no assurance that the Company's business, operations and affairs will not be materially adversely affected by changes to, or arbitrary application of, Namibian laws and regulations or changes in the political and economic status of Namibia.

Operations carried on by the Company in respect of its diamond projects will be subject to government legislation, policies and controls relating to prospecting, development, production, importing and exporting of minerals, concession tenure, exchange controls, mining taxes, labour standards and environmental protection. There can be no assurance that such legislation, policies and controls will not have a material adverse effect on the business, operations and affairs of the Company.

Complying with environmental regulatory requirements could be costly and could adversely affect the profitability of the sea diamonds projects

All aspects of the Company's mining operations are subject to environmental regulation. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. Although the Company's environmental management plans for offshore diamond mining has been approved by the Namibian government there is no assurance that future changes in environmental regulation will not adversely affect such projects. Environmental hazards may exist on the Company's concessions which are presently unknown to the Company and which have been caused by previous or existing owners or operators of the properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions there under, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reductions in levels of production at producing properties or require abandonment or delays in development of new mining properties.

OUTSTANDING SHARE DATA

Movement on shares and stock options have been reported under "Capital Resources and Liquidity" of this MD&A. As at the date of reporting 67,895,662 common shares were issued and outstanding and 3,852,000 stock options were outstanding. Following the financial year end, 490,000 stock options lapsed and on August 28, 2018 the Company announced it had increased its Fixed Less than 10% Stock Plan to 6,789,000 stock options and granted further 1,837,200 options. As at the date of this MD&A a total of 5,200,000 stock options were outstanding, all with an exercise price of CAD $0.145 per share and expiring between December 11, 2021 and August 27, 2023. 10,666,667 Stock warrants with exercise price of CAD $0.125 per share were outstanding at the date of this MD&A, the unexercised warrants will expire on September 23, 2021.

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

RELATED PARTY TRANSACTIONS

The Company provided the following compensation to key management personnel of the Company for the period ended June 30, 2018 and 2017, which are recorded in the following accounts in these consolidated financial statements:

	2018	2017
	$	$
Salaries - Fees EV Young, Director (and previously CFO)	**36,000**	**36,000**
Salaries - Fees JL Charles, CFO	**21,371**	
Salaries - Bonus SVD Spuy, Director and CEO	**40,000**	
Share based compensation – D Reading, Director	**31,015**	
Share based compensation – Directors and Officers		**339.844**
	128,386	**375,844**

SUBSEQUENT EVENTS

On August 28, 2018, the Company increased its fixed, less than 10% stock option plan from 4,700,000 shares to 6,789,000 shares, which remains less than 10% of the Company's current 67,895,662 issued and outstanding share capital. 490,000 previously issued stock options lapsed after the reporting date and the Company granted stock options for the purchase of 1,837,200 common shares at an exercise price of CAD $0.145 per share for a five year term. These options will vest as to one third on the date of grant, as to the balance, in two equal tranches over two years.

OFF BALANCE SHEET ARRANGMENTS

Other than as disclosed elsewhere in this MD&A and in the latest Audited Financial Statements, the Company does not have any off-Balance Sheet arrangements.

PROPOSED TRANSACTIONS

The Company continues to review and assess projects which if deemed suitable will be pursued by the Company, and as such management engage in discussions which may involve potential investments, financing and related activities with different parties. As at the date of this MD&A, there is no material undisclosed proposed transaction.