DIAMOND FIELDS
INTERNATIONAL LTD.

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(Unaudited, expressed in United States dollars, unles otherwise stated)

DIAMOND FIELDS INTERNATIONAL LTD.
Management's Discussion and Analysis of Financial Condition and Results of Operations
(All amounts are expressed in U.S. dollars except where otherwise indicated)

INTRODUCTION

This management discussion and analysis of financial position and results of operations ('MD&A") of Diamond Fields International Ltd. ("Diamond Fields", or "the Company") should be read in conjunction with the unaudited consolidated financial statements of Diamond Fields International Ltd. The quarterly financial statements at March 31, 2016 are unaudited and have not been reviewed by the Company's external auditor. The effective date of this MD&A is May 27, 2016. Additional information about Diamond Fields, including its annual information form, is available on SEDAR at www.sedar.com

OVERVIEW

Description of business

Diamond Fields is a Canadian public company listed on the Toronto Venture Exchange. The Company is active in mineral exploration in Namibia, South Africa, Liberia, Madagascar and Saudi Arabia. The primary focus of the Company is the development of marine exploration and exploitation. Its most advance project comprises ML111, which is comprised marine diamond mine in a mid water concession off the coast of Namibia near Luderitz. The Company is listed on the TSX Venture Exchange under the symbol DFI.

Strategy

Diamond Fields International's strategy to increase shareholder value will be to:

(i) re-start mining and development of its Namibian diamond portfolio to develop cash flow for the Company to develop its existing portfolio of properties; and

(ii) Capitalize on its marine exploration and exploitation expertise developed over the last 19 years in to the emerging marine resource market to develop marine resources in South Africa and Saudi Arabia.

The Company's Management believes it is well placed to develop its strategy through the business strengths discussed below:

Strong Marine and diversified Portfolio of Assets

The company has acquired and is in the process of acquiring a diversified portfolio of marine mineral projects with diversified commodities, and at differing water depths which has the potential to place the Company at the forefront of developing this emerging mineral sector:

- Namibia: a proven production record of high quality marine diamonds from its wholly owned ML111 mining concession off the coast of Namibia, where the Company has been active since 1995.
- The Atlantis II project in the Red Sea between Saudi Arabian and Northern Sudan, which the Company owns a 50.1% interest with its Saudi Arabian joint venture partner ManafaTrade and Commerce International. The company has refilled an amended NI43-101 produce by ACA Howe indicating 80 million tonnes of sediment of polymetallic muds grading at 2.03% Zn, 0.46% Cu, 2.69% Mn, and 41.14% Ag at the inferred level of confidence.
- A promising exploration stage marine phosphates project in the Outeniqua basin off the south coast of South Africa between the 80 metres and 500 metresisobaths on the Agulhas bank.

Experienced Board

The Board of Directors have extensive experience in working in Africa and the Middle East, and developing projects within those regions. It is constituted by a blend of technical, financial, political and operational elements, providing balanced guidance to project development.

Technical Strengths

The Company has over 19 years experience in recovering resources from the sea-floor and collaborates with some of the World's leading Marine Institutes in developing marine resources.

RESULTS OF OPERATIONS

Projects

The company has ongoing exploration projects in Namibia, Saudi Arabia and South Africa, Liberia and Madagascar. During the nine month ended March 31, 2016, the company incurred exploration expenditures of $80,239 (2015 $159,064)

A. Namibian Marine Concessions

The Company's marine diamond and precious minerals mining licences ML111, ML138 and ML139 are currently being maintained in good stead, pending future development plans for the concessions. The near shore concession ML32 has been renewed by the Government of Namibia for a further term of 10 years retrospectively from 2009, under a subsidiary company of Diamond Fields, the Namibian Diamond Company Ltd. Diamond Fields International have a 70% holding within the Namibian Diamond Company, the remaining further 30% being held by a private Namibian company, Full Screen Investments (Pty) Ltd..

In March 2013, the Company signed a Memorandum of Understanding with Afri-Can Marine Minerals Corporation ("Afri-Can") enables Afri-Can to acquire a 90% interest in diamond Mining Leases 111, 138, 139 and 32 off the coast of Namibia in the region of Luderitz. The option was valid for 2 years and in order to complete the acquisition, Afri-Can is required to spend $800,000 of exploration expenditures on the MLs before the first year anniversary and $2.5 million of exploration expenditures and restarting commercial mining before the second year anniversary of the option agreement. (See press release dated March 21st 2013).

Afri-Can undertook an independent NI43-101 resource estimate on ML111 followed by a Pre-Feasibility study (PFS) for the recommencement of mining activities on the concession which were filed with AMF (Authoritiee Marche Francais) in October 2013, and January 2014 respectively (see press releases 1stOcober 2013, and 27th January 2014).

By the commencement of April 2014, Afri-Can was in default of the terms of the MOU, having failed to spend the requisite amount within the first anniversary of the agreement. The Company requested that Afri-Can remedy the situation without due delay. In May 2014, Afri-Can informally notified the Company that they were currently unable to meet their obligations under the terms of the MOU. The MOU was officially terminated in September 2014 (see press release 22nd September 2014).

In June 2014, the Company was notified by the British Columbia Securities Commission (BCSC) that both the independent NI43-101 resource estimate and the PFS commissioned by Afri-Can would have to file with SEDAR under joint issuers by the Company. The Company complied with this directive, and was subsequently informed in September 2014 that after review by the BCSC, the independent resource estimate was non-complaint on certain requirements. Afri-Can have informed the Company that they are currently unable to remedy the deficiencies. The Company has liaised with the BCSC and the principal author of the report independently of Afri-Can to rectify the deficiencies.

On April 1, 2015, the Company entered into a Sale of Shares Agreement and a Shareholders Agreement with International Mining and Dredging South Africa ("IMDSA") related to the Company's offshore claims in Namibia. In accordance with the agreements, IMDSA can earn up to an 80% interest in the Company's subsidiary which holds the claims ("DFN") after completion of four stages of project milestones agreed by the parties. IMDSA has now completed Stages 1 and 2 of the development program on ML111, which included an extensive geophysical survey and regional sampling program respectively. By releasing the data, on successful completion of the due diligence under process, IMDSA will have completed work towards achieving the first milestone and thus securing a 50% shareholding in DFN.

Atlantis II, Red Sea, Saudi Arabia

The Atlantis II Project is held under joint venture with the Company's Saudi Arabian partner Manafa International Commerce Ltd. The Company owns and controls 50.1% of the project, which is held under a 30 year licence issued by the Joint Red Sea Commission, a development partnership between Saudi Arabia and the republic of Northern Sudan. The Atlantis II basin is situated on the axis of the Red Sea ridge complex at a depth of 2,000 metres, approximately 115km west of Jeddah. It comprises a series of interlinked sub-basins predominantly infilled by a series of SEDEX (Sedimentary Exhalative) sedimentary sequences.

Diamond Fields International has completed an independent resource analysis based of the original core data from the Atlantis II Deeps collated by Preussag. The resource estimate was undertaken by A.C.A. Howe Ltd and filed with SEDAR in 2011. Under review by the BCSC, the company was notified in June 2014, that certain sections of the independent technical reports were deficient in terms of NI43-101. A.C.A. Howe undertook the remedial work stipulated by the regulatory authority, and refilled the technical report in September 2014 (see press release 12th September 2014).The resource statement for the amended technical report remains unchanged:

SUMMARY OF THE 2011 ACA HOWE INFERRED RESOURCE FOR THE ATLANTIS II DEEP DESPOSIT							
	Wet Density	Sediment Volume m^3 [millions]	Sediment Tonnage [millions]	DSF* Tonnage [millions]	Metal Tonnes [thousands]	Metal Volume Grade	DSF* Metal Grade
Zinc	1.29	473.93	604.21	80.88	1,643	3.47 kg/m^3	2.03%
Copper	1.29	473.93	604.21	80.88	368	0.78 kg/m^3	0.46%
Silver	1.29	473.93	604.21	80.88	3.35	7.07 g/m^3	41.14g/t

* Dry Salt Free (DSF)
The report is based on 589 cores collated from the Preussag A.G. exploration results (1969- 1979).

In compiling the resource estimate, ACA Howe noted that:

- The estimated tonnages and grades include both high and low grade areas of the Atlantis II Deeps, of which only the top 8.5 meters of sediment has been sampled and the deposit is therefore open at depth. The average total thickness of the deposit is known to exceed 30 meters.
- Higher grade copper, zinc and silver mineralization is contained within the South West, West and Eastern sub-basins where metre core intersects of up to 22.47% zinc, 2.05% copper and 338 g/t silver have been obtained.
- Historic reports reference the presence of significant co-product metal values including manganese, lead, cobalt, cadmium and gold, as well as:
  − lead (80,000 tonnes Pb) contained in Bischoff &Manheim (1966),
  − cadmium (6,500 tonnes Cd) contained in Preussag (1969),
  − gold (0.512 g/t Au for 47 tonnes Au),
  − cobalt (58.53 g/t Co for 5,368 tonnes of Co) contained in Gurney et al (1984),
  − manganese (3.83 Mt Mn) contained in Bertram et al (2011).

The Company currently estimates development costs of the Atlantis II project to be in the order of US$20 million to US$25 million to completion to Definitive Feasibility Study, with approximately US$11million of that being assigned to resource development costs.

Development of the project has been hindered since April 2013, with the Company and Manafa in dispute over contractual terms and fulfilment thereof. Despite ongoing dialogue between the two parties, no resolution appears imminent, and the Company has informed Manafa of its intention to file for Arbitration under the International Centre for Dispute Resolution. Negotiations at the highest office of the KSA are currently under way to explore means and ways to re-engage on this project in as time-amicable fashion possible.

Exploration Projects

Liberia Exploration Project

The Company undertook extensive sampling and mapping of its Henry Town property in 2008, which indicated significant mineralisation within discrete zones of quartz veining. This included extensive geochemical surveys which indicated persistent gold mineralisation over several kms along strike of the shear zone, with mineralisation occurring up to 800 metres wide across the zone.

In 2009 the Liberian Government declined to renew the exploration lease. The same year the Company notified the Liberian Government that it was invoking arbitration of its dispute with the Government over the Government's denial of a renewal of the Company's Henry Town exploration license and alternative request that that license be converted to a Mining Development Agreement (MDA). The issue has been set before the Court of Arbitration in Washington D.C., United States of America, which has jurisdiction over the proceedings, and has subsequently accepted the arbitration process.

The **Company and the Liberian government have now subsequently resolved the dispute, mutually agreeing to dismiss the arbitration proceedings without preduice (see press release dated March 16th2016).**The Company does not have future plans to explore this project.

Madagascar nickel exploration program

The Valozoro nickel deposit is located 60 kilometres north of the town of Fianarantsoa in south central Madagascar, Where weathering and alteration of a harzburgite protolithhas produced a type A Ni-laterite deposit up to 17 metres thick. The property has been the subject of several historical resource estimates since work first started in 1912.

The Company has undertaken extensive channel sampling of the deposit and conducted two geophysical surveys over the property. The Company has maintained is regulatory annual filings with the Ministry of Energy and Mines, and has been maintaining a low key exploration program. The Company was notified by the BCSC that the company was in default of failure to file a technical report on the property in June 2014. The Company has filed a NI43-101 Exploration update on the property (see press release 17th October 2014), which indicates encouraging relatively consistent nickel grades of 1.803% and 1.701% for the sapprolitic and sap-rock zones of the deposit.

The Company estimates that the next development phase will cost approximately US$650,000 and involve approximately 2,900 metres of core drilling over a period of six months, and will yield the first compliant resource estimate for the property in terms of NI43-101. The Company is maintaining and delaying development of the property until nickel commodity prices recover to a sufficient level and the general roll out of new low cost production technologies justify further investment at this time.

Pegmatite pockets bearing indicators of uniquely coloured precious stones (Tourmalinehave been found on the Valozoroconcessions. A semi-precious stone specialising company, NITRAM Minerals (Madagascar), has been contracted by the Company subsidiary to explore and sample geological identified sections of the concession for these stones. The Company carrying all exploration costs during the 2015 dry season (April to November, inclusive). A further farmed-out exploration and sampling contract addressing the period post Nov 2015 has been reached with NITRAM where they will pay a gross royalty of 10% on all commercially exploitable samples found. Caveats in this contract address a higher shareholding for commercially viable samples found within the first 90 sampling days of termination of the current contract.

Phosphates South Africa

The Company applied for an exploration licence over the western sector of the Outeniqua Basin off the southern coast of South Africa for phosphates in December 2013 with the South African Department of Mineral Resources (DMR). The Company contracted the CSIR (Council for Scientific and Industrial Research) as independent Environmental Consultants in February 2013, and submitted the EMP and results of the public consultations to the DMR in May 2013. In January 2014, the company was notified by the DMR that the Company had been successful in its application for an exploration licence. As part of the conditions of the awarding of the exploration licence in terms of BEE (Black Economic Empowerment) legislation, the Company has entered in to an agreement with local based businessman Mr. Daniel Lengosane who will hold a 26% interest in the licence holding company, held in Escrow. Mr. Lengosane is currently a Director in Omega Securities, and formerly was head of Presidential Security for Presidents Mandela and M'Beki.

The Company completed payment of environmental financial guarantees to the DMMR in February 2014 as required as part of the licence issuing process. Final issuance of the licence is currently pending at the time of writing the MDNA, following finalization on licencing terms and their acceptance by the Company. The Company is in active discussions with DMR towards reviewing their offshore concession pricing structures. Exploration will not commence until this aspect has come to resolution.

Phosphate-rich rocks (av. 16.2%-17,8% P205) mantle extensive parts of the shelves off the west and south coasts of southern Africa . The southern deposit in the Outeniqua Basin 80m and 500 metre isobaths, generally being confined to the continental shelf. The easterly limit of this deposit is genetic, defined by the predominance of the Mozambique current over the Agulhas, and covers an approximate area of 21500 x 106 m2. The phosphorite deposits were formed by Cold Ocean upwelling of the Agulhas current along the continental margin of South Africa during the Tertiary. Extensive reworking of phosphate-rich rocks during repeated Tertiary regressive/transgressive cycles has concentrated glauconite and apatite in the overlying unconsolidated sediments.

The ore bearing lithologies comprise three non-conglomeratic and two conglomeratic rock types. The non-conglomeratic types are phosphatized foraminiferal lime packstones which are poor in glauconite and quartz; rich in goethite; or highly glauconitic. The first conglomeratic type is also rich in glaucouite, but contains pebble inclusions of phosphatized foraminiferal limestone. The second conglomeratic type is similar to the first, but is distinguished by its low glauconite content and high macrofossil and goethite abundance.

The Company has already initiated an extensive desktop study on the project, and has identified areas of potential interest. The Company estimates that the first development phase of the project which will comprise a combination of geophysical and core sampling studies will cost approximately US$3 million, based on an internal study.

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

BOARD CHANGES

On June 17th 2013, Wayne Malouf stepped down as Director and Chairman of the Company and Michael Cuthbert was appointed as Director and Chairman replacing Mr. Malouf with immediate effect.

On June 17th2013, MahenSookun and Craig McLean also stepped down as Directors and Dr. Warner Brückmann was appointed as Director.

On January 27, 2014, Michael Cuthbert resigned as Chairman and Director of the Company.

On June 6, 2014, Sybrand van der Spuy was appointed as Director.

On October 9, 2014 Ian Ransome resigned as director and Chief Executive Officer of the Company.

On October 9, 2014 Sybrand van der Spuy was appointed as Chief Executive Officer of the Company.

On January 7, 2015, Warner Brückmann resigned as director of the Company.

On January 7, 2015 Ian Ransome was re-appointed as director.

The Board is now comprised of four (4) directors, being Norman Roderic Baker, Earl Young, Ian Ransome and Sybrand van der Spuy.

SELECTED FINANCIAL INFORMATION

The following table sets forth selected financial information for the nine month ended March 31, 2016 and 2015:

	2016	2015
Total revenues	-	-
Net Loss	$274,918	$371,556
Net loss per share (basic and diluted)	$0.00	$0.00

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

Net loss for thenine month ended March 31, 2016was $274,918or $0.00 per share, compared with a net loss of $371,556 or $0.00 per share for the same period in 2015.General and administrative expenses amounted to $131,415 during the nine month ended March 31, 2016 compared to $204,552 during the nine month ended March 31, 2015. This reduction was mainly achieved due the corporate structure streamlining undertaken by the Company.

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

SELECTED QUARTERLY DATA

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

	31-Mar-16	31-Dec-15	30-Sep-15	30-June-15	31-Mar-15	31-Dec-14	30-Sep-14	30-June-14
Total Revenues	-	-	-	-	-	-	-	-
Net Loss	(103,074)	(99,385)	(72,459)	(127,251)	(82,450)	(219,146)	(69,959)	(345,290)
Net Loss per Share (basic and diluted)[1]	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.001)	(0.000)	(0.004)

CAPITAL RESOURCES AND LIQUIDITY

At March 31, 2016, the Company had a working capital deficiency of $766,308 including cash of $277,576 compared with a working capital deficit of $668,356 including cash of $381,747 at March 31, 2015. The decrease in working capital at March 31, 2016 is primarily a result of the Company's operational losses and exploration expenditures.

Debentures redeemed during the year ended June 30, 2015:

On November 17, 2014, Diamond Fields International Ltd announced that it has reduced its outstanding debt by CAD $150,000 and has raised an additional CAD $210,000 through a warrant exercise.

The Company's largest shareholder, Spirit Resources SARL ("Spirit"), has converted a Convertible Debenture in the principal amount of CAD $150,000 at the conversion price of CAD $0.0225 per share. This Debenture was originally issued by the Company on January 7, 2013 and was subsequently acquired by Spirit in a private transaction in 2014. Spirit also has fully exercised the Warrant issued in connection with this conversion, providing Diamond Fields with gross proceeds of CAD $210,000.

Debentures issued in the year ended June 30, 2014:

On March 27, 2014 the company issued a new convertible debenture in the total principal amount of CAD $151,357 to Firebird Global Master Fund II Holdings, Ltd. ("Firebird"). The debenture has a one year term maturing March 26, 2015, with 8% interest payable semi-annually. The debenture is convertible into a total of 3,027,140 units (the "Units") at a conversion price of $0.05 per unit. Each unit is comprised of one common share and one-half share purchase warrant, each whole warrant entitling the holder to acquire one additional common share on or before March 26, 2015 at a price of CAD$0.05 per share. The debenture replaced another debenture originally issued November 7, 2012 to Firebird that matured March 27, 2014.

The new debenture was classified as a compound financial instrument that contains both derivative and debt characteristics. On issuance, the derivative financial liability component was assessed a value of $27,201 using the binomial model. The residual value of the principal of the debenture of $108,583 was assessed as the value of the debt component of the convertible debenture.

Share Transactions

On October 18, 2010, the Company completed a private placement of 4,579,420 units for net proceeds of $758,721. Each unit is comprised of one common share and one half of one transferable share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of CAD$0.25 per share until October 18, 2012

On February 3, 2011, a convertible debenture was exercised in accordance with the terms of the debenture for 1,764,706 units at a deemed price of CAD$0.17 per unit. Each unit is comprised of one common share and one half of one transferable share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of CAD$0.25 per share until October 18, 2012.

On November 4, 2011, interest accrued on a convertible debenture was settled through the issuance of 35,711 units at a deemed price of CAD$0.17 per unit. Each unit is comprised of one common share and one half of one transferable share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of CAD$0.25 per share until November 3, 2013.

On November 25, 2011, the Company completed a private placement of 8,355,556 shares for net proceeds of $1,101,574.

On April 3, 2012, interest accrued on a convertible debenture was settled through the issuance of 35,711 units at a price of $0.17 per unit. Each unit is comprised of one common share and one half of one transferable share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of CAD $0.25 per share until April 2, 2014. The warrants have been classified as derivative financial instruments and were therefore presented as a liability on the statement of financial position.

On May 15, 2013, the Company issued a total of 8,000,000 Units at CAD$0.025 per Unit, each Unit consisting of one common share and one share purchase warrant, each warrant entitling the holder to purchase one additional common share at CAD$0.05 on or before May 14, 2014, and thereafter at CAD$0.10 per share on or before May 14, 2016.

On September 5, 2013, Spirit Resources Sarl has converted its convertible debenture in the principal amount of CAD $500,000 at a conversion price of CAD $0.0225 per unit. Accordingly the Company issued 22,222,222 common shares and warrants to purchase an additional 22,222,222 common shares exercisable at CAD $0.0315on or before January 7, 2015. Spirit exercised the warrants received during the year ended June 30, 2014.

On November 17, 2014, Diamond Fields International Ltd announced that it has reduced its outstanding debt by CAD $150,000 and has raised an additional CAD $210,000 through a warrant exercise.

Accordingly, on November 17, 2014, the Company issued the following securities (the "Securities") to Spirit:

- on conversion of the Convertible Debenture, 6,666,667 common shares (the "Shares") and a warrant to purchase an additional 6,666,667 common shares, which warrant was exercisable at CAD $0.0315 on or before January 7, 2015 (the "Warrant"); and

- 6,666,667 shares (the "Warrant Shares") were also issued at a price of CAD $0.0315 per share for the full exercise of the Warrant.

On January 11, 2016, the company completed a private placement of 41,907,000 shares at CAD $0.01 from its major shareholder Spirit Resources Sarl, raising proceeds of USD 300,000.

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 11.

Derivative Financial Instruments

The Company has determined that its functional currency is the US dollar and has issued non-broker warrants and conversion options on convertible debentures 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 themat 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 11 and 12 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 assumptions and models used for estimating fair value of convertible debenture transactions are disclosed in Note 13 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

The following new standards were adopted during the year ended June 30, 2015:

- IAS 36 Impairments of Assets ("IAS 36") was amended by the IASB in May 2013 to clarify the requirements to disclose the recoverable amounts of impaired assets and require additional disclosures about the measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount. The amendments to IAS 36 are effective for annual periods beginning on or after January 1, 2014.

- IFRIC 21, Levies ("IFRIC 21") was published in May 2013. IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government. IFRIC 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. The standard is effective for annual periods beginning on or after January 1, 2014.

The Company assessed the impact of each of the new adopted standards and concluded that they will have no material impact on the Company's financial statements. See Note 18, of June 30, 2015 audited financial statement, for discussion surrounding the Company's accounting treatment of its Atlantis II Agreement.

Standards, amendments and interpretations not yet effective

The IASB or the International Financial Reporting InterpretationsCommittees ("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 ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS39"). IFRS 9 uses asingle approach to determine whether a financial asset is measured at amortized cost or fair value, replacing themultiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments inthe context of its business model and the contractual cash flow characteristics of the financial assets. Most of therequirements in IAS 39 for classification and measurement of financial liabilities were carried forwardunchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present theportion of any change in its fair value due to changes in the entity's own credit risk in other comprehensiveincome, rather than within profit or loss. The new standard also requires a single impairment method to be used,replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

The Company has not early adopted any of these standards or interpretations and is currently assessing the impact of the revised standards and interpretations on its financial statements.

CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENT RISKS

(i) Capital Management

The Company's objective when managing its capital is to ensure it has sufficient capital to maintain its ongoing marine mining operations and safeguard the Company's 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 cash and working capital, loans and 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 optimal capital structure. The Company has current plans to raise capital or borrow funds, although there is no certainty that such financing will be available with 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.

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 Namibia, Madagascar and West Africa and purchases goods and services denominated in US dollars, Namibia dollars 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 applies a borrowing rate of 8% to estimate the fair value of the convertible debentures. As at March 31, 2015, a 1% change in the borrowing rate would result in $841 (2015 - $841) change in the fair value of the convertible debentures.

Equity price risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company holds 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 the Company 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. The sampling programs for the Sea Diamonds Project have used tools not specifically designed for the geological environment found in the concession areas.

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 Sea Diamonds Project. 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 and nickel)

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 and / or nickel over and above those previously identified. Even if commercial quantities of diamonds 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 Sea Diamonds Project 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 Project 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.

Although the Company's mining and exploration concessions are in good standing, there can be no assurance that circumstances will not 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 licenses may be revoked by the applicable government authorities for failure to perform the obligations there under. Licenses must be renewed periodically. The renewal process involves a review of the license holder's performance by government authorities. The Zambian property licence is pending invoicing for 2010 from the Zambian Government.

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 mineral resource 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 mineral resource 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, diamond properties in the countries in which the Company is presently active as described in this Annual Information Form, 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 Sea Diamonds Project has been, and is anticipated to be, 95% gem quality. 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 De Beers 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 Sea Diamonds Project 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 the Sea Diamonds Project 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 Project

All aspects of the Company's offshore diamond 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 plan for the Sea Diamonds Project has been approved by the Namibian government, there is no assurance that future changes in environmental regulation will not adversely affect the Sea Diamonds Project. 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

At March 31, 2016, a total of 180,126,009 common shares of the Company were outstanding. Stock options outstanding at March 31, 2016 totalled 3,150,000, with exercise prices ranging from CAD$0.10 to CAD$0.12 per share and expiry dates between February 23, 2017 to July 19, 2018. Stock warrants outstanding at March 31, 2016 totalled 8,000,000, with exercise prices CAD$0.10 per share and which expired unexercised on May 14, 2016.