



**Condensed Consolidated Interim Financial Statements
For the three month period ended September 30, 2016**

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

UNAUDITED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited financial statements for the period ended September 30, 2016.

DIAMOND FIELDS INTERNATIONAL LTD.**Consolidated Statement of Financial Position**

As at September 30, 2016

(Expressed in U.S. dollars)

	Notes	September 30, 2016	June 30, 2016
		\$	\$
ASSETS			
CURRENT			
Cash		518,898	192,187
Prepaid expenses and other receivables		30,172	28,900
		549,070	221,087
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities		237,625	233,755
Convertible debt	11	115,155	116,365
Loan payable	12	769,670	757,725
Derivative financial instruments	10	15,460	-
		1,137,910	1,107,845
SHAREHOLDERS' DEFICIENCY			
Share capital	10	54,367,131	53,548,701
Contributed surplus		3,675,964	3,675,964
Accumulated other comprehensive income		1,759	3,357
Accumulated deficit		(58,633,694)	(58,114,780)
		(588,840)	(886,758)
		549,070	221,087
<u>"Sybrand Van Der Spuy"</u>		<u>"Earl Young "</u>	
Director		Director	
The accompanying notes form an integral part of these consolidated financial statements			

DIAMOND FIELDS INTERNATIONAL LTD.			
Consolidated Statement of Comprehensive Loss			
For the period ended September 30, 2016 and 2015			
(Expressed in U.S. dollars)			
	Notes	September 30, 2016	September 30, 2015
		\$	\$
OPERATING EXPENSES			
Salaries and benefits		(14,277)	(16,160)
Exploration expenditures	7	(426,937)	(36,230)
General and administrative expenses	8	(47,228)	(25,964)
		(488,442)	(78,354)
Fair value movement on derivative instruments	10	(15,460)	7,555
Foreign exchange loss		(745)	10,936
Interest on loans		(14,267)	(12,596)
NET LOSS FOR THE PERIOD		(518,914)	(72,459)
Exchange difference on translation of foreign operations		(1,598)	125
COMPREHENSIVE LOSS FOR THE PERIOD		(520,511)	(72,334)
BASIC AND DILUTED LOSS PER SHARE		(0.01)	(0.00)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		47,344,999	27,643,801
The accompanying notes form an integral part of these consolidated financial statements			

DIAMOND FIELDS INTERNATIONAL LTD.
Consolidated Statement of Changes in Shareholders' Deficiency
For the period ended ended September 30, 2016 and 2015
(Expressed in U.S. dollars)

	Number of shares	Share capital \$	Contributed surplus \$	Accumulated deficit \$	Accumulated other comprehensive Income/(loss) \$	Total \$
Balance at June 30, 2015	27,643,802	53,248,701	3,675,964	(57,720,180)	1,263	(794,252)
Translation difference on consolidation	-	-	-	-	125	125
Loss for the period	-	-	-	(72,459)	-	(72,459)
Balance at September 30, 2015	27,643,801	53,248,701	3,675,964	(57,792,639)	1,388	(866,586)
Balance at June 30, 2016	36,025,201	53,548,701	3,675,964	(58,114,780)	3,357	(886,758)
Private placement	10,666,667	768,000	-	-	-	768,000
Share issued as consideration for investment in Action Mining Limited	653,131	50,430	-	-	-	50,430
Translation difference on consolidation	-	-	-	-	(1,598)	(1,598)
Loss for the period	-	-	-	(518,914)	-	(518,914)
Balance at September 30, 2016	47,344,999	54,367,131	3,675,964	(58,633,694)	1,759	(588,840)

The accompanying notes form an integral part of these consolidated financial statements

DIAMOND FIELDS INTERNATIONAL LTD.
CONSOLIDATED STATEMENT OF CASH FLOWS
PERIOD ENDED SEPTEMBER 30, 2016 and 2015
(Expressed in U.S. dollars)

	September 30,	September
	2016	30, 2015
	\$	\$
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net loss for the period	(518,914)	(72,459)
Items not affecting use of cash		
Foreign exchange gain	(5,351)	(13,735)
Exploration costs	411,069	-
Interest and accretion	14,267	12,596
Fair value movement on derivative instruments	15,460	(7,555)
Net change in non-cash operating working capital items (Note 15)	2,598	(2,042)
	(80,869)	(83,195)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	768,000	-
Loan received	-	-
	768,000	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in subsidiary	(360,420)	-
CHANGE IN CASH	326,711	(83,195)
CASH, BEGINNING OF PERIOD	192,187	273,345
CASH, END OF PERIOD	518,898	190,150

The accompanying notes form an integral part of these consolidated financial statements

DIAMOND FIELDS INTERNATIONAL LTD
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTH ENDED SEPTEMBER 30, 2016.
Expressed in U.S. dollars

1. CORPORATE INFORMATION

Diamond Fields International Ltd's ("DFI" or the "Company") business activity is the exploration and evaluation of mineral properties in South Africa, Namibia, Madagascar and the Red Sea. The Company was incorporated under the Canada Business Corporations Act on May 28, 2000, and has continued as a company under the Business Corporations Act of British Columbia. The Company is listed on the TSX Venture Exchange, having the symbol DFI, as a Tier 2 mining issuer and is in the process of exploring its mineral properties.

The Company's ultimate controlling party is Jean-Raymond Boule through his private investment company, Spirit Resources SARL ("Spirit").

The address of the Company's corporate office and principal place of business is Suite 303, 595 Howe Street, Vancouver, British Columbia V6C 2T5, Canada.

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. All references to the number of shares and per share amounts have been retroactively restated to give effect to the consolidation.

2. NATURE OF OPERATIONS AND ABILITY TO CONTINUE AS A GOING CONCERN

These condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due.

To date, the Company has financed its activities through the issuance of equity securities and debt financing, primarily from significant shareholders of the Company. The Company expects to use similar financing techniques in the future and is pursuing such additional sources of financing as estimated to be required to sufficiently support its operations until such time that its operations become self-sustaining. Although there is no assurance that the Company will be successful in these actions, these consolidated financial statements do not give effect to potentially material adjustments that would be necessary should the Company be unable to continue as a going concern.

3. STATEMENT OF COMPLIANCE

The condensed consolidated interim financial statements of the Company for the period ended September 30, 2016 have been prepared in accordance with IAS 34 'Interim Financial Reporting'. The condensed consolidated interim financial statements do not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

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4. BASIS OF MEASUREMENT

The condensed consolidated interim financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value.

The condensed consolidated financial statements are presented in U.S. dollars (“USD”). The parent company’s functional currency is the USD while the functional currency of the subsidiaries is the same as the respective local currencies of the countries in which they are based.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Group’s accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 6.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these condensed consolidated interim financial statements unless otherwise indicated.

(a) Basis of consolidation

Subsidiaries

Subsidiaries are wholly owned entities controlled by Diamond Fields International Ltd. (“the Parent”). The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Parent. The condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiaries, as shown below:

Name	Country of Incorporation	Class of Shares	Ownership Interest
Kimberley Overseas Ltd	Cayman Islands	Common	100%
Diamond Fields Sierra Leone Ltd	BVI	Common	100%
Diamond Fields Namibia Ltd	Namibia	Common	100%
Diamond Fields Operations Namibia Ltd	Namibia	Common	100%
Diamond Fields Marine Ltd	BVI	Common	100%
Diamond Fields South Africa (Proprietary) Ltd	South Africa	Common	100%
Maritime Projects Ltd	British Virgin Islands	Common	100%
Gemfield International Ltd	British Virgin Islands	Common	100%
Action Mining Ltd	Mauritius	Common	100%

Transactions eliminated on consolidation

Intra-company balances, transactions, and any unrealized income and expenses arising from intra-company transactions, are eliminated in preparing the consolidated financial statements.

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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currencies

Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency of the entity at the exchange rate in effect at the statement of financial position date and non-monetary assets and liabilities at the exchange rates in effect at the time of the transactions. Revenues and expenses denominated in foreign currencies are translated at rates approximating the exchange rates in effect at the time of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of loss.

Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the functional currency of the parent are translated into United States dollars as follows:

- a. assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- b. income and expenses for each statement of comprehensive loss are translated at exchange rates approximating the exchange rates in effect at the time of the transactions;
- c. all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of intercompany loans are taken to shareholders' equity.

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the statement of comprehensive loss as part of the gain or loss on sale.

(c) Cash and equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

(d) Financial instruments

Financial Assets

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments (continued)

Fair value through profit or loss (“FVTPL”)

A financial asset is classified as FVTPL if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company’s documented risk management or investment strategy. On initial recognition material transaction costs are recognized in profit or loss as incurred. Financial assets at FVTPL are measured at fair value, and changes therein are recognized in profit or loss. Cash is classified as FVTPL and is accounted for at fair value.

Loans and Receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand and comprise of cash. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Impairment of Financial Assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial Liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise accounts payable and accrued liabilities, and convertible debentures. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the quarter which are unpaid.

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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compound Financial Instruments

The Company may issue compound financial instruments such as convertible debentures. Upon issuance, the Company determines whether the conversion feature represents an equity component or liability component. When the conversion feature represents an equity component, the proceeds received on issue of the convertible debenture are allocated into their liability and equity components. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not include an option to convert. Subsequently, the debt component is accounted for as a financial liability measured at amortized cost until extinguished on conversion or maturity of the note. The remainder of the proceeds is allocated to the conversion option and is recognized within shareholder's equity, net of income tax effects.

If the conversion feature represents a liability, or if the convertible debenture includes any other embedded derivatives, they will be separated from the host contract and accounted for as a derivative when the following three criteria are satisfied:

- When the economic risks and characteristics of the embedded derivative are not closely related to those of the host contract;
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- The entire instrument is not measured at fair value with changes in fair value recognized in the statement of comprehensive loss.

The difference between the fair value of the total compound instrument and the fair value of the embedded derivative is assigned to the host contract. The embedded derivative is fair valued at each reporting date using an appropriate fair value valuation model with changes in the fair value being recognized immediately in net loss and comprehensive loss.

Derivative Financial Instruments

The Company holds share purchase warrants and conversion options on convertible debentures that have an exercise price denominated in a currency that is different to the functional currency of the Company, thus causing them to be classified as derivative liabilities, which are measured at FVTPL. These instruments are measured at fair value through the application of an appropriate fair valuation model.

(f) Mineral properties

The Company's properties are all currently in the Exploration and Evaluation ("E&E") stage.

Acquisition and E&E expenditures incurred prior to the date of a positive economic analysis on the property are expensed as incurred. Direct costs incurred for the development of mineral properties, net of cost recoveries, are capitalized once the technical feasibility and commercial viability of extracting the mineral resource has been determined.

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

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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Share-based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

(h) Income taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Income taxes (continued)

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

(i) Loss per share

Basic earnings/loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant year.

Diluted earnings/loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

(j) Provisions

Rehabilitation Provisions

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the year in which the obligation is incurred. The nature of the rehabilitation activities may include restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related properties, or in the case of E&E properties, charged to operations. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

The Company is subject to no rehabilitation provisions as at September 30, 2015.

Other Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(k) Share capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares and stock options are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(l) Foreign exchange

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the parent company is the USD while the functional currency of the subsidiaries is the same as the respective local currencies of the countries in which they are based. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

Transactions in currencies other than the US dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in comprehensive loss.

(m) New standards, amendments and interpretations not yet effective

IFRS 9 Financial Instruments

On 24 July 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 the Company's 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, which is expected to increase the provision for bad debts recognised in the Company.

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

The Company has not early adopted this standard and is currently assessing the impact on its financial statements.

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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) New standards, amendments and interpretations not yet effective (continued)

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.

Annual Improvements to IFRSs 2012-2014 Cycle

The annual improvements to IFRSs 2012-2014 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset from held for sale to hold for distribution to owners.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to IAS 19 clarify the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds.

The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Company's financial statements.

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6. 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.

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 equity instruments at the date at which they are granted and revalued 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 Note 10.

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 11.

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.

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7. EXPLORATION EXPENSES

	Three month ended September 30, 2016 \$	Three month ended September 30, 2015 \$
Berovina Zircon project *	411,069	-
South Africa Phosphate project	3,500	1,393
Namibian Diamond project	3,328	4,336
Other projects	9,040	30,501
	<u>426,937</u>	<u>36,230</u>

* Following the acquisition from Pala and Austral through Kimberley of 100% of the issued shares of Action Mining Limited ("Action"), a Mauritius company and the parent company of the Madagascar entity, Compagnie Generales des Mines de Madagascar, holding the license to the Berovina Zircon Deposit in Madagascar, all the exploration costs capitalised in the books of the Madagascar subsidiary were expensed to the Income Statement in accordance with the accounting policy of the Group.

8. GENERAL AND ADMINISTRATIVE EXPENSES

	Three month ended September 30, 2016 \$	Three month ended September 30, 2015 \$
Office	5,520	8,930
Consultancy and Professional fees	15,592	12,393
Regulatory	12,256	2,593
Investor relation	13,860	2,048
	<u>47,228</u>	<u>25,964</u>

9. INCOME TAXES

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate for the full financial year applied to the pre-tax income of the interim period.

The Company has not recognized deferred tax assets in relation to prior year losses as it does not believe that there will be sufficient taxable income in future periods to utilize these losses.

10. SHARE CAPITAL

Authorized share capital

The authorized capital stock of the Company comprises an unlimited number of common shares without par value.

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. All references to the number of shares and per share amounts have been retroactively restated to give effect to the consolidation.

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10. SHARE CAPITAL (Cont'd)

Issued and outstanding share capital

On September 23, 2016, the Company closed \$1,000,000 financing on a post-consolidated basis by the issuance of 10,666,667 post-consolidated Units to Spirit Resources SARL (a private company controlled by Jean-Raymond Boule) at a post-consolidated price of \$0.09375 per Unit. Each Unit will be comprised of one post-consolidated common share and one post-consolidated warrant (the "Warrant"), each Warrant entitling the holder to purchase one additional post-consolidated share at an exercise price of \$0.125 per share for five years from the date of issuance. These shares, including any that may be issued on exercise of the Warrant, will be subject to a hold period under applicable Canadian securities laws expiring on January 24, 2017, and may be subject to such further restrictions on resale as may apply under applicable foreign securities laws.

On August 25, 2016 the Company received acceptance from the TSX Venture Exchange to an Agreement among the Company, its wholly owned subsidiary Kimberley Overseas ("Kimberley"), Pala Investments Limited ("Pala") and Austral Resources Limited ("Austral") for the acquisition from Pala and Austral through Kimberley of 100% of the issued shares of Action Mining Limited ("Action"), a Mauritius company and the parent company of the Madagascar entity holding the license to the Beravina Zircon Deposit in Madagascar.

In accordance with the terms of the Agreement, on September 6, 2016 the Company issued a total of 653,131 common shares in its capital stock at a deemed value of \$0.1 per share to Pala. These shares are subject to a hold period under applicable Canadian securities laws expiring January 7, 2017.

The Company's largest shareholder, Spirit Resources SARL, has converted a Convertible Debenture in the principal amount of CAD\$150,000 at the conversion price of CAD\$0.1125 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 the Company with gross proceeds of CAD\$210,000.

Accordingly, on November 17, 2014, the Company issued the following securities to Spirit:

- on conversion of the Convertible Debenture, 1,333,333 common shares (the "Shares") and warrants to purchase an additional 1,333,333 common shares, which were exercisable at CAD\$0.16 on or before January 7, 2015 (the "Warrants"); and
- 1,333,333 shares were issued at a price of CAD\$0.16 per share for the full exercise of the Warrants.

The Securities are subject to a three year escrow release provisions set out in an Escrow Agreement signed by Spirit.

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10. SHARE CAPITAL (Cont'd)

Employees' and Directors' Equity Incentive Plan

The Company has an Employees' and Directors' Equity Incentive Plan which includes three components: (a) a Share Option Plan; (b) a Share Bonus Plan; and (c) a Share Purchase Plan.

- (a) The Share Option Plan authorizes the Board of Directors of the Company to grant options for a maximum of 3,800,000 common shares, which vest over a period of three years unless otherwise determined by the Board, to directors, executive officers and employees of the Company to acquire common shares of the Company at a price based on the weighted average trading price of the common shares for the five days preceding the date of the grant. The Share Option Plan also provides that the directors, executive officers and employees may, upon the approval of the Board of Directors of the Company, convert their share options into stock appreciation rights.
- (b) The Share Bonus Plan permits the Board of Directors of the Company to authorize the issuance of a maximum of 200,000 common shares of the Company to employees of the Company and its affiliates, all of which have been issued.
- (c) The Share Purchase Plan entitles eligible employees of the Company to contribute up to 10% of his or her annual basic salary in semi-monthly instalments, with the Company making contributions equal to 100% of the employee's contribution on a quarterly basis. Each participant, at the end of each calendar quarter during which he or she participates in the Share Purchase Plan, is issued common shares of the Company equal to the aggregate amount contributed by the participant and the Company on the participant's behalf, based on the weighted average trading price of the common shares during the preceding five days. A maximum of 200,000 common shares can be issued pursuant to the Share Purchase Plan.

The following is a summary of changes in options from July 1, 2015 to September 30, 2016:

Grant Date	Expiry Date	Opening Balance	During the Year			Closing Balance
			Granted	Exercised	Forfeited / expired	
		1,107,000	-	-	(40,000)	1,067,000
08/18/10	08/17/15	-	-	-	(437,000)	(437,000)
		1,067,000	-	-	(437,000)	630,000
		No movement during the quarter	-	-	-	-
		September 30, 2016	-	-	-	-
		Balance at September 30, 2016	630,000	-	-	630,000

The following is a summary of options outstanding and exercisable at September 30, 2016:

Grant Date	Expiry Date	Exercise Price (CAD)	Outstanding and exercisable at September 30, 2016
02/24/12	02/23/17	\$ 0.60	140,000
07/19/13	07/19/18	\$ 0.50	490,000
		Balance at September 30, 2016	630,000

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10. SHARE CAPITAL (Cont'd)

Share purchase warrants

A summary of share purchase warrant activity and information concerning currently outstanding and exercisable warrants from July 1, 2015 to September 30, 2016 is as follows:

Grant Date	Expiry Date	Opening Balance	During the Year			Closing Balance	Exercisable
			Granted	Exercised	Forfeited / expired		
Balance at June 30, 2015		1,600,000	1,333,333	(1,333,333)	-	1,600,000	1,600,000
5/15/13	5/14/16	-	-	-	(1,600,000)	(1,600,000)	-
Balance at June 30, 2016		-	-	-	-	-	-
9/23/16	9/22/16	-	10,666,667	-	-	10,666,667	10,666,667
Balance at September 30, 2016		-	10,666,667	-	-	10,666,667	10,666,667

The Company has issued various warrants for financing purposes at various prices. As the warrants have an exercise price denominated in Canadian dollars which is different to the functional currency of the Company (U.S. dollars), the share purchase warrants are treated as a derivative liability and the fair value movement during the year is recognized in the statement of comprehensive loss.

The change in fair value of the warrants presented as a derivative financial instrument, measured using the Binomial model is as follows:

	Warrants
	\$
Balance, June 30, 2015	17,090
Expiry of derivative financial instruments	(15,138)
Movement in foreign exchange rates	(1,952)
Balance, June 30, 2016	\$ -
Movement in fair value	15,460
Balance, September 30, 2016	\$ 15,460

The fair value of warrants was determined using the Binomial valuation model using the weighted average assumptions outlined in the following table.

	September 30, 2016	June 30, 2016
Expected volatility	10%	-
Risk-free interest rate	0.57%	-
Expected life	5 years	-

Nature and purpose of equity

The reserves recorded in equity on the Company's statement of financial position include "Contributed Surplus," "Accumulated Deficit" and "Accumulated Other Comprehensive Loss."

"Contributed Surplus" is used to recognize the value of share option grants prior to exercise.

"Accumulated Deficit" is used to record the Company's change in deficit from year to year.

"Accumulated Other Comprehensive Loss" includes foreign exchange losses/gains on translating subsidiaries with a different functional currency.

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11. CONVERTIBLE DEBENTURES

	\$
Balance June 30, 2015	\$122,486
Fair value movement in convertible debentures	(6,121)
Balance June 30, 2016	\$116,365
Fair value movement in convertible debentures	(1,210)
Balance September 30, 2016	\$115,155

A summary of debentures issued outstanding as at September 30, 2016 is as follows:

Debenture issued to	Principal amount	Fair value at June 30, 2016	Fair value at September, 30, 2016	Issuance date	Maturity / conversion date
	CAD \$	US \$	US \$		
Spirit Resources Sarl	151,357	116,365	115,155	March 27, 2014	March 26, 2015*

*As the maturity date of the debenture has passed, this amount is now due on demand.

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 CAD\$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.

12. LOANS

	September, 2016	June 30, 2016
	\$	\$
Opening balance	757,725	714,927
Interest	11,945	42,798
	<u>769,670</u>	<u>757,725</u>

A summary of short term loans as at September 30, 2015 is as follows:

Loans from	Principal amount	Interest rate (per annum)	Issuance date	Maturity date
	US \$	%		
Spirit Resources Sarl	290,000	6%	July 15, 2014	December 31, 2014*
Spirit Resources Sarl	400,000	6%	March 01, 2015	March 01, 2016

*Loan payable matured December 31, 2014 and is now due on demand.

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13. RELATED PARTY TRANSACTIONS

The Company incurred the following charges with directors and officers of the Company for the periods ended September 30, 2016 and 2015, which are recorded in the following accounts in these condensed consolidated interim financial statements:

	<u>2016</u>	<u>2015</u>
	\$	\$
Salaries and consulting fees	<u>16,000</u>	<u>19,500</u>

All related party transactions are recorded at the exchange amount, being the amounts established and agreed to between the related parties.