Management's Discussion and Analysis of Financial Condition and Results of Operations
For the first quarter ended September 30, 2019
Date of release 27 November 2019

INTRODUCTION

This Management's Discussion and Analysis ('MD&A"), for the first quarter ending September 30, 2019, has been prepared as at November 27, 2019, and contains certain "forward-looking statements" under the Canadian securities laws. All statements, other than statements of historical fact included herein, including without limitation statements regarding potential mineralization, exploration results, plans and objectives of Diamond Fields Resources Inc. ("Diamond Fields", "DFR" or "the Company"), are forward-looking statements that involve various risks, uncertainties and assumptions. The MD&A should be read in conjunction with the condensed consolidated financial statements of Diamond Fields. The first quarter financial statements ending September 30, 2019 are unaudited and have not been reviewed by the Company's external auditor.

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

Management's responsibility for financial reporting

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

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

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

OVERVIEW

Description of business

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

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

Principal Assets

Beravina (Zircon). The Company through its Madagascar-based subsidiary, Compagnie Generale des Mines de Madagascar, owns a Mining Licence (*Permis d'Exploitation 8096*) for the exploration and mining of the Beravina deposit that is valid until June 22, 2055. The project is located in Western Madagascar within the Melaky region, covering 625 hectares and is approximately 220km east of the port of Maintirano, near a state road. A NI 43-101 technical report filed by the Company on 29 January 2019, reported an Inferred Mineral Resource Estimate of 1.5 million tonnes grading 22.7% Zircon ($ZrSiO_4$). On 16 May 2019, the Company entered into a cooperation agreement with TMH Acquisition Co. ("TMH") to advance the project (the "Cooperation Agreement").

Namibia (Diamonds). Through its Namibian subsidiaries, the Company owns several offshore diamond mining licences in Namibia, including ML111 where the Company had historic diamond production (2001-2008 and 2016). The Company commenced a six month (non-continuous) mining campaign on

10 November 2018 which was concluded on 13 January 2019 with the relocation of the Ya Toivo mining vessel from the Company's ML111 licence area. The Company also owns ML138, ML139 and 70% of ML32.

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

REVIEW OF OPERATIONS

<u>Highlights</u>

Beravina Project - Madagascar

Following the execution of the Cooperation Agreement with TMH in May 2019, according to which TMH committed to fund the next stage of exploration and development work at Beravina (the "2019 Work Program"), TMH submitted a planned drill program comprising of 14 drill holes as part of the 2019 Work Program. During the first quarter, DFR completed work to obtain approval of the proposed drilling program from the Ministry of Mines and Strategic Resources, subsequently the Company submitted an Environmental Impact Assessment ("EIA") to the *Office National pour l'Environnement* ("ONE"), which was approved by ONE on October 29, 2019, and drilling commenced during early November 2019. The EIA process has impacted the timing for the completion of the exploration work beyond the originally envisaged 7 months from 16 May 2019 (the "Evaluation Period"). DFR and TMH have agreed to extend the Evaluation Period, without financial penalty, until May 31, 2020.

Diamond Mining - Namibia

Following completion of the initial stage of DFR's current ML111 mining campaign (in January 2019), the Company has been reviewing the first phase of mining and operational performance with International Mining and Dredging Holdings (Pty) Limited ("IMDH"), which carried out the campaign via its subsidiary NUTAM Operations (Pty) Ltd ("NUTAM"). The Company and IMDH continue to assess, amongst other things, the need for further exploration and development work in order to improve mining performance and a possible sharing of such costs. Such work is expected to improve recoveries from the remaining blocks under the current ML111 mining plan. As a result of the continued discussions and the development work envisaged, the second stage of the ML111 initial six months (non-continuous) mining program is now not expected to resume later in 2019. In addition, the Company's ML138, which is contiguous to ML111, is due for renewal during November 2019 and discussions with the Ministry of Mines and Energy remain ongoing. The timing and outcome of the Ministry of Mines and Energy's decision relating to the potential extension of ML138 is uncertain and there is a risk that the licence could not be renewed.

Other prospects and projects

The Company continues to review and assess the suitability of additional projects.

Overall operation updates and performance

The Company posted a comprehensive loss of $621,575 for the first quarter ended September 30, 2019 (2019Q1: $5,996). The results have been mostly impacted by the fair value movement of derivative instruments, foreign exchange loss and an increase in general and administration costs.

Board and Senior Management

The Board consists of seven directors: Norman Roderic Baker, Bertrand Boulle, Francois Colette, Al Gourley (Chairman of the Board), Sybrand van der Spuy (CEO), David Reading and Philip Murphy. Jean Lindberg Charles is the CFO and Company Secretary.

RESULTS OF OPERATIONS

Review of selected financial and operating results

Selected three month period financial and non-financial information	Three months ended	
	September 30, 2019	September 30, 2018
	$	$
Interests income	**9,852**	6,996
Exploration and evaluation expenses	**(61,077)**	(89.867)
General and administrative expenses	**(182,605)**	(68,868)
Share based compensation	**(25,441)**	(115,674)
Fair value movement on derivative instruments	**(276,396)**	278,619
Foreign exchange loss	**(87,505)**	(12,180)
Exchange difference on translation of foreign operations	**1,597**	(4,992)
Comprehensive loss	**(621,575)**	(5,966)
Weighted average number of shares outstanding	**67,895,662**	67,895,662
EPS – basic (cents)	**(0.92)**	0.01

The condensed consolidated interim financial statements of the Company have been prepared in accordance with IAS 34 'Interim Financial Reporting' and 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. The MD&A includes certain non-IFRS measures to provide meaningful information, where appropriate.

Interest income of $9,852 (2019Q1 – $6,966) for the quarter were receivable on call accounts.

During the first quarter ending September 30, 2019, the Company incurred $61,077 (2019Q1: $89,867) on exploration and evaluation expenditures (E&E). E&E for the period is categorised as follows: new prospects and other projects ($44,296); Namibian projects ($12,364) and Beravina ($4,417), the decrease in Beravina expenses is explained by the fact that most costs are now absorbed by TMH. The decrease in new prospects and other project expenses is attributed to consulting costs and professional fees previously costed to exploration and currently allocated to G&A.

General and administrative overheads (G&A) for the first quarter amounted to $182,605 (2019Q1: $68,868) made up mainly of fees to executives and consultants, as well as professional fees. The increase relates to the fact that previously certain fees and professional costs were absorbed under exploration costs, additionally the current quarter includes CEO fees which the Company started paying only as from the second quarter of the previous financial year.

Share-based compensation amounted to $25,441 for the quarter (2019Q1: $115,674), arising as a result of accounting for the vesting portions of stock options issued in February and August 2018.

A loss of $276,396 (2019Q1:gain $278,619) on the fair value movement of derivative instruments was recognised during the quarter following a revaluation of 10,666,667 outstanding warrants (which were issued on September 23, 2016 to Spirit Resources at an exercise price of CAD $0.125) as a result of higher DFR stock trading price on the last day of the reporting period, partly offset by the reduction in the remaining life of the warrants.

The foreign exchange loss of $87,505 (2019Q1: $12,180) relates mainly to translation of cash kept in Namibian dollars (NAD) into the reporting currency (USD), on the reporting date, arising as a result of depreciation in the rate of NAD to USD. The Company has submitted an application to transfer most of the cash held in NAD into a USD account and is awaiting clearance from the Central Bank of Namibia. The funds have been placed in high interest bearing NAD accounts in the meantime.

Projects

Madagascar "Beravina" Zircon

In 2016, the Company acquired the Beravina zircon project in Madagascar. Beravina is a pegmatite-hosted, hard rock, zircon deposit located approximately 325 kilometers west-northwest of Antananarivo, the capital of Madagascar. The deposit is characterized by a small surface footprint, with the mineralised pegmatite describing a steeply dipping cone-shaped structure. On January 29, 2019, the Company filed a NI 43-101 technical report, disclosing an Inferred Mineral Resource Estimate of 1.5 million tonnes grading 22.7% Zircon (ZrSiO4) (equivalent to 15.3% ZrO2). The report is available on SEDAR and the Company's website, with the reported resource summarised below.

Category	Tonnes (Millions)	ZrO_2 %	$ZrSiO_4$ %	HfO_2 %	ThO_2 ppm	U_3O_8 ppm	Density t/m^3
Inferred	1.5	15.3	22.7	0.3	537	46	3.1

Consultants SGS South Africa, HATCH and the MSA Group have conducted analyses of the Beravina mineralisation, minerology, metallurgy and other deposit characteristics (the "2018 Work Program") in advance of an intended drill program. Results from further metallurgical and material processing tests released in October 2018 confirmed that zircon can be concentrated to levels of between 50% ZrO2 and 58% ZrO2 with varying levels of thorium ingrained.

On the May 16, 2019, the Company entered into the Cooperation Agreement with TMH Acquisition Co., a special purpose vehicle established by Denham Mining Fund LP, to advance the Company's Beravina project (the "Project") in Madagascar. Pursuant to the terms of the Beravina Cooperation Agreement, TMH has made a payment of $250,000 to the Company and will fund the 2019 Work Program, expected to cost approximately $500,000 and to be completed within seven months from the date of entering the Beravina Cooperation Agreement (the "Evaluation Period"). TMH has the right to extend the Evaluation Period by a further three months if it has incurred expenditures of $500,000 and made a further payment of $250,000.

During the Period, TMH submitted a planned drill program comprising of 14 drill holes as part of the 2019 Work Program. DFR completed work to obtain approval of the drilling program from the Ministry of Mines and Strategic Resources and subsequently the Company submitted an Environmental Impact Assessment ("EIA") to the *Office National pour l'Environnement* ("ONE"), which was approved by ONE on October 29, 2019. Drilling commenced in early November 2019. The EIA process has impacted the timing for the completion of the exploration work beyond the originally envisaged 7 months from 16 May 2019 (the "Evaluation Period"). DFR and TMH have agreed to extend the Evaluation Period, without financial penalty, until May 31, 2020.

TMH will have the option (the "Option") to buy 100% of the Project in consideration of: a payment of $2,000,000; and, a nine percent royalty from future sales, subject to certain minimum deductions. Upon exercise of the Option, TMH is required to place the Project into production by no later than 30 June 2023 (the "Project Long-Stop Date"), subject to certain extensions for events of force majeure, such as permitting delays, but no later than 30 June 2025. Should the project not be placed into production by the Project Long-Stop Date, then TMH is required to make advance payments to the Company, as follows:

A. $500,000 on the Project Long-Stop Date;
B. $500,000 six months after the Project Long-Stop Date; and,
C. $500,000 on every anniversary of the Project Long-Stop Date thereafter.

If TMH should fail to make an advance royalty payment, when due, then the Company shall have the right to reacquire the Project in consideration of 50% of any advance royalty payments made by TMH.

The Company incurred $4,417 (2019Q1: $16,486) on the Beravina Project during the first quarter, under the terms of the Cooperation Agreement with TMH, all Beravina Project costs are being absorbed by TMH.

Namibian Marine Concessions

The Company holds four mining licences off the coast of Namibia. The principal mining licence, ML111, held by its subsidiary, Diamond Fields Namibia (Pty) Limited ("DFN"), is valid until December 4, 2025. DFN also holds additional mid to deep water offshore concessions ML138 and ML139. The ML138 and ML139 licences are valid until November 2019 and November 2029, respectively. There is a risk that the ML138 licence may not be renewed by the Namibian authorities upon expiry. The renewal application for ML138 licence was submitted one year prior to the current expiry date, and the Ministry of Mines and Energy subsequently communicated its intention to refuse the application. DFN has appealed and is currently awaiting a response from the Namibian authorities.

Namibian Diamond Company (Pty) Limited ("NDC"), a 70% owned Namibian subsidiary, holds the near shore concession ML32, which has been renewed until 17 December 2023. The Environmental Clearance Certificate for ML32 was issued by the Ministry of Environment and Tourism on the 24th April 2019.

In November 2017, IMDH and Nutam presented DFR (and its subsidiary DFN) with an initial six month (non-continuous) mining program and, on 10 November 2018, IMDH/NUTAM's vessel MV Ya Toivo started mining activities. Phase 1 was completed on 13 January 2019, producing 47,298.18ct net weight rough diamonds after boiling and cleaning from which the Company earned share of net proceeds of $1,105,530, accounted for during the financial year 2019.

Following completion of the initial stage of DFR's current ML111 mining campaign (in January 2019), the Company has been reviewing the first phase of mining and operational performance with IMDH. The Company and IMDH continue to assess, amongst other things, the need for further exploration and development work in order to improve mining performance and a possible sharing of such costs. Such work is expected to improve recoveries from the remaining blocks under the current ML111 mining plan. As a result of the continued discussions and the development work envisaged, the second stage of the ML111 initial six months (non-continuous) mining program is now not expected to resume later in 2019.

Costs amounting to $12,364 (2019Q1: $7,135) have been incurred in respect to the Namibian operations for the three month period.

Atlantis II, Red Sea

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

Diamond Fields has subsequently completed an independent resource analysis based on the original core data from the Atlantis II Deeps collated by Preussag. Development of the project has been hindered since April 2013 following a dispute with Manafa over contractual terms. The Company expects to resolve the impasse at some stage. No significant expenditures were incurred on the project during the reporting period. Any expenditure incurred on the Red Sea project is accounted and reported under the sub-heading evaluation of new prospects and other projects in the financial statement and MD&A.

Evaluation of new prospects and other projects

The Company continues its efforts to secure new projects, which involve the engagement of consultants and professionals. The Company has incurred $44,296 (2019Q1: $66,246) on new prospects and other projects during the quarter. No project other than as reported above has reached a stage which is disclosable and requires reporting under a separate sub-heading.

SELECTED QUARTERLY FINANCIAL INFORMATION

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

All amounts in US$	Sep 30 2019	Jun 30 2019	Mar 31 2019	Dec 31 2018	Sep 30 2018	Jun 30 2018	Mar 31 2018	Dec 31 2017
Other Income gains (Loss) on sale of assets	9.852	262,097	1,110,467	5,731	6,996	(3,518)	4,826	1,070,000
Net Income (Loss)	(623,172)	(297,058)	517,182	(330,847)	(974)	133,673	(240,711)	890,112
Basic (Loss) Earnings per share	(0.01)	(0.00)	0.01	(0.00)	(0.00)	0.00	(0.00)	0.02

CAPITAL RESOURCES AND LIQUIDITY

Cash and Working Capital

At September 30, 2019, the Company had $44,527 in working capital, including cash amounting to $1,219,333 compared to working capital of $640,661 and cash of $1,575,101 as at June 30, 2019. The decrease in working capital is mainly attributable to increases in the value of derivative financial instruments ($267,201) and cash absorbed in operating activities $355,768. Losses arising on conversion of cash held in foreign currency has impacted the cash balance as well as cash consumed from operating activities.

The Company's subsidiary, Diamond Fields Namibia (Pty) Ltd. held, as at the reporting date, the equivalent of $1,131,087 in Namibian Dollars with Standard Bank Namibia (the "Standard Bank"). Application was made, on October 16, 2019, to have the equivalent of approximately $840,000 in Namibian Dollars used to repay, in part, certain inter-group shareholders' loans owing to DFR (the "Application"). The Company has submitted, through Standard Bank, all of the documentation relevant to the Application, as required by the Bank of Namibia. There is no certainty that the Application will be accepted by the Bank of Namibia when required for working capital, or at all.

Share Transactions

The Company had 67,895,662 outstanding shares as at September 30 and June 30, 2019, no shares were issued during the quarter (2019Q1: Nil).

Stock options and warrants

The Company operates a fixed, less than 10%, stock option plan and had 6,789,000 options outstanding at 30 June 2019. During the quarter ended September 30, 2019, 50,000 stock options expired, leaving an outstanding balance of 5,150,000 options, out of which 4,420,933 had already vested as at September 30, 2019. All outstanding options have an exercise price of CAD $0.145 per share. An amount of $25,441 was recognized as share based compensation during the quarter (2018Q1: $115,674), arising as a result of accounting of the vesting portions of stock options issued in February and August 2018.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the reporting date and the reported amounts of income and expenses during the period. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

Share-based Payment Transactions

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

Derivative Financial Instruments

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

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

New accounting policies adopted during the year

IFRS 16 *Leases*

The Company adopted IFRS 16, *Leases* standard on July 1, 2019. This standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It has superseded the following lease Standard and Interpretations upon its adoption:

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

The application of IFRS 15 did not have a material impact on the amounts reported and disclosures made in the Company's consolidated financial statements as compared to prior periods.

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 mining operations and safeguard its ability to continue as a going concern in order to pursue the continued development of its various mineral properties.

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

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

(ii) Financial Instrument Risks

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

<u>Market Risk</u>

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

Foreign currency risk

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

Interest rate risk

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

Equity price risk

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

Commodity price risk

Commodity price risk is the uncertainty associated with the valuation of assets arising from changes in commodities. Though the Company is at an early exploration stage it is exposed to price risk through its Namibian operations where an initial six month (non continuous) mining program has started.

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 FACTORS

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.

Additional Financing Requirements

The Company will require additional financing in order to continue the development of the Company's properties and its exploration activities. There can be no assurance as to the success of future financing activities necessary to meet the Company's obligations and operating requirements. Failure to obtain sufficient financing may result in delay or postponement of activities, or even a loss of property interests.

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

Mineral exploration, development and mining activities generally involve a high degree of risk and uncertainty. There is no assurance that continued exploration of the Company’s concessions will result in any discovery of commercial quantities of diamonds, zircon and/or nickel over and above those previously identified. Even if commercial quantities of diamonds, zircon or other minerals are discovered, economic recovery is dependent upon a number of factors, including the particular attributes of the deposit, such as terrain, size and grade, products 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.

Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration or development programmes planned by the Company will result in a profitable commercial mining operation. There is no certainty that the expenditures made by the Company towards the search and evaluation of targeted minerals will result in discoveries of commercial quantities of those minerals.

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.

Estimates of reserves and resources are inherently uncertain

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 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, zircon and other prices, operating costs and mining efficiency. Any material change in the quantity of reserves, resources or grade may affect the economic viability of the relevant concessions.

Sea diamond deposits are alluvial deposits located on the ocean floor. These deposits are particularly 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.

Operating History

The Company has a limited history of operations and must be considered an early stage resource exploration company. As such, the Company is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders’ investment and the likelihood of success must be considered in light of its early stage of operations.

Offshore diamond mining involves significant risks

The business of offshore diamond mining is subject to a variety of risks such as accidents, extreme marine and weather conditions, natural disasters, environmental hazards, the discharge of toxic chemicals and other hazards. Such occurrences, against which the Company cannot, or may elect not to insure, may result in damage to or destruction of mining equipment and infrastructure, injuries and loss of life, environmental damage, delayed production, increased production costs and possible legal liability to third parties, any or all of which may have a material adverse effect on the Company's financial position. The mining and processing systems and the vessels to be used in the Namibian marine concessions are to be at sea throughout the mining process, and weather conditions will inevitably have an effect on operations.

The Company's Beravina zircon deposit may not head to a commercially viable product

The Beravina deposit has a NI 43-101 Inferred Mineral Resource estimate. Results from test work showed that zircon can be concentrated between 50% ZrO_2 and 58% ZrO_2 with varying levels of thorium ingrained. Whilst the Company anticipates doing further work, including evaluation of additional processing techniques to improve concentrate grade and remove deleterious elements, as well as market testing of various potential products, there is no certainty that the Company will achieve product grade and quality that can be sold at all or at viable prices.

Title can be uncertain

The Company has investigated its rights to explore and exploit its concessions, and, other than in respect of ML138 which may not be renewed by the Namibian authorities, to the best of its knowledge, those rights are in good standing, however, no assurance can be given that there are no title defects affecting such properties. In addition, no assurance can be given that applicable governments will not revoke, or significantly alter the conditions of, the applicable exploration and mining authorizations and that such exploration and mining authorizations will not be challenged or impugned by third parties. Mining and prospecting licences may be revoked by the applicable government authorities for failure to perform the obligations there under. Licences must be renewed periodically. The renewal process involves a review of the licence holder's performance by government authorities, and no assurance can be given as to any reviewed. There is a risk that not all the Company's renewal and concession applications will be successful.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government and other interferences in the maintenance or provision of such infrastructure could adversely affect the Company's operations, financial condition and results of operations.

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. The Company held $1,131,087 in Namibia as at the reporting date, and there can be no assurance that the Company will obtain the requisite approvals in the future to repay inter-group 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 commodity prices

The price of the common shares, the Company's financial results and exploration, development and mining activities may in the future be significantly adversely affected by declines in commodity prices.

Future serious price declines in the market value of certain commodities could cause continued development of the Company's properties to be impracticable.

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

The concessions comprising the Company's projects are located in Namibia, Madagascar and the Red Sea Joint Commission area, are subject to the laws and regulations of these respective jurisdictions. Although mining in each jurisdiction has a long history and has not 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, laws and regulations or changes in the political and economic status.

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

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, 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.

Competition

The mining industry is competitive in all of its phases. The Company faces strong competition from other mining companies in connection with the acquisition of properties producing, or capable of producing targeted minerals. Many of these companies have greater financial resources, operational experience and technical capabilities than the Company. As a result of this competition, the Company may be unable to maintain or acquire attractive mining properties on terms it considers acceptable or at all. Consequently, the Company's revenues, operations and financial condition could be materially adversely affected.

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

Key Executives
The Company is dependent on the services of key executives, including the directors of the Company and a small number of highly skilled and experienced executives and personnel. Due to the relatively small size of the Company, the loss of these persons or the Company's inability to attract and retain additional highly skilled employees may adversely affect its business and future operations.

Directors and officers of the Company may have conflicts of interest

Certain of the directors of the Company are directors or officers of, or have shareholdings in, other mining companies. If, and to the extent that, such other companies participate in business ventures in which the Company also participates, those directors may have a conflict of interest. These other mining companies may also compete with the 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.

OUTSTANDING SHARE DATA

Movement on shares and stock options have been reported under "Capital Resources and Liquidity" section of this MD&A. A total of 67,895,662 (June 30, 2019: 67,895,662) common shares were issued and outstanding as at September 30, 2019. As at the date of reporting, a total of 5,150,000 stock options were outstanding (out of which 4,420,933 had vested), all with an exercise price of CAD $0.145 per share and expiring between December 11, 2021 and August 27, 2023. A balance of 10,666,667 stock warrants with exercise price of CAD $0.125 per share were outstanding at the beginning of the period and, as at reporting date, the unexercised warrants will expire on September 23, 2021.

RELATED PARTY TRANSACTIONS

The Company provided the following compensation to related parties for the periods ended September 30, 2019 and 2018:

	Three month ended September 30	
	2019	2018
	$	$
G&A - EV Young, (former Director and CFO)	**-**	9,000
G&A - JL Charles, CFO and Secretary	**38,625**	18,750
G&A - Sybrand van der Spuy, President and CEO	**37,500**	-
G&A - Fasken & Martineau[1]	**57,522**	
Share based compensation – Directors & Officers	**24,769**	115,674

[1]Mr. Al Gourley, serves as a director, and chairman of the Board of the Company, and is also the Managing Partner of Fasken Martineau LLP London, which provides advisory services to the Company.

Notes:
G&A – denotes general and administration expenses
E&E – denotes exploration and evaluation expenses

SUBSEQUENT EVENTS

There have been no material disclosable events following the date of reporting until the date of publication of this MD&A.

PROPOSED TRANSACTIONS

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