

DIAMOND FIELDS RESOURCES

DIAMOND FIELDS RESOURCES INC.
Condensed Consolidated Interim Financial Statements
For the three-months ended March 31, 2020

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

UNAUDITED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument NI 51-102 released by Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited financial statements for the period ended March 31, 2020.

DIAMOND FIELDS RESOURCES INC.
Consolidated Statement of Financial Position
As at March 31, 2020 and December 31, 2019
(Expressed in U.S. dollars)

	Notes	March 31, 2020	December 31, 2019
		\$	\$
ASSETS			
CURRENT			
Cash		1,295,572	1,202,786
Prepaid expenses and other receivables		16,281	10,616
		1,311,853	1,213,402
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities		160,491	332,154
Derivative financial instruments	12	279,645	945,196
Loan payable	13	598,409	-
		1,038,545	1,277,350
SHAREHOLDERS' EQUITY / (DEFICIENCY)			
Share capital	11	55,784,887	55,633,167
Contributed surplus	11	4,170,307	4,166,789
Accumulated other comprehensive income		4,576	1,310
Accumulated deficit		(59,686,462)	(59,865,214)
		273,308	(63,948)
		1,311,853	1,213,402
Nature and continuance of operations	2		
Subsequent events	16		

“Sybrand Van Der Spuy”

“Bertrand Boulle”

Director

Director

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

DIAMOND FIELDS RESOURCES INC.
Consolidated Statements of Income and Comprehensive Income
For the three-months ended March 31, 2020 and 2019
(Expressed in U.S. dollars)

	Notes	Three-months ended March 31, 2020 \$	Three-months ended March 31, 2019 \$
OPERATING EXPENSES			
Exploration expenses	7	13,934	300,420
Share based compensation	11	3,518	-
General and administrative expenses	8	193,150	92,830
		(210,602)	(393,250)
Fair value movement on derivative instruments	12	647,374	(191,677)
Other income	9	-	1,105,530
Interest income		8,868	4,937
Interest expense	13	(56,107)	-
Foreign exchange loss		(210,781)	(8,358)
NET PROFIT FOR THE PERIOD		178,752	517,182
Exchange difference on translation of foreign operations		3,266	4,011
COMPREHENSIVE PROFIT FOR THE PERIOD		182,018	521,193
BASIC EARNINGS PER SHARE		0.00	0.01
DILUTED EARNINGS PER SHARE		0.00	0.01
WEIGHTED AVERAGE NUMBER OF COMMON SHARES			
- BASIC		68,495,662	67,895,662
- DILUTED		84,362,329	83,762,329

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

DIAMOND FIELDS RESOURCES INC.
Consolidated Statement of Changes in Shareholders' Equity (Deficiency)
For the periods ended March 31, 2020 and 2019
(Expressed in U.S. dollars)

	Number of shares	Share capital \$	Contributed surplus \$	Accumulated deficit \$	Accumulated other comprehensive Income/(loss) \$	Total \$
Balance at December 31, 2018	67,895,662	55,633,167	4,162,497	(59,359,593)	(5,995)	430,076
Translation adjustment	-	-	-	-	4,011	4,011
Share based compensation	-	-	-	-	-	-
Profit (Loss) for the period	-	-	-	517,182	-	517,182
Balance at March 31, 2019	67,895,662	55,633,167	4,162,497	(58,842,411)	(1,984)	951,269
Balance at December 31, 2019	67,895,662	55,633,167	4,166,789	(59,865,214)	1,310	(63,948)
Share issue	1,000,000	151,720	-	-	-	151,720
Translation adjustment	-	-	-	-	3,266	3,266
Share based compensation	-	-	3,518	-	-	3,518
Loss for the period	-	-	-	178,752	-	178,752
Balance at March 31, 2020	68,895,662	55,784,887	4,170,307	(59,686,462)	4,576	273,308

DIAMOND FIELDS RESOURCES INC.
Consolidated Statement of Cash Flows
For the three-months ended March 31, 2020 and 2019
(Expressed in U.S. dollars)

	Three-months ended March 31, 2020	Three-months ended March 31, 2019
	\$	\$
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net profit for the period	178,752	517,182
Items not affecting use of cash		
Foreign exchange (gain) / loss	(26,647)	7,356
Share based compensation	3,518	-
Fair value movement on derivative instruments	(647,374)	191,677
Interest	56,107	-
Net change in working capital items (Note 14)	(230,168)	173,024
	(665,812)	889,239
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	151,720	-
Proceeds from Loans	606,878	-
	758,598	-
CHANGE IN CASH	92,786	889,239
CASH, BEGINNING OF PERIOD	1,202,786	929,008
CASH, END OF PERIOD	1,295,572	1,818,247

Supplemental cash flow information (Note 14)

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

DIAMOND FIELDS RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE-MONTHS ENDED MARCH 31, 2020 AND 2019
(All amounts are expressed in U.S. dollars.)

1. CORPORATE INFORMATION

Diamond Fields Resources Inc's ("DFR" or the "Company") business activity is the exploration and evaluation of mineral properties in Namibia, Madagascar and worldwide. 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 ("TSX-V"), having the symbol DFR, 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 2900, 550 Burrard Street, Vancouver, British Columbia V6C 0A3, Canada.

2. NATURE AND CONTINUANCE OF OPERATIONS

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.

As at March 31, 2020, the Company has an accumulated deficit of \$59,686,462 (2019: \$58,842,411) and generated a net profit of \$178,752 during the three-months ended March 31, 2020 (2019: \$517,182).

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

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.

These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

3. STATEMENT OF COMPLIANCE

The condensed consolidated interim financial statements of the Company or the three-months ended March 31, 2020, have been prepared in accordance with IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board ("IASB"). 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.

DIAMOND FIELDS RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE-MONTHS ENDED MARCH 31, 2020 AND 2019
(All amounts are expressed in U.S. dollars.)

3. STATEMENT OF COMPLIANCE (CONTINUED)

Effective December 2019, the Company changed its financial year-end from June 30 to December 31 to align reporting with that of its mining sector peers and its Madagascan subsidiary. The change in year-end has resulted in the Company filing a one-time six-months transition year covering the period July 1, 2019 to December 31, 2019. Subsequent to the transition year, the Company's financial year will cover the period January 1 to December 31, and as such, the three-months ended March 31, 2020 represents the first quarter interim reporting period of the Company for the financial year 2020.

The financial statements were authorized for issue by the Board of Directors on May 29, 2020.

4. BASIS OF MEASUREMENT

The condensed consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as fair value through profit or loss, which have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

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 Company's significant accounting policies. The areas involving a higher degree of judgment or 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 periods presented in these consolidated financial statements, unless otherwise indicated.

(a) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by Diamond Fields Resources Inc. (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.

Transactions eliminated on consolidation

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

The consolidated financial statements include the accounts of the Parent and its subsidiaries, as shown below:

DIAMOND FIELDS RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE-MONTHS ENDED MARCH 31, 2020 AND 2019
(All amounts are expressed in U.S. dollars.)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

Name	Country of Incorporation	Class of Shares	Ownership Interest
Kimberley Overseas Ltd.	Cayman Islands	Common	100%
Diamond Fields Sierra Leone Ltd.	British Virgin Islands	Common	100%
Diamond Fields Namibia Ltd.	Namibia	Common	100%
Diamond Fields Operations Namibia Ltd.	Namibia	Common	100%
Diamond Fields South Africa (Proprietary) Ltd.	South Africa	Common	100%
Action Mining Ltd.	Mauritius	Common	100%
Compagnie Générale des Mines de Madagascar	Madagascar	Common	100%
Namibian Diamond Company (Proprietary) Limited	Namibia	Common	70%

(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 period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of loss and comprehensive loss.

Subsidiaries

The results and financial position of all the subsidiaries (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 loss and comprehensive loss are translated at exchange rates approximating the exchange rates in effect at the time of the transactions; and
- c. all resulting exchange differences are recognized within other comprehensive income (loss).

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

DIAMOND FIELDS RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE-MONTHS ENDED MARCH 31, 2020 AND 2019
(All amounts are expressed in U.S. dollars.)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Cash and cash 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

The Company will classify financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss, based on its business model for managing the financial asset and the financial asset's contractual cash flow characteristics. The three categories are defined as follows:

i) Amortized cost - a financial asset is measured at amortized cost if both of the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

ii) Fair value through other comprehensive income - financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

iii) Fair value through profit or loss - any financial assets that are not held in one of the two business models mentioned are measured at fair value through profit or loss.

When, and only when, the Company changes its business model for managing financial assets it must reclassify all affected financial assets.

The Company's financial assets are comprised of cash and other receivables, which are all measured at amortized cost.

Impairment of Financial Assets

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Financial Liabilities

Financial liabilities are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. The Company has the following financial liabilities: accounts payable; accrued liabilities; loan payable; and, derivative liabilities. Accounts payable, accrued liabilities and loans payable are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

DIAMOND FIELDS RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE-MONTHS ENDED MARCH 31, 2020 AND 2019
(All amounts are expressed in U.S. dollars.)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments (continued)

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.

Derivative Financial Instruments

The Company may issue share purchase warrants and conversion options on convertible debentures or as part of units 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 fair value through profit or loss. These instruments are measured at fair value through profit or loss through the application of an appropriate valuation model.

(e) 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.

Impairment of Non-Financial Assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

DIAMOND FIELDS RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE-MONTHS ENDED MARCH 31, 2020 AND 2019
(All amounts are expressed in U.S. dollars.)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Share based compensation

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 loss and comprehensive loss over the vesting period described as the period during which all the vesting conditions are to be satisfied. 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 loss and comprehensive loss over the remaining vesting period.

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 loss and 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 compensation 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 compensation 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.

(g) Income taxes

Income tax expense comprises 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.

DIAMOND FIELDS RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE-MONTHS ENDED MARCH 31, 2020 AND 2019
(All amounts are expressed in U.S. dollars.)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Income taxes (continued)

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.

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.

(h) Basic Earnings (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.

(i) 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. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the year in which they occur. The Company does not have any rehabilitation provisions for the years presented.

DIAMOND FIELDS RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE-MONTHS ENDED MARCH 31, 2020 AND 2019
(All amounts are expressed in U.S. dollars.)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Share capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. 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.

(k) Revenue

Sales of mineral products are recognized when the risks and rewards of ownership pass to the customer, the price can be measured reliably and collectability is reasonably assured. Revenue is measured at the fair value of the consideration received, excluding discounts and rebates. Revenue from minerals sales is credited against mineral property costs when generated from pre-commercial production; and to operations when generated from commercial production or if there are no capitalized mineral property costs.

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

IFRS 17, Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of Insurance contracts within the scope of the Standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts and require that liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts.

IFRS 17 supersedes IFRS 4, Insurance Contracts, and related interpretations, and is effective for reporting periods beginning on or after January 1, 2021.

The Company does not anticipate that the application of IFRS 17 in the future will have a material impact on the amounts reported and disclosures made in the Company's consolidated financial statements.

6. 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:

DIAMOND FIELDS RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE-MONTHS ENDED MARCH 31, 2020 AND 2019
(All amounts are expressed in U.S. dollars.)

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

Share Based Compensation 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 had 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 the fair value of the derivative financial instruments transactions are disclosed in Note 12.

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.

7. EXPLORATION EXPENSES

	Three-months ended March 31, 2020	Three-months ended March 31, 2019
	\$	\$
Namibian diamond project	13,934	100,360
Beravina zircon project	-	16,565
Other projects and new prospects	-	183,495
	13,934	300,420

DIAMOND FIELDS RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE-MONTHS ENDED MARCH 31, 2020 AND 2019
(All amounts are expressed in U.S. dollars.)

7. EXPLORATION EXPENSES (CONTINUED)

Exploration expenses by nature of expenditure are summarized below:

	Three-months ended March 31, 2020	Three-months ended March 31, 2019
	\$	\$
Consulting	13,641	196,739
Travel	-	24,573
Licences & other expenses	293	79,108
	13,934	300,420

Namibian Diamond project

The Company holds a 100% interest in two diamond mining licenses through its subsidiary Diamond Fields Namibia (Pty) Ltd. (“DFN”), and a 70% interest in one diamond mining license through its subsidiary Namibian Diamond Company (Pty) Ltd., off the coast of Namibia.

On November 17, 2017, the Company entered into an agreement with International Mining and Dredging Holdings Proprietary Limited (“IMDH”) and its partner, Namibian Underwater Technology And Mining (Pty) Ltd. (“NUTAM”), whereby NUTAM will have an exclusive right to mine the ML111 property. As consideration for the right to mine, NUTAM will pay DFN a sliding royalty based on production from the property. No mining activity took place, and no income was received during the three-months ended March 31, 2020 (2019: \$1,105,530 net share of proceeds from sale of diamonds).

Madagascar Zircon project

In August 2016, the Company, through its wholly owned subsidiary, Kimberley Overseas, reached an agreement with Pala Investments Limited and Austral Resources Limited to acquire Action Mining Ltd., a Mauritius company which wholly owns Compagnie Generale des Mines de Madagascar (“CGMM”). CGMM owns 100% of the mining license (*Permis d’Exploitation* PE8096) for the Beravina zircon deposit in Madagascar.

On May 16, 2019, the Company entered into a cooperation agreement with TMH Acquisition Co., a special purpose vehicle established by Denham Mining Fund LP (“TMH”), to advance the Company’s Beravina project (the “Project”) in Madagascar (the “Cooperation Agreement”). Pursuant to the terms of the Cooperation Agreement, TMH will make an immediate payment of \$250,000 (received) to the Company and fund the next stage of exploration and development work on Beravina (the “Work Program”), expected to cost approximately \$500,000 and to be completed within seven months from the date of entering into the Cooperation Agreement (the “Evaluation Period”).

Pursuant to the Cooperation Agreement, 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. The Company engaged an Environmental Impact Assessment (EIA) prior to exploration work which inevitably impacted the timing of the work programme, and, on November 11, 2019, the Company announced that it had agreed to extend the Evaluation Period without penalty until May 31, 2020.

DIAMOND FIELDS RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE-MONTHS ENDED MARCH 31, 2020 AND 2019
(All amounts are expressed in U.S. dollars.)

7. EXPLORATION EXPENSES (CONTINUED)

Madagascar Zircon project (continued)

TMH will have the option (the “Option”) to buy 100% of the Project in consideration of: a net 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 June 30, 2023 (the “Project Long-Stop Date”), subject to certain extensions for events of force majeure, such as permitting delays, but no longer than June 30, 2025. Should the Project not be placed into production by the Project Long-Stop Date, then TMH is be 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 fails 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.

Atlantis II Red Sea project

The Company, through its joint venture partner, Manafa International Trade Company of Saudi Arabia (“Manafa”) holds an interest in an exclusive thirty-year mining license extending over the Atlantis II Deeps. Pursuant to the terms of the joint venture agreement dated August 3, 2008, DFR and Manafa agreed that these licenses would be transferred into a joint venture company (“JVC”). It was agreed that DFR would own 50.1% of the JVC and Manafa would own 49.9%. Advancement of the project has been hindered since April 2013 following a dispute with Manafa over contractual terms, as such the license held by Manafa for the benefit of Manafa and DFR has not transferred under joint ownership as no JVC had been set up. The Company does not currently hold any interest in Manafa, but only in the Atlantis II license. The Company continues to explore avenues to resolve the impasse.

The Company has evaluated this arrangement under the criteria within IFRS 11, Joint Arrangements, and has concluded that the arrangement is not jointly controlled. As at March 31, 2020, there are no assets or liabilities which are subject to this agreement aside from the license itself.

The Company continues to assert its rights to the project.

Other projects and prospects

The Company, during its normal course of business, engages with different parties as authorities to seek business opportunities on an ongoing basis. To the date of reporting, other than disclosed above, no other project has reached a stage which would be considered material for disclosure.

DIAMOND FIELDS RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE-MONTHS ENDED MARCH 31, 2020 AND 2019
(All amounts are expressed in U.S. dollars.)

8. GENERAL AND ADMINISTRATIVE EXPENSES

	Three-months ended March 31, 2020	Three-months ended March 31, 2019
	\$	\$
Directors and secretary fees	65,625	21,875
Consultancy fees	70,733	33,001
Audit and tax fees	361	8,437
Regulatory	6,161	2,130
Insurance	12,225	-
Investor relation	13,792	17,676
Office and other expenses	24,253	9,711
	193,150	92,830

9. OTHER INCOME

	Three-months ended March 31, 2020	Three-months ended March 31, 2019
	\$	\$
Share of proceeds from sale of Diamonds	-	1,105,530

No other income was recorded during the three-months ended March 31, 2020, income pertaining to March 2019 relates to the Company's share of proceeds from the sale of 47,298 carats net weight unpolished diamonds.

10. 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 there is no certainty that there will be sufficient taxable income in future periods to utilize these losses.

11. SHARE CAPITAL

Authorized share capital

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

Issued and outstanding share capital

As at December 31, 2019, the Company had 67,895,662 issued and outstanding shares. On February 13, 2020 the Company announced the completion of a working capital financing through the issuance of 1,000,000 common shares at a price of C\$0.20 per share for gross proceeds of C\$200,000 (in addition to C\$800,000 debt financing).

Consequently, following completion of the financing, the Company had a total of 68,895,662 issued and outstanding shares.

DIAMOND FIELDS RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE-MONTHS ENDED MARCH 31, 2020 AND 2019
(All amounts are expressed in U.S. dollars.)

11. SHARE CAPITAL (CONTINUED)

Stock Options

The Company has adopted a fixed, less than 10% stock option plan (the “Plan”), under which the maximum number of stock options issued cannot exceed 6,789,000. The stock options issued to directors and officers vest in stages and become exercisable as to one third immediately, one third one year upon grant and the balance two years upon grant. Any stock options granted to consultants performing investor relations activities, vest in stages over twelve months. The exercise period for any stock options granted under the Plan cannot exceed ten years. The exercise price of options granted under the Plan cannot be less than the “discounted market price” of the common shares (the market price less the maximum discount permitted by the TSX-V).

Outstanding and exercisable share options

The following is a summary of changes in options from December 31, 2018 to March 31, 2020:

Grant Date	Expiry Date	Opening balance	During the year			Closing balance
			Granted	Exercised	Expired / Forfeited	
		5,200,000	-	-	-	5,200,000
08/28/18	08/27/23	-	-	-	(50,000)	(50,000)
Balance at December 31, 2019 and March 31, 2020		5,200,000	-	-	(50,000)	5,150,000

The following is a summary of options vested and outstanding at March 31, 2020:

Grant Date	Expiry Date	Exercise price (CAD)	Vested March 31, 2020	Outstanding at March 31, 2020
12/12/16	12/11/21	\$0.145	2,962,800	2,962,800
02/05/18	02/04/23	\$0.145	400,000	400,000
08/28/18	08/27/23	\$0.145	1,191,467	1,787,200
Balance at March 31, 2020			4,554,267	5,150,000

The weighted average exercise price of options outstanding as at December 31, 2019 and March 31, 2020, was CAD \$0.145.

No stock options were granted or forfeited for the three-months ended March 31, 2020 (year ended December 31, 2019: Nil granted and 50,000 forfeited)

DIAMOND FIELDS RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE-MONTHS ENDED MARCH 31, 2020 AND 2019
(All amounts are expressed in U.S. dollars.)

11. SHARE CAPITAL (CONTINUED)

Share purchase warrants

A summary of share purchase warrant activity and information concerning currently outstanding and exercisable warrants from December 31, 2018 to March 31, 2020 is as follows:

Grant date	Opening balance	During the year			Closing balance	Exercisable
		Granted	Exercised	Forfeited / expired		
Balance at December 31, 2018 and 2019	10,666,667				10,666,667	10,666,667
Movement during the year	-	-	-	-	-	-
Balance at March 31, 2020	10,666,667	-	-	-	10,666,667	10,666,667
Weighted average price CAD	\$0.125				\$0.125	\$0.125

Nature and purpose of equity

The reserves recorded in equity on the Company's consolidated 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 functional currency different from that of the US dollar.

12. DERIVATIVE FINANCIAL INSTRUMENTS

The Company had issued 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. dollar), the share purchase warrants are treated as a derivative financial liability and the fair value movement during the year was recognized in the statement of loss and comprehensive loss.

The change in fair value of the derivative financial liabilities measured using the Binomial valuation model is as follows:

	Warrants (Note 11) \$
Balance, December 31, 2018	389,318
Movement in fair value	537,419
Movement in foreign exchange rates	18,459
Balance, December 31, 2019	945,196
Movement in fair value	(647,374)
Movement in foreign exchange rates	(18,177)
Balance, March 31, 2020	279,645

DIAMOND FIELDS RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE-MONTHS ENDED MARCH 31, 2020 AND 2019
(All amounts are expressed in U.S. dollars.)

12. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

	March 31, 2020	December 31, 2019
Expected volatility	118%	109%
Risk-free interest rate	0.46%	1.71%
Expected life	1.48 years	1.73 years

13. LOAN PAYABLE

	March 31, 2020	December 31, 2019
	\$	\$
Opening balance	-	-
Loans received	606,878	-
Closing balance	606,878	-

A summary of loans and their maturity profiles are as follows:

Loan received from	Principal amount	Balance at March 31, 2020	Interest rate over duration ⁴	Issuance date	Maturity date ¹
	\$	\$			
Albert C Gourley Professional Corporation ²	303,480	295,011	10%	January 29, 2020	December 31 or May 31, 2020
Spirit Resources SARL ³	303,398	303,398	10%	February 5, 2020	December 31 or May 31, 2020

Notes:

- The loans are repayable on December 31, 2020 or may be repaid earlier in the event that the Company and its subsidiaries: complete an equity financing or otherwise receive funding, payments or income equal to C\$1,000,000; or the Company's Namibian subsidiary receives authorisation from the Bank of Namibia ("BON") to remit not less than \$500,000 from Namibia. The Company's Namibian subsidiary received authorization from BON, and repaid \$679,852 to the Company's bank account in Canada.
- Mr. Albert Gourley is the non-executive chairman of the Board of the Company and also controls Albert C Gourley Professional Corporation.
- Mr. Jean Raymond Boulle is the major shareholder of the Company, holding his shares through Spirit Resources SARL.
- Following the authorisation from BON and the remittance of part of the funds held to the Company's bank account in Canada, the loans have become payable early, and interest amounting to \$56,107 has been recognised in the statement of income.

DIAMOND FIELDS RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE-MONTHS ENDED MARCH 31, 2020 AND 2019
(All amounts are expressed in U.S. dollars.)

14. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in working capital items:	March 31,	March 31,
	2020	2019
	<u>\$</u>	<u>\$</u>
(Increase) / Decrease in:		
Prepaid expenses and other receivables	(5,665)	7,021
(Decrease) / Increase in:		
Accounts payable and accrued liabilities	(224,503)	166,003
	(230,168)	173,024
	<hr/>	<hr/>
Significant non-cash transaction for the period:	March 31,	March 31,
	2020	2019
	<u>\$</u>	<u>\$</u>
Currency translation adjustment on net assets	3,266	4,011
	<hr/>	<hr/>

15. RELATED PARTY TRANSACTIONS

The Company provided the following compensation to key management personnel of the Company for the periods ended December 31, 2019 and June 30, 2019, which are recorded in the following accounts in these consolidated financial statements:

	Three-months ended March 31, 2020	Three-months ended March 31, 2019
	<u>\$</u>	<u>\$</u>
G&A - JL Charles, CFO and Secretary	38,625	21,875
G&A - Sybrand van der Spuy, President and CEO	37,500	37,500
G&A, E&E - Fasken Martineau LLP ¹	56,441	91,381
E&E - David Reading	<u>-</u>	<u>30,000</u>
Total, excluding share based compensation	132,566	180,756
Share based compensation – Directors & Officers	3,431	<u>-</u>

G&A - denotes general and admin expenses

E&E – denotes evaluation and exploration expenses

As at March 31, 2020, a total of \$15,471 (December 31, 2019 - \$180,586) fees and expenses were payable to related parties.

Note:

Fasken Martineau LLP¹ - Albert Gourley, a Director of the Company, holds office as the Regional Managing Partner of Fasken Martineau LLP.

16. SUBSEQUENT EVENTS

No material event requiring disclosure have occurred following the end of the reporting period until the date of issue of this report.