**Management's Discussion and Analysis of Financial Condition and Results of Operations**
**For the second quarter and six-months period ended June 30, 2022**
**Date of release August 29, 2022**

*(All amounts are expressed in United States dollars unless otherwise stated)*

## 1. INTRODUCTION

This Management Discussion and Analysis (''MD&A") for the second quarter and six-months period ended June 30, 2022 has been prepared as at August 29, 2022, 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" or together with its subsidiaries, "the Group"), 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.

### *(i) Russia-Ukraine war*

The geopolitical situation in Eastern Europe intensified on February 24, 2022, with Russia's invasion of Ukraine. The war between the two countries continues to evolve as military activity proceeds and additional sanctions are imposed. In addition to the human toll, the war is increasingly affecting economic and global financial markets and exacerbating ongoing economic challenges, including issues such as rising inflation and global supply-chain disruption.

Though the Company's activities have so far not been significantly affected by the situation, because of its broader impact on these macroeconomic conditions, the Company believes that the war's effect on its activities would largely depend on the nature and duration of uncertain and unpredictable events, such as further military action, additional sanctions, and reactions to ongoing developments by global financial markets.

The Company is continuously evaluating its direct and indirect exposures to the impacts of the war on its operation. The Company has no subsidiaries, operations, investments, contractual arrangements, or joint ventures in Ukraine and Russia. The Company also does not have significant suppliers, vendors, or customers in Ukraine or Russia. It neither lends to nor borrows from entities in those countries. Although the Company does not have direct exposure to Ukraine or Russia, it is likely to be affected by the overall economic uncertainty and negative impacts on the global economy and major financial markets arising from the war.

### *(ii) Management's responsibility for financial reporting*

The condensed consolidated interim 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 condensed 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 condensed consolidated financial statements.

## 2. OVERVIEW

### *(i) Description of business*

Diamond Fields is a British Columbia governed company listed on the TSX Venture Exchange. On June 29, 2022, the Company announced the closing of its acquisition of Moydow Holdings Limited ("Moydow"), a BVI company owning a portfolio of gold assets in West Africa, which received final TSXV approval on July 11, 2022 (see DFR announcements dated August 25, 2021, June 29, 2022 and July 11, 2022). The Company is active in mineral exploration, and in addition to its recently acquired business interests in Burkina Faso, Mali and Nigeria, also has business interests in Madagascar and Namibia. Moreover, the Company is actively engaged in the assessment of additional mineral projects around the world to identify new opportunities.

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

### *(ii) Principal Assets*

***Labola (Gold) – Burkina Faso.***

The Company's recently acquired 80% controlled subsidiary, Moydow, holds two exclusive options for WUO1 and WUO2, until 2024 and 2023 respectively, to purchase 100% of the licence holder's interest in the WUO Land and WUO Land 2 ("Labola") exploration licences where data for over 65,500 meters of historical drilling has been acquired by the Company from previous option holders. Moydow undertook a confirmatory twin and infill drilling campaign in 2021, following which a maiden resource statement was published. Moydow has started a new drilling program consisting of 4,975 meters of reverse circulation (RC) drilling in 2022, the results were being analysed as at the date of this report. The Labola project lies in the Banfora greenstone belt of the West African Birimian Supergroup in southwest Burkina Faso. A NI 43-101 compliant technical report announced by the Company on October 25, 2021 reported:

- Indicated resource of 5.41 million tonnes at an average grade of 1.52 g/t AU for a total 264,000 ounces of gold; and,
- Inferred resource of 6.93 million tonnes at an average grade of 1.67 g/t Au for a total of 371,000 ounces of gold.

Mr. David J Reading, M.Sc., FIMM, Fellow of the Society of Economic Geologists (SEG), a director to the Company and a Qualified Person as defined under Canadian National Instrument 43 101 – Standards of Disclosure for Mineral Projects ("NI 43 101"), has reviewed and approved the technical information contained in the notes to these financial statements.

***Kalaka (Gold) - Mali.***

The Company acquired, on June 29, 2022, a 40% indirect interest in the Kalaka licence in Mali (as part of the Moydow transaction). The Kalaka gold project is located 260km South East of Bamako in South Mali, 80km south of the 8 million Ounces Morila gold mine owned by Barrick/AngloGold and 85km northwest of the 6 million ounces Syama gold mine owned by Resolute. Previous works at Kalaka indicate a large, low-grade zone mineralization with multiple drill intersections.

***Nigeria (Gold).***

The Company acquired, on June 29, 2022, a 25.5% indirect interest in various gold exploration projects in Nigeria (as part of the Moydow transaction), where historically very little systematic, modern exploration has been undertaken. The projects are located within the gold-bearing ("Schist Belt") terrain of the Benin-Nigeria Shield, which has broad similarities to the Birimian of the Man Shield of West Africa.

## 2. OVERVIEW (CONTINUED)

### *(ii) Principal Assets (continued)*

***Beravina (Zircon)***

The Company through its Madagascar-based subsidiary, Compagnie Générale des Mines de Madagascar, owns a Mining Licence (*Permis d'Exploitation* PE 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 compliant technical report filed by the Company on January 29, 2019, reported an Inferred Mineral Resource Estimate of 1.5 million tonnes grading 22.7% Zircon (ZrSiO4) (equivalent to 15.3% ZrO2). The Technical Report has been reviewed and approved by Jeremy C. Witley, Pr. Sci. Nat. (Geological Science) of the MSA Group. Mr Witley is a Qualified Person (as that term is defined by National Instrument 43-101) and is independent of the Company.

***Namibia (Diamonds)***

Through its Namibian subsidiaries, the Company owns several offshore diamond mining licences in Namibia, including ML111 where the Company has historically produced diamonds (2001-2008, 2016 and 2018-2019). The Company also holds ML139 and 70% of ML32.

### *(iii) Highlights*

***Corporate activities***

The acquisition and restructuring of Moydow was completed on June 29, 2022, and subsequent to the period end, on July 11, 2022, the TSX Venture exchange (TSX V) granted its final approval to the transaction, following which DFR's common shares, which had been halted since announcing the Moydow transaction on August 25, 2021, resumed trading on July 13, 2022. Pursuant to the Moydow transaction an aggregate of 98,677,892 common shares were issued as follows:

(a) 71,880, 320 shares (at a deemed price of C$0.185 per share) in exchange for Moydow securities;
(b) 6,160,072 shares subscribed at US$ 0.217 per share as part of the founders' agreement, initially announced on August 25, 2021; and
(c) 20,637,500 shares subscribed at C$ 0.20 per share (for cash and in exchange for services) as part of the financing initially announced on March 11, 2022.

Following final approval from TSX V, three directors stood down, and three new directors, namely Brian Kiernan, Len Comerford and Carlo Baravalle, were appointed to the Board. On January 1, 2022, John McGloin was appointed as a Director, CEO and President of the Company. The new Board consists of the following directors: Brian Kiernan (Chairman); John McGloin (CEO and President); Sybrand Van Der Spuy (COO); Al Gourley; David Reading; Bertrand Boulle; Carlo Baravalle; and, Len Comerford. Jean Lindberg Charles continues to serve as CFO and Secretary.

***Labola (Gold) – Burkina Faso.***

Following the publication of a Mineral Resource in October 2021, and preparatory work, a new exploration program (the "2022 First Drill Program") was initiated during the quarter. Drilling was completed subsequent to the end of the quarter, consisting of 4,975 meters of reverse circulation (RC) drilling. Analysis was in progress as at the date of issuing this report. The 2022 First Drill Program is intended drill test new zones of mineralisation and guide a further drill program intended for later in 2022.

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

## 2. OVERVIEW (CONTINUED)

### *(iii) Highlights (Continued)*

***Other Projects***

There are minimum exploration related activities on the gold projects in Mali and Nigeria and minimal expenditures to keep the Company and licences in good standing in Namibia and Madagascar.

***Overall operation updates and performance***

The Group posted net losses of $14,355,488 and $14,939,271 (2021: gain of $1,131,138 and loss of $1,143,063) for the second quarter and six-months period ended June 30, 2022, respectively. Out of the overall loss for the current six-months period, $897,826 (as analysed under *Results of Operations* further below) relate to the Company prior to the completion of the Moydow Holdings Limited, and $14,041,445 arose as a result of applying the Company's accounting policy with regards to mineral properties pursuant to which acquisition, and, exploration and evaluation asset expenditures incurred prior to the date of a positive economic assessment on the property are expensed as incurred (see note 18 of the *Interim Financial Statements*).

## 3. RESULTS OF OPERATIONS

### *(i) Review of selected financial and operating results*

*Selected year ends financial and non-financial information*

| | **Three-months ended June 30, 2022** | Three-months ended June 30, 2021 | **Six-months ended June 30 2022** | Six-months ended June 30 2021 |
|---|---|---|---|---|
| | **$** | $ | **$** | $ |
| Exploration and evaluation expenses | **22,313** | (209,327) | **(112,345)** | (273,306) |
| Reclassification of E&E assets | **(14,041,445)** | - | **(14,041,445)** | - |
| General and administrative expenses | **(332,353)** | (107,896) | **(782,193)** | (251,331) |
| Fair value movement on derivative instruments | **-** | 1,456,766 | **-** | (577,126) |
| Interest income (expense) | **3** | (6,137) | **4** | (6,137) |
| Foreign exchange loss | **(4,006)** | (2,268) | **(3,292)** | (35,163) |
| Exchange difference on translation of foreign operations | **2,230** | - | **(762)** | - |
| Total comprehensive income (loss) | **(14,353,258)** | 1,131,138 | **(14,940,033)** | (1,143,063) |
| Weighted average number of shares outstanding | **80,262,329** | 68,895,662 | **80,053,489** | 68,895,662 |
| Loss per share – basic | **(0.18)** | 0.02 | **(0.18)** | (0.02) |

## 3. RESULTS OF OPERATIONS (CONTINUED)

### *(i) Review of selected financial and operating results (Continued)*

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.

Other than the reclassification of exploration and evaluation assets to align with the Company's accounting policies, the results form operations do not reflect any expenditure in relation to the assets acquired following the Moydow transaction, as the effective date of the transaction being June 29, 2022 was almost similar to the end of the period. As such, the number of shares used to determine earnings (loss) per share also did not take into consideration the new common shares issued on the date of closing.

No revenue was recorded for the second quarter and six-months period ended June 30, 2022 and 2021.

Evaluation and Exploration expenditures (''E&E'') amounted to $22,313 (credit) and $112,345 (2021: $209,327 and $273,306) for the second quarter and six-months period ended June 30, 2022. Exploration costs for the six-months period ended June 30, 2022 were incurred on: the Namibian Diamond Project amounting to $16,859 (2021: $20,947); Beravina Zircon Project amounting to $7,428 (2021: $8,488); and other projects (mainly consultancy costs pertaining to the Moydow transaction) amounting to $88,058 (2021: $243,871). The negative charge for the second quarter relates to credits applied following the completion of the Moydow transaction. Certain costs incurred by the Company pertaining to the gold projects, which would have remained as evaluation cost, had the Moydow transaction not concluded have been reclassified against mineral assets (subsequently expensed to the income statement). On a going forward basis, costs pertaining to the gold projects will be disclosed separately under each project heading. Updates pertaining to the exploration projects are provided under *Review of Operations* further below.

The acquisition of Moydow (the "Transaction") (see note *Asset Acquisition*) gave rise to a mineral asset of $14,041,445 reclassified to the statement of profit and loss in line with the Company's accounting policies. The Transaction, entitled the Company to a 80% interest in the Labola project, 40% indirect interest in the Kalaka project and 25.5% in several mineral licences in Nigeria, and involved the issuance of 71,880,320 common DFR shares at a deemed price of C$0.185 to previous Moydow security holders in exchange for the securities they previously held.

The Company incurred $332,353 and $782,193 (2021: $107,896 and $251,331) on general and administrative overheads (''G&A'') respectively for the second quarter and six-months period ended June 30, 2022. The substantial increase in G&A costs compared to 2021 is attributable to one off bonus of $108,000 approved for each of the CFO and the COO, and fees payable to the new CEO amounting to $175,000, in addition to circa C$60,000 paid to the TSXV pertaining to review of the Moydow transaction and new share issuance, as well as participation costs to 121 meetings, Indaba and PDAC conferences, that were not attended during the previous year due to Covid-19 related restrictions.

No gain or loss (2021: gain $1,456,766 and loss $577,126) was recorded on derivative financial instruments (warrants) for the second quarter and six-months period ended June 30, 2022. The Canadian Dollar denominated 10,666,667 warrants previously held by Spirit Resources SARL ("Spirit"), the Company's then majority shareholder, were exercised during the third quarter of 2021.

## 4. REVIEW OF OPERATIONS

### *(i) Exploration Projects*

***Labola (Gold) – Burkina Faso***

The Labola gold exploration project comprising initially of an option for the WUO Land exploration licence ("WUO1"), broadened in geographic scope through the acquisition of an option to acquire the WUO Land 2 exploration licence ("WUO2"), which is contiguous to the WUO1 licence. Both option agreements relate to the same ultimate owner and are held in escrow with an appointed escrow agent in Ouagadougou, Burkina Faso.

The project is located in the Banfora greenstone belt of the West African Birimian Supergroup in Comoé province, southwest Burkina Faso. Labola is approximately 370km west-southwest of Ouagadougou, and 100km northeast of the Wahgnion gold mine, operated by Endeavour Mining.

The WUO1 option agreement gives Moydow exclusive rights until May 27, 2024 to purchase 100% of the Licence Holder's interest in the WUO1 exploration licence for a payment of USD 1,000,000. Moreover, an amount of USD 50,000 is payable annually to the Licence Holder until 2023. An additional payment of USD 1,000,000 will be made to the Licence Holder upon the successful definition and reporting of a resource of at least 1,000,000 ounces of gold (under JORC guidelines). In addition, the Licence Holder retains a 1% net smelter return royalty ("NSR") on all gold produced up to a total aggregate payment of USD 2,000,000. The WUO1 exploration permit (*Permis de Recherche*) has been renewed for three years and will be due for renewal on March 5, 2024.

The WUO2 option agreement gives Moydow exclusive rights to purchase 100% of the Licence Holder's interest in WUO2 exploration licence for an aggregate payment of $500,000, out of which $200,000 has been paid and two payments of $150,000 each are payable prior to exercising the WUO2 option. The Licence Holder is also entitled to a net smelter royalty of 1% capped at $2,000,000 on the value of all minerals extracted from the tenement. The WUO2 exploration permit (*Permis de Recherche*) was granted for a three-year period on November 13, 2018 and was recently renewed for a further three-year period until November 12, 2024.

Moydow has explored the area since August 2020 and has benefitted from exploration activities undertaken at Labola by previous operators, High River Gold Mines Limited ("HRG") (now Nord Gold SE ("Nord Gold")) and Taurus Gold Limited ("Taurus") having executed an Exploration Data, Reports and Samples Purchase Agreement on October 9, 2020 with Nord Gold to purchase all of their historic data in consideration of a 0.5% Net Smelter Royalty (NSR) capped at USD 3,000,000.

Historic information includes over 65,500m of drilling (541 holes) completed across multiple drilling campaigns by HRG and Taurus, consisting of principally diamond and RC drilling (24,589m/39,339m, respectively). Mineralization has been intercepted in three main zones over a 14km strike length. Previous historical drilling and historical artisanal mining has demonstrated continuity of mineralization within two of the three zones over strike lengths of up to 9km. Historical ground IP surveys, acquired by the Company, highlight the opportunity for further extensions and additional zones. Prior to its acquisition by DFR, Moydow consolidated all the previous exploration data into a single database for the first time in the project's history. The database includes an extensive amount of information, including drilling and soil sampling data, ground and airborne geophysics and Lidar surveys.

## 4. REVIEW OF OPERATIONS (CONTINUED)

### Exploration Projects (Continued)

***Labola (Gold) – Burkina Faso (Continued)***

Moydow completed its inaugural exploration drilling program, which included 4,739m of reverse core (RC) drilling, comprising twin drilling of 23 holes in two areas of known, high grade mineralization, 2 infill holes as well as 4 exploration drill holes to test potential extensions. Two holes required re-drilling. The results of the Moydow drilling showed strong reproducibility of the HRG and Taurus drill data both in terms of location of mineralization and grade. Moreover, the brownfields exploration drilling showed good predictability of the location of mineralization in extensional drilling to the mineral resource. The HRG, Taurus and Moydow data was therefore taken as sufficiently accurate to be used in the estimation of the maiden mineral resource estimates (MRE) for Labola. On October 25, 2021, the Company announced a maiden Mineral Resource prepared in accordance with National Instrument 43-101 for the Company's Labola project, reporting:

- Indicated resource of 5.41 million tonnes at an average grade of 1.52 g/t Au for a total 264,000 ounces of gold; and
- Inferred resource of 6.93 million tonnes at an average grade of 1.67 g/t Au for a total of 371,000 ounces of gold.

The MRE for the Labola Project has been prepared by Mr. Ivor W.O. Jones, M.Sc., FAusIMM, P.Geo, for Aurum Consulting, who is an independent Qualified person (QP) under NI 43-101 guidelines. The maiden Mineral Resource and its preparation have been detailed in a technical report, entitled Diamond Fields Resources Inc. Labola Project 2021-10, prepared in accordance with NI 43-101 and filed on SEDAR by Diamond Fields on December 3, 2021. On April 20, 2022, an amended technical report was filed clarifying that no exploration or drilling was done by DFR, no properties within close proximity to the project could be considered relevant to the project and that the qualified persons were independent from Moydow and Panthera Resources plc (which currently holds the remaining 20% interest in the project).

The MRE was estimated using ordinary kriging methodologies, standard estimation practices and constrained by an open-pit evaluation based on a USD 1,900 per ounce gold price and reported using a cut-off grade of 0.5 grams of gold per tonne ("g/t Au"). The MRE is based upon a total of 69,787 meters of drilling from 566 drill holes which includes the confirmatory, twin and infill drilling of 4739 meters for 31 holes (detailed above) undertaken by Moydow in 2021. Preliminary metallurgical results from historical metallurgical samples, supported by extensive LeachWELL (proprietary accelerated cyanide leach technique) data from Moydow drilling samples, indicate that gold is readily treatable by conventional cyanide leaching techniques after grinding to industry standard grind-sizes of approximately 80% passing 120 microns. Recoveries are in the range of 90% and 98% in the oxide zone and between 82% and 93% in the transition/sulfide zone. Moydow has estimated the amount of the resource that has been depleted by artisanal mining to be approximately 341,000 tonnes at 3 g/t Au.

Mr. David J Reading, M.Sc., FIMM, Fellow of the Society of Economic Geologists (SEG) a Director to the Company and a Qualified Person as defined under Canadian National Instrument 43 101 – Standards of Disclosure for Mineral Projects ("NI 43 101"), has reviewed and approved the technical information contained in this report.

## 4. REVIEW OF OPERATIONS (CONTINUED)

### Exploration Projects (Continued)

***Labola (Gold) – Burkina Faso (continued)***

Moydow started a new drilling program during the current quarter targeting circa 5,000 meters of RC drilling targeting to infill and extend the previous drill pattern on areas of known mineralisation. Additionally, the program will test the tenor and continuity of some of the other structures that have been identified through a mapping and sampling campaign earlier during the year and exploited by artisanal minors. An aggregate of 4,975 meters of drilling have completed during the current period, assay results were being analysed at the time of issuing this MD&A.

Pursuant to the Definitive Agreements and other related agreements among DFR, Moydow and Panthera, upon closing DFR has acquired an 80% interest in the Labola project and Panthera will own a carried 20% interest on the condition that DFR invests USD 18,000,000 in the project by September 30, 2026 (the "Deemed Cost Base"). Panthera shall have the right to acquire an additional 10% interest in Labola by making a payment of up to USD 7,200,000 following the trigger date. Thereafter, all interests shall be participating. Additionally, DFR and Panthera have entered into a joint venture agreement (the "Labola JVA") for the management and operation of the project, pursuant to which DFR shall be the operator, and is entitled to appoint two of the three members of the management committee and to an operator fee. As at the end of the reporting period, DFR (through Moydow) has incurred an estimated $1,574,000 aggregate qualifying expenditures on the project (subject to audit and confirmation by Panthera) since execution of the definitive agreements pertaining to the transaction announced on August 25, 2021.

Most of the $88,058 incurred under *Other projects and new prospects* for the six-months period was in relation to the acquisition of the Labola project, however not eligible to qualify for the Deemed Cost Base. Moydow has incurred $1,101,333 expenditures for the six-months period ended June 30, 2022, out of which $867,332 relate to the Labola project. These Moydow expenditures, having been incurred before closing, and as such, are not reflected in the DFR's expenditures for the reporting period.

***Kalaka (Gold) – Mali***

The Kalaka gold project is located 260km southeast of Bamako in South Mali, 80km south of the 8 million oz Morila gold mine owned by Barrick/Anglo Gold and 85km northwest of the 6 million oz Syama gold mine owned by Resolute.

Pursuant to the definitive agreements announced by the Company on August 25, 2021, upon completion of the Moydow acquisition on June 29, 2022, Moydow's interest in Panthera Mali Resources SARL ("PMR"), a Mali company, which owns 80% of the rights in the Kalaka project through a joint venture agreement (the "Kalaka JVA") with a local participant (the "Local Participant") was spun off (together with the Nigerian gold projects) and brought under a new holding company, Maniger Limited, a BVI company ("Maniger") held as to 50% by DFR and 50% by Panthera. Moydow has complied with all required financial obligations pertaining to the Kalaka JV up to the date of the current period, and on a going forward basis, Maniger is required to spend an aggregate $300,000 in the project for the year to December 31, 2022 (initially agreed as June 2022, thereafter extended to December 2022). Moydow (hence DFR) having spent in excess of its 2021 and 2022 spending requirements has the opportunity to save cash spending on the project until the end of the year. The Local Participant is entitled to a gross royalty capped at USD 3,000,000 in total. Other than as described in this section, all project interests pertaining to the Kalaka JVA are participating.

## 4. REVIEW OF OPERATIONS (CONTINUED)

### Exploration Projects (Continued)

#### *Kalaka (Gold) – Mali (continued)*

Moreover, pursuant to the *Convention Etat* (the agreement between PMR and the Government of Mali ("GoM") pertaining to the rights and obligations associated with the Kalaka exploration licence), upon starting operation, the operating company succeeding PMR will agree reimbursement terms with GoM for $397,000 deemed exploration expenditure incurred by GoM in relation to previous exploration work. Furthermore, according to the *Convention Etat*, GoM will have a 10% carried interest in the operating company succeeding PMR, with an option to acquire a further 10% participating interest, and private local investors shall be eligible to acquire a 5% participating interest.

Previous exploration work at Kalaka includes 7,349 soil samples, airborne geophysics comprising 909-line km magnetics and EM, ground IP and 20,952m RAB, AC, RC and DD drilling in 372 holes. This work indicates a large, low-grade zone of mineralization with multiple drill intersections exceeding 150m at the 0.5 g/t Au level at the K1A prospect, just one of several similar targets within the 62.5km2 permit area along an interpreted 47km combined strike. Similarities between the mineralization at K1A and Morila have been noted, in particular, the early intrusion hosted mineralization at Morila. During 2021, PMR completed 2,430 metre AC drilling in 94 drill holes, aimed at defining RC drill targets, the results announced by Panthera during early 2022, concluded that anomalous gold intersected at all targets tested.

DFR currently holds a 40% participating interest in the project with Panthera also having a 40% participating interest and acting as operator; the Local Participant holds the remaining 20% participating interest.

#### *Nigeria (Gold)*

Pursuant to the definitive agreements announced by the Company on August 25, 2021, upon closing of the Moydow transaction on June 29, 2022, Moydow's interest in Gurara Holdings Limited ("Gurara"), a BVI company, which owns 51% of the rights in several Nigerian mineral licences through a joint venture agreement (the "Gurara JVA") with Zinariya Mining Limited ("Zinariya") a BVI Company, was spun off (together with the Kalaka gold project) and brought under a new holding company, Maniger Limited, a BVI company ("Maniger") held as to 50% by DFR and 50% by Panthera.

Historically very little systematic, modern exploration has been undertaken on the Nigeria projects. The projects are located within the gold-bearing ("Schist Belt") terrain of the Benin-Nigeria Shield, which has broad similarities to the Birimian of the Man Shield of West Africa.

Tthe "Gurara JVA"involves the following parties:

## 4. REVIEW OF OPERATIONS (CONTINUED)

**Exploration Projects (Continued)**

*Nigeria (Gold) (continued)*

(1) Moydow Holdings Limited ("Moydow");

(2) Zinariya Mining Limited ("Zinariya"), a BVI company. Zinariya owns the remaining interest in Gurara;

(3) Gurara Holdings Limited ("Gurara"), a BVI Company, which as at September 30, 2021 was held as to 20% by Moydow and 80% by Zinariya; and,

(4) PW Nigeria Mining Ltd ("PW Mining"), a Nigeria company.

**Pursuant to the Gurara JVA**:

- Moydow held 20% in Gurara [following project spending of USD 250,000 (the "Initial Payment")];
- PW Nigeria Ltd. ("PW Nigeria") is a member of the same group of company as Zinariya and PW Mining and owned the Projects (as described below);
- PW Nigeria transferred 99.99% of the entire share capital in 3 project companies in Nigeria (the "Projects") to Gurara.
- Zinariya granted a first option to Moydow to acquire a 51% interest in Gurara by investing a total of USD 1,000,000 prior to September 30, 2021 (the "First Option"). Moydow achieved the required expenditure to earn the First Option after September 30, 2021, but the parties have agreed that Moydow has earned the First Option and became bestowed with a 51% interest in Gurara, as such DFR currently holds a 25.5% indirect interest in Gurara.
- Moydow may acquire a Second Option to earn a 65% interest in Gurara expiring on July 2023 by spending an aggregate $2,000,000 (including the $1,000,000 above) in the Projects.

DFR did not incur any expenditure in relation to Gurara for the reporting period, and Moydow (now Maniger) has, since earning the 51% interest, incurred minimum expenditures in the BVI and on the projects to keep the assets in good standing.

***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 technical report, entitled the Diamond Fields Resources Inc. Beravina Zircon Project Madagascar – NI 43-101 Technical Report (the "Beravina Technical Report"), disclosing an Inferred Mineral Resource Estimate of 1.5 million tonnes grading 22.7% Zircon ($ZrSiO_4$) (equivalent to 15.3% $ZrO_2$). The Technical Report has been reviewed and approved by Jeremy C. Witley, Pr. Sci. Nat. (Geological Science) of the MSA Group. Mr Witley is a Qualified Person (as that term is defined by National Instrument 43-101) and is independent of the Company. The Beravina Technical Report is available on SEDAR and the Company's website, with the reported resource summarised below.

### 4. REVIEW OF OPERATIONS (CONTINUED)

***(i) Exploration Projects (Continued)***

***Madagascar "Beravina" Zircon (Continued)***

| 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 |

Various consultants (SGS South Africa, HATCH and the MSA Group) have conducted analyses of the Beravina mineralisation, minerology, metallurgy and other deposit characteristics, 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 May 16, 2019, the Company entered into a cooperation agreement (the "Cooperation Agreement") with TMH Acquisition Co. ("TMH") to advance the Company's Beravina project (the "Project") in Madagascar, and performed certain work. The Cooperation Agreement has expired in 2021, the Company is considering its options for the Beravina project. Major zircon producers are reporting strong demand for their product which is expected to prevail over the medium term.

No exploration has been done on the Beravina project during the six-months period ended June 30, 2022, and costs incurred by the Company for the Beravina Project amounted to $7,428 (June 30, 2022: $8,488) for the six-months period, and were mainly for core storage and for keeping the company in good standing.

***Namibian Marine Diamond Concessions***

The Company holds three mining licences off the coast of Namibia. The principal mining licence, ML111, is held by its subsidiary, Diamond Fields (Namibia) (Pty) Limited ("DFN"), and is valid until December 4, 2025. DFN also holds mid to deep water offshore licence ML139, which expires in November 2029. Namibian Diamond Company (Pty) Limited ("NDC"), a 70% owned Namibian subsidiary, holds a near shore mining licence, ML32, which expires on December 17, 2023. An Environmental Clearance Certificate for ML32 was issued by the Ministry of Environment and Tourism on April 24, 2019.

In November 2017, IMDH and NUTAM presented DFR (and its subsidiary DFN) with an initial six months (non-continuous) mining program and, on November 10, 2018, IMDH/NUTAM's vessel MV Ya Toivo started mining activities on ML111. The initial mining program was completed on January 13, 2019, producing 47,298.18ct net weight rough diamonds.

Following completion of the first phase of the mining campaign (in January 2019), the Company and IMDH have been assessing the results and considering the need for further exploration and development work before completing the mining campaign. Such work is expected to improve recoveries from the remaining blocks under the current ML111 mining plan. As a result of these discussions, further mining campaigns of the ML111 mining program have been delayed. Any resumption of mining with IMDH is dependent upon the conclusion of these discussions.

The Company has incurred $8,192 and $16,859 (2021: $9,053 and $20,947) on the Namibian operations respectively for the second quarter and six-months period ended June 30, 2022.

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

## 5. SELECTED QUARTERLY FINANCIAL INFORMATION

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

| *All amounts in US$* | June 30, 2022 | Mar 31 2022 | Dec 31 2021 | Sept 30 2021 | Jun 30 2021 | Mar 31 2021 | Dec 31 2020 | Sep 30 2020 |
|---|---|---|---|---|---|---|---|---|
| **Other income gains / (loss) on sale of assets** | - | - | - | - | - | - | 199 | 757 |
| **(Loss) / net profit** | (14,355,488) | (583,784) | (252,326) | 840,929 | 1,131,138 | (2,274,203) | (306,314) | 134,503 |
| **Basic earnings / (loss) per share** | (0.18) | (0.01) | (0.00) | 0.01 | 0.01 | (0.03) | (0.00) | 0.00 |

## 6. CAPITAL RESOURCES AND LIQUIDITY

### *(i) Cash and Working Capital*

As at June 30, 2022, the Company had working capital amounting to $2,029,122 (December 31, 2021: deficit of $64,385) including cash amounting to $3,000,251 (December 31, 2021: $265,177). The increase in working capital is mainly attributed to the increase in cash, representing proceeds from equity financing ($,4,578,985) and through an increase in payables (both DFR and upon acquisition of Moydow) offset by an increase in receivables. Part of the receivables and payables are against associate companies and Panthera and will be offset during the course of the year. Upon closing the Moydow transaction, the Company raised $4,499,236 in cash (and $87,500 debt set off with an insider) concurrent to closing the Moydow transaction of which $1,593,650 have been used to pay Moydow's suppliers (of which Labola project related $1,574,000) and its share of expenses in associates. Further information on the financings is provided further below. During the first quarter, the Company also received $79,749 proceeds from the exercise of 700,000 stock options.
Out of the $1,449,487 accounts payable, $934,902 related to DFR and $514,585 to Moydow, mostly paid after the period end. Most of the costs incurred during the six-months period remained unpaid at June 30, 2022, causing a $551,828 increase in accounts payable (for DFR only).

### *(ii) Share and loans transactions*

The Company had 79,562,329 issued and outstanding common shares as at December 31, 2021. During the first quarter, 700,000 common shares have been issued following the exercise of options (with an exercise price of C$0.145 each) by a Director. On exercise of the options, a fair value adjustment of $ 75,118 was recognised in the Contributed surplus reserve.

Upon closing of the Moydow transaction, on June 29, 2022, the Company issued 71,880,320 common shares to the security holders of Moydow at a deemed price of C$0.185 per share in consideration for: a 80% interest in Moydow (which holds an option to acquire the Labola licences); a 50% interest in Maniger which gives DFR a 40% indirect interest in the Kalaka project and 25.5% indirect interest in the Nigerian gold projects. The Company also issued 6,160,072 shares to Spirit Resources SARL and Brian Kiernan at a subscription price of $0.217 per share for cash, amounting to $1,336,736, pursuant to the founders' agreements, announced as part of the definitive agreements pursuant to the Moydow transaction on August 25, 2021. The Company also issued 20,637,500 shares to various subscribers at C$0.20 per share, as to $3,162,500 for cash and $87,500 for services provided by an insider such that as at June 30, 2022, the Company had 178,940,221 shares were issued and outstanding.

## 6. CAPITAL RESOURCES AND LIQUIDITY (CONTINUED)

### *(ii) Share and loans transactions*

Following the end of the period, the Company issued 2,730,631 to seven option holders upon the exercise of the share options previously held at a price of C$0.145.

### *(iii) Stock options and warrants*

The Company operates a fixed, less than 10%, stock option plan and has approval to issue up to a maximum of 6,789,000 stock options. At December 31, 2021, the Company had 5,150,000 stock options granted and outstanding out of which 700,000 have been exercised on February 23, 2022, leaving a balance of 4,450,000 vested unexercised options as at June 30, 2022. On exercise of the options, a fair value adjustment of $ 75,118 was recognised in the Contributed surplus reserve. Following the end of the period, seven option holders exercised 2,730,631 options with an exercise price of C$0.145 and 400,169 stock options expired unexercised. All stock options outstanding on December 31, 2021 and June 30, 2022 have an exercise price of CAD $0.145 per share and are fully vested. No share-based compensation charge was recorded during the six-months period ended June 30, 2022 (2021: $ nil). Trading of DFR shares on the TSX Venture exchange, which has been halted since August 2021, has resumed on July 13, 2022.

Moreover, though not an obligation, as a courtesy, during the special meeting of the shareholders held on June 9, 2022, the shareholders were asked to approve, and voted favorably to increasing the number of options under the Company's 10% fixed option plan to 17,800,000 options. No further options have been issued as at the date of this report.

## 7. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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 judgements 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 condensed consolidated financial statements within the next financial year are discussed below:

### *(i) 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 under Note 10 of the condensed consolidated financial statements.

## 7. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### *(ii) Derivative financial instruments*

The Company has determined that its functional currency is the U.S dollar and has issued non-broker warrants in a currency other than its functional currency which have been exercised during the year ended December 31, 2021. 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 under Note 11 of the condensed consolidated financial statements.

### *(iii) 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 standards, interpretations and amendments that are effective for the current year*

There are a number of amendments to accounting standards that become applicable for annual reporting periods commencing on or after 1 January 2022 and the Group considers that their application does not have any significant impact on the amounts reported for the current and prior periods, and so, have not been discussed in detail in the notes to the financial statements:

- Amendments to IFRS 3 Business Combinations Reference to the Conceptual Framework
- Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to IAS 37 Provisions, Contingent Liabilities, Contingent Assets Onerous Contracts – Cost of Fulfilling a Contract
- Annual Improvements 2018–2020

### *New standards, interpretations and amendments not yet effective*

- Amendments to IAS 1 Classification of Liabilities as Current
- Amendments to IAS 1 Disclosure of Accounting policies
- Amendments to IAS 8 Definition of Accounting Estimates
- Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- IFRS 17 Insurance Contracts

Where relevant, the Group is still evaluating the effect of Standards, Amendments to published Standards and Interpretations issued but not yet effective, on the presentation of its condensed consolidated financial statements.

## 8. 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 quarter.

### *(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:

***Market Risk***

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, West Africa, Mauritius, Namibia, Madagascar and South Africa and purchases goods and services denominated in US dollars, Canadian dollars, West African Francs, Namibian dollars, Madagascar Ariary, UK Pounds 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*

Interest rate risk is the potential that a loss could result from a change in interest rate. During the six-months ended June 30, 2022, and the year ended December 31, 2021, the Company had the following financial instruments which were subject to interest rate risk:

- An unsecured loan of $1,000,000 from Spirit Resources SARL at an interest rate of 8% per annum. The loan was repayable in full on April 29, 2022 or earlier upon receipt of the proceeds of any debt, equity or other financing. Subsequently, the Company entered into an agreement with Spirit whereby the loan would be fully repaid against the exercise of the warrants held by Spirit. On September 10, 2021, the Company announced that Spirit exercised all its share purchase warrants for a total consideration of $ 1,063,264 and settled the loan principal amount and interest.

## 8. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENT RISKS (CONTINUED)

### *(ii) Financial Instrument Risks (Continued)*

***Market Risk (Continued)***

*Equity price risk*

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company is not exposed to equity price risk as the Company does not hold any equity instruments which are classified in the statement of financial position as financial assets at fair value or which are valued at current bid price.

*Commodity price risk*

Commodity price risk is the uncertainty associated with the valuation of assets arising from changes in price of commodities. Though the Company is at an early exploration stage, it is exposed to price risk through its Namibian operations where intermittent mining and sale of products take place.

***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.

## 9. RISK 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.

### *(i) 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.

### *(ii) 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 or other minerals 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.

## 9. RISK FACTORS (CONTINUED)

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 programs 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.

### *(iii) 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.

### *(iv) Geopolitical Risks*

The geopolitical situation in Eastern Europe has intensified, affecting supplies, prices and exchange rates, and to a certain extent junior exploration companies' share price and ability to raise funds. Whereas the Company may have very limited exposure in relation to its assets and people, and has been able to rely on its shareholders for funding, there is no certainty that the Company will be able to raise finance in the medium term, and if it does so, there are risks of substantial dilution.

### *(v) 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 gold, 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. Gold and other precious minerals within accessible areas are subject to artisanal mining. The accuracy of resource measurement is likely to be affected due to the subjectivity of estimating the level of depletion due to artisanal mining.

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.

### *(vi) 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.

### 9. RISK FACTORS (CONTINUED)

***(vii) 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.

***(viii) The Company's Beravina zircon deposit may not deliver 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.

***(ix) Title can be uncertain***

The Company has investigated its rights to explore and exploit its concessions, and, to the best of its knowledge, those rights are in good standing, however, no assurance can be given that 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 thereunder. 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 the outcome of the review. There is a risk that not all the Company's renewal and concession applications will be successful.

***(x) 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.

## 9. RISK FACTORS (CONTINUED)

### *(xi) 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 the equivalent of $1,458 (in Namibian Dollars) in Namibia as at the reporting date, which it intends to use to effect payments in Namibia and CMA. Though the Company's subsidiary has received approval from the Bank of Namibia to refund part of the intercompany loan to the Company during the recent past, there can be no assurance that the Company's subsidiary will continue obtaining the requisite approvals in the foreseeable 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.

### *(xii) 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.

### *(xiii) 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 Burkina Faso, Mali, Nigeria, 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 out 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.

## 9. RISK FACTORS (CONTINUED)

### *(xiv) 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.

### *(xv) 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.

### *(xvi) 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.

### *(xvii) Resources engaged to acquire new business opportunities may not deliver the desired results*

The Company engages identifying and acquiring business opportunities which involve possible acquisition of new mineral rights, options to acquire rights and business combinations (the "Opportunities"). Whilst the Company may invest considerable resources to secure Opportunities, there is no assurance that the Company will succeed in acquiring new viable Opportunities, and if it does, there is no assurance that these will deliver the desired results.

## 10. 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 79,562,329 common shares were issued and outstanding as at December 31, 2021 and 700,000 stock options have been exercised by a director on February 23, 2022.

Upon closing of the Moydow transaction, on June 29, 2022, the Company issued 71,880,320 common shares to the security holders of Moydow at a deemed price of C$0.185 per share in consideration for: a 80% interest in Moydow (which holds an option to acquire the Labola licences); a 50% interest in Maniger which gives DFR a 40% indirect interest in the Kalaka project and 25.5% indirect interest in the Nigerian gold projects.

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

## 10. OUTSTANDING SHARE DATA (CONTINUED)

The Company also issued 6,160,072 shares to Spirit Resources SARL and Brian Kiernan at a subscription price of $0.217 per share, for cash amounting to $1,336,736 pursuant to the founders' agreements, announced on August 25, 2021, as part of the definitive agreements relating to the Moydow transaction on. The Company issued 20,637,500 shares to various subscribers at C$0.20 per share, as to $3,162,500 for cash and $87,500 for services provided by an insider. As a result, at June 30, 2022, 178,940,221 common shares were issued and outstanding.

Following the end of the period, the Company issued 2,730,631 common shares to seven option holders upon the exercise of the share options previously held at a price of C$0.145.

A total of 5,150,000 stock options were issued and outstanding as at December 31, 2021 following the above-referred exercise of 700,000 stock options, 4,450,000 options remained outstanding as at June 30, 2022. Following the end of the period, seven option holders exercised their options (with an exercise price of C$0.145) and 2,730,631 common shares were issued. An aggregate of 400,169 stock options expired unexercised following the end of the reporting period. All stock options outstanding on December 31, 2021 and June 30, 2022 have an exercise price of CAD $0.145 per share and are fully vested.

Moreover, though not an obligation, as a courtesy, during the special meeting of the shareholders held on June 9, 2022, the shareholders were asked to approve, and voted favorably to increasing the number of options under the Company's 10% fixed option plan to 17,800,000 options. No further options have been issued as at the date of this report.

## 11. RELATED PARTY TRANSACTIONS

Other than warrants and loan transactions with its major shareholder, Spirit Resources SARL, as reported under notes 10, 11 and 12 of the condensed consolidated financial statements, the following compensations provided by the Company constitute related party transactions:

| | **June 30, 2022** | June 20, 2021 |
|---|---|---|
| | **$** | $ |
| G&A – Jean Lindberg Charles[1], CFO and Secretary | **170,250** | 72,250 |
| G&A – Sybrand van der Spuy[1], COO | **183,000** | 75,000 |
| G&A – John McGloin, CEO | **175,000** | - |
| G&A – Fasken Martineau LLP[2] | **16,532** | 220,381 |
| | **544,782** | 367,631 |
| Share-based compensation – Directors & Officers | **-** | - |

[1]Include a special bonus of $108,000 approved by the Board for each of Sybrand Van Der Spuy and Jean Lindberg Charles payable after the period end.

[2]Mr. Albert C Gourley, currently serves as a director, and was chairman of the Board until July 11, 2022 and is also the Regional Managing Partner of Fasken Martineau LLP London.

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

## 12. ASSET ACQUISITIONS

On June 29, 2022, the Company closed the transaction announced on August 25, 2021, which obtained final approval from the TSX Venture exchange on July 11, 2022. On August 25, 2021, the Company announced it has entered into definitive agreements to acquire a controlling interest in Moydow Holdings Limited ("Moydow") (the "Transaction") which holds interest in a number of West African gold exploration projects.

The Transaction involves a combined restructuring of Moydow's shareholdings and a securities exchange with all the security holders of Moydow, other than Panthera, at the ratio of 16.46 DFR common shares for each Moydow common share (the "Exchange Ratio") and 8.93 DFR shares for each Moydow share option, so that DFR shall issue in aggregate 71,880,320 shares to the current security holders of Moydow as consideration for its stake in the Moydow's portfolio.

Following the Transaction, DFR will acquire:

- 80% interest in Moydow, which owns an option (until May 27, 2024) to acquire 100% of the Labola (Wuo Land) licence against further payment of US$ 1 million.

  At closing of the Transaction, DFR will be vested with an 80% effective interest in the project with Panthera Resources Plc ("PAT") holding a 20% carried interest. DFR will maintain its 80% interest on the condition that it invests $18,000,000 in the Labola project by September 30, 2026. If DFR were to make no investments in Labola during the specified period, subject to the exercise by PAT of its buy back right (described below), its interest would decrease to no less than 60%. PAT shall have the right to acquire an additional 10% holding in Labola on the earlier of (i) 90 days following DFR completing an investment of $18,000,000 in Labola; or (ii) 30 September 2026, by making a payment to DFR of up to $7,200,000, to be adjusted down based on DFR's actual investment in the Labola project during the specified period.

- 40% indirect interest in the Kalaka (Mali) licence which is intended to be operated by PAT which also holds 40% interest and the remaining 20% interest is held by a local company.

- 25.5% (at the date of entering the definitive agreements 10%) indirect interest in 3 Nigeria mineral licences owned by 3 different companies, with PAT owning an indirect interest equal to DFR's indirect interest, and the option (against certain payments) to jointly (DFR and PAT 50:50) own 65% of the Nigeria licences.

**Following closing of the Transaction, the Company issued 71,880,320 DFR common shares to security holders of Moydow (other than Panthera) and was bestowed with: 80% interest in Moydow; 40% indirect interest in Kalaka licence; and 25.5% in the Nigerian mineral licences.**

***Founder Investments US$ 2.75 million (of which US$2.4 million at DFR holding level)***

In connection with the Transaction, Brian Kiernan and Spirit Resources Sarl have executed subscription agreements with DFR and otherwise agreed to invest a combined $2.75 million as part of the Transaction ("Founder Investments") as follows:

(a) *Spirit Resources SARL*
Spirit Resources SARL (Spirit) will invest US$ 1,500,000 into DFR through the exercise of 10,666,667 existing warrants having an exercise price of Canadian 12.5 cents (C$ 1,333,334 or approximately US$ 1,063,264) and subscribe for 2,012,607 DFR common shares at a price of US$ 0.217 per share for US$ 436,736.

## 12. ASSET ACQUISITIONS (CONTINUED)

***Founder Investments US$ 2.75 million (of which US$2.4 million at DFR holding level) (Continued)***

*(a) Spirit Resources SARL (Continued)*

The proceeds will be used to settle the existing US$ 1 million loan facility from Spirit and interest arising thereon amounting to US$ 15,123. Upon closing, considering the New Financing (see below), Spirit will own 39.7% of DFR issued and outstanding common shares.

Pursuant to the agreements, on September 10, 2021, the Company announced that Spirit has fully exercised its share purchase warrants at CAD $0.125 per warrant and thereby acquired 10,666,667 common shares in the Company, the proceeds have been used to settle the Spirit loan and interest thereon, and a balance of US$ 48,141 remitted to the Company.

*(b) Brian Kiernan*

Brian Kiernan has agreed to exercise $350,000 of his options in Moydow (the "Moydow Options") which will be exchanged for common shares of DFR at the Exchange Ratio on closing and to make a further investment of $900,000 into DFR by way of a subscription for 4,147,465 common shares of DFR at a price per common share of $0.217 conditional on the closing of the Transaction. The exercise of the Moydow Options and the subscription, together with the previous exercise $250,000 Moydow Options by Brian Kiernan, will result in an aggregate capital subscription of $1,500,000. Upon closing, considering the New Financing (see below), Brian Kiernan will own 37.1% of DFR's issued and outstanding common shares. As such, Brian Kiernan will be considered a *Control Person* under the TSXV rules. During the last quarter of 2021, Brian Kiernan has exercised the 350,000 Moydow Options, earlier than scheduled.

**Following closing of the Transaction, the Company issued an aggregate of 6,160,072 DFR common shares at $0.217 each to Brian Kiernan and Spirit Resources SARL for aggregate proceeds of $1,336,736.**

***New Financing and insider debt settlement of USD 3,250,000 in aggregate***

On March 11, 2022, the Company announced a new financing consisting of a private placement to raise US$ 3,250,000 in equity at a price of C$ 0.20, out of which US$ 3,132,500 shall be settled in cash and the difference of US$ 117,500 through the net-off of accruals arising on provision of services, in consideration for 20,637,500 shares (the "New Financing"), subject to certain approvals to be voted during a special meeting of shareholders. As part of the New Financing, DFR has entered into subscription agreements with several parties including:

- Spirit Resources SARL for US$ 500,000 for 3,175,000 shares;
- Brian Kiernan for US$ 1,000,000 for 6,350,000 shares; and
- 15 investors (including insiders and settlement of accruals) with participation between US$ 25,000 and US$ 550,000 for an aggregate of US$ 1,750,000 for 11,112,500 shares.

**Following closing of the Transaction, the Company issued an aggregate of 20,637,500 DFR common shares at C$0.20 each to the subscribers, being $3,162,500 for cash and $87,500 for insider debt settlement.**

## 12. ASSET ACQUISITIONS (CONTINUED)

***Maiden Mineral Resource and subsequent amendment – Labola Project***

On October 25, 2021, the Company announced a maiden Mineral Resource prepared in accordance with National Instrument 43-101 for Moydow's Labola project. The report entitled "Diamond Fields Resources Inc. Labola Project 2021-10" dated December 3, 2021 with an effective date of October 25, 2021 (the "Resource Statement") was prepared by Ivor Jones, an independent qualified person under NI 43 101, for Aurum Consulting. The Labola Report is available for review on SEDAR (www.sedar.com) and the Company's website (www.diamondfields.com). An amended Resource Statement was announced by the Company on April 21, 2022 to address certain issues raised by the TSX Venture Exchange, including clarifying that no exploration was done by the Company and that the QPs are independent from the Company, Moydow Holdings Limited. and Panthera Resources Plc.

***Management and Board***

John McGloin has been appointed as a Director, President and Chief Executive Officer, effective January 1, 2022. Following completion of the Transaction, Brian Kiernan will be appointed as a Non-Executive Director and Chairman of the Board, and Len Comerford and Carlo Baravalle will be appointed as Non-Executive Directors. Sybrand Van Der Spuy will continue as a Director and Chief Operating Officer, John McGloin will continue as a Director, President and Chief Executive Officer, and Al Gourley, David Reading and Bertrand Boulle will continue serving as Non-Executive Directors of the Company. Jean Lindberg Charles will continue to serve as the Chief Financial Officer.

**The changes to the Board have become effective on July 11, 2022, The new Board of directors consists of: Brian Kiernan, Director and Chairman of the Board; John McGloin, Director, President and CEO; Sybrand Van Der Spuy, Director and COO; Al Gourley, Bertrand Boulle, David Reading, Len Comerford and Carlo Baravalle, non-executive directors. Jean Lindberg Charles continues to serve as CFO and Secretary.**

**Closing and Halt Trading**

Following completion of the Transaction on June 29, 2022 and final approval from the TSX Venture exchange on July 11, 2022, the Company's stock which was halted since August 25, 2021 has resumed trading on July 13, 2022.

## 13. EVENTS AFTER THE REPORTING PERIOD

Following the end of the reporting period, as reported elsewhere in this report:

- Trading of the Company's common shares which remained halted since August 2021 has resumed trading on July 13, 2022 following final approval for the Moydow transaction by the TSX Venture exchange;
- 2,730,631 stock options with an exercise price of C$0.145 have been exercised on July 26, 2022, and 400,169 stock options have expired unexercised.

Other than reported above, there has been no material event since the end of the reporting period which would require disclosure or adjustment to the condensed consolidated interim financial statements for the six-months period ended June 30, 2022.