DIAMOND FIELDS RESOURCES

Management's Discussion and Analysis of Financial Condition and Results of Operations
For the three month ended September 30, 2018

INTRODUCTION

This Management's Discussion and Analysis ('MD&A") has been prepared as at November 29, 2018 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 and future plans and objectives of Diamond Fields Resources Inc. ("Diamond Fields", or "the Company"), are forward-looking statements that involve various risks, uncertainties and assumptions. The MD&A should be read in conjunction with the condensed consolidated financial statements of Diamond Fields Resources Inc. The first quarter financial statements ending September 30, 2018 are unaudited and have not been reviewed by the Company's external auditor.

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

Management's responsibility for financial reporting

The consolidated financial statements have been prepared by management who, when necessary, has 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, and that the accounting records provide a solid foundation from which to prepare the consolidated financial statements.

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

OVERVIEW

Description of business

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

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

Principal Assets

Beravina (Zircon). The Company through its Madagascar-based subsidiary, Compagnie Generale des Mines de Madagascar, owns a Mining Licence (Permis d'Exploitation 8096) for the exploration and mining of the Beravina deposit that is valid until June 22, 2055. The Beravina Project has a historic JORC-Compliant (but NI 43-101 non-compliant), indicated mineral resource estimate of 1.8 million tons at 29% zircon (~530,000 tons of contained zircon). The Project, which covers 625 hectares, is located in Western Madagascar within the Melaky region and is approximately 220km east of the port of Maintirano, near a state road.

Namibia (Diamond). Through its Namibian subsidiaries, the Company owns several offshore diamond mining licences in Namibia, including ML111 where the Company had historic diamond production (2001-2008 and 2016). During the quarter, the Company announced the intended restart of mining, which has occurred after quarter-end in the month of November 2018. The Company also owns ML138, ML139 and 70% of ML32.

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

REVIEW OF OPERATIONS

Highlights

Increase to Stock Option Plan and grant of incentive stock options

During the quarter, the Company increased its fixed, less than 10%, Stock Option Plan from 4,700,000 shares to 6,789,000 shares which remained less than 10% of the Company's then 67,895,662 issued and outstanding share capital. The Company granted stock options to eligible participants for 1,837,200 common shares at an exercise price of CAD $0.145 per share for a five year term.

Beravina Project - Madagascar

During the previous financial year, the Company commissioned consultants SGS, HATCH and MSA Group to conduct analyses of the Beravina mineralisation, mineralogy, metallurgy and other deposit characteristics. This work continued during the quarter and, following the period end, the Company announced that results showed that Zircon can be concentrated to levels of between 50% and 58% ZrO_2, using different processes, with varying levels of thorium ingrained. Metallurgical work is continuing and the Company expects additional improvements in recoveries and process refinements as additional techniques to improve concentrate grade and reduce deleterious elements are tested.

The Company is on track to declare a NI 43-101 compliant resource statement by the end of 2018.

Diamond Mining - Namibia

International Mining and Dredging Holdings (Pty) Limited ("IMDH") has through its subsidiary Nutam Operations (Pty) Ltd. ("Nutam") informed the Company of its intention to commence mining before year-end and, following the quarter, the Company announced the intended commencement of mining on ML 111 during the month of November 2018. As at the date of reporting, mining had commenced.

Other prospects

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

Overall operation updates and performance

For the first quarter ended September 30, 2018, other income amounted to $ 6,996 (2018Q1 – Nil), Net Comprehensive Loss amounted to $5,996 (2018Q1: $188,036), costs incurred during the quarter were offset by fair value gain on derivative instruments amounting to $278,619 (2018Q1: $4,698).

Board and Senior Management

There was no change to the Board or the senior management of the Company during the period under review. The Board consists of eight directors, namely, Norman Roderic Baker, Bertrand Boulle, Francois Colette, Al Gourley (Chairman of the Board), Sybrand van der Spuy (CEO), David Reading, Philip Murphy and Earl Young. Jean Lindberg Charles is the CFO and Company Secretary.

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

RESULTS OF OPERATIONS

Review of selected financial and operating results

Selected three month period financial and non-financial information

Except as otherwise stated, all amounts in USD	Three month ended **September 30, 2018**	September 30, 2017
Revenue, other income and gains on disposal of assets	**6,996**	-
Exploration and Evaluation expenditures	**(89,866)**	(91,362)
Adminitrative and corporate expenses	**(68,868)**	(34,565)
Share based compensation	**(115,674)**	-
Fair value movement on derivatives, finance charges and exchange differences	**266,439**	(61,680)
Differences on translation of foreign operations	**(4,992)**	(429)
Comprehensive (Loss) / Income	**(5,966)**	(188,036)
Gross Proceeds from Share Issue	**-**	-
Loans (paid / eliminated) / received	**-**	-
Weighted average number of shares outstanding (units)	**67,895,662**	43,344,999
EPS - basic (Cents)	**-0.01**	-0.43

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 income for the quarter $6,966 relates to interest received on funds on savings, call and short term deposit accounts (2018Q1 – Nil).

During the quarter, the Company incurred $89,866 (2018Q1: $91,362) in exploration expenditures, mainly in relation to the evaluation of new prospects and projects ($66,246) and Beravina ($16,486). Administrative and corporate overheads for the first quarter amounted to $68,868 (2018: $34,565) made up mainly of consultancy and professional fees. An expense of $115,674 was recognised on valuation of share-based compensation (2018Q1: $ nil) following the grant of 1,837,200 share options to eligible participants, at an exercise price of CAD $0.145 per share. A gain on the fair value movement on derivative instruments amounting to $278,619 was recognised during the quarter (2018Q1: $4,698), which arose as a result of a revaluation of the 10,666,667 warrants issued on September 23, 2016 to Spirit Resources at an exercise price of CAD $0.125.

The changes in costs compared to the same quarter during the previous year relate mainly to:

- Increased consultancy and professional fees, accounted under admin and corporate expenses;
- Increased share based compensation following the grant of new share options as described above; and,
- Fair value movement on derivatives following the revaluation of warrants as at the quarter end.

Projects

Madagascar "Beravina" Zircon

In 2016, the Company acquired the Beravina zircon project in Madagascar from Pala Investments Limited. 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. An historic, independent, JORC-compliant (but NI 43-101 non-compliant) geological resource estimate on the property, undertaken by Badger Mining and Consulting (Pty) Ltd. in 2012, estimated an indicated resource of 1.8mt at 29.5% zircon, open at depth (the "2012 Resource Estimate").

The 2012 Resource Estimate is considered relevant by the Company as it formed the primary justification for the acquisition of the Beravina Project. The Company cautions that the 2012 Resource Estimate is historic in nature and the Company is not treating such resources as a current resource under NI 43-101. Investors are further cautioned that a qualified person has not yet completed sufficient work to be able to verify the historical resources, and therefore they should not be relied upon.

Consultants SGS South Africa, HATCH and the MSA Group have been conducting analyses of the Beravina mineralisation, minerology, metallurgy and other deposit characteristics ("Work Program") in advance of an intended drill program. The Work Program reviewed the 2012 Resource Estimate and re-assayed historic drill core samples, which is expected to result in the production of a NI 43-101 compliant resource statement by the end of calendar year 2018.

Results from further metallurgical and material processing tests released in October 2018 confirmed that zircon can be concentrated to levels of in excess of 50% ZrO_2 and levels of 58% ZrO_2 were achieved with varying levels of thorium ingrained. Further work at Beravina is expected to include: evaluation of additional processing techniques to improve concentrate grade and remove deleterious elements; market testing of various potential products; and a further drilling campaign, depending on positive market acceptance of the Beravina concentrates.

The Company incurred $16,486 on the Beravina project during the quarter (2018Q1: Nil).

Namibian Marine Concessions

The Company holds four mining licences off the coast of Namibia. The principal mining licence, ML111, held by its subsidiary, Diamond Fields Namibia (Pty) Limited ("DFN"), is valid until December 4, 2025. DFN also holds additional mid to deep water offshore concessions ML138 and ML139. The ML138 and ML139 licences are valid until November 2019 and November 2029, respectively. Namibian Diamond Company (Pty) Limited ("NDC"), a 70% owned Namibian subsidiary, holds the near shore concession ML32, which must be renewed in February 2019.

The contractor-owned mining vessel m/v Ya Toivo entered Namibian waters during early November 2018 and commenced mining operations within the ML111 licence area. In November 2017, IMDH presented DFR with an initial six month (non-continuous) mining program. The parties expect to review mining costs during this six-month mining period in an effort to establish a formula for sharing of future exploration and mining costs, particularly in relation to further resource and reserve development. Most expenditures in relation to the finalisation of contract and pre-mining have been incurred and recognised in previous quarters.

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

Atlantis II, Red Sea

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

Diamond Fields has subsequently completed an independent resource analysis based on the original core data from the Atlantis II Deeps collated by Preussag. Development of the project has been hindered since April 2013 following a dispute with Manafa over contractual terms. The Company expects to resolve the impasse at some stage. No significant expenditures were incurred on the project during the reporting period.

SELECTED QUARTERLY FINANCIAL INFORMATION

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

All amounts in US$	Sep 30 2018	Jun 30 2018	Mar 31 2018	Dec 31 2017	Sep 30 2017	Jun 30 2017	Mar 31 2017	Dec 31 2016
(Loss) /Other Income and gains on sale of assets	6,996	(3,518)	4,826	1,070,000	-	-	-	15,616
Net (Loss) / Income	(974)	133,673	(240,711)	890,112	(187,607)	(729,160)	(108,942)	(151,446)
Basic (Loss) / Earnings per share	(0.00)	0.00	(0.00)	0.02	(0.00)	(0.02)	(0.00)	(0.00)

CAPITAL RESOURCES AND LIQUIDITY

Cash and Working Capital

At September 30, 2018, the Company had $762,913 in working capital, including cash amounting to $1,283,391, compared to working capital of $653,205 and cash of $1,425,450 as at June 30, 2018. The slight improvement in working capital ($109,708) is mainly attributable to a gain on the fair value movement of derivative instruments ($278,619) which offset the $142,059 reduction in cash. It is expected that cash usage for the next few quarters will increase in line with forecast activities. The valuation of derivative financial instruments was lower compared to June 30, 2018, mainly due to the shares of the Company trading lower and to the quarterly reduction in the remaining life of warrants (issued in September 2016).

Share Transactions

The Company had 67,895,662 outstanding as at June 30 and September 30, 2018; no shares were issued during the period under review. During the previous year, 20,550,646 shares were issued at a price of CAD $0.125 per share, of which 6,472,476 were issued in respect of a private placement and 14.078,170 were issued in consideration of a debt for share transaction with Spirit Resources.

Stock options and warrants

The Company operates a fixed, less than 10%, stock option plan and had 3,852,800 outstanding options with exercisable prices varying between CAD $0.145 and CAD $0.50 as at 30 June 2018. During the period, 490,000 options lapsed. On August 28, 2018, the Company increased its fixed, less than 10% stock option plan to 6,789,000 options which remained less than 10% of the Company's then (and current) 67,895,662 issued and outstanding shares. The Company also granted a further 1,837,200 in options at an exercise price of CAD $0.145 to eligible participants. As at the reporting date, the Company had a total of 5,200,000 issued and outstanding options, all exercisable at a price of CAD $0.145 per share, and had a balance of 1,589,000 in available options. The grant of options gave rise to a share based compensation of $ 115,674, which was expensed in its statement of loss.

On September 23, 2016, the Company issued to Spirit Resources, its majority shareholder, 10,666,667 warrants exercisable at a price of CAD $0.125 each, which had a life of five years from the issue date. The warrants were still outstanding as at the date of reporting, and their valuation gave rise to a gain on the fair value movement of derivative instruments, which was credited to the statement of loss.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

Share-based Payment Transactions

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

Derivative Financial Instruments

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

Title to Mineral Property Interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

ADOPTION OF NEW ACCOUNTING STANDARDS & OTHER PROPOSED FUTURE ACCOUNTING CHANGES

Standards, amendments and interpretations not yet effective

The IASB or the International Financial Reporting Interpretations Committees ("IFRIC") have issued a number of new or revised standards or interpretations that will become effective for future periods and have a potential implication for the Company.

IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It will supersede the following lease Standard and Interpretations upon its effective date:

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

IFRS 16 is effective for reporting periods beginning on or after January 1, 2019 with early application permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16.

The directors of the Company do not anticipate that the application of IFRS 16 in the future will have a material impact on the amounts reported and disclosures made in the Company's financial statements. The Company has not early adopted any of these standards or interpretations.

CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENT RISKS

(i) Capital Management

The Company's objective is to ensure it has sufficient capital to maintain its ongoing mining operations and safeguard its ability to continue as a going concern in order to pursue the continued development of its various mineral properties.

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

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

(ii) Financial Instrument Risks

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

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, Mauritius, Namibia, Madagascar and South Africa and purchases goods and services denominated in US dollars, Canadian dollars, Namibian dollars, Madagascar Ariary and South African Rand. As such, the Company has exposure to foreign currency exchange rate fluctuations at this time. The Company has not entered into any agreements or purchased any instruments to hedge possible foreign currency risks.

Interest rate risk

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

Equity price risk

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

Commodity price risk

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

Credit risk

The Company is primarily exposed to credit risk on its cash and the risk of financial loss if counterparty to a financial instrument fails to meet its financial obligation. Credit risk exposure on cash is limited through maintaining cash with high-credit quality financial institutions and instruments.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking harm to the Company's reputation. The Company monitors cash flows to ensure it has sufficient available funds to meet current and foreseeable financial requirements at a reasonable cost.

RISKS

The Company's properties and operations are subject to certain risks including but not limited to government regulations related to mining, mineral prices and currency fluctuations, competition, receipts of permits and approval from government authorities, operating hazards and other risks inherent to mineral exploration, development and mining operations.

Political Risks

The Company strives to minimize political risk by monitoring events in countries where it operates or where it considers operating, and by complying with local laws and regulations. The Company operates and conducts exploration activities in countries which have experienced civil unrest and/or civil warfare in recent years. It attempts to minimize the risks inherent in conducting operations and exploration in frontier areas by monitoring local conditions and avoiding high risk areas.

Additional financing Requirement

The Company's ability to continue its activities depends on its ability to obtaining additional financing. The Company plans efforts to raise additional financing to meet its debt repayment obligations, continue its exploration activities and maintain its exploration properties. There can be no assurance as to the success of future financing activities necessary to meet its debt obligations and operating requirements.

Estimates of reserves and resources are inherently uncertain

Sea diamond deposits are alluvial deposits located on the ocean floor. These deposits are difficult to sample because of their remote nature, variable terrain and the location of diamonds in irregular gravel beds lying above and within crevices and potholes in the bedrock. As a result, there are no standard sampling tools and resource estimation practices employed for these types of deposits.

There is a degree of uncertainty attributable to the calculation of reserves, resources and corresponding grades being mined or dedicated to future production. Until reserves or resources are actually mined and processed, the quantity of reserves or resources and grades must be considered as estimates only. In addition, the quantity of reserves or resources may vary depending on diamond prices, operating costs and mining efficiency. Any material change in the quantity of reserves, resources or grade may affect the economic viability of the Namibian Marine Concessions. Mining tools currently available to the Company differ from those used for calculating indicated resources (probable reserves) in the 2000 feasibility study.

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

Mineral exploration activities involve a high degree of risk and uncertainty. There is no assurance that continued exploration of the Company's concessions will result in any discovery of commercial quantities of diamonds, zircon and/or nickel over and above those previously identified. Even if commercial quantities of diamonds, zircon and/or nickel are discovered, economic recovery is dependent upon a number of factors, including the particular attributes of the deposit, such as terrain, size and grade, diamond prices and government regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. Most of these factors are beyond the control of the Company.

Offshore diamond mining involves significant risks

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

problems during operations and cost overruns. Technical problems may affect the operations of the sea diamonds projects which may adversely affect profitability.

The offshore diamond mining technology selected by the Company may not be as efficient as expected

Geological conditions in those areas of the concession in which sampling activities were carried out contributed to a suspected under sampling bias by the sampling tool and could adversely affect the ability of the mining tool to recover all of the diamonds which are actually present on the sea floor. The extent to which this will occur cannot be quantified at this time and will only be known as mining progresses. Even if a sampling bias is confirmed, there is no assurance that any additional diamonds can be entirely recovered.

The nature of the Company's Beravina Zircon deposit may present operational and environmental risks

The Beravina deposit has a JORC compliant but NI 43-101 non-compliant Indicated Mineral Resource estimate. Results from test work showed that zircon can be concentrated to varying levels of between 50% ZrO_2 and 58% ZrO_2 with varying levels of thorium ingrained. Whilst the Company anticipate to do 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 selling price which may be commercially viable.

Certain of the Company's mining and exploration concessions may not be in good standing, there can be no assurance that circumstances will change

The Company has investigated its rights to explore and exploit its concessions and to the best of its knowledge those rights are in good standing. However, no assurance can be given that applicable governments will not revoke, or significantly alter the conditions of, the applicable exploration and mining authorizations and that such exploration and mining authorizations will not be challenged or impugned by third parties. Mining and prospecting licences may be revoked by the applicable government authorities for failure to perform the obligations there under. Licences must be renewed periodically. The renewal process involves a review of the licence holder's performance by government authorities.

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 Company for the acquisition of mineral property rights. In the event that any such conflict of interest arises, a director who has such a conflict will disclose the conflict to a meeting of the directors of the Company and will refrain from participating in any Board decisions concerning the matter giving rise to the conflict. In appropriate circumstances, the Company will establish a special committee of independent directors to review a matter in which several directors, or management, may have a conflict.

In accordance with the laws of the British Columbia, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. The Company's directors and senior officers have advised the Company that they intend to bring forward to the Company in priority to others, new opportunities that become available to them for the acquisition of, or participation in, mineral properties in the countries in which the Company is presently active for the consideration of the Company's Board of Directors. In such event, the Company will apply the procedures and mechanisms set forth above. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the potential benefits to the Company, the degree of risk to which the Company may be exposed and its financial position at that time.

Exchange controls may restrict the Company's ability to repatriate earnings

Namibia is part of the South African Rand Common Monetary Area ("CMA"). Exchange controls in the CMA require that dividends, loans, repayment of loans and payment of all invoices to parties outside the CMA by companies registered in the CMA require prior approval. The controls, as they relate to Namibia, are applied by the Bank of Namibia. There can be no assurance that the Company will obtain the requisite approvals in the future to repay loans or pay invoices to parties outside the CMA, including companies within the Company's corporate group not resident in the CMA, thus exchange controls may restrict the Company from repatriating funds and using those funds for other purposes.

Profitability may be affected by fluctuations in the market price of gem quality diamonds

Diamond production from the Company's offshore diamonds licences has historically contained a high percentage of gem quality stones and is anticipated to continue to do so. There is no assurance that prices received in the market place will be at the same level as the prices used in the financial analyses of the Company's feasibility study of the sea diamonds project. There can be no assurance that an economic recession, increased supplies, or the actions of authorities will not adversely affect the prices the Company will receive for its diamonds and its revenues from mining operations.

In Namibia, a 10% royalty is levied on rough and uncut diamonds mined and sold, exported or otherwise disposed of. The royalty is calculated on the Namibian government valuator's estimate of the market value of the stones.

Diamond prices in international markets may also be affected by concerns of diamond origin. So-called "conflict diamonds" that originate in countries involved in civil war and that are alleged to fund the activities of warring factions in these countries tend to bring the international diamond market into disrepute. Although none of the Company's production includes "conflict diamonds", any proliferation of "conflict diamonds" in international markets could have an adverse effect on demand and prices, thereby hurting the Company's profitability.

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

The concessions comprising the Company's diamond projects are located off the coast of Namibia and are subject to the laws and regulations of Namibia. Although mining in Namibia has a long history and has never been adversely impacted by unreasonable or arbitrary government action, there can be no assurance that the Company's business, operations and affairs will not be materially adversely affected by changes to, or arbitrary application of, Namibian laws and regulations or changes in the political and economic status of Namibia.

Operations carried on by the Company in respect of its diamond 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.

Complying with environmental regulatory requirements could be costly and could adversely affect the profitability of the sea diamonds projects

All aspects of the Company's mining operations are subject to environmental regulation. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. Although the Company's environmental management plans for offshore diamond mining has been approved by the Namibian government there is no assurance that future changes in environmental regulation will not adversely affect such projects. Environmental hazards may exist on the Company's concessions which are presently unknown to the Company and which have been caused by previous or existing owners or operators of the properties.

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

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions there under, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reductions in levels of production at producing properties or require abandonment or delays in development of new mining properties.

OUTSTANDING SHARE DATA

Movement on shares and stock options have been reported under "Capital Resources and Liquidity" of this MD&A. As at the date of reporting 67,895,662 common shares were issued and outstanding, during the previous year a total of 20,552,646 shares were issued at a price of CAD $0.125 per share from a private placement for 6,472,476 shares and a debt for share transaction for 14,078,170 shares with the majority shareholder, Spirit Resources. A balance of 3,852,800 stock options were outstanding as at 30 June 2018, during the quarter 490,000 stock options lapsed and on August 28, 2018 the Company increased its fixed, less than 10% Stock Plan to 6,789,000 stock options and granted further 1,837,200 options to eligible participants. As at the date of reporting, a total of 5,200,000 stock options were outstanding, all with an exercise price of CAD $0.145 per share and expiring between December 11, 2021 and August 27, 2023. A balance of 10,666,667 Stock warrants with exercise price of CAD $0.125 per share were outstanding at the beginning of the period and as at reporting date, the unexercised warrants will expire on September 23, 2021.

RELATED PARTY TRANSACTIONS

The Company provided the following compensation to related parties for the periods ended September 30, 2018 and 2017:

	Three month ended September 30	
	2018	2017
	$	$
Salaries - Fees EV Young, Director (and previously CFO)	**9,000**	9,000
Salaries - Fees JL Charles, CFO and Secretary	**18,750**	-
Share based compensation – Directors and Officers	**115,674**	-
Exploration and Evaluation – Fasken Martineau LLP[1]	**-**	60,819

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

SUBSEQUENT EVENTS

The Company started an initial six month (non continuous) mining program at ML 111 offshore Namibia during the month of November 2018 through a contractor.

OFF BALANCE SHEET ARRANGMENTS

Other than as disclosed elsewhere in this MD&A and in the latest Financial Statements, the Company does not have any off-Balance Sheet arrangements.

PROPOSED TRANSACTIONS

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