

DIAMOND FIELDS RESOURCES

DIAMOND FIELDS RESOURCES INC.

Consolidated Financial Statements

For the year ended December 31, 2020, six-month period ended December 31, 2019 and year ended June 30, 2019

Management's Responsibility for Financial Reporting

As announced on January 9, 2020 and disclosed under note 3 of these consolidated financial statements, effective December 2019, the Company changed its financial year-end from June 30 to December 31.

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.

April 30, 2021

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Diamond Field Resources Inc.

Opinion

We have audited the accompanying consolidated financial statements of Diamond Field Resources Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020, 2019 and June 30, 2019, and the consolidated statements of loss and comprehensive loss, changes in shareholders' (deficiency) equity, and cash flows for the year ended December 31, 2020, the six-month period ended December 31, 2019, and the year ended June 30, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020, 2019, and June 30, 2019, and its financial performance and its cash flows for the year ended December 31, 2020, the six-month period ended December 31, 2019 and the year ended June 30, 2019 in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the consolidated financial statements, which indicates that the Company has an accumulated deficit of \$60,543,876 and incurred a net loss of \$678,662 during the year. As stated in Note 2, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Glenn Parchomchuk.

A handwritten signature in black ink that reads "Davidson & Caspary LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

April 30, 2021

DIAMOND FIELDS RESOURCES INC.
Consolidated Statements of Financial Position
As at December 31, 2020 and 2019, and June 30, 2019
(Expressed in U.S. dollars)

	Notes	December 31, 2020	December 31, 2019	June 30, 2019
		\$	\$	\$
ASSETS				
CURRENT				
Cash		234,937	1,202,786	1,575,101
Prepaid expenses and other receivables		23,846	10,616	32,692
		258,783	1,213,402	1,607,793
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities		313,665	332,154	212,695
Derivative financial instruments	11	518,763	945,196	754,437
		832,428	1,277,350	967,132
SHAREHOLDERS' (DEFICIENCY) EQUITY				
Share capital	10	55,784,887	55,633,167	55,633,167
Contributed surplus	10	4,175,556	4,166,789	4,139,619
Accumulated other comprehensive income		9,788	1,310	7,344
Accumulated deficit		(60,543,876)	(59,865,214)	(59,139,469)
		(573,645)	(63,948)	640,661
		258,783	1,213,402	1,607,793
Nature and continuance of operations	2			
Subsequent events	17			

“Sybrand Van Der Spuy”

“Bertrand Boulle”

Director

Director

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

DIAMOND FIELDS RESOURCES INC.**Consolidated Statements of Loss and Comprehensive Loss****For the year ended December 31, 2020, the six-month period ended December 31, 2019 and the year ended June 30, 2019****(Expressed in U.S. dollars)**

	Notes	year ended December 31, 2020	six-months ended December 31, 2019	year ended June 30, 2019
		\$	\$	\$
OPERATING EXPENSES				
Exploration expenses	7	238,691	94,090	707,393
Share based compensation	10,16	8,767	27,170	92,796
General and administrative expenses	8	587,586	421,802	610,060
		(835,044)	(543,062)	(1,410,249)
Fair value movement on derivative instruments	11	437,482	(185,277)	(86,932)
Interest expense	12	(56,107)	-	-
Other income		-	-	1,355,530
Interest income		10,352	24,093	29,761
Foreign exchange loss		(235,345)	(21,499)	195
NET LOSS FOR THE YEAR / PERIOD		(678,662)	(725,745)	(111,695)
Exchange difference on translation of foreign operations		8,478	(6,034)	6,355
COMPREHENSIVE LOSS FOR THE YEAR / PERIOD		(670,184)	(731,779)	(105,340)
BASIC AND DILUTED LOSS PER SHARE		(0.01)	(0.01)	(0.00)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING BASIC AND DILUTED		68,797,032	67,895,662	67,895,662

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

DIAMOND FIELDS RESOURCES INC.

Consolidated Statements of Changes in Shareholders' (Deficiency) Equity

For the year ended December 31, 2020, the six-month period ended December 31, 2019

and the year ended June 30, 2019

(Expressed in U.S. dollars)

	Number of shares	Share capital \$	Contributed surplus \$	Accumulated deficit \$	Accumulated other comprehensive Income/(loss) \$	Total \$
Balance at June 30, 2018	67,895,662	55,633,167	4,046,823	(59,027,774)	989	653,205
Translation adjustment	-	-	-	-	6,355	6,355
Share based compensation	-	-	92,796	-	-	92,796
Loss for the year	-	-	-	(111,695)	-	(111,695)
Balance at June 30, 2019	67,895,662	55,633,167	4,139,619	(59,139,469)	7,344	640,661
Translation adjustment	-	-	-	-	(6,034)	(6,034)
Share based compensation	-	-	27,170	-	-	27,170
Loss for the period	-	-	-	(725,745)	-	(725,745)
Balance at December 31, 2019	67,895,662	55,633,167	4,166,789	(59,865,214)	1,310	(63,948)
Share issue (net)	1,000,000	151,720	-	-	-	151,720
Translation adjustment	-	-	-	-	8,478	8,478
Share based compensation	-	-	8,767	-	-	8,767
Loss for the year	-	-	-	(678,662)	-	(678,662)
Balance at December 31, 2020	68,895,662	55,784,887	4,175,556	(60,543,876)	9,788	(573,645)

DIAMOND FIELDS RESOURCES INC.**Consolidated Statements of Cash Flows****For the year ended December 31, 2020, the six-month period ended December 31, 2019****and the year ended June 30, 2019****(Expressed in U.S. dollars)**

	year ended December 31, 2020	six-months ended December 31, 2019	year ended June 30, 2019
	\$	\$	\$
CASH USED IN OPERATING ACTIVITIES			
Net loss for the year / period	(678,662)	(725,745)	(111,695)
Items not affecting use of cash			
Foreign exchange loss	11,049	5,482	1,773
Share based compensation	8,767	27,170	92,796
Interest expense	56,107	-	-
Fair value movement on derivative instruments	(437,482)	185,277	86,932
Proceeds - Beravina Cooperation Agreement	-	-	(250,000)
Net change in working capital items (Note 13)	(23,241)	135,501	79,845
NET CASH USED IN OPERATIONS	(1,063,462)	(372,315)	(100,349)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares (net)	151,720	-	-
Proceeds from loans	606,878	-	-
Loan repayment	(606,878)	-	-
Interest paid	(56,107)	-	-
	95,613	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds - Beravina Cooperation Agreement	-	-	250,000
	-	-	250,000
CHANGE IN CASH	(967,849)	(372,315)	149,651
CASH, BEGINNING OF YEAR / PERIOD	1,202,786	1,575,101	1,425,450
CASH, END OF YEAR / PERIOD	234,937	1,202,786	1,575,101

Supplemental cash flow information (Note 13)

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

DIAMOND FIELDS RESOURCES INC.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2020, the six-month period ended December 31, 2019
and the year ended June 30, 2019
(All amounts are expressed in U.S. dollars.)

1. CORPORATE INFORMATION

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

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

The address of the Company's corporate office and principal place of business is Suite 2900, 550 Burrard Street, Vancouver, British Columbia V6C 0A3, Canada.

2. NATURE AND CONTINUANCE OF OPERATIONS

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

As at December 31, 2020, the Company has an accumulated deficit of \$60,543,876 (December 31, 2019: \$59,865,214; June 30, 2019: \$59,139,469) and incurred a net loss of \$678,662 (December 31, 2019: \$725,745; June 30, 2019: \$111,695).

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

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

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

3. STATEMENT OF COMPLIANCE

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") effective for the Company's reporting for the year ended December 31, 2020.

DIAMOND FIELDS RESOURCES INC.
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and the year ended June 30, 2019
(All amounts are expressed in U.S. dollars.)

3. STATEMENT OF COMPLIANCE (CONTINUED)

Effective December 2019, the Company changed its financial year-end from June 30 to December 31 to align reporting with that of its mining sector peers and its Madagascar subsidiary. The change in year-end has resulted in the Company filing a one-time six-months transitional fiscal year covering the period July 1, 2019 to December 31, 2019. Subsequent to the transition year, the Company's financial year will cover the period January 1 to December 31; accordingly, the report for the year ended December 31, 2020 is the Company's first full year report subsequent to the adoption of the new financial year end. Comparatives include the six-months transitional fiscal year ended December 31, 2019 and the year ended June 30, 2019.

The financial statements were authorized for issue by the Board of Directors on April 30, 2021.

4. BASIS OF MEASUREMENT

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

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by Diamond Fields Resources Inc. (the "Parent"). The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Parent.

Transactions eliminated on consolidation

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

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

DIAMOND FIELDS RESOURCES INC.
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For the year ended December 31, 2020, the six-month period ended December 31, 2019
and the year ended June 30, 2019
(All amounts are expressed in U.S. dollars.)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

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

(b) Foreign currencies

Transactions and balances

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

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

Subsidiaries

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

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

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

DIAMOND FIELDS RESOURCES INC.
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For the year ended December 31, 2020, the six-month period ended December 31, 2019
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(All amounts are expressed in U.S. dollars.)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Cash and cash equivalents

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

(d) Financial instruments

Financial Assets

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

- i) Amortized cost - a financial asset is measured at amortized cost if both of the following conditions are met:
 - the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
 - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- ii) Fair value through other comprehensive income - financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- iii) Fair value through profit or loss - any financial assets that are not held in one of the two business models mentioned are measured at fair value through profit or loss.

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

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

Impairment of Financial Assets

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

Financial Liabilities

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

DIAMOND FIELDS RESOURCES INC.
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and the year ended June 30, 2019
(All amounts are expressed in U.S. dollars.)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments (continued)

This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Derivative Financial Instruments

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

(e) Mineral properties

The Company's properties are all currently in the Exploration and Evaluation ("E&E") stage. Acquisition and E&E expenditures incurred prior to the date of a positive economic analysis on the property are expensed as incurred. Direct costs incurred for the development of mineral properties, net of cost recoveries, are capitalized once the technical feasibility and commercial viability of extracting the mineral resource has been determined. On the commencement of commercial production, the net capitalized costs are charged to operations on a unit-of-production basis, by property, using the estimated proven and probable reserves as the depletion base.

Impairment of Non-Financial Assets

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

DIAMOND FIELDS RESOURCES INC.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2020, the six-month period ended December 31, 2019
and the year ended June 30, 2019
(All amounts are expressed in U.S. dollars.)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Share based compensation

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of loss and comprehensive loss over the vesting period described as the period during which all the vesting conditions are to be satisfied. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied.

The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

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

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

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

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

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

(g) Income taxes

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

DIAMOND FIELDS RESOURCES INC.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2020, the six-month period ended December 31, 2019
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(All amounts are expressed in U.S. dollars.)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Income taxes (continued)

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

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

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

(h) Basic Earnings (Loss) per share

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

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

(i) Provisions

Rehabilitation Provisions

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

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

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

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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Share capital

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

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

(k) Revenue

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

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

IFRS 17, Insurance Contracts

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

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

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

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

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6. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

Share Based Compensation Transactions

The Company measures the cost of equity-settled transactions with employees and other parties by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 10.

Derivative Financial Instruments

The Company has determined that its functional currency is the US dollar and had issued non-broker warrants in a currency other than its functional currency. The Company measures the cost of the derivative financial instruments by reference to the fair value of the instruments at the date at which they are granted and revalues them at each reporting date. Estimating fair value for non-broker warrant transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the warrant, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating the fair value of the derivative financial instruments transactions are disclosed in Note 11.

Title to Mineral Property Interests

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

7. EXPLORATION EXPENSES

	Year ended December 31, 2020	Six-months ended December 31, 2019	Year ended June 30, 2019
	\$	\$	\$
Namibian diamond project	46,562	31,643	155,831
Beravina zircon project	44,924	-	171,218
Other projects and new prospects	147,205	62,447	380,344
	238,691	94,090	707,393

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7. EXPLORATION EXPENSES (CONTINUED)

Exploration expenses by nature of expenditure are summarized below:

	Year ended December 31, 2020	Six-months ended December 31, 2019	Year ended June 30, 2019
	\$	\$	\$
Consulting	224,766	64,191	579,889
Travel	-	20,537	81,949
Sample testing	1,038	-	27,435
Licences & other expenses	12,887	9,362	18,120
	238,691	94,090	707,393

Namibian Diamond project

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

On November 17, 2017, the Company entered into an agreement with International Mining and Dredging Holdings Proprietary Limited (“IMDH”) and its partner, Namibian Underwater Technology And Mining (Pty) Ltd. (“NUTAM”), whereby NUTAM will have an exclusive right to mine the ML111 property. As consideration for the right to mine, NUTAM will pay DFN a sliding royalty based on production from the property. No mining activity took place, and no income was received during the year ended (December 31, 2019: \$nil; June 30, 2019: 1,105,530) December 31, 2020.

Madagascar Zircon project

The Company’s subsidiary, Kimberley Overseas, owns Action Mining Ltd., a Mauritius company which fully owns Compagnie Generale des Mines de Madagascar (“CGMM”). CGMM owns 100% of the mining license (*Permis d’Exploitation* PE8096) for the Beravina zircon deposit in Madagascar.

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

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7. EXPLORATION EXPENSES (CONTINUED)

Madagascar Zircon project (continued)

TMH submitted a planned drill program comprising of 14 drill holes as part of the 2019 Work Program. The Company obtained approval for the drilling program from the Ministry of Mines and Strategic Resources and approval for its Environmental Impact Assessment (“EIA”). EIA approval was only provided on October 29, 2019, which resulted in a delay in implementation of planned drilling to early November 2019. As the delay was not anticipated by the Company or TMH, the Company granted an extension to the Evaluation Period (which was originally envisaged as being 7 months from 16 May 2019) without financial penalty, to May 31, 2020.

On June 26, 2020, the Company announced an amendment to the Cooperation Agreement (the “Amended Agreement”) which requires the Company to undertake the next phase of work, which involves a high-resolution magnetic drone survey, the development of digital elevation models and limited groundwork (“Phase 1”) with the aim of locating potential new mineral deposits and extensions to the existing deposit. If successful, the Company will then engage in a drilling campaign on the Project (“Phase 2”) to be completed by 30 November 2020. The Company has committed to spend between US\$250,000 and US\$350,000 in connection with such activities, subject to ongoing positive results. The Amended Agreement extends the time available for TMH to exercise its option to acquire the Project (which may be extended a further three (3) months through an advance payment (on the Option exercise price) of US\$250,000) until December 31, 2020.

On September 29, 2020, due to ongoing travel and operational restrictions resulting from the COVID-19 pandemic, the Company announced it has agreed a further eight month extension to the Cooperation Agreement, such that the deadline for the Company to complete Phase 1 and commence Phase 2 has now been extended to May 31, 2021, and, consequently the deadline for completion of Phase 2 has been extended to July 31, 2021, and the time available for TMH to exercise its option to acquire the Project has been extended to August 31, 2021. At the date of issue of this report, the Company had not executed on Phase 1 due to travel restrictions associated with the prevailing Pandemic. The Company is in discussions with TMH about a further extension to the deadlines for commencement and completion of both Phase 1 and Phase 2.

TMH will have the option (the “Option”) to buy 100% of the Project in consideration of a payment of \$2,000,000 and the grant of a nine percent royalty from future sales, subject to certain minimum deductions. Pursuant to the Amended Agreement, upon exercising the Option TMH must also reimburse the Company for the amount of expenditures incurred by the Company in connection with Phase 1 and Phase 2 of the Amended Agreement. Upon exercise of the Option, TMH is required to place the Project into production by no later than 30 June 2023 (the “Project Long-Stop Date”), subject to certain extensions for events of force majeure, such as permitting delays, but no longer than 30 June 2025. Should the project not be placed into production by the Project Long-Stop Date, then TMH is required to make advance royalty payments to the Company, as follows:

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

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

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7. EXPLORATION EXPENSES (CONTINUED)

Atlantis II Red Sea project

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

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

The Company continues to assert its rights to the project.

Other projects and prospects

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

8. GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31, 2020	Six-months ended December 31, 2019	Year ended June 30, 2019
	\$	\$	\$
Directors and secretary fees	262,500	131,250	143,000
Salaries, fees and consultancy	166,456	161,381	309,098
Audit and tax fees	39,333	38,506	54,033
Regulatory	7,630	10,627	27,259
Insurance	17,482	4,034	14,211
Investor relation	45,492	24,549	25,733
Office and other expenses	48,693	51,455	36,726
	587,586	421,802	610,060

9. INCOME TAXES

Taxation is calculated at the rate prevailing in its respective operational jurisdiction. There is no deferred tax charge arising for the Company for the year.

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

DIAMOND FIELDS RESOURCES INC.

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9. INCOME TAXES (CONTINUED)

	December 31, 2020	December 31, 2019	June 30, 2019
	\$	\$	\$
Loss for the year / period	(678,662)	(725,745)	(111,695)
Expected income tax (recovery)	(183,000)	(195,000)	(425,000)
Change in statutory, foreign tax, foreign exchange rates and other	17,000	(23,000)	(150,000)
Permanent difference	128,000	60,000	620,000
Share issue costs	-	(2,000)	(2,000)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	(1,236,000)	254,000	(1,657,000)
Change in unrecognized deductible temporary differences	1,274,000	(94,000)	1,614,000
Total income tax expense (recovery)	-	-	-

Deferred Tax Assets and Liabilities

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

Deferred Tax Assets	December 31, 2020	December 31, 2019	June 30, 2019
	\$	\$	\$
Property and equipment	105,000	80,000	81,000
Share issue costs	1,000	2,000	2,000
Allowable capital losses	1,590,000	1,222,000	1,215,000
Non-capital losses available for future periods	8,935,000	8,053,000	8,153,000
	10,631,000	9,357,000	9,451,000
Unrecognised deferred tax assets	(10,631,000)	(9,357,000)	(9,451,000)
Net deferred tax assets	-	-	-

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

Temporary Differences	December 31, 2020	Expiry Date Range	December 31, 2019	Expiry Date Range	June 30, 2019	Expiry Date Range
	\$		\$		\$	
Property and equipment	388,000	No expiry date	298,000	No expiry date	301,000	No expiry date
Share issue costs	4,000	2040 to 2042	6,000	2040 to 2042	7,000	2040 to 2042
Allowable capital losses	5,890,000	No expiry date	4,524,000	No expiry date	4,500,000	No expiry date
Non-capital losses available for future periods	23,978,000	2023 to indefinite	20,352,000	2023 to indefinite	20,374,000	2023 to indefinite

Tax attributes are subject to review, and potential adjustment, by tax authorities

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10. SHARE CAPITAL**Authorized share capital**

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

Issued and outstanding share capital

As at June 30 and December 31, 2019, the Company had 67,895,662 issued and outstanding common shares. On February 13, 2020, the Company announced the completion of a working capital financing through the issuance of 1,000,000 common shares at a price of CAD 0.20 per share for gross proceeds of \$151,720 (in addition to \$606,878 debt financing (note 12)).

Consequently, following completion of the financing, and, as at December 31, 2020, the Company had a total of 68,895,662 issued and outstanding common shares.

Stock Options

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

Outstanding and exercisable share options

The following is a summary of changes in options from June 30, 2018 to December 31, 2020:

Grant Date	Expiry Date	Opening balance	During the year			Closing balance
			Granted	Exercised	Expired/ forfeited	
Balance at June 30, 2018		3,852,800	-	-	-	3,852,800
07/09/13	07/19/18	-	-	-	(490,000)	(490,000)
08/28/18	08/27/23	-	1,837,200	-	-	1,837,200
Balance at June 30, 2019		3,852,800	1,837,200	-	(490,000)	5,200,000
08/28/18	08/27/23	-	-	-	(50,000)	(50,000)
Balance at December 31, 2019 and 2020		3,852,800	1,837,200	-	(540,000)	5,150,000

The weighted average exercise price of options outstanding as at December 31, 2020, December 31 and June 30, 2019, was CAD \$0.145.

During the year ended December 31, 2020, no stock options (December 31, 2019: nil; June 30, 2019: 1,837,200) were granted and no stock options (December 31, 2019: 50,000; June 30, 2019: 490,000) expired. Share based compensation accounted during the period was \$8,767 (December 2019: \$27,170; June 30, 2019: \$ 92,796). As at December 31, 2020, the unrecognized share based compensation expense is \$ nil (December 31, 2019: \$ 8,767; June 30, 2019: \$35,937).

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10. SHARE CAPITAL (CONTINUED)**Stock Options (continued)**

The fair value of options granted was determined using the Black-Scholes valuation model using the weighted average assumptions outlined in the following table.

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Expected volatility	-	-	203%
Risk-free interest rate	-	-	2.21%
Expected life (years)	-	-	5
Dividend yield	-	-	-

Share purchase warrants

A summary of share purchase warrant activity and information concerning currently outstanding and exercisable warrants from June 30, 2018 to December 31, 2020 is as follows:

Grant date	Opening balance	During the year			Closing balance	Exercisable
		Granted	Exercised	Forfeited / expired		
Balance at June 30, 2018	10,666,667				10,666,667	10,666,667
Movement during the year	-	-	-	-	-	-
Balance at June 30, 2019, December 31, 2019 and 2020	10,666,667	-	-	-	10,666,667	10,666,667
Weighted average price CAD	\$0.125				\$0.125	\$0.125

If not exercised, the warrants will expire on September 23, 2021, that is in 0.73 year following the year end.

Nature and purpose of equity

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

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

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

"Accumulated Other Comprehensive Loss" includes foreign exchange losses/gains on translating subsidiaries with a functional currency different from that of the US dollar.

11. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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11. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	Warrants (Note 10) \$
Balance, June 30, 2018	665,732
Movement in fair value	86,932
Movement in foreign exchange rates	1,773
Balance, June 30, 2019	754,437
Movement in fair value	185,277
Movement in foreign exchange rates	5,482
Balance, December 31, 2019	945,196
Movement in fair value	(437,482)
Movement in foreign exchange rates	11,049
Balance, December 31, 2020	518,763

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

	Year ended December 31, 2020	Six-months ended December 31, 2019	Year ended June 30, 2019
Expected volatility	116%	109%	106%
Risk-free interest rate	0.20%	1.71%	1.41%
Expected life	0.73 year	1.73 years	2.23 years

12. LOAN PAYABLE

	December 31, 2020	December 31, 2019	June 30, 2019
	\$	\$	\$
Opening balance	-	-	-
Loans received	606,878	-	-
Loans repaid	(606,878)	-	-
Closing Balance	-	-	-

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12. LOAN PAYABLE (CONTINUED)

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

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

Notes:

- The loans are repayable on December 31, 2020 or may be repaid earlier in the event that the Company and its subsidiaries complete an equity financing or otherwise receive funding, payments or income equal to CAD 1,000,000; or the Company's Namibian subsidiary receives authorization from the Bank of Namibia ("BON") to remit not less than \$500,000 from Namibia.
The Company's Namibian subsidiary received authorization from BON and repaid \$679,852 to the Company's bank account in Canada. As such, the loans amounting to \$606,878 together with interest amounting to \$56,107 have been fully repaid during the year.
- Mr. Albert Gourley is the non-executive chairman of the Board of Directors of the Company and also controls Albert C Gourley Professional Corporation.
- Mr. Jean Raymond Boulle is the major shareholder of the Company, holding his shares through Spirit Resources SARL.
- Following the authorization from BON and the remittance of part of the funds held to the Company's bank account in Canada, the loans have become payable early, and interest amounting to \$56,107 has been recognized in the statement of loss and comprehensive loss.

13. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in working capital items:

	Year ended December 31, 2020	Six-months ended December 31, 2019	Year ended June 30, 2019
	\$	\$	\$
(Increase) / Decrease in:			
Prepaid expenses and other receivables	(13,230)	22,076	(3,592)
(Decrease) / Increase in:			
Accounts payable and accrued liabilities	(10,011)	113,425	83,437
	(23,241)	135,501	79,845

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13. SUPPLEMENTAL CASH FLOW INFORMATION (CONTINUED)

Significant non-cash transaction for the year/period:

	Year ended December 31, 2020	Six-months ended December 31, 2019	Year ended June 30, 2019
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Currency translation adjustment on net assets	8,478	(6,034)	6,355

14. SEGMENTED INFORMATION

At December 31, 2020, the Company operates in four main geographical locations as set below. Other operations comprise South Africa and British Virgin Islands and these do not constitute a separate reportable segment.

Assets by geographic location for the periods ended December 31, 2019 and 2020, and June 30, 2019 were as follows:

As at December 31, 2020	Head Office	Namibia	Madagascar	Other	Total
	\$	\$	\$	\$	\$
Total assets	195,762	51,119	9,594	2,308	258,783

As at December 31, 2019	Head Office	Namibia	Madagascar	Other	Total
	\$	\$	\$	\$	\$
Total assets	30,016	1,159,416	21,755	2,215	1,213,402

As at June 30, 2019	Head Office	Namibia	Madagascar	Other	Total
	\$	\$	\$	\$	\$
Total assets	247,797	1,314,162	42,691	8,143	1,607,793

15. 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 the Company's 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.

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15. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENT RISKS (CONTINUED)**(i) Capital Management (continued)**

The Company may attempt to raise capital or borrow funds, although there is no certainty that such financing will be available with 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 Instruments Risks

The Company is exposed in varying degrees to a variety of financial instruments 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, Namibia and Madagascar and purchases goods and services denominated in US dollars, Namibian dollars, Madagascan Ariary, Pounds Sterling 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.

The following table reflects the Company's foreign currency exposure as of December 31, 2020:

	Currency CAD	Currency NAD	Currency GBP	Currency USD	Currency Other	Total
Financial Assets	\$	\$	\$	\$	\$	\$
Cash	7,708	49,414	-	177,117	698	234,937
Other receivables	1,743	1,704	-	20,399	-	23,846
	9,451	51,118		197,516	698	258,783
Financial Liabilities	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	46,615	37,460	147,583	73,079	8,928	313,665
Derivative financial instruments	518,763	-	-	-	-	518,763
	565,378	37,460	147,583	73,079	8,928	832,428

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15. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENT RISKS (CONTINUED)

(ii) Financial Instruments Risks (continued)

As at December 31, 2020, with other variables unchanged, a 10% change in the CAD to USD exchange rate would result in a \$56,000 change in foreign exchange gain (loss).

Interest rate risk

The Company does not have any financial instruments subject to interest rate risk at December 31, 2020.

Equity price risk

Equity price 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 intermittent mining and sale of products occur.

Credit risk

The Company is primarily exposed to credit risk on its cash and the risk of financial loss if a 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. The following is a summary of the Company's liabilities and their respective due dates as at December 31, 2020:

	Total	< 1 year	1 – 2 years
	\$	\$	\$
Accounts payable and accrued liabilities	313,665	313,665	-

Determination of fair value

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The Statement of Financial Position carrying amounts for cash, receivables, accounts payable and accrued liabilities and derivative financial instruments approximate fair value due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

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15. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENT RISKS (CONTINUED)Fair value hierarchy (continued)

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The Company's cash is measure using Level 1 fair value measurements. The Company's derivative financial instruments are measured using level 3 inputs.

16. RELATED PARTY TRANSACTIONS

The Company provided the following compensation to key management personnel of the Company for the year ended December 31, 2020, six-months ended December 31, 2019 and year ended June 30, 2019, which are recorded in the following accounts in these consolidated financial statements:

	Year Ended December 31, 2020	Six-months ended December 31, 2019	Year ended June 30, 2019
	\$	\$	\$
G&A - Jean Lindberg Charles, CFO and Secretary	154,500	77,250	98,000
G&A - Sybrand van der Spuy, President and CEO	150,000	75,000	112,215
G&A - E&E - Fasken Martineau LLP ¹	255,485	99,582	275,282
E&E - David Reading	16,107	-	35,342
G&A - Earl Young (former Director and CFO)	-	-	18,000
E&E - Bertrand Boulle	-	4,972	-
	576,092	256,804	538,839
Share based compensation - Directors & Officers	8,767	26,474	90,573
	584,859	283,278	629,412

G&A - denotes general and administrative expenses

E&E - denotes evaluation and exploration expenses

Note:

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

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**For the year ended December 31, 2020, the six-month period ended December 31, 2019
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16. RELATED PARTY TRANSACTIONS (CONTINUED)

As at December 31, 2020, a total of \$210,659 (December 31, 2019: \$180,586; June 30, 2019: \$108,046) of fees and expenses were payable to related parties as follows: \$54,672 (December 31, 2019: \$56,532; June 30, 2019: \$Nil) payable to Jean Lindberg Charles (CFO and Secretary); \$143,487 (December 31, 2019: \$121,758; June 30, 2019: \$108,046) payable to Fasken Martineau LLP¹ (London); \$12,500 (December 31 and June 30, 2019: \$Nil) payable to Sybrand Van Der Spuy (CEO & Director); and, \$Nil (December 31, 2019: \$2,296; June 30, 2019: \$Nil) payable to a director.

17. SUBSEQUENT EVENTS

On April 30, 2021, The Company entered into an agreement with its major shareholder, Spirit Resources SARL (“Spirit”) pursuant to which Spirit shall make available an unsecured term loan of \$ 1,000,000 (the “Loan”) to the Company at the rate of 8% per annum. The Loan shall be used for general corporate purposes and shall be repayable in full on April 29, 2022 or earlier upon receipt of the proceeds of any debt, equity or other financing.