

# DIAMOND FIELDS RESOURCES

**DIAMOND FIELDS RESOURCES INC.**  
**Unaudited Condensed Consolidated Interim Financial Statements**  
**For the three-months period ended March 31, 2021**

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

## **UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument NI 51-102 released by Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited condensed consolidated interim financial statements for the three-months period ended March 31, 2021.

**DIAMOND FIELDS RESOURCES INC.**  
**Condensed consolidated statement of financial position**  
**As at March 31, 2021 and December 31, 2020**  
**(All amounts are expressed in U.S. dollars)**

	Notes	(Unaudited) March 31, 2021	(Audited) December 31, 2020
		\$	\$
<b>ASSETS</b>			
<b>Current</b>			
Cash		106,642	234,937
Other receivables		36,158	23,846
<b>Total current assets</b>		<b>142,800</b>	<b>258,783</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities		406,142	313,665
Derivative financial instruments	11	2,584,506	518,763
		<b>2,990,648</b>	<b>832,428</b>
<b>SHAREHOLDERS' DEFICITS</b>			
Share capital	10	55,784,887	55,784,887
Contributed surplus	10	4,175,556	4,175,556
Accumulated deficit		(62,818,079)	(60,543,876)
Accumulated other comprehensive income		9,788	9,788
<b>Shareholders' deficits</b>		<b>(2,847,848)</b>	<b>(573,645)</b>
<b>Total shareholders' deficits and liabilities</b>		<b>142,800</b>	<b>258,783</b>

*"Sybrand Van Der Spuy"*

**Director**

*"Bertrand Boulle"*

**Director**

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes on pages 7 to 23.

**DIAMOND FIELDS RESOURCES INC.**

**Condensed consolidated statement of profit or loss and other comprehensive income**

**For the three-months period ended March 31, 2021 and 2020**

**(All amounts are expressed in U.S. dollars)**

	Notes	(Unaudited) Three-months period ended March 31, 2021 \$	(Unaudited) Three-months period ended March 31, 2020 \$
<b><i>CONTINUING OPERATION</i></b>			
<b>Operating expenses</b>			
Exploration expenses	7	(63,979)	(13,934)
General and administrative expenses	8	(143,436)	(193,150)
Share-based compensation	10,14	-	(3,518)
		<b>(207,415)</b>	<b>(210,602)</b>
Fair value movement on derivative instruments	11	(2,033,892)	647,374
Interest income		-	8,868
Interest expense	12	-	(56,107)
Foreign exchange loss		(32,896)	(210,781)
		<b>(2,066,788)</b>	<b>389,354</b>
<b>Net (loss)/profit for the quarter</b>		<b>(2,274,203)</b>	<b>178,752</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		-	3,266
<b>Total comprehensive income for the quarter</b>		<b>(2,274,203)</b>	<b>182,018</b>
<b>(Loss)/earnings per share for (loss)/profit attributable to the ordinary equity holders of the Company:</b>			
- Basic		(0.03)	0.00
- Diluted		(0.03)	0.00
<b>Weighted average number of common shares outstanding</b>			
- Basic		68,895,662	68,495,662
- Diluted		84,712,329	84,312,329

The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes on pages 7 to 23.

**DIAMOND FIELDS RESOURCES INC.**  
**Condensed consolidated statement of changes in equity**  
**For the three-months period ended March 31, 2021 and 2020**  
**(All amounts are expressed in U.S. dollars)**

	<b>Number of shares</b>	<b>Share capital \$</b>	<b>Contributed surplus \$</b>	<b>Accumulated deficit \$</b>	<b>Accumulated other comprehensive income \$</b>	<b>Total \$</b>
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	-	-	-	-	3,266	3,266
Share-based compensation	-	-	3,518	-	-	3,518
Profit for the quarter	-	-	-	178,752	-	178,752
<b>Balance at March 31, 2020</b>	<b>68,895,662</b>	<b>55,784,887</b>	<b>4,170,307</b>	<b>(59,686,462)</b>	<b>4,576</b>	<b>273,308</b>
Balance at December 31, 2020	68,895,662	55,784,887	4,175,556	(60,543,876)	9,788	(573,645)
Loss for the quarter	-	-	-	(2,274,203)	-	(2,274,203)
<b>Balance at March 31, 2021</b>	<b>68,895,662</b>	<b>55,784,887</b>	<b>4,175,556</b>	<b>(62,818,079)</b>	<b>9,788</b>	<b>(2,847,848)</b>

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes on pages 7 to 23.

**DIAMOND FIELDS RESOURCES INC.**  
**Condensed consolidated statement of cash flows**  
**For the three-months period ended March 31, 2021 and 2020**  
**(All amounts are expressed in U.S. dollars)**

	<b>(Unaudited) Three-months period ended March 31, 2021</b>	<b>(Unaudited) Three-months period ended March 31, 2020</b>
	<u>\$</u>	<u>\$</u>
<b>Cash flows from operating activities</b>		
Net (loss)/profit for the quarter	<b>(2,274,203)</b>	178,752
<i>Adjustments for non-cash items:</i>		
Foreign exchange loss/(gain)	<b>31,851</b>	(26,647)
Share-based compensation	-	3,518
Fair value movement on derivative instruments	<b>2,033,892</b>	(647,374)
Interest expense	-	56,107
	<b>(208,460)</b>	(435,644)
<i>Changes in working capital:</i>		
Increase in other receivables	<b>(12,312)</b>	(5,665)
Increase/(decrease) in accounts payable and accrued liabilities	<b>92,477</b>	(224,503)
<b>Net cash used in operations</b>	<b>(128,295)</b>	(665,812)
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares (net)	-	151,720
Proceeds from loans (Note 12)	-	606,878
<b>Net cash generated from financing activities</b>	-	758,598
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(128,295)</b>	92,786
<b>Cash and cash equivalents at beginning of quarter</b>	<b>234,937</b>	1,202,786
<b>Cash and cash equivalents at end of quarter</b>	<b>106,642</b>	1,295,572

**Note:**

- (i) *The significant non-cash transactions for the period are as follows:*

	<b>(Unaudited) Three-months period ended March 31, 2021</b>	<b>(Unaudited) Three-months period ended March 31, 2020</b>
	<u>\$</u>	<u>\$</u>
Currency translation adjustment on net assets	-	3,266

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes on pages 7 to 23.

## **DIAMOND FIELDS RESOURCES INC.**

### **Notes to the condensed consolidated financial statements**

**For the three-months period ended March 31, 2021 and 2020**

**(All amounts are expressed in U.S. dollars)**

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

As at March 31, 2021, the Company has an accumulated deficit of \$62,818,079 (March 31, 2020: \$59,686,462) and incurred a net loss of \$2,274,203 during the three-months period ended March 31, 2021 (March 31, 2020: net profit of \$178,752).

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 condensed consolidated interim financial statements of the Company for the three-months period ended March 31, 2021 are unaudited and have been prepared in accordance with IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board ("IASB") and do not include all notes of the type normally included in an annual financial report.

**DIAMOND FIELDS RESOURCES INC.**  
**Notes to the condensed consolidated financial statements**  
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**(All amounts are expressed in U.S. dollars)**

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**3. STATEMENT OF COMPLIANCE (CONTINUED)**

The condensed consolidated interim financial statements have been prepared using the same accounting policies as the audited consolidated financial statements for the year ended December 31, 2020 and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2020.

The financial statements were authorized for issue by the Board of directors on May 28, 2021.

**4. BASIS OF MEASUREMENT**

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

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

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgement in applying the Company’s significant accounting policies. The areas involving a higher degree of judgement 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 condensed 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 condensed 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 condensed consolidated financial statements.

The condensed consolidated financial statements include the accounts of the Parent and its subsidiaries.



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**Notes to the condensed consolidated financial statements**  
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**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*(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 profit or loss and other comprehensive income.

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 profit or loss and other comprehensive income 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 profit or loss and other comprehensive income as part of the gain or loss on sale.

*(c) Cash and cash equivalents*

Cash and cash equivalents include cash in 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 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 assets and the financial assets' contractual cash flow characteristics. The three categories are defined as follows:

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**Notes to the condensed consolidated financial statements**  
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**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*(d) Financial instruments (continued)*

*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 above 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 comprised cash and other receivables, which are all measured at amortized cost.

Impairment of Financial Assets

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

Financial Liabilities

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

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.

**DIAMOND FIELDS RESOURCES INC.**  
**Notes to the condensed consolidated financial statements**  
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**(All amounts are expressed in U.S. dollars)**

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**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*(d) Financial instruments (continued)*

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. 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 condensed consolidated financial statements**  
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**(All amounts are expressed in U.S. dollars)**

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**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 profit or loss and other comprehensive income 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 market performance 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 profit or loss and other comprehensive income 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 profit or loss and other comprehensive income, 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 profit or loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income.

**DIAMOND FIELDS RESOURCES INC.**  
**Notes to the condensed consolidated financial statements**  
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**(All amounts are expressed in U.S. dollars)**

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**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) Earnings/(loss) per share*

Basic earnings/(loss) per share is computed by dividing the net profit/(loss) for the year attributable to the ordinary equity holders 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 profit/(loss) for the year attributable to the ordinary equity holders of the Company 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.

**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 control passes 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) Application of new and revised International Financial Reporting Standards (IFRSs)*

In the current year, the Group has applied all new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2021.

***New standards, interpretations and amendments that are effective for the current year***

There are a number of amendments to accounting standards that become applicable for annual reporting periods commencing on or after 1 January 2021 and the Group considers that their application does not have any significant impact on the amounts reported for the current and prior periods but may affect the accounting treatment for future transactions or arrangements.

- Covid-19-related Rent Concessions – Amendments to IFRS 16
- Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

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

**DIAMOND FIELDS RESOURCES INC.**

**Notes to the condensed consolidated financial statements**

**For the three-months period ended March 31, 2021 and 2020**

**(All amounts are expressed in U.S. dollars)**

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**6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

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

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

**(i) Share-based 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.

**(ii) 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.

**(iii) Title to mineral property interests**

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

**DIAMOND FIELDS RESOURCES INC.****Notes to the condensed consolidated financial statements****For the three-months period ended March 31, 2021 and 2020****(All amounts are expressed in U.S. dollars)****7. EXPLORATION EXPENSES**

	<b>Three-months period ended March 31, 2021</b>	Three-months period ended March 31, 2020
	\$	\$
Namibian diamond project	<b>11,894</b>	13,934
Beravina zircon project	<b>5,550</b>	-
Other projects and new prospects	<b>46,535</b>	-
	<b>63,979</b>	13,934

Exploration expenses by nature of expenditure are summarized below:

	<b>Three-months period ended March 31, 2021</b>	Three-months period ended March 31, 2020
	\$	\$
Consulting	<b>59,686</b>	13,641
Licences & other expenses	<b>4,293</b>	293
	<b>63,979</b>	13,934

*Namibian Diamond project*

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

On November 17, 2017, the Company entered into an agreement with International Mining and Dredging Holdings Proprietary Limited (“IMDH”) and its partner, Namibian Underwater Technology And Mining (Pty) Ltd. (“NUTAM”), whereby NUTAM will have an exclusive right to mine the ML111 property. As consideration for the right to mine, NUTAM will pay DFN a sliding royalty based on production from the property. As no mining activity took place, no income was received during the three-months period ended March 31, 2021 (March 31, 2020: nil).

*Madagascar Zircon project*

The Company’s subsidiary, Kimberley Overseas, owns Action Mining Ltd., a Mauritius company which fully owns Compagnie Générale 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 (the “Cooperation Agreement”) with TMH Acquisition Co. (“TMH”), a special purpose vehicle established by Denham Mining Fund LP, to advance the Company’s Beravina project (the “Project”) in Madagascar. Pursuant to the terms of the 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”), which is 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.



**DIAMOND FIELDS RESOURCES INC.**

**Notes to the condensed consolidated financial statements**

**For the three-months period ended March 31, 2021 and 2020**

**(All amounts are expressed in U.S. dollars)**

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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.

**DIAMOND FIELDS RESOURCES INC.****Notes to the condensed consolidated financial statements****For the three-months period ended March 31, 2021 and 2020****(All amounts are expressed in U.S. dollars)**

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**7. EXPLORATION EXPENSES (CONTINUED)***Atlantis II Red Sea project*

The Company entered into a joint venture agreement with Manafa International Trade Company (“Manafa”) of Saudi Arabia dated August 3, 2008 (the “JVA”). Manafa holds an interest in an exclusive thirty-year mining license extending over the Atlantis II Deeps. Pursuant to the terms of the JVA, DFR and Manafa agreed that this license would be transferred into a joint venture company (“JVC”) owned 50.1% by DFR and 49.9% by Manafa. However, development of the project has been on hold since April 2013 following a dispute with Manafa over contractual terms. As a result, the license held by Manafa has not been transferred to joint ownership as no JVC has been constituted. The Company does not currently hold any interest in Manafa or the Atlantis II license and cannot ascertain whether the licence is in good standing. The Company continues to explore avenues to resolve the dispute.

The Company has evaluated this arrangement under the criteria within IFRS 11, Joint Arrangements, and has concluded that the arrangement is not jointly controlled. As at March 31, 2021, 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*

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

**8. GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>Three-months period ended March 31, 2021</b>	<b>Three-months period ended March 31, 2020</b>
	<b>\$</b>	<b>\$</b>
Directors and secretary fees	<b>65,625</b>	65,625
Consultancy and professional fees	<b>45,274</b>	70,733
Audit and tax fees	-	361
Regulatory	<b>5,337</b>	6,161
Insurance	<b>4,731</b>	12,225
Investor relation	<b>11,391</b>	13,792
Office and other expenses	<b>11,078</b>	24,253
	<b>143,436</b>	193,150

**9. INCOME TAXES**

Income tax expense is recognized based on management’s best estimate of the weighted average annual income tax rate for the full financial year applied to the pre-tax income of the interim period.

At March 31, 2021, no deferred tax assets were recognised in respect of tax losses as it was uncertain at that point in time whether taxable profits would be available in the future against which tax losses may be utilised.

**DIAMOND FIELDS RESOURCES INC.****Notes to the condensed consolidated financial statements****For the three-months period ended March 31, 2021 and 2020****(All amounts are expressed in U.S. dollars)****10. SHARE CAPITAL****(i) Authorized share capital**

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

**(ii) Issued and outstanding share capital**

As at December 31, 2019, the Company had 67,895,662 issued and outstanding shares. On February 13, 2020, the Company announced the completion of a working capital financing through the issuance of 1,000,000 common shares at a price of C\$0.20 per share for gross proceeds of C\$200,000 (in addition to C\$800,000 debt financing). The Company had a total of 68,895,662 issued and outstanding shares as at December 31 2020 and March 31, 2021.

**(iii) Stock Options**

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

**Outstanding and exercisable share options**

The following is a summary of changes in options from December 31, 2019 to March 31, 2021:

Grant date	Expiry date	Opening balance	During the year/period			Closing balance
			Granted	Exercised	Expired/ forfeited	
<b>At December 31, 2019</b>		<b>5,200,000</b>	-	-	-	<b>5,200,000</b>
08/28/18	08/27/23	-	-	-	(50,000)	(50,000)
<b>At December 31, 2020, and March 31, 2021</b>		<b>5,200,000</b>	-	-	<b>(50,000)</b>	<b>5,150,000</b>

No stock options were granted or forfeited for the three-months ended March 31, 2021 (December 31, 2020: nil granted, nil expired and nil forfeited). Share-based compensation accounted during the period was \$ nil (December 31, 2020: \$ 8,767; March 31, 2020: \$ 3,518). As at March 31, 2021, the unrecognized share-based compensation expense is \$ nil (December 31, 2020: \$ nil; March 31, 2020: \$ 5,249).

The following is a summary of options vested and outstanding at March 31, 2021:

Grant date	Expiry date	Exercise price (CAD)	Vested March 31, 2021	Outstanding at March 31, 2021
12/12/16	12/11/21	\$0.145	2,962,800	2,962,800
02/05/18	02/04/23	\$0.145	400,000	400,000
08/28/18	08/27/23	\$0.145	1,787,200	1,787,200
<b>At March 31, 2021</b>			<b>5,150,000</b>	<b>5,150,000</b>

**DIAMOND FIELDS RESOURCES INC.**  
**Notes to the condensed consolidated financial statements**  
**For the three-months period ended March 31, 2021 and 2020**  
**(All amounts are expressed in U.S. dollars)**

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**10. SHARE CAPITAL (CONTINUED)**

**(iii) Stock Options (continued)**

The weighted average exercise price of options outstanding as at March 31, 2021, December 31, 2020 and March 31, 2020, was CAD \$0.145.

The fair value of options granted was determined using the Black-Scholes valuation model using the following weighted average assumptions:

- Expected volatility
- Risk-free interest rate
- Expected life (years)
- Dividend yield

**(iv) Share purchase warrants**

A summary of share purchase warrant activity and information concerning currently outstanding and exercisable warrants from December 31, 2019 to March 31, 2021 is as follows:

Grant date	Opening balance	During the year/period			Closing balance	Exercisable
		Granted	Exercised	Forfeited / expired		
At December 31, 2019	10,666,667	-	-	-	10,666,667	10,666,667
Movement during the year	-	-	-	-	-	-
<b>At December 31, 2020 and March 31, 2021</b>	<b>10,666,667</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,666,667</b>	<b>10,666,667</b>
Weighted average price CAD	\$0.125	-	-	-	\$0.125	\$0.125

If not exercised, the warrants will expire on September 23, 2021, that is in 0.48 year following the period end.

**Nature and purpose of equity**

The reserves recorded in equity on the Company's condensed consolidated statement of financial position include:

- (a) "Contributed surplus" is used to recognize the value of share option grants prior to exercise.
- (b) "Accumulated deficit" is used to record the Company's change in deficit from year to year.
- (c) "Accumulated other comprehensive income" includes foreign exchange losses/gains on translating subsidiaries with a functional currency different from that of the U.S dollar.

**DIAMOND FIELDS RESOURCES INC.****Notes to the condensed consolidated financial statements****For the three-months period ended March 31, 2021 and 2020****(All amounts are expressed in U.S. dollars)****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 profit or loss and other comprehensive income.

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

	Warrants (Note 10) \$
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
Movement in fair value	2,033,892
Movement in foreign exchange rates	31,851
<b>Balance, March 31, 2021</b>	<b>2,584,506</b>

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:

	<b>Three-months period ended March 31, 2021</b>	Year ended December 31, 2020	Three-months period ended March 31, 2020
Expected volatility	252%	116%	118%
Risk-free interest rate	0.23%	0.20%	0.46%
Expected life	0.48 years	0.73 years	1.48 years

**12. LOAN PAYABLE**

	<b>March 31, 2021</b>	December 31, 2020
	\$	\$
Opening balance	-	-
Loans received	-	606,878
Loans repaid	-	(606,878)
<b>Closing balance</b>	<b>-</b>	<b>-</b>

**DIAMOND FIELDS RESOURCES INC.****Notes to the condensed consolidated financial statements****For the three-months period ended March 31, 2021 and 2020****(All amounts are expressed in U.S. dollars)****12. LOAN PAYABLE (CONTINUED)**

No loan was outstanding as at March 31, 2021, a summary of loans and their maturity profiles for the year ended December 31, 2020 were as follows:

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

**Notes:**

- The loans were repayable on December 31, 2020 or may be repaid earlier in the event that the Company and its subsidiaries complete an equity financing or otherwise receive funding, payments or income equal to C\$1,000,000; or the Company's Namibian subsidiary receives authorization from the Bank of Namibia ("BON") to remit not less than \$500,000 from Namibia. It received the authorization from BON and repaid the loans amounting to \$606,878 together with interest amounting to \$56,107 during the year ended December 31, 2020.
- Mr. Albert C Gourley is the chairman of the Company's Board of directors and he also controls Albert C Gourley Professional Corporation.
- Mr. Jean Raymond Boule is the ultimate controlling party 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 profit or loss and other comprehensive income for the year ended December 31, 2020.

**13. SEGMENTED INFORMATION**

At March 31, 2021, the Company operates in four main geographical locations as set below. Other operations comprise South Africa and British Virgin Islands. However, they do not constitute a separate reportable segment.

Assets by geographic locations for the quarter ended March 31, 2021 and year ended December 31, 2020 were as follows:

<b>As at March 31, 2021</b>	Head Office	Namibia	Madagascar	Other	Total
	\$	\$	\$	\$	\$
Total assets	110,987	24,213	5,314	2,286	142,800
<b>As at December 31, 2020</b>	Head Office	Namibia	Madagascar	Other	Total
	\$	\$	\$	\$	\$
Total assets	195,762	51,119	9,594	2,308	258,783

**DIAMOND FIELDS RESOURCES INC.****Notes to the condensed consolidated financial statements****For the three-months period ended March 31, 2021 and 2020****(All amounts are expressed in U.S. dollars)****14. RELATED PARTY TRANSACTIONS**

The Company provided the following compensation to key management personnel of the Company for the periods ended March 31, 2021 and March 31, 2020, which are recorded in the following accounts in these condensed consolidated financial statements:

	<b>Three-months period ended March 31, 2021</b>	<b>Three-months period ended March 31, 2020</b>
	<b>\$</b>	<b>\$</b>
G&A – Jean Lindberg Charles, CFO and Secretary	<b>38,625</b>	38,625
G&A - Sybrand van der Spuy, President and CEO	<b>37,500</b>	37,500
G&A, E&E - Fasken Martineau LLP <sup>1</sup>	<b>53,375</b>	56,441
Total, excluding share-based compensation	<b>129,500</b>	132,566
Share-based compensation – Directors & Officers	<b>-</b>	3,431

*G&A - denotes general and administrative expenses.*

*E&E - denotes evaluation and exploration expenses.*

At March 31, 2021, a total of \$274,707 (December 31, 2020 - \$210,659) of fees and expenses were payable to related parties as follows:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
	<b>\$</b>	<b>\$</b>
Jean Lindberg Charles, CFO and Secretary	<b>40,345</b>	54,672
Sybrand van der Spuy, President and CEO	<b>37,500</b>	12,500
Fasken Martineau LLP <sup>1</sup>	<b>196,862</b>	143,487
	<b>274,707</b>	210,659

**Note:**

1. Fasken Martineau LLP<sup>1</sup> - Albert C Gourley, a Director of the Company, holds office as the Regional Managing Partner of Fasken Martineau LLP.

**15. SUBSEQUENT EVENTS**

There has been no material event since the end of the reporting period which would require disclosure or adjustment to the condensed consolidated financial statements for the three-months period ended March 31, 2021, except the following:

- (i) 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 an interest 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.