DIAMOND FIELDS

RESOURCES

Management's Discussion and Analysis of Financial Condition and Results of Operations
For the three-months period ended March 31, 2021
Date of release May 28, 2021

INTRODUCTION

This Management Discussion and Analysis (''MD&A") for the three-months period ended March 31, 2021 has been prepared as at May 28, 2021, and contains certain "forward-looking statements" under the Canadian securities laws. All statements, other than statements of historical fact included herein, including without limitation statements regarding potential mineralization, exploration results, plans and objectives of Diamond Fields Resources Inc. ("Diamond Fields", "DFR" or "the Company"), are forward-looking statements that involve various risks, uncertainties and assumptions. The MD&A should be read in conjunction with the condensed consolidated financial statements of Diamond Fields.

Coronavirus Covid-19 Pandemic

On March 11, 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic (the "Pandemic"). This contagious disease outbreak, which has continued to spread and the related adverse public health developments, have adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. Several vaccines have been approved by WHO since late 2020 and mass vaccination has started in many jurisdictions. The Pandemic has negatively impacted the Company's projects in Namibia and Madagascar. It is not possible for the Company to predict the duration and magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

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

Management's responsibility for financial reporting

The condensed consolidated financial statements have been prepared by management who, when necessary, have made informed judgements and estimates of the outcome of events and transactions, with due consideration given to materiality. Management acknowledges its responsibility for the fairness, integrity and objectivity of all information in the condensed consolidated financial statements.

As a means of executing its responsibility, management relies on the company's system of internal control. This system has been established to ensure, within reasonable limits, that the assets are safeguarded, transactions are properly recorded and are executed in accordance with management's authorization. In addition, the system ensures that the accounting records provide a solid foundation from which to prepare the condensed consolidated financial statements.

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

OVERVIEW

Description of business

Diamond Fields is a British Columbia governed company listed on the TSX Venture Exchange. The Company is active in mineral exploration, and has business interests in Madagascar, Namibia and in the Red Sea (jointly managed by The Kingdom of Saudi Arabia and the Republic of Sudan). Moreover, the Company is actively engaged in the assessment of additional mineral projects around the world to identify new opportunities.

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

Principal Assets

Beravina (Zircon). The Company through its Madagascar-based subsidiary, Compagnie Générale des Mines de Madagascar, owns a Mining Licence (*Permis d'Exploitation* PE 8096) for the exploration and mining of the Beravina deposit that is valid until June 22, 2055. The project is located in Western Madagascar within the Melaky region, covering 625 hectares and is approximately 220km east of the port of Maintirano, near a state road. A NI 43-101 technical report filed by the Company on January 29, 2019, reported an Inferred Mineral Resource Estimate of 1.5 million tonnes grading 22.7% Zircon ($ZrSiO_4$) (equivalent to 15.3% ZrO_2). On May 16, 2019, the Company entered into a cooperation and option to purchase agreement with TMH Acquisition Co. ("TMH") to advance the project (the "Cooperation Agreement"). On June 29, 2020, DFR released the results of the infill drilling program undertaken by TMH which confirmed the average deposit grade and, prior to that, on June 26, 2020, the Company amended the Cooperation Agreement (the "Amended Agreement"), pertaining to which DFR will undertake the next phase of work at a cost not to exceed $ 350,000.

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

Red Sea (Zinc, Copper, Manganese, Cobalt and others). The Atlantis II basin containing the Atlantis II deposit is located at the bottom of the Red Sea at depths exceeding 2000m. 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 these license would be transferred into a joint venture company to be owned 50.1% by DFR and 49.9% by Manafa. The project has been on hold since April 2013 following a dispute with Manafa over contractual terms. The Company continues to explore avenues to resolve the dispute.

REVIEW OF OPERATIONS

Highlights

Coronavirus Covid-19 Pandemic

All jurisdictions where the Company does business have been directly or indirectly impacted by the Pandemic. The Company cannot measure the full extent of the impact of the Pandemic on its activities at this stage, but progress on the Company's projects has already been hindered.

Beravina Project - Madagascar

Prior to announcing the results from the TMH drilling programme on June 29, 2020, DFR and TMH amended the Cooperation Agreement on June 26, 2020 requiring DFR to undertake the next phase of work (the "DFR Work Programme"). On September 29, 2020, the deadline for completion of phase 1 and start of phase 2 of the DFR Work Programme was extended to May 31, 2021 and the deadline for

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

TMH to exercise its option purchase option was extended to May 31, 2021. Due to the severe travel restrictions in Madagascar as a result of the Pandemic, the Company has not been able to execute on the DFR Work Programme, and is currently in discussions with TMH about a further extension to the deadline of the DFR Work Programme.

Diamond Mining - Namibia

Discussions with International Mining and Dredging Holdings (Pty) Limited ("IMDH"), which carried out the 2018-19 mining campaign via its subsidiary NUTAM Operations (Pty) Ltd ("NUTAM") are continuing. IMDH continues to assess, amongst other things, the need and possible extent for further exploration and development work in order to potentially improve mining performance. The timing as to any resumption of mining at ML111 concession is dependent upon the conclusion of discussions with IMDH.

Other prospects and projects

The Company continues to review and assess the suitability of a number of additional mining projects around the world.

Overall operation updates and performance

The Company posted a net loss of $2,274,203 (March 31, 2020: net profit of $178,752) for the three-months period ended March 31, 2021, mainly attributed to a $2,033,892 increase in the fair value of derivative financial instruments (warrants).

Corporate activities

The Company entered into a $1,000,000 working capital financing arrangememt with its major shareholder Spirit Resources SARL on April 30, 2021. Further information pertaining to the the financing arrangement is provided under the *Subsequent Events* note towards the end of this report.

RESULTS OF OPERATIONS

Review of selected financial and operating results

Selected period ends financial and non-financial information

	Three-months period ended March 31, 2021	Three-months period ended March 31, 2020
	$	$
Revenue, interest and other income, gains on disposal	**-**	8,868
Exploration and evaluation expenses	**(63,979)**	(13,934)
General and administrative expenses	**(143,436)**	(193,150)
Share-based compensation	**-**	(3,518)
Fair value movement on derivative instruments	**(2,033,892)**	647,374
Interest expense	**-**	(56,107)
Foreign exchange loss	**(32,896)**	(210,781)
Exchange differences on translation of foreign operations	**-**	3,266
Total comprehensive income	**(2,274,203)**	182,018
Weighted average number of shares outstanding	**68,895,662**	68,495,662
(Loss)/earnings per share – basic (cents)	**(3.30)**	0.27

The condensed consolidated interim financial statements of the Company have been prepared in accordance with IAS 34 'Interim Financial Reporting' and do not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report. The MD&A includes certain non-IFRS measures to provide meaningful information, where appropriate.

For the three-months period ended March 31, 2021, the Group did not record any revenue, compared to $8,868 for the three-months period ended March 31, 2020 consisting of interest income.

Evaluation and Exploration expenditures (''E&E'') amounted to $63,979 (March 31, 2020: $13,934) for the three-months period ended March 31, 2021 incurred on the Namibian Diamond Project ($11,894), Beravina Zircon Project ($5,550) and other new prospects ($46,535). The Company is maintaining its efforts to secure new projects, but none of the prospects currently under discussion or review have reached a stage which would require separate disclosure.

General and administrative overheads (''G&A'') amounted to $143,436 (March 31, 2020: $193,150) for the three-months period ended March 31, 2021, made up mainly of directors' fees, consultancy and professional fees. The relatively lower G&A costs for the three-months period ended March 31, 2021 compared to 2020 is attributable mainly to the Company not attending the Indaba Mining Conference and to reduced costs in relation to general consultancy services.

A loss of $2,033,892 (March 31, 2020: gain of $647,374) was recognised as a fair value movement on derivative instruments in the income statement following a revaluation of 10,666,667 outstanding warrants which were issued on September 23, 2016 to Spirit Resources SARL at an exercise price of CAD $0.125. The substantial increase in the fair value of the warrants arose as a result of DFR stock trading higher during the quarter, including on the last day of the reporting period (CAD $0.38), compared to the last day of the previous financial year (CAD $0.145), and was partly offset by the reduction in the remaining life of the warrants to 0.48 years.

Losses on foreign exchange amounted to $32,896 (March 31, 2020: $210,781) arising mainly from the appreciation of the CAD against the USD upon the revaluation of 10,666,667 warrants, issued in CAD. In the preceding year, the loss on foreign exchange was higher and mainly attributable to losses suffered on the conversion of Namibian Dollars (NAD) to U.S Dollars.

Projects

Madagascar "Beravina" Zircon

In 2016, the Company acquired the Beravina zircon project in Madagascar. Beravina is a pegmatite-hosted, hard rock, zircon deposit located approximately 325 kilometers west-northwest of Antananarivo, the capital of Madagascar. The deposit is characterized by a small surface footprint, with the mineralised pegmatite describing a steeply dipping cone-shaped structure. On January 29, 2019, the Company filed a NI 43-101 technical report, disclosing an Inferred Mineral Resource Estimate of 1.5 million tonnes grading 22.7% Zircon (ZrSiO4) (equivalent to 15.3% ZrO2). The report is available on SEDAR and the Company's website, with the reported resource summarised below.

Category	Tonnes (Millions)	ZrO_2 %	$ZrSiO_4$ %	HfO_2 %	ThO_2 ppm	U_3O_8 ppm	Density t/m^3
Inferred	1.5	15.3	22.7	0.3	537	46	3.1

Various consultants (SGS South Africa, HATCH and the MSA Group) have conducted analyses of the Beravina mineralisation, minerology, metallurgy and other deposit characteristics (the "2018 Work Program") in advance of an intended drill program. Results from further metallurgical and material processing tests released in October 2018 confirmed that zircon can be concentrated to levels of between 50% ZrO2 and 58% ZrO2 with varying levels of thorium ingrained. Further testing is expected to result in processing refinements that might further improve the grade and quality of expected product.

On May 16, 2019, the Company entered into the Cooperation Agreement with TMH, a special purpose vehicle established by Denham Mining Fund LP, to advance the Company's Beravina project (the "Beravina Project") in Madagascar. Pursuant to the terms of the Cooperation Agreement, TMH made a payment of $250,000 to the Company and committed to fund the next stage of exploration and development work at Beravina (the "2019 Work Program"). The 2019 Work Program was expected to incur costs of approximately $500,000 and to be completed within seven months from the date of 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 has made a further payment of $250,000.

TMH submitted a planned drill program comprising of 14 drill holes as part of the 2019 Work Program. DFR 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.

TMH performed exploration drilling, sampling and assaying work pursuant to the 2019 Work Program during the period September 2019 to March 2020. A total of 13 diamond core drill holes (906 meters) were completed before the program was curtailed due to the onset of the rainy season in Madagascar. On June 29, 2020, DFR published a summary of the assay results from the 2019 Work Program which delivered a weighted average grade estimate of 15.5% ZrO_2 confirming the 15.3% grade of the Company's NI 43-101 technical report referred to above. Please refer to DFR's release dated June 29, 2020 for further details.

On June 26, 2020, DFR announced an amendment to the Cooperation Agreement (the "Amended Agreement") which requires DFR to undertake the next phase of work, involving 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 agreed that it would then engage in a drilling campaign on the Project ("Phase 2") to be completed by 30 November 2020. DFR 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 extended 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 that it had agreed to a further eight month extension to the Cooperation Agreement, such that the deadline for DFR to complete Phase 1 and commence Phase 2 would be extended to May 31, 2021, and, consequently the deadline for completion of Phase 2 would be extended to July 31, 2021, and the time available for TMH to exercise its option to acquire the Project would be extended to August 31, 2021. At the date of issue of this report, DFR 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 has the option (the "Option") to acquire 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 DFR for the amount of expenditures incurred by DFR 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 should fail 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.

Costs incurred by the Company for the Beravina Project during the three-months period ended March 31, 2021 amounted to $5,550. No cost was recognised for the Beravina Project during the corresponding period of the prvious year, the costs incurred were recovered from TMH pursuant to the Cooperation Agreement.

Namibian Marine Diamond Concessions

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

In November 2017, IMDH and NUTAM presented DFR (and its subsidiary DFN) with an initial six months (non-continuous) mining program and, on November 10, 2018, IMDH/NUTAM's vessel MV Ya Toivo started mining activities on ML111. Phase 1 was completed on January 13, 2019, producing 47,298.18ct net weight rough diamonds.

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

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

The Company has incurred $11,894 (March 31, 2020: $13,934) on the Namibian operations for the three-months period ended March 31, 2021.

Atlantis II, Red Sea

The Atlantis II deposit is comprised of a series of interlinked sub-basins predominantly infilled by a series of SEDEX (Sedimentary Exhalative) sequences. Pursuant to an agreement reached in 2011, a 30-year mining licence issued by the Joint Red Sea Commission to Manafa International Trade Company ("Manafa") was to be transferred to a joint venture company that was to be majority owned by the Company. Diamond Fields was entitled to a 50.1% interest in such company, with Manafa to hold the remaining 49.9% of shares. Manafa never transferred the licence resulting in a dispute.

Diamond Fields has completed an independent resource analysis based on the original core data from the Atlantis II Deeps collated by Preussag. Development of the project has been hindered since April 2013 following the dispute with Manafa, and the Company cannot ascertain whether the licence is in good standing. Diamond Fields continues to take efforts aimed at finding a resolution to the dispute. No significant expenditures were incurred on the project during the reporting period. Any expenditure incurred on the project is accounted and reported under sub-heading *evaluation of new prospects and other projects* in the condensed consolidated financial statements and MD&A.

Evaluation of new prospects and other projects

The Company continues its efforts to secure new projects, which involve the engagement of consultants and professionals. The Company incurred $46,535 (March 31, 2020: $ nil) on the evaluation of new projects for the three-months period ended March 31, 2021. No project other than as reported above has reached a stage which would require disclosure and reporting under a separate sub-heading.

SELECTED QUARTERLY FINANCIAL INFORMATION

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

All amounts in US$	Mar 31 2021	Dec 31 2020	Sep 30 2020	Jun 30 2020	Mar 31 2020	Dec 31 2019	Sep 30 2019	Jun 30 2019
Other income gains / (loss) on sale of assets	-	199	757	528	8,868	14,241	9,852	262,097
Net profit/ (loss)	(2,274,203)	(306,314)	134,503	(685,603)	178,752	(102,573)	(623,172)	(297,058)
Basic earnings / (loss) per share	(0.03)	(0.00)	(0.00)	(0.01)	0.00	(0.00)	(0.01)	(0.00)

CAPITAL RESOURCES AND LIQUIDITY

Cash and Working Capital

At March 31, 2021, the Company had a working capital deficit amounting to $2,847,848 (December 31, 2020: $573,645) including cash amounting to $106,642 (December 31, 2020: $234,937). The substantial increase in the Company's working capital deficit arose mainly as a result of the $2,033,892 increase in the fair value of the derivative financial instruments (warramts) as discussed under *Review of selected financial and operating results.* The Company also suffered a $128,295 decrease in its cash balance mainly as a result of operating costs amounting to $208,460 and an increase of $12,312 in accounts receivable, partly offset by an increase of $92,477 in accounts payable.

Share and loans transactions

The Company had 68,895,662 outstanding shares as at December 31, 2020 and March 31 2021. No financing was arranged during the first quarter (March 31, 2020: C$200,000 equity and a C$800,000 loan). The Company entered into a $1,000,000 loan agreement with Spirit Resources SARL, its major shareholder following the end of the first quarter, further information in relation to the financing is provided under the *Subsequent Events* note towards the end of this report. The beneficial owner of Spirit Resources SARL is Mr. Jean Raymond Boulle.

Stock options and warrants

The Company operates a fixed, less than 10%, stock option plan and has approval to issue up to a maximum of 6,789,000 stock options as at March 31, 2021 and December 31, 2020. Out of the stock options granted, 5,150,000 were outstanding at December 31, 2020 and March 31, 2021. All the outstanding 5,150,000 options had vested as at March 31, 2021 and December 31, 2020. The options have an exercise price of CAD $0.145 per share. No share-based compensation charge was recorded during the three-months period ended March 31, 2021 (March 31 2020: $3,518).

A balance of 10,666,667 stock warrants with an exercise price of CAD $0.125 per unit were outstanding at March 31, 2021 and December 31, 2020. The warrants were issued to Spirit Resources SARL the Company's major shareholder, in 2016. If not exercised, the warrants will expire on September 23, 2021.

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

Share-based payment transactions

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

Derivative financial instruments

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

Title to mineral property interests

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

ADOPTION OF NEW ACCOUNTING STANDARDS & OTHER PROPOSED FUTURE ACCOUNTING CHANGES

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.

CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENT RISKS

(i) Capital Management

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

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

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

(ii) Financial Instrument Risks

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

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised four types of risk: foreign currency risk, interest rate risk, equity price risk, and commodity price risk.

Foreign currency risk

Foreign currency risk is the risk that a variation in exchange rates between currencies with which the Company transacts will affect the Company's operations and financial results. The Company primarily transacts business in Canada, Mauritius, Namibia, Madagascar and South Africa and purchases goods and services denominated in US dollars, Canadian dollars, Namibian dollars, Madagascar Ariary, UK Pounds and South African Rand. As such, the Company has exposure to foreign currency exchange rate fluctuations. The Company has not entered into any agreements or purchased any instruments to hedge possible foreign currency risks.

Interest rate risk

Interest rate risk is the potential that a loss could result from a change in interest rate. The Company does not have any financial instruments subject to interest rate risk at the date of reporting.

Equity price risk

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

Commodity price risk

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

(ii) Financial Instrument Risks (continued)

Credit risk

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

Liquidity risk

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

RISK FACTORS

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

Additional Financing Requirements

The Company will require additional financing in order to continue the development of the Company's properties and its exploration activities. There can be no assurance as to the success of future financing activities necessary to meet the Company's obligations and operating requirements. Failure to obtain sufficient financing may result in delay or postponement of activities, or even a loss of property interests.

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

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

Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration or development programs planned by the Company will result in a profitable commercial mining operation. There is no certainty that the expenditures made by the Company towards the search and evaluation of targeted minerals will result in discoveries of commercial quantities of those minerals.

Political Risks

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

Estimates of reserves and resources are inherently uncertain

There is a degree of uncertainty attributable to the calculation of reserves, resources and corresponding grades being mined or dedicated to future production. Until reserves or resources are mined and processed, the quantity of reserves or resources and grades must be considered as estimates only. In addition, the quantity of reserves or resources may vary depending on diamond, zircon and other prices, operating costs and mining efficiency. Any material change in the quantity of reserves, resources or grade may affect the economic viability of the relevant concessions.

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

Operating History

The Company has a limited history of operations and must be considered an early stage resource exploration company. As such, the Company is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations.

Offshore diamond mining involves significant risks

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

The Company's Beravina zircon deposit may not deliver a commercially viable product

The Beravina deposit has a NI 43-101 Inferred Mineral Resource estimate. Results from test work showed that zircon can be concentrated between 50% ZrO_2 and 58% ZrO_2 with varying levels of thorium ingrained. Whilst the Company anticipates doing further work, including evaluation of additional processing techniques to improve concentrate grade and remove deleterious elements, as well as market testing of various potential products, there is no certainty that the Company will achieve product grade and quality that can be sold at all or at viable prices.

Title can be uncertain

The Company has investigated its rights to explore and exploit its concessions, and, to the best of its knowledge, those rights are in good standing, however, no assurance can be given that there are no title defects affecting such properties. In addition, no assurance can be given that applicable governments will not revoke, or significantly alter the conditions of, the applicable exploration and mining authorizations and that such exploration and mining authorizations will not be challenged or impugned by third parties. Mining and prospecting licences may be revoked by the applicable government authorities for failure to perform the obligations thereunder. Licences must be renewed periodically. The renewal process involves a review of the licence holder's performance by government authorities, and no assurance can be given as to the outcome of the review. There is a risk that not all the Company's renewal and concession applications will be successful.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government and other interferences in the maintenance or provision of such infrastructure could adversely affect the Company's operations, financial condition and results of operations.

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

Namibia is part of the South African Rand Common Monetary Area ("CMA"). Exchange controls in the CMA require that dividends, loans, repayment of loans and payment of all invoices to parties outside the CMA by companies registered in the CMA require prior approval. The controls, as they relate to Namibia, are applied by the Bank of Namibia. The Company held the equivalent of $22,179 (in Namibian Dollars) in Namibia as at the reporting date, which it intends to use to effect payments in Namibia and CMA. Though the Company's subsidiary has received approval from the Bank of Namibia to refund part of the intercompany loan to the Company during the current financial year, there can be no assurance that the Company's subsidiary will continue obtaining the requisite approvals in the foreseeable future to repay inter-group loans or pay invoices to parties outside the CMA, including companies within the Company's corporate group not resident in the CMA. Thus, exchange controls may restrict the Company from repatriating funds and using those funds for other purposes.

Profitability may be affected by fluctuations in the commodity prices

The price of the common shares, the Company's financial results and exploration, development and mining activities may in the future be significantly adversely affected by declines in commodity prices.

Future serious price declines in the market value of certain commodities could cause continued development of the Company's properties to be impracticable.

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

The concessions comprising the Company's projects are located in Namibia, Madagascar and the Red Sea Joint Commission area, are subject to the laws and regulations of these respective jurisdictions. Although mining in each jurisdiction has a long history and has not been adversely impacted by unreasonable or arbitrary government action, there can be no assurance that the Company's business, operations and affairs will not be materially adversely affected by changes to, or arbitrary application of, laws and regulations or changes in the political and economic status.

Operations carried out by the Company in respect of its projects will be subject to government legislation, policies and controls relating to prospecting, development, production, importing and exporting of minerals, concession tenure, exchange controls, mining taxes, labour standards and environmental protection. There can be no assurance that such legislation, policies and controls will not have a material adverse effect on the business, operations and affairs of the Company.

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

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

Competition

The mining industry is competitive in all of its phases. The Company faces strong competition from other mining companies in connection with the acquisition of properties producing, or capable of producing targeted minerals. Many of these companies have greater financial resources, operational experience and technical capabilities than the Company. As a result of this competition, the Company may be unable to maintain or acquire attractive mining properties on terms it considers acceptable or at all. Consequently, the Company's revenues, operations and financial condition could be materially adversely affected.

Key Executives

The Company is dependent on the services of key executives, including the directors of the Company and a small number of highly skilled and experienced executives and personnel. Due to the relatively small size of the Company, the loss of these persons or the Company's inability to attract and retain additional highly skilled employees may adversely affect its business and future operations.

Directors and officers of the Company may have conflicts of interest

Certain of the directors of the Company are directors or officers of, or have shareholdings in, other mining companies. If, and to the extent that, such other companies participate in business ventures in which the Company also participates, those directors may have a conflict of interest. These other mining companies may also compete with the Company for the acquisition of mineral property rights. In the event that any such conflict of interest arises, a director who has such a conflict will disclose the conflict to a meeting of the directors of the Company and will refrain from participating in any Board decisions concerning the matter giving rise to the conflict. In appropriate circumstances, the Company will establish a special committee of independent directors to review a matter in which several directors, or management, may have a conflict.

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

OUTSTANDING SHARE DATA

Movement on shares and stock options have been reported under "Capital Resources and Liquidity" section of this MD&A. A total of 68,895,662 common shares were issued and outstanding as at March 31, 2021 and December 31, 2020. As at March 31, 2021 and December 31, 2020 a total of 5,150,000 stock options, all with a price of C$0.145 per share, were granted, remained unexercised and had vested and expiring between December 11, 2021 and August 27, 2023. A balance of 10,666,667 stock warrants with exercise price of CAD $0.125 per share were outstanding at March 31, 2021 and December 31, 2020. The warrants were issued in 2016, and if not exercised, will expire on September 23, 2021.

RELATED PARTY TRANSACTIONS

The Company provided the following compensation to related parties:

	Three-months period ended March 31, 2021	Three-months period ended March 31, 2020
	$	$
G&A – Jean Lindberg Charles, CFO and Secretary	**38,625**	38,625
G&A - Sybrand van der Spuy, President and CEO	**37,500**	37,500
G&A - Fasken Martineau LLP[1]	**53,375**	56,441
Share-based compensation – Directors & Officers	**-**	3,431

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

Notes:

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

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 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.

PROPOSED TRANSACTIONS

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