**Management's Discussion and Analysis of Financial Condition**
**and Results of Operations**
**For the third quarter and nine-months period ended September 30, 2021**
**Date of release November 29, 2021**

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

## 1. INTRODUCTION

This Management Discussion and Analysis (''MD&A") for the nine-months period ended September 30, 2021 has been prepared as at November 29, 2021, and contains certain "forward-looking statements" under Canadian securities laws. All statements, other than statements of historical fact included herein, including without limitation statements regarding potential mineralization, exploration results, plans and objectives of Diamond Fields Resources Inc. ("Diamond Fields", "DFR" or "the Company" or together with its subsidiaries, "the Group"), are forward-looking statements that involve various risks, uncertainties and assumptions. The MD&A should be read in conjunction with the condensed consolidated interim financial statements of Diamond Fields.

### *(i) Coronavirus Covid-19 Pandemic*

On March 11, 2020, the World Health Organization (WHO) 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 the WHO since late 2020 and vaccination has started. The Pandemic has negatively impacted the Company's projects. 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.

### *(ii) Material Events following the end of the reporting period*

Following the end of the reporting period, the Company announced a maiden NI 43-101 compliant technical report for Moydow Holdings Limited's ("Moydow") Labola project in Burkina Faso. As announced in DFR's release of August 25, 2021, DFR has entered into definitive agreements to acquire Moydow which has an option to acquire the Labola project (see note 12 – *Asset Acquisition*). Other than updates in relation to the Moydow transaction, there has been no other material event since the end of the reporting period which would require disclosure. Trading of DFR stock on the TSX V exchange was halted on August 24, 2021 and shall remain halted until further notice.

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

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

The Board of directors carries out its responsibility for the condensed consolidated interim 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 interim financial statements.

## 2. OVERVIEW

### *(i) 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. During the reporting period, the Company announced entering into definitive agreements to acquire certain gold assets in West Africa. Please refer to note 12 *Asset Acquisition*.

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

### *(ii) 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 compliant technical report (reviewed and approved by Jeremy C. Witley, Pr. Sci. Nat. (Geological Science) of the MSA Group) filed by the Company on January 29, 2019, reported an Inferred Mineral Resource Estimate of 1.5 million tonnes grading 22.7% Zircon ($ZrSiO4$) (equivalent to 15.3% $ZrO2$). 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, DFR could not execute on the Amended Agreement due to COVID-19 related restrictions. The Cooperation Agreement has expired and, the Company and TMH are in discussions for future collaboration.

***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 Company entered into a joint venture agreement with Manafa International Trade Company ("Manafa") of Saudi Arabia dated August 3, 2008. Manafa, at the time of entering into the agreement, held an interest in a mining licence extending over the Atlantis II basin in the Red Sea. 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.

***New Projects***

During the reporting period, the Company announced entering into definitive agreements to acquire certain gold assets in West Africa. Please refer to note 12 *Asset Acquisition.*

## 2. OVERVIEW (CONTINUED)

### *(iii) 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 TMH to exercise its option purchase option was extended to August 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 the Cooperation Agreement has expired. The Company and TMH are in discussions for future collaboration.

***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. During the reporting period, the Company entered into definitive agreements which on closing (subject to obtaining certain approvals) may lead to the acquisition of certain gold projects in Western Africa as disclosed under note 12 *Asset Acquisition*. Following the reporting period, on October 25, 2021, the Company announced a maiden NI 43-101 compliant technical report for Moydow's Labola project (see DFR announcement dated October 25, 2021).

***Overall operation updates and performance***

The Group posted a net loss of $302,135 (September 30, 2020: net loss of $372,348) for the nine-months period ended September 30, 2021, mainly attributed to an increase in operating expenses which was partly offset by changes in the fair value of derivative financial instruments (share purchase warrants). During the same period, exploration and evaluation expenses reached $420,632 (September 30, 2020: $117,964) relating mainly advisory costs pertaining to the Moydow transaction (Note 12 – *Asset Acquisition*).

## 2. OVERVIEW (CONTINUED)

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

***Corporate activities***

The Company halted trading in its stocks on TSX V on August 24, 2021 in anticipation of the fundamental acquisition announcement of August 25, 2021. Trading of DFR stocks will remain halted until further notice (expected to occur upon closing during the first quarter of 2022).

As reported further above and under sub-heading *Other prospects and projects*, the Company entered into definitive agreements which on closing (and subject to certain approvals) may lead to the acquisition of certain West African gold projects which will be settled through the issuance of DFR common shares, as discussed under note 12 *Asset Acquisition* further below, which will result into: a Fundamental Acquisition under the rules of the TSX V; a substantial increase in capital; and, the creation of an additional control person, with Mr. Jean Raymond Boulle (through Spirit Resources SARL) remaining as the largest shareholder.

The Company entered into a $1,000,000 working capital financing arrangement with its major shareholder Spirit Resources SARL ("Spirit") on April 30, 2021. The facility was fully drawn down on June 2, 2021. Subsequently, and pursuant to the definitive agreements pertaining to the Moydow transaction, the Company has entered into an agreement with Spirit whereby upon exercise of its share purchase warrants, the proceeds will be used to repay the loan and interest. On September 10, 2021, Spirit exercised all its share purchase warrants for a total consideration of US$ 1,063,264. Pursuant to the definitive agreements pertaining to the Moydow transaction, Spirit retained the loan principal amount (US$ 1,000,000) and interest element (US$ 15,123) and paid the balance of US$ 48,141 to the Company.

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

## 3. RESULTS OF OPERATIONS

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

*Selected period ends financial and non-financial information*

| | **Three-months period ended September 30, 2021** | Three-months period ended September 30, 2020 | **Nine-months period ended September 30, 2021** | Nine-months period ended September 30, 2020 |
|---|---|---|---|---|
| | **$** | $ | **$** | $ |
| Revenue, interest and other income, gains on disposal | - | 757 | - | 10,153 |
| Exploration and evaluation expenses | **(147,326)** | (48,874) | **(420,632)** | (117,964) |
| General and administrative expenses | **(136,615)** | (128,368) | **(387,946)** | (450,832) |
| Share-based compensation | **-** | (2,035) | **-** | (8,767) |
| Fair value movement on derivative instruments | **591,519** | 327,958 | **14,392** | 470,689 |
| Change in fair value of warrants prior to exercise | **510,522** | - | **510,522** | - |
| Interest expense | **(8,986)** | - | **(15,123)** | (56,107) |
| Foreign exchange gain (loss) | **31,815** | (14,935) | **(3,348)** | (219,520) |
| Exchange difference on translation of foreign operations | **(3)** | (118) | **(3)** | 5,597 |
| Total comprehensive income (loss) | **840,926** | 134,385 | **(302,138)** | (366,751) |
| Weighted average number of shares outstanding | **71,330,445** | 68,895,662 | **69,716,175** | 68,895,662 |
| Earning/(loss) per share – basic (cents) | **1.18** | (0.20) | **(0.42)** | (0.53) |

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.

No revenue was recorded for the third quarter and nine-months ended September 30, 2021 (September 30, 2020: $757 and $10,153). The income for the comparative period last year consist of interest income.

Evaluation and Exploration expenditures (''E&E'') amounted to $147,326 and $420,632 (September 30, 2020: $48,874 and $117,964) for the third quarter and nine-months period ended September 30, 2021 respectively. Exploration costs for the nine-months ended September 30, 2021 were incurred on: the Namibian Diamond Project amounting to $26,894 (September 30, 2020: $35,969); Beravina Zircon Project amounted to $11,278 (September 30, 2020: $17,529); and other projects (mainly consultancy / advisory costs pertaining to the Moydow transaction) amounted to $382,460 (September 30, 2020: $64,466). Updates pertaining to the Namibia and Beravina projects are provided under *Review of Operations* further below.

During the reporting period, the Company entered into definitive agreements which, subject to receipt of certain approvals, may lead to the acquisition of certain projects as disclosed the under note 12 *Asset Acquisition.*

## 3. RESULTS OF OPERATIONS (CONTINUED)

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

General and administrative overheads (''G&A'') amounted to $136,615 and $387,946 (September 30, 2020: $128,368 and $450,832) for the third quarter and nine-months period ended September 30, 2021 respectively. G&A consisted mainly of directors' fees as well as consultancy and professional fees. The relatively lower G&A costs for the nine-months period ended September 30, 2021 compared to 2020 is attributable mainly to the reduced costs in relation to general consultancy services.

Fair value gains on derivative instruments amounting to $591,519 and $14,392 were recognised in the income statement for the third quarter and nine-months period ended September 30, 2021, respectively (September 30, 2020: gains of $327,958 and $470,689, respectively). The gains arose on revaluation of 10,666,667 outstanding share purchase warrants which were issued on September 22, 2016 to Spirit Resources SARL ("Spirit") at an exercise price of CAD $0.125.

Difference on foreign exchange for the third quarter and nine-months ended September 30, 2021 amounted to $31,815 (gain) and $3,348 (loss) respectively, arising mainly from the appreciation of the CAD against the USD upon the revaluation of 10,666,667 share purchase warrants, issued in CAD. In the preceding year, the difference on foreign exchange for the quarter and nine-months amounted to $14,935 (loss) and $219,520 (loss) respectively, and were mainly attributable to loss suffered on the conversion of Namibian Dollars (NAD) to USD.

On September 10, 2021, the Company announced that Spirit exercised all its share purchase warrants for a total consideration of US$ 1,063,264. Pursuant to the definitive agreements pertaining to the Moydow transaction, Spirit retained the loan principal amount (US$ 1,000,000) and interest element (US$ 15,123) and paid the balance of US$ 48,141 to the Company. The exercise of warrants resulted in the recognition of a gain of $510,522 in the statement of profit or loss and comprehensive income for the quarter and nine months ended September 30, 2021 (2020: nil).

## 4. REVIEW OF OPERATIONS

### *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 technical report, the *Diamond Fields Resources Inc. Beravina Zircon Project Madagascar – NI 43-101 Technical Report* (the "Technical Report"), disclosing an Inferred Mineral Resource Estimate of 1.5 million tonnes grading 22.7% Zircon (ZrSiO4) (equivalent to 15.3% ZrO2). The Techinical Report has been reviewed and approved by Jeremy C. Witley, Pr. Sci. Nat. (Geological Science) of the MSA Group. Mr Witley is a Qualified Person (as that term is defined by National Instrument 43-101) and is independent of the Company. The Technical 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 |

## 4. REVIEW OF OPERATIONS (CONTINUED)

***Projects (Continued)***

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

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 a cooperation agreement (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 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.

## 4. REVIEW OF OPERATIONS (CONTINUED)

***Projects (Continued)***

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

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. Due to the prevalence of the Pandemic, DFR had not executed on Phase 1 due to travel restrictions associated with the prevailing Pandemic. The Cooperation Agreement has expired and the Company is holding discussions with TMH for future collaboration.

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. The Company expects the deadlines and milestones to be amended upon the conclusion of the ongoing discussions with TMH.

Costs incurred by the Company for the Beravina Project during the third quarter and nine-months period ended September 30, 2021 amounted to $2,790 and $11,278 (September 30, 2020: $7,484 and $17,529) respectively.

***Namibian Marine Diamond Concessions***

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

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

## 4. REVIEW OF OPERATIONS (CONTINUED)

***Projects - (Continued)***

***Namibian Marine Diamond Concessions (Continued)***

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 costs amounting to \$5,947 and \$26,894 (September 30, 2020: \$10,040 and \$35,969) on the Namibian operations respectively for the third quarter and nine-months period ended September 30, 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 interim 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 costs amounting to \$138,589 and \$382,460 (September 30, 2020: \$31,350 and \$64,466) on the evaluation of new projects respectively for the third quarter and nine-months period ended September 30, 2021, mainly made up of legal and consultancy costs in relation to the fundamental acquisition announced by the Company on August 25, 2021. No project other than as reported above has reached a stage which would require disclosure and reporting under a separate sub-heading.

During the reporting period, the Company entered into definitive agreements to acquire certain gold projects in West Africa (the Moydow transaction) as further disclosed under note 12 *Asset Acquisition* of this MD&A.

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

## 5. SELECTED QUARTERLY FINANCIAL INFORMATION

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

| *All amounts in US$* | Sept 30 2021 | Jun 30 2021 | Mar 31 2021 | Dec 31 2020 | Sep 30 2020 | Jun 30 2020 | Mar 31 2020 | Dec 31 2019 |
|---|---|---|---|---|---|---|---|---|
| **Other income gains / (loss) on sale of assets** | - | - | - | 199 | 757 | 528 | 8,868 | 14,241 |
| **Net profit/ (loss)** | 840,929 | 1,131,138 | (2,274,203) | (306,314) | 134,503 | (685,603) | 178,752 | (102,573) |
| **Basic earnings / (loss) per share** | 0.01 | 0.01 | (0.03) | (0.00) | (0.00) | (0.01) | 0.00 | (0.00) |

## 6. CAPITAL RESOURCES AND LIQUIDITY

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

At September 30, 2021, the Company had working capital of $187,481 (December 31, 2020: deficit of $573,645) including cash amounting to $600,387 (December 31, 2020: $234,937). The improvement in the Company's working capital arose mainly as a result of the $524,914 gains in the fair value of derivative financial instruments (note: revaluation of share purchase warrants and their subsequent exercise), increase in payables amounting to $128,427, proceeds from the exercise of 10,666,667 warrants (by Spirit Resources SARL) generating $1,063,264 (mainly used to settle a loan of $1,000,000 (from Spirit Resources SARL), and interest thereon, raised earlier during the year (see note 12). The proceeds from financing were mostly applied to finance $808,578 operating expenses as discussed under *Review of selected financial and operating results*.

The Company also registered an increase of $365,450 in its cash balance mainly as a result of the financing (warrants - described above) and an increase in payables amounting to $ 128,430, partly used to finance operating costs.

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

The Company had 68,895,662 issued and outstanding common shares as at December 31, 2020 which increased to 79,562,329 as at September 30 2021. The Company entered into a $1,000,000 loan agreement with Spirit Resources SARL (Spirit), its major shareholder at the beginning of the second quarter. On September 10, 2021, the Company announced that Spirit exercised all its share purchase warrants for a total consideration of $ 1,063,264. Spirit retained the loan principal amount ($1,000,000) and interest element ($15,123) and paid the balance of $48,141 to the Company. Further information in relation to the financing is provided under note 12 of the condensed consolidated interim financial statements. The beneficial owner of Spirit is Mr. Jean Raymond Boulle.

During the reporting period, the Company entered into definitive agreements for certain transactions which, following closure (subject to receipt of necesssary approvals), would cause material changes in the loan payable, share capital and ownership structure of the Company (See note 12 *Asset Acquisition*).

## 6. CAPITAL RESOURCES AND LIQUIDITY (CONTINUED)

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

The Company operates a fixed, less than 10%, stock option plan and has approval to issue up to a maximum of 6,789,000 stock options. At December 31, 2020 and September 30, 2021, all the 5,150,000 granted and outstanding had already vested. The options have an exercise price of CAD $0.145 per share. No share-based compensation charge was recorded during the nine-months period ended September 30, 2021 (September 30, 2020: $8,767).

A balance of 10,666,667 stock warrants with an exercise price of CAD $0.125 per unit were outstanding at June 30, 2021 and December 31, 2020. The warrants were issued to Spirit Resources SARL the Company's major shareholder, in 2016. During the reporting period, Spirit Resources SARL has exercised all the 10,666,667 share purchase warrants it was holding and acquired 10,666,667 common shares in the Company. If not exercised, the warrants would have expired on September 23, 2021.

## 7. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

### *(i) Share-based payment transactions*

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

### *(ii) Derivative financial instruments*

The Company has determined that its functional currency is the U.S Dollar and has issued non-broker warrants in a currency other than its functional currency. 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 interim financial statements.

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

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

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

### ADOPTION OF NEW ACCOUNTING STANDARDS & OTHER PROPOSED FUTURE ACCOUNTING CHANGES

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

There are a number of amendments to accounting standards that become applicable for annual reporting periods commencing on or after 1 January 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.

## 8. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENT RISKS

### *(i) Capital Management*

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

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

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

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

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

***Market Risk (Continued)***

*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. During the reporting period, the Company has the following financial instruments which were subject to interest rate risk:

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

*Equity price risk*

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

*Commodity price risk*

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

***Credit risk***

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

***Liquidity risk***

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

## 9. RISK FACTORS

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

### *(i) Additional Financing Requirements*

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

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

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

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

### *(iii) Political Risks*

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

### *(iv) 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.

## 9. RISK FACTORS (CONTINUED)

### *(v) 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.

### *(vi) 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.

### *(vii) 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.

### *(viii) 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.

### *(ix) Infrastructure*

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

## 9. RISK FACTORS (CONTINUED)

### *(x) 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 $18,564 (in Namibian Dollars) in Namibia as at the reporting date, which it intends to use to effect payments in Namibia and CMA. Though the Company's subsidiary has received approval from the Bank of Namibia to refund part of the intercompany loan to the Company during the recent past, there can be no assurance that the Company's subsidiary will continue obtaining the requisite approvals in the foreseeable future to repay inter-group loans or pay invoices to parties outside the CMA, including companies within the Company's corporate group not resident in the CMA. Thus, exchange controls may restrict the Company from repatriating funds and using those funds for other purposes.

### *(xi) 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.

### *(xii) 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.

## 9. RISK FACTORS (CONTINUED)

### *(xiii) 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.

### *(xiv) 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.

### *(xv) 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.

## 10. OUTSTANDING SHARE DATA

Movement on shares and stock options have been reported under "Capital Resources and Liquidity" section of this MD&A. A total of 79,562,329 common shares were issued and outstanding as at September 30, 2021 and 68,895,662 as at December 31, 2020. As at September 30, 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. Holders of options expiring in December 2021 shall be eligible to retain and exercise their options within 10 business days following the resumption of trading of DFR stocks. A balance of 10,666,667 share purchase warrants, issued in 2016, with exercise price of CAD $0.125 per share were outstanding at June 30, 2021 and December 31, 2020. During the reporting period, Spirit Resources SARL has exercised all the 10,666,667 share purchase warrants it was holding and acquired 10,666,667 common shares in the Company. The proceeds from the exercise of warrants have been used mainly to settle an outstanding loan from Spirit Resources SARL (see notes 9 and 12). If not exercised, the warrants would have expired on September 23, 2021.

During the reporting period, the Company entered into definitive agreements for certain transactions (including the exercise of the DFR warrants referred to above) which, following closing, would cause material changes in the share capital and ownership structure of the Company (See note 12 *Asset Acquisition*).

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

## 11. RELATED PARTY TRANSACTIONS

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

| | **Nine-months period ended September 30, 2021** | Nine-months period ended September 30, 2020 |
|---|---|---|
| | **$** | $ |
| G&A – Jean Lindberg Charles, CFO and Secretary | **108,375** | 115,875 |
| G&A – Sybrand van der Spuy, President and CEO | **112,500** | 112,500 |
| G&A – Fasken Martineau LLP[1] | **354,572** | 148,267 |
| E&E – David Reading | **-** | 8,910 |
| Share-based compensation – Directors & Officers | **-** | 8,536 |

[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*

## 12. ASSET ACQUISITION

On August 25, 2021, the Company announced it has entered into definitive agreements in respect of the acquisition of interests in Moydow Holdings Ltd and certain of its subsidiaries (the "Transaction") in exchange for DFR common shares.

Moydow Holdings Ltd ("Moydow"), a company registered in BVI, holds interests in a portfolio of gold assets in West Africa. Upon closing of the Transaction, DFR will control Moydow and take over Moydow's portfolio of assets.

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

Moreover, Moydow has issued 210,000 share purchase warrants ("Moydow Warrants") to three Moydow shareholders (namely Brian Kiernan, Spirit and Pantherea Resources Plc, each owning 70,000 Moydow Warrants), which if exercised (before December 31, 2021), will convert into 3,456,600 common shares of DFR.

Following the Transaction, DFR will acquire:

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

## 12. ASSET ACQUISITION (CONTINUED)

At closing of the Transaction, DFR will be vested with an 80% effective interest in the project with Panthera Resources Plc ("PAT") holding a 20% carried interest. DFR will maintain its 80% interest on the condition that it invests US$18.0m in the Labola project by September 30, 2026. If DFR were to make no investments in Labola during the specified period, subject to the exercise by PAT of its buy back right (described below), its interest would decrease to no less than 60%. PAT shall have the right to acquire an additional 10% holding in Labola on the earlier of (i) 90 days following DFR completing an investment of $18m in Labola; or (ii) 30 September 2026, by making a payment to DFR of up to $7.2m, to be adjusted down based on DFR's actual investment in the Labola project during the specified period.

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

- 10% indirect interest in 3 Nigeria mining licences owned by 3 different companies, with PAT owning equally a 10% indirect interest, and the option (against certain payments) to jointly (DFR and PAT 50:50) own 65% of the Nigeria licences.

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

In connection with the Transaction, Brian Kiernan and Spirit have executed subscription agreements with DFR and otherwise agreed to invest a combined $2,750,000 as part of the Transaction ("Founder Investments") as follows:

*(a) Spirit Resources SARL*

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

The proceeds will be used to settle the existing Spirit US$ 1,000,000 loan facility from Spirit and interest arising thereon amounting to US$ 15,123. Upon closing, assuming exercise of all Moydow Warrants, Spirit will own 42.8% of DFR issued and outstanding common shares.

Pursuant to the agreements, on September 10, 2021, the Company announced that Spirit has fully exercised its share purchase warrants at CAD $0.125 per warrant and thereby acquired 10,666,667 common shares in the Company. The proceeds from the exercise of warrants have been used to settle the Spirit loan and interest thereon, as stated above, and the balance (amounting to $48,141) has been received in cash.

*(b) Brian Kiernan*

Brian Kiernan has agreed to exercise US$ 350,000 of his options in Moydow (the "Moydow Options") which will be exchanged for common shares of DFR at the Exchange Ratio on closing and to make a further investment of US$ 900,000 into DFR by way of a subscription for 4,147,465 common shares of DFR at a price per common share of US$ 0.217 conditional on the closing of the Transaction. The exercise of the Moydow Options and the subscription, together with a recent exercise of US$ 250,000 Moydow Options by Brian Kiernan, will result in an aggregate capital subscription of US$ 1.5m.

## 12. ASSET ACQUISITION (CONTINUED)

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

Upon closing, assuming exercise of all Moydow Warrants, Brian Kiernan will own 37.5% of DFR's issued and outstanding common shares. As such, Brian Kiernan will be considered a *Control Person* under the TSXV rules. Following the end of the reporting period, Brian Kiernan has exercised the 350,000 Moydow Options, earlier than scheduled.

Assuming completion of the Transaction, the Founder Investments and exercise of all Moydow warrants, the current shareholders of DFR will own 57.4% and the Moydow shareholders will own 42.6% of the DFR issued and outstanding common shares.

***Management and Board***

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

***Closing and Halt Trading***

It is anticipated that the Transaction will close during the first quarter of 2022 following such shareholder meeting as may be required by the TSX-V.

As a result of the ongoing process pertaining to the Transaction, trading of DFR shares on the stock exchange will remain halted until further notice.

## 13. EVENTS AFTER THE REPORTING PERIOD

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 nine-months period ended September 30, 2021 other than as disclosed under Note 12 – *Asset Acquisition*.