

DIAMOND FIELDS RESOURCES

DIAMOND FIELDS RESOURCES INC.

Unaudited condensed consolidated interim financial statements

For the second quarter and six-months period ended June 30, 2022

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

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument NI 51-102 released by Canadian Securities Administrators, the Company discloses that its auditors have not reviewed these unaudited condensed consolidated interim financial statements for the second quarter and six-months period ended June 30, 2022.

DIAMOND FIELDS RESOURCES INC.
Condensed consolidated statement of financial position
As at June 30, 2022 and December 31, 2021
(All amounts are expressed in U.S. dollars)

| | Notes | (Unaudited) June 30, 2022 \$ | (Audited) December 31, 2021 \$ |
|--|-------|---------------------------------------|---|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant, and equipment | 7 | 39,598 | - |
| Investments in associate | 8 | 521,749 | - |
| | | 561,347 | - |
| Current assets | | | |
| Inventories | | 44,462 | - |
| Other receivables | | 549,693 | 53,512 |
| Cash and cash equivalents | 9 | 3,000,251 | 265,177 |
| | | 3,594,406 | 318,689 |
| Total assets | | 4,155,753 | 318,689 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | | 1,449,487 | 383,074 |
| Borrowings | 12 | 5,797 | - |
| Deferred consideration | 18 | 110,000 | - |
| | | 1,565,284 | 383,074 |
| EQUITY AND RESERVES | | | |
| Share capital | 10 | 71,932,576 | 56,848,151 |
| Contributed surplus | 10 | 4,100,438 | 4,175,556 |
| Accumulated deficit | | (76,037,609) | (61,098,338) |
| Accumulated other comprehensive income | | 9,484 | 10,246 |
| Owners' interests/(deficits) | | 4,889 | (64,385) |
| Non-controlling interest | | 2,585,580 | - |
| Total equity/(Shareholders' deficits) | | 2,590,469 | (64,385) |
| Total equity (shareholders' deficits) and liabilities | | 4,155,753 | 318,689 |

Events after the reporting period (Note 21)

"John McGloin"
Director

"Bertrand Boule"
Director

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes on pages 6 to 37.

DIAMOND FIELDS RESOURCES INC.

Condensed consolidated statement of profit or loss and other comprehensive income (loss)

For the second quarter and six-months period ended June 30, 2022 and 2021

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

| | | (Unaudited) Three-months period ended | | (Unaudited) Six-months period ended | |
|---|----|--|------------------|--|------------------|
| | | June 30, 2022 | June 30, 2021 | June 30, 2022 | June 30, 2021 |
| | | \$ | \$ | \$ | \$ |
| <i>CONTINUING OPERATION</i> | | | | | |
| Operating expenses | | | | | |
| Exploration and evaluation: | 13 | | | | |
| - Expenses | | 22,313 | (209,327) | (112,345) | (273,306) |
| - Reclassification of E&E assets | | (14,041,445) | - | (14,041,445) | - |
| General and administrative expenses | 14 | (332,353) | (107,896) | (782,193) | (251,331) |
| | | (14,351,485) | (317,223) | (14,935,983) | (524,637) |
| Fair value movement on derivative instruments | 11 | - | 1,456,766 | - | (577,126) |
| Interest income | | 3 | - | 4 | - |
| Interest expense | 12 | - | (6,137) | - | (6,137) |
| Foreign exchange loss | | (4,006) | (2,268) | (3,292) | (35,163) |
| | | (4,003) | 1,448,361 | (3,288) | (618,426) |
| Net (loss)/profit for the period | | (14,355,488) | 1,131,138 | (14,939,271) | (1,143,063) |
| Other comprehensive income | | | | | |
| <i>Items that may be reclassified to profit or loss</i> | | | | | |
| Exchange differences on translation of foreign operations | | 2,230 | - | (762) | - |
| Total comprehensive income for the period | | (14,353,258) | 1,131,138 | (14,940,033) | (1,143,063) |
| (Loss)/ earnings per share for (loss)/profit attributable to the ordinary equity holders of the Company: | | | | | |
| - Basic | | (0.18) | 0.01 | (0.19) | (0.02) |
| Weighted average number of common shares outstanding | | | | | |
| - Basic | | 80,262,329 | 68,895,662 | 80,053,489 | 68,895,662 |

The above condensed consolidated statement of profit or loss and other comprehensive income (loss) should be read in conjunction with the accompanying notes on pages 6 to 37.

DIAMOND FIELDS RESOURCES INC.

Condensed consolidated statement of changes in equity

For the second quarter and six-months period ended June 30, 2022 and 2021

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

| | Number of shares | Share capital \$ | Contributed surplus \$ | Accumulated deficit \$ | Accumulated other comprehensive income \$ | Non- controlling interest \$ | Total \$ |
|--|---------------------|------------------------|------------------------------|------------------------------|---|---------------------------------------|--------------------|
| Balance at December 31, 2020 | 68,895,662 | 55,784,887 | 4,175,556 | (60,543,876) | 9,788 | - | (573,645) |
| Loss for the period | - | - | - | (1,143,063) | - | - | (1,143,063) |
| Balance at June 30, 2021 | 68,895,662 | 55,784,887 | 4,175,556 | (61,686,939) | 9,788 | - | (1,716,708) |
| Balance at December 31, 2021 | 79,562,329 | 56,848,151 | 4,175,556 | (61,098,338) | 10,246 | - | (64,385) |
| Issuance of shares on exercise of options | 700,000 | 79,749 | - | - | - | - | 79,749 |
| Consideration for the acquisition of Moydow Holdings Limited and Maniger Limited | 98,677,892 | 14,929,558 | - | - | - | 2,585,580 | 17,515,138 |
| Fair value adjustment on exercise of options | - | 75,118 | (75,118) | - | - | - | - |
| Loss for the period | - | - | - | (14,939,271) | - | - | (14,939,271) |
| Other comprehensive income - Translation adjustment | - | - | - | - | (762) | - | (762) |
| Balance at June 30, 2022 | 178,940,221 | 71,932,576 | 4,100,438 | (76,037,609) | 9,484 | 2,585,580 | 2,590,469 |

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes on pages 6 to 37.

DIAMOND FIELDS RESOURCES INC.

Condensed consolidated statement of cash flows

For the second quarter and six-months period ended June 30, 2022 and 2021

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

| | (Unaudited) | | (Unaudited) | |
|---|---------------------------|------------------|-------------------------|------------------|
| | Three-months period ended | | Six-months period ended | |
| | June 30, 2022 | June 30, 2021 | June 30, 2022 | June 30, 2021 |
| | \$ | \$ | \$ | \$ |
| Cash flows from operating activities | | | | |
| Net (loss)/ profit for the period | (14,355,488) | 1,131,138 | (14,939,271) | (1,143,063) |
| <i>Adjustments for non-cash items:</i> | | | | |
| Foreign exchange loss/(gain) | 2,230 | (7,884) | (762) | 23,965 |
| Reclassification of exploration and evaluation | 14,041,445 | - | 14,041,445 | - |
| Fair value movement on derivative instruments | - | (1,456,766) | - | 577,126 |
| Interest expense | - | 6,137 | - | 6,137 |
| | (311,813) | (327,375) | (898,588) | (535,835) |
| <i>Changes in working capital:</i> | | | | |
| (Increase)/decrease in other receivables | (1,597,555) | 1,697 | (1,593,893) | (10,615) |
| Increase/(decrease) in accounts payable and accrued liabilities | 148,988 | (104,318) | 551,828 | (11,841) |
| Net cash used in operations | (1,760,380) | (429,996) | (1,940,653) | (558,291) |
| Cash flows from investing activities | | | | |
| Acquisition of subsidiaries, net of cash acquired (Note 18) | 96,742 | - | 96,742 | - |
| Net cash generated from investing activities | 96,742 | - | 96,742 | - |
| Cash flows from financing activities | | | | |
| Proceeds from issue of shares (net) | 4,499,236 | - | 4,578,985 | - |
| Proceeds from loans (Note 12) | - | 1,000,000 | - | 1,000,000 |
| Net cash generated from financing activities | 4,499,236 | 1,000,000 | 4,578,985 | 1,000,000 |
| Net increase in cash and cash equivalents | 2,835,598 | 570,004 | 2,735,074 | 441,709 |
| Cash and cash equivalents at beginning of the period | 164,653 | 106,642 | 265,177 | 234,937 |
| Cash and cash equivalents at end of the period | 3,000,251 | 676,646 | 3,000,251 | 676,646 |

Supplemental cash flow information (Note 9)

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes on pages 6 to 37.

DIAMOND FIELDS RESOURCES INC.

Notes to the condensed consolidated financial statements

For the second quarter and six-months period ended June 30, 2022 and 2021

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

1. CORPORATE INFORMATION

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

On August 25, 2021, DFR announced that it has executed definitive agreements to enter into certain transactions (the "Transaction") as disclosed under note 18. Trading of DFR shares on the stock exchange was halted at the request of the Company to ensure a fair and orderly market. The Transaction received shareholder approval on June 9, 2022 and all closing conditions have been satisfied. On July 11, 2022, the Company has received final approval from the TSX Venture Exchange ("TSX-V") for the Transaction. The Company's common shares resumed trading on the TSX-V on July 13, 2022.

The Transaction has material impact on the Company's business as summarized below:

- DFR has a controlling interest in one gold project and significant interests in other gold projects in West Africa;
- DFR issued an aggregate of 88,707,059 new common shares ("Shares") of which 10,666,667 shares have been issued to Spirit Resources SARL ("Spirit") following the exercise of 10,666,667 share purchase warrants during year 2021;
- Equity funding in DFR and Moydow totalling \$ 2,750,000 has been used to eliminate existing debt in DFR (\$1,000,000 loan from Spirit eliminated upon the exercise of Spirit's warrants in 2021), fund exploration and for working capital purposes. Under this item, 6,160,072 shares at \$0.217 for \$1,336,736 per share were issued to Brian Kiernan and Spirit on completion of the transaction;
- New equity financing, for cash \$3,162,500 and in settlement for past services \$87,500 announced on March 11, 2022, through the issuance of 20,637,500 common shares at C\$0.20 per share on closing of the transaction;
- Mr Brian Kiernan has become a new control person in addition to Mr. Jean-Raymond Boule; and
- There have been certain changes to the Board of directors.

The issued and outstanding number of shares at the end of the reporting period 178,940,221 common shares, a further 2,730,631 common shares were issued subsequent to the period end following the exercise of options. Jean Raymond Boule, through Spirit Resources SARL ("Spirit"), owns a 39.1% interest in the Company and Brian Kiernan holds a 36.5% interest.

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

2. NATURE AND CONTINUANCE OF OPERATIONS

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

DIAMOND FIELDS RESOURCES INC.

Notes to the condensed consolidated financial statements

For the second quarter and six-months period ended June 30, 2022 and 2021

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

2. NATURE AND CONTINUANCE OF OPERATIONS (CONTINUED)

At June 30, 2022, the Group had an accumulated deficit of \$76,037,609 (June 30, 2021: \$61,098,338) and incurred a net loss of \$14,939,271 during the second quarter and six-months period ended June 30, 2022 (June 30, 2021: net profit of \$1,131,138). The net loss is primarily explained by the reclassification of the exploration and evaluation assets amounting to US\$ 14,041,445 arising on acquisition of Moydow Holdings Limited (“Moydow”) and investments in associate Maniger Limited (which holds a share of the E&E assets of Panthera Mali Resources SARL (“PMR”) and Gurara Holdings Limited (“Gurara”)) to align their accounting policy on mineral assets with that of the Group.

To date, the Company has financed its activities through the issuance of equity securities and debt financing, primarily from significant shareholders of the Company. The Company expects to use similar financing techniques in the future and is pursuing such additional sources of financing as estimated to be required to sufficiently support its operations until such time that its operations become self-sustaining.

The Company has made necessary financing arrangements to ensure that the Company continues as a going concern. Management believes that the funding will be sufficient to carry out operations over the next 12 months.

3. STATEMENT OF COMPLIANCE

The condensed consolidated interim financial statements of the Company for the second quarter and six-months period ended June 30, 2022 are unaudited and have been prepared in accordance with IAS 34 ‘Interim Financial Reporting’ as issued by the International Accounting Standards Board (“IASB”) and do not include all notes of the type normally included in an annual financial report.

The condensed consolidated interim financial statements have been prepared using the same accounting policies as the audited consolidated financial statements for the year ended December 31, 2021 and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2021.

The condensed consolidated interim financial statements were authorized for issue by the Board of directors on August 29, 2022.

4. BASIS OF MEASUREMENT

The condensed consolidated interim financial statements have been prepared on a historical cost basis, except that:

- (i) financial instruments classified as fair value through profit or loss have been measured at fair value;
- (ii) derivatives have been measured at fair value; and
- (iii) other relevant financial assets and financial liabilities have been stated at amortised cost.

In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

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

DIAMOND FIELDS RESOURCES INC.

Notes to the condensed consolidated financial statements

For the second quarter and six-months period ended June 30, 2022 and 2021

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

4. BASIS OF MEASUREMENT (CONTINUED)

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Property, plant and equipment

Property, plant and equipment, except for freehold land and buildings and site improvements, are stated at cost less accumulated depreciation and/or accumulated impairment losses, if any.

The annual rates of depreciation are as follows:

| Items | Rates |
|-----------------------|--------------|
| Fixtures and fittings | 15% |
| Exploration equipment | 15% |

The gain or loss arising on the disposal or retirement of an item (or part of an item) of property, plant and equipment is determined as the difference between the disposal proceeds and the carrying amount of the item (or part of the item, as applicable) and is recognised in profit or loss.

(b) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of materials is the purchase cost, determined on a first-in, first-out basis.

(c) Basis of consolidation

Subsidiaries

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

Transactions eliminated on consolidation

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

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

DIAMOND FIELDS RESOURCES INC.**Notes to the condensed consolidated financial statements****For the second quarter and six-months period ended June 30, 2022 and 2021****(All amounts are expressed in U.S. dollars)****5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***(c) Basis of consolidation (Continued)*

| Name | Country of Incorporation | Class of Shares | Ownership Interest |
|--|---------------------------------|------------------------|---------------------------|
| Kimberley Overseas | Cayman Islands | Common | 100% |
| Diamond Fields Sierra Leone Ltd | British Virgin Islands | Common | 100% |
| Diamond Fields (Namibia) (Pty) Ltd | Namibia | Common | 100% |
| Diamond Fields Operations (Namibia) Ltd | Namibia | Common | 100% |
| Diamond Fields (South Africa) (Pty) Ltd | South Africa | Common | 100% |
| Action Mining Ltd | Mauritius | Common | 100% |
| Compagnie Générale des Mines de Madagascar | Madagascar | Common | 100% |
| Namibian Diamond Company (Pty) Ltd | Namibia | Common | 70% |
| Moydow Holdings Limited | British Virgin Islands | Common | 80% |
| Moydow BF Ltd | British Virgin Islands | Common | 80% |
| Moydow Burkina Faso SARL | Burkina Faso | Common | 80% |
| Moydow Services Ltd | United Kingdom | Common | 80% |

On June 30, 2022, DFR gained control over the following subsidiaries: Moydow Holdings Limited, Moydow BF Ltd, Moydow Burkina Faso SARL, and Moydow Services Ltd. The financial statements of these subsidiaries have been included in the condensed consolidated interim financial statements from that date.

(d) Investments in associates

An associate is an entity over which the Group has significant influence but not control, or joint control, generally accompanying a shareholding between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method. Investments in associates are initially recognised at cost as adjusted by post acquisition changes in the Group's share of the net assets of the associate.

Subsequent to initial recognition, the economic interest financial statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of the equity-accounted investee, until the date on which significant influence or joint control ceases. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the gain or loss previously recognised in other comprehensive income is reclassified to profit or loss relative to that reduction in ownership interest.

Any excess of the cost of acquisition and the Group's share of the net fair value of the associate's identifiable assets and liabilities recognised at the date of acquisition is recognised as goodwill, which is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of identifiable assets and liabilities over the cost of acquisition, after assessment, is included as income in the determination of the Group's share of the associate's profit or loss.

DIAMOND FIELDS RESOURCES INC.

Notes to the condensed consolidated financial statements

For the second quarter and six-months period ended June 30, 2022 and 2021

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Investments in associates (Continued)

When the Group's share of losses exceeds its interest in an associate, the Group discontinues recognising further losses, unless it has incurred legal or constructive obligation or made payments on behalf of the associate. Unrealised profits and losses are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(e) Foreign currencies

Transactions and balances

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

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

Subsidiaries

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

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) income and expenses for each statement of profit or loss and other comprehensive income are translated at exchange rates approximating the exchange rates in effect at the time of the transactions; and
- (iii) all resulting exchange differences are recognized within other comprehensive income (loss).

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

(f) Cash and cash equivalents

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

DIAMOND FIELDS RESOURCES INC.

Notes to the condensed consolidated financial statements

For the second quarter and six-months period ended June 30, 2022 and 2021

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments

Financial Assets

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

(i) Amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(ii) Fair value through other comprehensive income

Financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

(iii) Fair value through profit or loss

Any financial assets that are not held in one of the two business models mentioned above are measured at fair value through profit or loss.

When, and only when, the Company changes its business model for managing financial assets it must reclassify all affected financial assets. The Company's financial assets comprised other receivables, which are all measured at amortized cost.

Impairment of Financial Assets

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

DIAMOND FIELDS RESOURCES INC.

Notes to the condensed consolidated financial statements

For the second quarter and six-months period ended June 30, 2022 and 2021

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (Continued)

Financial Liabilities

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

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

Derivative Financial Instruments

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

(h) Mineral properties

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

Impairment of Non-Financial Assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

DIAMOND FIELDS RESOURCES INC.

Notes to the condensed consolidated financial statements

For the second quarter and six-months period ended June 30, 2022 and 2021

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Mineral properties (Continued)

Impairment of Non-Financial Assets (Continued)

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(i) Share-based compensation

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

The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied. Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of profit or loss and other comprehensive income (loss) over the remaining vesting period.

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

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

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

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

DIAMOND FIELDS RESOURCES INC.

Notes to the condensed consolidated financial statements

For the second quarter and six-months period ended June 30, 2022 and 2021

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Income taxes

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

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

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

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

(k) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the net profit (loss) for the year attributable to the ordinary equity holders of the Company by the weighted average number of common shares outstanding for the relevant year.

Diluted earnings (loss) per common share is computed by dividing the net profit (loss) for the year attributable to the ordinary equity holders of the Company by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

(l) Provisions

Rehabilitation Provisions

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

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

DIAMOND FIELDS RESOURCES INC.

Notes to the condensed consolidated financial statements

For the second quarter and six-months period ended June 30, 2022 and 2021

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Provisions (Continued)

Rehabilitation Provisions (Continued)

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

(m) Share capital

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

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

(n) Revenue

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

(o) Application of new and revised International Financial Reporting Standards (IFRSs)

In the current period, the Group has applied all new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2022.

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 2022 and the Group considers that their application does not have any significant impact on the amounts reported for the current and prior periods, and so, have not been discussed in detail in the notes to the financial statements:

- Amendments to IFRS 3 Business Combinations Reference to the Conceptual Framework
- Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to IAS 37 Provisions, Contingent Liabilities, Contingent Assets Onerous Contracts – Cost of Fulfilling a Contract
- Annual Improvements 2018–2020

New standards, interpretations and amendments not yet effective

- Amendments to IAS 1 Classification of Liabilities as Current
- Amendments to IAS 1 Disclosure of Accounting policies
- Amendments to IAS 8 Definition of Accounting Estimates
- Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- IFRS 17 Insurance Contracts

DIAMOND FIELDS RESOURCES INC.

Notes to the condensed consolidated financial statements

For the second quarter and six-months period ended June 30, 2022 and 2021

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Application of new and revised International Financial Reporting Standards (IFRSs) (Continued)

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

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

(i) Share-based compensation transactions

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

(ii) Derivative financial instruments

The Company has determined that its functional currency is the US dollar and had issued non-broker warrants in a currency other than its functional currency. The Company measures the cost of the derivative financial instruments by reference to the fair value of the instruments at the date at which they are granted and revalues them at each reporting date.

Estimating fair value for non-broker warrant transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the warrant, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating the fair value of the derivative financial instruments transactions are disclosed in note 11.

(iii) Title to mineral property interests

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

DIAMOND FIELDS RESOURCES INC.**Notes to the condensed consolidated financial statements****For the second quarter and six-months period ended June 30, 2022 and 2021****(All amounts are expressed in U.S. dollars)****6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)***(iv) Impairment of investment in associate*

Investment in associate is assessed for indicators of impairment at the end of each reporting date. Investment in associate is impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. Determining whether investment in associate is impaired requires an estimation of the recoverable amount of the investment. The directors have evaluated the recoverability of the investment based on their estimates of the recoverable amount and are confident that the allowance for impairment, where necessary, is adequate. The carrying amount of investment in associate at the end of the reporting date are disclosed in note 8 to the unaudited interim consolidated financial statements for the six-months period ended June 30, 2022.

7. PROPERTY, PLANT AND EQUIPMENT

| | Fixtures & fittings | Exploration equipment | Total |
|--|------------------------|--------------------------|---------------|
| | \$ | \$ | \$ |
| <i>Cost</i> | | | |
| At January 01, 2022 | - | - | - |
| Additions through asset acquisition | 13,312 | 31,868 | 45,180 |
| At June 30, 2022 | 13,312 | 31,868 | 45,180 |
| <i>Depreciation</i> | | | |
| At January 01, 2022 | - | - | - |
| Additions through asset acquisition | 1,997 | 3,585 | 5,582 |
| At June 30, 2022 | 1,997 | 3,585 | 5,582 |
| Net book value at June 30, 2022 | 11,315 | 28,283 | 39,598 |

- (a) No depreciation charge has been charged in 'General and administrative expenses' as the Group gained control of Moydow on June 29, 2022.

8. INVESTMENTS IN ASSOCIATE

| | June 30, 2022 | June 30, 2021 |
|---|------------------|------------------|
| | \$ | \$ |
| <i>At cost - Unquoted</i> | | |
| At January 01, 2022 | - | - |
| Additions through asset acquisition (See note 18) | 521,749 | - |
| Share of loss of associate | - | - |
| Impairment | - | - |
| At June 30, 2022 | 521,749 | - |

DIAMOND FIELDS RESOURCES INC.

Notes to the condensed consolidated financial statements

For the second quarter and six-months period ended June 30, 2022 and 2021

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

8. INVESTMENTS IN ASSOCIATE (CONTINUED)

(a) The investment in the associate is accounted for using the equity method. In accordance with International Accounting Standard 28 Investments in Associates and Joint Ventures, the Group recognises its share of the loss of the associate from the date of acquisition. At the end of the reporting period, the Group's share of loss of the associate was nil as the Group gained significant influence over the associate on June 30, 2022. The Company does not incur legal or constructive obligation to make payments on behalf of the associate.

(b) Details of the Company's associates are as follows:

| Name of company | Class of shares held | Year end | Stated capital | Cost of Investment | Proportion of ownership interest | | Effective holding | Country of incorporation and operation | Main business |
|------------------------------|----------------------|-------------|----------------|--------------------|----------------------------------|----------|-------------------|--|------------------------------------|
| | | | | | Direct | Indirect | | | |
| | | | \$ | \$ | % | % | % | | |
| Maniger Limited | Ordinary shares | December 31 | 1,002 | 500 | 50% | - | 50% | British Virgin Islands | Investment holding |
| Gurara Holdings Limited | Ordinary shares | December 31 | 10,000 | - | - | 51% | 25.50% | British Virgin Islands | Investment holding (mining sector) |
| Dagma Mining Limited | Ordinary shares | December 31 | 25,737 | - | - | 99.99% | 25.49% | Republic of Nigeria | Mining |
| Dext Mining Limited | Ordinary shares | December 31 | 25,737 | - | - | 99.99% | 25.49% | Republic of Nigeria | Mining |
| Paimasa Mining Limited | Ordinary shares | June 30, | 25,737 | - | - | 99.99% | 25.49% | Republic of Nigeria | Mining |
| Panthera Mali Resources SARL | Ordinary shares | December 31 | 523,669 | - | - | 100% | 50% | Mali | Exploration |

(c) Summarised financial information in respect of the material associate is set out below:

| Name of company | Current assets | Non current assets | Current liabilities | Non-current liabilities | Revenue | Loss from continuing operations | Other comprehensive income for the period | Total comprehensive loss for the period | Dividends received during the period |
|-----------------|----------------|--------------------|---------------------|-------------------------|---------|---------------------------------|---|---|--------------------------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Maniger Limited | 106,420 | 1,050,637 | 90,207 | - | - | - | - | - | - |

DIAMOND FIELDS RESOURCES INC.

Notes to the condensed consolidated financial statements

For the second quarter and six-months period ended June 30, 2022 and 2021

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

8. INVESTMENTS IN ASSOCIATE (CONTINUED)

(d) Reconciliation of the above summarised financial information to the carrying amount recognised in the unaudited interim consolidated financial statements for the six-months period ended June 30, 2022:

| Name of company | Opening net assets | Net assets on acquisition | Loss from continuing operations | Other comprehensive income for the year | Closing net assets | Ownership interest | Interest in associate | Carrying value |
|-----------------|--------------------|---------------------------|---------------------------------|---|--------------------|--------------------|-----------------------|----------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Maniger Limited | - | 1,023,038 | - | - | 1,023,038 | 521,749 | 500 | 521,749 |

9. CASH AND CASH EQUIVALENTS

(a) *Analysis of cash and cash equivalents*

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|--------------|------------------|-------------------|----------------|
| | \$ | \$ | \$ |
| Bank balance | 3,000,251 | 265,177 | 676,646 |
| | 3,000,251 | 265,177 | 676,646 |

(b) *Reconciliation of liabilities arising from financing activities*

At June 30, 2022

| | December 31, 2021 | Cash flows | Non-cash changes | | June 30, 2022 |
|---|-------------------|-------------|------------------|---------------------------|---------------|
| | | | Acquisition | Foreign exchange movement | |
| | \$ | \$ | \$ | \$ | \$ |
| Liabilities arising from financing activities | - | - | - | - | - |
| Cash & cash equivalents | (265,177) | (2,638,332) | (96,742) | - | (3,000,251) |
| Net debt/(cash) | (265,177) | (2,638,332) | (96,742) | - | (3,000,251) |

DIAMOND FIELDS RESOURCES INC.**Notes to the condensed consolidated financial statements****For the second quarter and six-months period ended June 30, 2022 and 2021****(All amounts are expressed in U.S. dollars)****9. CASH AND CASH EQUIVALENTS (CONTINUED)****(b) Reconciliation of liabilities arising from financing activities (Continued)***At December 31, 2021*

| | December 31, 2020 | Cash flows | Non-cash changes | | December 31, 2021 |
|---|----------------------|---------------|------------------|------------------------------|----------------------|
| | | | Acquisition | Foreign exchange movement | |
| | \$ | \$ | \$ | \$ | \$ |
| Liabilities arising from financing activities | - | - | - | - | - |
| Cash & cash equivalents | (234,937) | (30,240) | - | - | (265,177) |
| Net debt/(cash) | (234,937) | (30,240) | - | - | (265,177) |

At June 30, 2021

| | December 31, 2020 | Cash flows | Non-cash changes | | June 30, 2021 |
|---|----------------------|---------------|------------------|------------------------------|------------------|
| | | | Acquisition | Foreign exchange movement | |
| | \$ | \$ | \$ | \$ | \$ |
| Liabilities arising from financing activities | - | 1,006,137 | - | - | 1,006,137 |
| Cash & cash equivalents | (234,937) | (441,709) | - | - | (676,646) |
| Net debt/(cash) | (234,937) | 564,428 | - | - | (329,491) |

(c) Non-cash transactions

There were not any significant non-cash transactions during the second quarter and six-months period ended June 30, 2022 and 2021.

10. SHARE CAPITAL**(i) Authorized share capital**

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

DIAMOND FIELDS RESOURCES INC.**Notes to the condensed consolidated financial statements****For the second quarter and six-months period ended June 30, 2022 and 2021****(All amounts are expressed in U.S. dollars)****10. SHARE CAPITAL (CONTINUED)****(ii) Issued and outstanding share capital**

| | Number of shares | \$ |
|--|---------------------|-------------------|
| At January 1, 2020 | 67,895,662 | 55,633,167 |
| Shares issue (net) (see note (a)) | 1,000,000 | 151,720 |
| At December 31, 2020 and June 30, 2021 | 68,895,662 | 55,784,887 |
| Issuance of shares on exercise of warrants (see note (b)(i)) | 10,666,667 | 1,063,264 |
| At December 31, 2021 | 79,562,329 | 56,848,151 |
| Issuance of shares on exercise of options (see note (b)(ii)) | 700,000 | 79,749 |
| Fair value adjustment on exercise of options | - | 75,118 |
| Founders' Investments (see note (b)(iii)) | 6,160,072 | 1,336,736 |
| Consideration for the acquisition of Moydow (note (c)) | 71,880,320 | 10,342,822 |
| Issuance of shares under New Financing (note (d)) | 20,637,500 | 3,250,000 |
| At June 30, 2022 | 178,940,221 | 71,932,576 |

At December 31, 2019, the Company had 67,895,662 issued and outstanding common shares.

- (a) On February 13, 2020, the Company announced the completion of a working capital financing through the issuance of 1,000,000 common shares at a price of C\$0.20 per share for gross proceeds of C\$200,000 (in addition to C\$800,000 debt financing). The Company had a total of 68,895,662 issued and outstanding common shares at December 31, 2020.
- (b) In August 2021, the Company entered into definitive agreements for certain transactions (the "Transaction"). In line with the definitive agreements and the Founders' Investments agreements disclosed under note 18:
- (i) On September 10, 2021, Spirit Resources SARL has exercised all the 10,666,667 share purchase warrants it was holding since September 22, 2016 and acquired 10,666,667 common shares in the Company. Following this issue, at December 31, 2021, the Company had a total of 79,562,329 issued and outstanding common shares.
- (ii) Spirit Resources Sarl subscribed for 2,012,607 DFR shares at a price of US\$ 0.217 per share and Brian Kiernan has subscribed for 4,147,465 DFR shares at a price of US\$ 0.217 per share, providing in aggregate US\$ 1,336,736 working capital to the Company in consideration for 6,160,072 shares.
- (c) Pursuant to the Transaction, the capital of DFR has been restructured concurrently with a securities exchange with the 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. As a result, DFR has issued in aggregate 71,880,320 shares at a deemed price of C\$ 0.185 to the current security holders of Moydow as consideration for its stake in the Moydow's portfolio. The total deemed consideration amounted to US\$ 10,342,822.

DIAMOND FIELDS RESOURCES INC.**Notes to the condensed consolidated financial statements****For the second quarter and six-months period ended June 30, 2022 and 2021****(All amounts are expressed in U.S. dollars)**

10. SHARE CAPITAL (CONTINUED)**(ii) Issued and outstanding share capital (Continued)**

- (d) In line with the New Financing announced on March 11, 2022, which consists of a private placement to raise US\$ 3,250,000 in equity at a price of C\$ 0.20 per share (see note 18 below), the Company issued 20,637,500 shares.
- (e) On February 23, 2022, a director has exercised 700,000 DFR Options (with an exercise price of C\$0.145). As a result, 700,000 DFR common shares have been issued to him and a fair value adjustment of US\$ 75,118 was recognised in the Contributed surplus reserve.
- (f) After the reporting period, 2,730,631 shares options with a strike price of C\$0.145 per share have been exercised by five directors and officers of the Company.

(iii) Stock Options

The Company has adopted a fixed, less than 10% stock option plan (the “Plan”), under which the maximum number of stock options issued cannot exceed 6,789,000. During the Company’s shareholders meeting on June 9, 2022, shareholders voted in favor of increasing the options issuable to 17,800,000. The stock options issued to directors and officers vest in stages and become exercisable as to one third immediately, one third one year upon grant and the balance two years upon grant. Any stock options granted to consultants performing investor relations activities, vest in stages over twelve months. The exercise period for any stock options granted under the Plan cannot exceed ten years. The exercise price of options granted under the Plan cannot be less than the “discounted market price” of the common shares (the market price less the maximum discount permitted by the TSX-V).

Outstanding and exercisable share options

The following is a summary of changes in options from December 31, 2020 to June 30, 2022:

| Grant date | Expiry date | Opening balance | During the period | | | Closing balance |
|---------------------------------------|-------------|------------------|-------------------|------------------|--------------------|------------------|
| | | | Granted | Exercised | Expired/ forfeited | |
| At December 31, 2020, and 2021 | | 5,150,000 | - | - | - | 5,150,000 |
| Exercised on February 23, 2022 | | - | - | (700,000) | - | (700,000) |
| At June 30, 2022 | | 5,150,000 | - | (700,000) | - | 4,450,000 |

No stock options were granted or forfeited for the second quarter and six-months period ended June 30, 2022 (June 30, 2021: nil granted, nil expired and nil forfeited). Share-based compensation accounted during the second quarter and six-months period ended June 30, 2022 was \$ nil (June 30, 2021: \$ nil). At June 30, 2022, the unrecognized share-based compensation expense was \$ nil (June 30, 2021: \$ nil).

After the reporting period, 2,730,631 shares options with an exercise price of C\$0.145 per share have been exercised by five option holders of the Company. In addition, 400,169 options have expired unexercised. As a result, at the date of the issue of these unaudited condensed consolidated interim financial statements, the balance of shares options outstanding was 1,319,200.

DIAMOND FIELDS RESOURCES INC.

Notes to the condensed consolidated financial statements

For the second quarter and six-months period ended June 30, 2022 and 2021

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

10. SHARE CAPITAL (CONTINUED)

(iii) Stock Options (Continued)

The following is a summary of options vested and outstanding at June 30, 2022:

| Grant date | Expiry date | Exercise price (CAD) | Vested June 30, 2022 | Outstanding at June 30, 2022 |
|-------------------------------------|-------------------|----------------------|----------------------|------------------------------|
| 12/12/16 | Note ¹ | \$0.145 | 2,362,800 | 2,362,800 |
| 02/05/18 | 02/04/23 | \$0.145 | 400,000 | 400,000 |
| 08/28/18 | 08/27/23 | \$0.145 | 1,687,200 | 1,687,200 |
| At June 30, 2022² | | | 4,450,000 | 4,450,000 |

¹Trading of DFR shares halted since August 2021 and resumed on July 13, 2022 after the Closing of the Moydow transaction and receiving final TSX Venture Exchange approval on July 11, 2022. Holders of stock options with expiry date of 12/11/2021 were eligible to exercise the expiring stock options within 10 trading days following the resumption of trading of the DFR stock.

²On February 23, 2022, a director exercised 700,000 DFR Options. On exercise of the options, a fair value adjustment of \$ 75,118 was recognised in the *Contributed surplus reserve*. Following the exercise, 4,450,000 stock options were outstanding June 30, 2022.

The weighted average exercise price of options outstanding at June 30, 2022 and June 30, 2021 was CAD \$0.145.

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

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

(iv) Share purchase warrants

A summary of share purchase warrants activity and information concerning currently outstanding and exercisable warrants from December 31, 2020 to June 30, 2022 is as follows:

| Grant date | Opening balance | During the year/period | | | Closing balance | Exercisable |
|-----------------------------|-----------------|------------------------|--------------|-----------------------|---------------------|--------------|
| | | Granted | Exercised | / Forfeited / expired | | |
| At December 31, 2020 | 10,666,667 | - | - | - | 10,666,667 | 10,666,667 |
| Movement during the year | | | (10,666,667) | | (10,666,667) | (10,666,667) |
| At December 31, 2021 | 10,666,667 | - | (10,666,667) | - | - | - |
| At June 30, 2022 | - | - | - | - | - | - |
| Weighted average price CAD | \$0.125 | - | \$0.125 | - | - | - |

DIAMOND FIELDS RESOURCES INC.**Notes to the condensed consolidated financial statements****For the second quarter and six-months period ended June 30, 2022 and 2021****(All amounts are expressed in U.S. dollars)****10. SHARE CAPITAL (CONTINUED)****(iv) Share purchase warrants (Continued)**

Spirit Resources SARL has, during the year 2021, fully exercised its share purchase warrants issued on September 22, 2016 at CAD \$0.125 per warrant and thereby acquired 10,666,667 shares at the price of CAD \$0.185 per share. The latter represents DFR's last trading price before the suspension of dealings in the shares of the Company on August 24, 2021. The proceeds from the exercise of the warrants amounted to US\$ 1,063,264. After the settlement of the loan principal (US\$ 1,000,000) and interest element (US\$ 15,123) payable to Spirit Resources SARL (note 12), the balance of US\$ 48,141 was received in cash.

(v) Nature and purpose of equity

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

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

11. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

| | Warrants (note 10) |
|--|-----------------------|
| | \$ |
| At December 31, 2020 | 518,763 |
| Movement in fair value | 2,033,892 |
| Movement in foreign exchange rates | 31,851 |
| At June 30, 2021 | 2,584,506 |
| Movement in fair value | (2,048,284) |
| Movement in foreign exchange rates | (25,700) |
| Balance before exercise of warrants | 510,522 |
| Movement in fair value immediately prior to exercise of warrants | (510,522) |
| At December 31, 2021 & June 30, 2022 | - |

DIAMOND FIELDS RESOURCES INC.**Notes to the condensed consolidated financial statements****For the second quarter and six-months period ended June 30, 2022 and 2021****(All amounts are expressed in U.S. dollars)****11. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)**

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

| | At September 10, 2021 (Date of exercise) | At December 31, 2020 |
|-------------------------|---|-------------------------|
| Expected volatility | 40% | 116% |
| Risk-free interest rate | 0.38% | 0.20% |
| Expected life | 0.04 years | 0.73 years |

Spirit Resources SARL has exercised all the 10,666,667 share purchase warrants it was holding since September 22, 2016 and acquired 10,666,667 common shares in the Company. As the share purchase warrants were classified as derivative financial liabilities, they were revalued immediately prior to the exercise and the change in fair value amounting to US\$ 510,522 was recognized in statement of profit or loss and other comprehensive income (loss) for the year ended December 31, 2021.

12. BORROWINGS

| | June 30, 2022 | December 31, 2021 |
|--|--------------------------|----------------------|
| | \$ | \$ |
| Opening balance | - | - |
| Loans received | - | 1,000,000 |
| Interest accrued | - | 15,123 |
| Repayments by way of: | | |
| - exercise of share purchase warrants | - | (1,015,123) |
| Additions through asset acquisition (See note (i) below and note 18) | 5,797 | - |
| Balance at December 31, 2021 & June 30, 2022 | 5,797 | - |

- (i) The amount is due to Mr Brian Kiernan and is interest free, unsecured and repayable within 12 months.
- (ii) A summary of loans and their maturity profiles at June 30, 2022 and December 31, 2021 are as follows:

| Loan received from | Principal amount | Balance at year/period end | Interest rate over duration | Issuance date | Maturity date |
|------------------------------------|-------------------------|-----------------------------------|------------------------------------|----------------------|----------------------|
| | \$ | \$ | % | | |
| <u>At June 30, 2022</u> | | | | | |
| Spirit Resources SARL ¹ | 1,000,000 | - | 8% | April 30, 2021 | April 29, 2022 |

Notes:

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

DIAMOND FIELDS RESOURCES INC.**Notes to the condensed consolidated financial statements****For the second quarter and six-months period ended June 30, 2022 and 2021****(All amounts are expressed in U.S. dollars)****12. BORROWINGS (CONTINUED)**

The Company had drawn down the whole amount of US\$ 1,000,000 available under the Agreement on June 2, 2021. Subsequently, the Company entered into an agreement with Spirit Resources SARL whereby the loan would be fully repaid against the exercise of the share purchase warrants held by Spirit Resources SARL (see note 11). On September 10, 2021, Spirit Resources SARL exercised all its share purchase warrants for a total consideration of US\$ 1,063,264. In line with the above second Agreement, Spirit Resources SARL 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.

13. EXPLORATION AND EVALUATION EXPENSES

| | Three-months period ended June 30, 2022 | Three-months period ended June 30, 2021 | Six-months period ended June 30, 2022 | Six-months period ended June 30, 2021 |
|----------------------------------|--|--|--|--|
| | \$ | \$ | \$ | \$ |
| Namibian diamond project | 8,192 | 9,053 | 16,859 | 20,947 |
| Beravina zircon project | 985 | 2,938 | 7,428 | 8,488 |
| Other projects and new prospects | (31,490) | 197,336 | 88,058 | 243,871 |
| | (22,313) | 209,327 | 112,345 | 273,306 |

Exploration and evaluation expenses by nature of expenditure are summarized below:

| | Three-months period ended June 30, 2022 | Three-months period ended June 30, 2021 | Six-months period ended June 30, 2022 | Six-months period ended June 30, 2021 |
|---------------------------|--|--|--|--|
| | \$ | \$ | \$ | \$ |
| Consulting | (11,024) | 208,363 | 108,072 | 268,049 |
| Licences & other expenses | (11,289) | 964 | 4,273 | 5,257 |
| | (22,313) | 209,327 | 112,345 | 273,306 |

At the Closing of the Transaction, the Group has reclassified exploration and evaluation assets amounting to US\$ 14,041,445 arising on acquisition of Moydow and investments in associate Maniger Limited (which holds a share of the E&E assets of PMR and Gurara) to align their accounting policy on mineral assets with that of the Group. See note 18 below.

Labola (Gold) – Burkina Faso

The Labola gold exploration project comprising initially of an option for the WUO Land exploration license (“WUO1”), has been extended through the acquisition of an option to acquire WUO Land 2 exploration license (“WUO2”), contiguous to WUO1 license, both option agreements are held in escrow with an appointed escrow agent in Ouagadougou, Burkina Faso. The project is located in the Banfora greenstone belt of the West African Birimian Supergroup in Comoé province, southwest Burkina Faso. Labola is approximately 370km west-southwest of Ouagadougou, and 100km northeast of the Wahgnion gold mine, operated by Endeavour Mining.

DIAMOND FIELDS RESOURCES INC.

Notes to the condensed consolidated financial statements

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

13. EXPLORATION AND EVALUATION EXPENSES (CONTINUED)

Labola (Gold) – Burkina Faso (continued)

The WUO1 option agreement gives Moydow exclusive rights until May 27, 2024 to purchase 100% of the Licence Holder's interest in the WUO1 exploration license for a payment of USD 1,000,000. Moreover, an amount of USD 50,000 is payable annually to the Licence Holder until 2023. An additional payment of USD 1,000,000 will be made to the License Holder upon the successful definition and reporting of a resource of at least 1,000,000 ounces of gold (under JORC guidelines). In addition, the License Holder will retain a 1% net smelter return royalty (“NSR”) on all gold produced up to a total aggregate payment of USD 2,000,000. The WUO1 exploration permit (Permis de Recherche) has been renewed for three years and will be due for renewal on March 5, 2024.

The WUO2 option agreement gives Moydow exclusive rights to purchase 100% of the Licence Holder's interest in WUO2 exploration license for an aggregate payment of \$500,000, out of which \$200,000 has been paid earlier during the year and two payments of \$150,000 each are payable prior to exercising the WUO2 option. The License Holder is also entitled to a net smelter royalty of 1% capped at \$2,000,000 on the value of all minerals extracted from the tenement. The WUO2 exploration permit (Permis de Recherche) was granted for a three-year period on November 13, 2018, and has been renewed for a further three-year period until November 12, 2024.

Moydow has explored the area since August 2020, and has benefitted from exploration activities undertaken at Labola by previous operators, High River Gold Mines Limited (“HRG”) (now Nord Gold SE (“Nord Gold”)) and Taurus Gold Limited (“Taurus”) having executed an Exploration Data, Reports and Samples Purchase Agreement on October 9, 2020 with Nord Gold to purchase all of their historic data in consideration of a 0.5% Net Smelter Royalty (NSR) capped at USD 3,000,000.

Historic information includes over 65,500m of drilling (541 holes) completed across multiple drilling campaigns by HRG and Taurus, consisting of principally diamond and RC drilling (24,589m/39,339m, respectively). Mineralization has been intercepted in three main zones over a 14km strike length. Previous historical drilling and historical artisanal mining has demonstrated continuity of mineralization within two of the three zones over strike lengths of up to 9km. Historical ground IP surveys, acquired by Moydow, highlight the opportunity for further extensions and additional zones. Prior to its acquisition by DFR, Moydow has consolidated all the previous exploration data into a single database for the first time in the project's history. The database includes an extensive amount of information, including drilling and soil sampling data, ground and airborne geophysics and Lidar surveys.

Moydow completed its inaugural exploration drilling program, which included 4,739m of reverse core (RC) drilling, comprising twin drilling of 23 holes in two areas of known, high grade mineralization, 2 infill holes as well as 4 exploration drill holes to test potential extensions. Two holes required re-drilling. The results of the Moydow drilling showed strong reproducibility of the HRG and Taurus drill data both in terms of location of mineralization and grade. Moreover, the brownfields exploration drilling showed good predictability of the location of mineralization in extensional drilling to the mineral resource. The HRG, Taurus and Moydow data was therefore taken as sufficiently accurate to be used in the estimation of the maiden mineral resource estimates (MRE) for Labola. On October 25, 2021, the Company announced a maiden Mineral Resource prepared in accordance with National Instrument 43-101 for the Company's Labola project, reporting:

DIAMOND FIELDS RESOURCES INC.

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13. EXPLORATION AND EVALUATION EXPENSES (CONTINUED)

Labola (Gold) – Burkina Faso (continued)

- Indicated resource of 5.41 million tonnes at an average grade of 1.52 g/t Au for a total 264,000 ounces of gold; and
- Inferred resource of 6.93 million tonnes at an average grade of 1.67 g/t Au for a total of 371,000 ounces of gold.

The MRE for the Labola Project has been prepared by Mr. Ivor W.O. Jones, M.Sc., FAusIMM, P.Geo, for Aurum Consulting, who is an independent Qualified person (QP) under NI 43-101 guidelines. The maiden Mineral Resource and its preparation have been detailed in a technical report, entitled Diamond Fields Resources Inc. Labola Project 2021-10, prepared in accordance with NI 43-101 and filed on SEDAR by Diamond Fields on December 3, 2021. On April 20, 2022, an amended technical report was filed clarifying that no exploration or drilling was done by DFR, no properties within close proximity to the project could be considered relevant to the project and that the qualified persons were independent from Moydow and Panthera Resources plc (which currently holds the remaining 20% interest in the project).

The MRE was estimated using ordinary kriging methodologies, standard estimation practices and constrained by an open-pit evaluation based on a USD 1,900 per ounce gold price and reported using a cut-off grade of 0.5 grams of gold per tonne ("g/t Au"). The MRE is based upon a total of 69,787 metres ("m") of drilling from 566 drill holes which includes the confirmatory, twin and infill drilling of 4739m for 31 holes (detailed above) undertaken by Moydow in 2021. Preliminary metallurgical results from historical metallurgical samples, supported by extensive LeachWELL (proprietary accelerated cyanide leach technique) data from Moydow drilling samples, indicate that gold is readily treatable by conventional cyanide leaching techniques after grinding to industry standard grind-sizes of approximately 80% passing 120 microns. Recoveries are in the range of 90% and 98% in the oxide zone and between 82% and 93% in the transition/sulfide zone. Moydow has estimated the amount of the resource that has been depleted by artisanal mining to be approximately 341,000 tonnes at 3 g/t Au.

Mr. David J Reading, M.Sc., FIMM, Fellow of the Society of Economic Geologists (SEG) a consultant to the Company and a Qualified Person as defined under Canadian National Instrument 43 101 – Standards of Disclosure for Mineral Projects ("NI 43 101"), has reviewed and approved the technical information contained in this report.

Moydow started a new drilling programme during the current quarter targeting circa 5,000 meters of RC drilling targeting to infill and extend the previous drill pattern on areas of known mineralisation. Additionally, the programme will test the tenor and continuity of some of the other structures that have been identified through a mapping and sampling campaign earlier during the year and exploited by artisanal miners. An aggregate of 4,975 meters of drilling have been completed during the current period, assay results were being analysed at the time of issuing this report.

Pursuant to the Definitive Agreements and other related agreements among DFR, Moydow and Panthera, upon closing DFR has acquired an 80% interest in the Labola project and Panthera will own a carried 20% interest on the condition that DFR invests USD 18,000,000 in the project by September 30, 2026 (the "Deemed Cost Base"). Panthera shall have the right to acquire an additional 10% interest in Labola by making a payment of up to USD 7,200,000 following the trigger date.

DIAMOND FIELDS RESOURCES INC.

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13. EXPLORATION AND EVALUATION EXPENSES (CONTINUED)

Labola (Gold) – Burkina Faso (continued)

Thereafter, all interests shall be participating. Additionally, DFR and Panthera have entered into a joint venture agreement (the “Labola JVA”) for the management and operation of the project, pursuant to which DFR shall be the operator, and is entitled to appoint two third of the members of the management committee and an operator fee. As at the reporting date, DFR (through Moydow) have incurred an estimated \$1,574,000 aggregate qualifying expenditures on the project (subject to audit and confirmation by Panthera) since execution of the definitive agreements pertaining to the transaction announced on August 25, 2021.

Most of the \$88,058 incurred under other projects and new prospects for the six-months period was in relation to the acquisition of the Labola project, however not eligible to qualify for the Deemed Cost Base. Moydow has incurred \$1,101,333 expenditures for the six-months period ended June 30, 2022, out of which \$867,332 relate to the Labola project, these Moydow expenditures, having been incurred before closing are however not reflected in the DFR’s exploration expenditures for the reporting period.

Kalaka (Gold) – Mali

The Kalaka gold project is located 260km southeast of Bamako in South Mali, 80km south of the 8 million ounces Morila gold mine owned by Barrick/Anglo Gold and 85km northwest of the 6 million ounces Syama gold mine owned by Resolute.

Pursuant to the definitive agreements announced by the Company on August 25, 2021, upon completion of the Moydow acquisition on June 29, 2022, Moydow’s interest in Panthera Mali Resources SARL (“PMR”), a Mali company, which owns 80% of the rights in the Kalaka project through a joint venture agreement (the “Kalaka JVA”) with a local participant (the “Local Participant”) was spun off (together with the Nigerian gold projects) and brought under a new holding company, Maniger Ltd., a BVI company (“Maniger”) held as to 50% by DFR and 50% by Panthera. Moydow has complied with all required financial obligations pertaining to the Kalaka JV up to the date of the current period, and on a going forward basis, Maniger is required to spend an aggregate \$300,000 in the project for the year to December 31, 2022 (initially agreed as June 2022, thereafter extended to December). Moydow (hence DFR) having spent in excess of its 2021 and 2022 spending requirements has the opportunity to save cash spending on the project until the end of the year. The Local Participant is entitled to a gross royalty capped at USD 3,000,000 in total. Other than as described in this section, all project interests pertaining to the Kalaka JVA are participating.

Moreover, pursuant to the Convention Etat (the agreement between PMR and the Government of Mali (“GoM”) pertaining to the rights and obligations associated with the Kalaka exploration license), upon starting operation, the operating company succeeding PMR will agree reimbursement terms with GoM for \$397,000 deemed exploration expenditure incurred by GoM in relation to previous exploration work. Furthermore, according to the Convention Etat, GoM will have a 10% carried interest in the operating company succeeding PMR, with an option to acquire a further 10% participating interest, and private local investors shall be eligible to acquire a 5% participating interest.

DIAMOND FIELDS RESOURCES INC.

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13. EXPLORATION AND EVALUATION EXPENSES (CONTINUED)

Kalaka (Gold) – Mali (continued)

Previous exploration work at Kalaka includes 7,349 soil samples, airborne geophysics comprising 909-line km magnetics and EM, ground IP and 20,952m RAB, AC, RC and DD drilling in 372 holes. This work indicates a large, low-grade zone of mineralization with multiple drill intersections exceeding 150m at the 0.5 g/t Au level at the K1A prospect, just one of several similar targets within the 62.5km² permit area along an interpreted 47km combined strike. Similarities between the mineralization at K1A and Morila have been noted, in particular, the early intrusion hosted mineralization at Morila. During 2021, PMR completed 2,430 metre AC drilling in 94 drill holes, aimed at defining RC drill targets, the results announced by Panthera during early 2022, concluded that anomalous gold intersected at all targets tested.

DFR currently holds a 40% participating interest in the project with Panthera also having a 40% participating interest and acting as operator; the Local Participant will hold the remaining 20% participating interest.

Nigeria (Gold)

Pursuant to the definitive agreements announced by the Company on August 25, 2021, upon closing of the Moydow transaction on June 29, 2022, Moydow's interest in Gurara Holdings Limited ("Gurara"), a BVI company, which owns 51% of the rights in several Nigerian mineral licences through a joint venture agreement (the "Gurara JVA") with Zinariya Mining Limited ("Zinariya") a BVI Company, was spun off (together with the Kalaka gold project) and brought under a new holding company, Maniger Ltd., a BVI company ("Maniger") held as to 50% by DFR and 50% by Panthera.

Historically very little systematic, modern exploration has been undertaken on the Nigeria projects. The projects are located within the gold-bearing ("Schist Belt") terrain of the Benin-Nigeria Shield, which has broad similarities to the Birimian of the Man Shield of West Africa.

The "Gurara JVA" involves the following parties:

- (1) Moydow Holdings Limited ("Moydow" or the "Company");
- (2) Zinariya Mining Limited ("Zinariya"), a BVI company. Zinariya owns the remaining interest in Gurara;
- (3) Gurara Holdings Limited ("Gurara"), a BVI Company, which as at September 30, 2021 was held as to 20% by Moydow and 80% by Zinariya; and,
- (4) PW Nigeria Mining Ltd ("PW Mining"), a Nigeria company.

Pursuant to the Gurara JVA:

- Moydow held 20% in Gurara [following project spending of USD 250,000 (the "Initial Payment")];
- PW Nigeria Ltd. ("PW Nigeria") is a member of the same group of company as Zinariya and PW Mining and owned the Projects (as described below);
- PW Nigeria transferred 99.99% of the entire share capital in 3 project companies in Nigeria (the "Projects") to Gurara.

DIAMOND FIELDS RESOURCES INC.

Notes to the condensed consolidated financial statements

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

13. EXPLORATION AND EVALUATION EXPENSES (CONTINUED)

Nigeria (Gold) (continued)

- Zinariya granted a first option to Moydow to acquire a 51% interest in Gurara by investing a total of USD 1,000,000 prior to September 30, 2021 (the “First Option”). Moydow achieved the required expenditure to earn the First Option after September 30, 2021, but the parties have agreed that Moydow has earned the First Option and became bestowed with a 51% interest in Gurara, as such DFR currently holds a 25.5% indirect interest in Gurara.
- Moydow may acquire a Second Option to earn a 65% interest in Gurara expiring on July 2023 by spending an aggregate \$2,000,000 (including the \$1,000,000 above) in the Projects.

DFR did not incur any expenditure in relation to Gurara for the reporting period, and Moydow (now Maniger) has, since earning the 51% interest, incurred minimum expenditures in the BVI and on the projects to keep the assets in good standing.

Namibian Diamond project

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

On November 17, 2017, the Company entered into an agreement with International Mining and Dredging Holdings Proprietary Limited (“IMDH”) and its partner, Namibian Underwater Technology And Mining (Pty) Ltd. (“NUTAM”), whereby NUTAM will have an exclusive right to mine the ML111 property. As consideration for the right to mine, NUTAM will pay DFN a sliding royalty based on production from the property. As no mining activity took place, no income was received during the second quarter and six-months period ended June 30, 2022 (June 30, 2021: \$ nil).

Madagascar Zircon project

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

On May 16, 2019, the Company entered into a cooperation agreement (the “Cooperation Agreement”) with TMH Acquisition Co. (“TMH”), a special purpose vehicle established by Denham Mining Fund LP, to advance the Company’s Beravina Project. Pursuant to the terms of the Cooperation Agreement, TMH made certain payments and funded the next stage of exploration work on the Beravina Project. The Cooperation Agreement was amended and extended until July 2021, and thereafter expired.

Other projects and prospects

During its normal course of business, the Company engages with different parties as authorities to seek business opportunities on an ongoing basis.

As disclosed under note 18, the Company entered into definitive agreements which has led to the acquisition of the West African gold projects. Most of the costs reported under the sub-heading *Other projects and prospects* relate to the West African gold projects, referred under the asset acquisition note disclosed under note 18. There was no other project which had reached a stage which would be considered as material for disclosure.

DIAMOND FIELDS RESOURCES INC.**Notes to the condensed consolidated financial statements****For the second quarter and six-months period ended June 30, 2022 and 2021****(All amounts are expressed in U.S. dollars)****14. GENERAL AND ADMINISTRATIVE EXPENSES**

| | Three- months period ended June 30, 2022 | Three- months period ended June 30, 2021 | Six-months period ended June 30, 2022 | Six-months period ended June 30, 2021 |
|-----------------------------------|---|---|--|--|
| | \$ | \$ | \$ | \$ |
| Directors and secretary fees | 153,125 | 65,625 | 522,250 | 131,250 |
| Consultancy and professional fees | 68,701 | 1,909 | 94,713 | 47,183 |
| Audit and tax fees | - | 14,416 | - | 14,416 |
| Regulatory and listing fees | 52,627 | 190 | 57,589 | 5,527 |
| Insurance | 7,953 | 4,730 | 15,854 | 9,461 |
| Investor relation | 20,628 | 13,834 | 55,542 | 25,225 |
| Office and other expenses | 29,319 | 7,192 | 36,245 | 18,269 |
| | 332,353 | 107,896 | 782,193 | 251,331 |

15. INCOME TAXES

Taxation is calculated at the rate prevailing in its respective operational jurisdiction. Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate for the full financial year applied to the pre-tax income of the interim period.

At June 30, 2022 and June 30, 2021, no deferred tax assets were recognised in respect of tax losses as it was uncertain at that point in time whether taxable profits would be available in the future against which tax losses may be utilised.

16. SEGMENTED INFORMATION

At June 30, 2022, the Company operates in eight (June 30, 2021: four) main geographical locations as set below. Other operations comprise South Africa and British Virgin Islands. However, they do not constitute a separate reportable segment.

Assets by geographic locations for the three-months periods ended June 30, 2022 and December 31, 2021 were as follows:

| At June 30, 2022 | Head Office | Namibia | Madagascar | BVI | Mali | Burkina Faso | Nigeria | Other | Total |
|-----------------------------|----------------|---------|------------|---------|---------|-----------------|---------|-------|-----------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Total assets | 3,183,565 | 20,422 | 11,111 | 291,412 | 476,149 | 125,477 | 45,600 | 2,017 | 4,155,753 |

| At December 31, 2021 | Head Office | Namibia | Madagascar | BVI | Mali | Burkina Faso | Nigeria | Other | Total |
|-------------------------------------|----------------|---------|------------|-----|------|-----------------|---------|-------|---------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Total assets | 298,010 | 8,903 | 9,759 | - | - | - | - | 2,017 | 318,689 |

DIAMOND FIELDS RESOURCES INC.**Notes to the condensed consolidated financial statements****For the second quarter and six-months period ended June 30, 2022 and 2021****(All amounts are expressed in U.S. dollars)****17. RELATED PARTY TRANSACTIONS**

In addition to the information disclosed under note 12 above, the Company recorded related party transactions in terms of compensation to key management personnel of the Company for the six-months periods ended June 30, 2022 and June 30, 2021, which are recorded in the following accounts in these condensed consolidated interim financial statements:

| | Six-months period ended June 30, 2022 | Six-months period ended June 30, 2021 |
|--|--|--|
| | \$ | \$ |
| G&A - Jean Lindberg Charles, CFO and Secretary | 170,250 | 72,250 |
| G&A - Sybrand van der Spuy, COO | 183,000 | 75,000 |
| G&A - John McGloin, CEO | 175,000 | - |
| G&A - Fasken Martineau LLP ¹ | 16,532 | 220,381 |
| Total, excluding share-based compensation | 544,782 | 367,631 |
| Share-based compensation – Directors & Officers | - | - |

G&A - denotes general and administrative expenses.

E&E - denotes evaluation and exploration expenses.

During the six-months period ended June 30, 2022, fees paid to directors and officers of the Company were as follows:

| | Fees | One-off bonus |
|--|----------------|----------------------|
| | \$ | \$ |
| Jean Lindberg Charles, CFO and Secretary | 62,250 | 108,000 |
| Sybrand van der Spuy, COO | 75,000 | 108,000 |
| John McGloin, CEO | 175,000 | - |
| Fasken Martineau LLP | 16,532 | - |
| Total | 328,782 | 216,000 |

At June 30, 2022, a total of US\$535,895 (December 31, 2021: US\$210,999) of fees and expenses were payable to related parties as follows:

| | June 30, 2022 | December 31, 2021 |
|--|--------------------------|------------------------------|
| | \$ | \$ |
| Jean Lindberg Charles, CFO and Secretary | 212,661 | - |
| Sybrand van der Spuy, COO | 133,000 | 25,000 |
| John McGloin, CEO | 67,341 | - |
| Fasken Martineau LLP ¹ | 122,893 | 185,999 |
| Total | 535,895 | 210,999 |

Note:

1. Fasken Martineau LLP¹ - Albert C Gourley, a Director of the Company, holds office as the Regional Managing Partner of Fasken Martineau LLP.

DIAMOND FIELDS RESOURCES INC.

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18. ASSET ACQUISITION

(i) *Definitive Agreements*

On August 25, 2021, the Company announced it has entered into definitive agreements in respect of the acquisition of interests in Moydow Holdings Ltd (“Moydow”) and certain of its subsidiaries (the “Transaction”) to be settled through the issuance of common shares of DFR to Moydow’s security holders. Trading of DFR shares on the stock exchange was halted at the request of the Company to ensure a fair and orderly market. The Transaction received shareholder approval on June 9, 2022 and all Closing conditions have been satisfied. On July 11, 2022, the Company has received final approval from the TSX Venture Exchange (“TSX-V”) for the Transaction. The Company’s common shares resumed trading on the TSX-V on July 13, 2022.

Moydow Holdings Limited, a company registered in BVI, holds interests in a portfolio of gold assets in West Africa. Closing of the Transaction occurred on 29 June 2022, and from 30 June 2022, DFR gains control over Moydow and has taken over Moydow’s portfolio of assets.

The Transaction involves a combined restructuring of Moydow’s shareholdings and a securities exchange with the 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. As a result, DFR issued in aggregate 71,880,320 shares to the security holders of Moydow as consideration for its stake in the Moydow’s portfolio.

Pursuant to the Transaction, DFR acquired:

- An 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\$ 1,000,000.

At Closing of the Transaction, DFR has been 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\$18,000,000 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 US\$18,000,000 in Labola; or (ii) 30 September 2026, by making a payment to DFR of up to US\$7,200,000, to be adjusted down based on DFR’s actual investment in the Labola project during the specified period.

- A 40% indirect interest in the Kalaka (Mali) licence which is intended to be operated by PAT which also holds a 40% interest and the remaining 20% interest is held by a local company.
- A 10% indirect interest in Gurara Holdings Limited (“Gurara”) (which has interest in 3 Nigerian companies owning mineral assets) 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. Moydow has subsequently earned 51% interest in Gurara following incurring an aggregate of US\$ 1,000,000 qualifying expenditures pursuant to a joint venture agreement, as such DFR and PAT each holds a 25.5% indirect interest in Gurara..

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 executed subscription agreements with DFR and otherwise agreed to invest a combined US\$2,750,000 as part of the Transaction (“Founder Investments”) as follows:

DIAMOND FIELDS RESOURCES INC.

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18. ASSET ACQUISITION (CONTINUED)

(i) Definitive Agreements (Continued)

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

(a) Spirit Resources SARL

Spirit Resources SARL invested US\$ 1,500,000 into DFR through the exercise of 10,666,667 existing warrants having an exercise price of CAD \$ 0.125 (CAD \$ 1,333,334 or approximately US\$ 1,063,264) in 2021 and subscribed for 2,012,607 DFR common shares (issued on completion of the transaction) at a price of US\$ 0.217 per share for US\$ 436,736.

The proceeds of the warrants have been used to settle the existing US\$ 1,000,000 loan facility from Spirit and interest arising thereon amounting to US\$ 15,123. Since the Closing, considering the New Financing (see below) Spirit owns 39.7% (after the period end 39.1%) of DFR issued and outstanding common shares.

(b) Brian Kiernan

Brian Kiernan exercised 350,000 options in Moydow (the “Moydow Options”) with an exercise price of US\$1 per option which has been exchanged for common shares of DFR at the Exchange Ratio on Closing and made 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, on closing of the Transaction. The exercise of the Moydow Options and the subscription, together with a previous exercise of US\$ 250,000 Moydow Options by Brian Kiernan, resulted in an aggregate cash injection of US\$ 1,500,000. Since completion of the Transaction, considering the New Financing (see below), Brian Kiernan owns 37.1% (after the period end 36.5%) of DFR’s issued and outstanding common shares. As such, Brian Kiernan is considered a *Control Person* under the TSXV rules.

(ii) New Financing of US\$ 3,250,000

On March 11, 2022, the Company announced completing a new financing consisting of a private placement to raise US\$ 3,250,000 in equity at a price of C\$ 0.20, out of which US\$ 3,162,500 has been settled in cash and the difference of US\$ 87,500 through the net-off of accruals arising on provision of services in consideration for 20,637,500 shares (the “New Financing”). As part of the New Financing, DFR has entered into subscription agreements with several parties including:

- Spirit Resources SARL for US\$ 500,000 for 3,175,000 shares;
- Brian Kiernan for US\$ 1,000,000 for 6,350,000 shares; and
- Insiders and private investors with participation between US\$ 25,000 and US\$ 550,000 for an aggregate of US\$ 1,750,000 for 11,112,500 shares.

On completion of the Transaction, the Founder Investments and exercise of all Moydow warrants, the shareholders of DFR own 56.4% and the Moydow shareholders own 43.6% of the DFR issued and outstanding common shares.

As the acquisition of Moydow does not qualify as a business combination according to the definition in IFRS 3 Business Combinations, the arrangement has been accounted for as an asset acquisition with the preliminary purchase price being allocated based on the estimated fair value of Moydow’s assets and liabilities summarized as follows:

DIAMOND FIELDS RESOURCES INC.**Notes to the condensed consolidated financial statements****For the second quarter and six-months period ended June 30, 2022 and 2021****(All amounts are expressed in U.S. dollars)****18. ASSET ACQUISITION (CONTINUED)**

| | \$ |
|---|-------------------|
| Fair value of consideration paid | |
| Issue of common shares | 10,342,822 |
| Cash consideration | - |
| Total consideration | 10,342,822 |
| Non-controlling interest | 2,585,580 |
| Grossed-up consideration | 12,928,402 |

The allocation of the purchase price based on the relative fair value of assets acquired and liabilities assumed at that date was as follows:

| | \$ |
|---|-------------------|
| Property, plant and equipment | 39,598 |
| Investments in associates (refer to note (a) below) | 521,749 |
| Exploration and evaluation assets (refer to note (a) below) | 14,041,445 |
| Receivables | 236,089 |
| Inventories | 44,462 |
| Cash and cash equivalents | 96,742 |
| Trade and other payables | (1,935,886) |
| Borrowings | (5,797) |
| Deferred consideration | (110,000) |
| Net assets acquired | 12,928,402 |

(a) Consideration – Issue of common shares

The consideration represents the value of the 71,880,320 DFR shares issued to Moydow's security holders based on DFR's stock trading price on the TSX V prior to trading halt on August 24, 2021, that is C\$ 0.185 at a rate of exchange of 1 CAD = 0.778 US\$.

Purchase price allocation

The following values have been attributed to the net assets / interests acquired:

- Mali : 50.0% indirect interest in Panthera Mali Resources SARL (the "Kalaka project") with a deemed value of US\$ 476,149; and
- Nigeria : 25.5% indirect interest in Gurara Holdings Limited valued US\$ 45,600;
- Burkina Faso : 80% indirect interest in the Labola project (the "Labola Option") with a deemed value of US\$ 14,041,445. As per the Definitive Agreements, since the Closing, DFR has been vested with a 80% interest on the condition that it invests US\$ 18,000,000 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 Panthera of its buy back right, its interest would decrease to no less than 60%.

DIAMOND FIELDS RESOURCES INC.

Notes to the condensed consolidated financial statements

For the second quarter and six-months period ended June 30, 2022 and 2021

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

19. GEOPOLITICAL SITUATION

(i) Russia-Ukraine war

The geopolitical situation in Eastern Europe intensified on February 24, 2022, with Russia's invasion of Ukraine. The war between the two countries continues to evolve as military activity proceeds and additional sanctions are imposed. In addition to the human toll, the war is increasingly affecting economic and global financial markets and exacerbating ongoing economic challenges, including issues such as rising inflation and global supply-chain disruption.

Though the Company's activities have so far not been significantly affected by the situation, because of its broader impact on these macroeconomic conditions, the Company believes that the war's effect on its activities would largely depend on the nature and duration of uncertain and unpredictable events, such as further military action, additional sanctions, and reactions to ongoing developments by global financial markets.

The Company is continuously evaluating its direct and indirect exposures to the impacts of the war on its operation. The Company has no subsidiaries, operations, investments, contractual arrangements, or joint ventures in Ukraine and Russia. The Company also does not have significant suppliers, vendors, or customers in Ukraine or Russia. It neither lends to nor borrows from entities in those countries. Although the Company does not have direct exposure to Ukraine or Russia, it is likely to be affected by the overall economic uncertainty and negative impacts on the global economy and major financial markets arising from the war.

20. COMPARATIVES

On June 30, 2022, the Group gained control over the following subsidiaries: Moydow Holdings Limited, Moydow BF Ltd, Moydow Burkina Faso SARL, and Moydow Services Ltd. It also gained significant influence on Maniger Limited (which holds a share of the E&E assets of Panthera Mali Resources SARL and Gurara Holdings Limited) which is considered to be an associate. The Group's condensed consolidated interim financial statements for the six-months period ended June 30, 2022 include the financial statements of these subsidiaries from the date it gained control. The Group has also recognised its share of net asset arising from its investments in the associate. However, the Group's financial statements for the six-months period ended June 30, 2021 do not include these subsidiaries and associate. Hence, the comparative figures for statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and related notes, for that period are not comparable with the current period results.

21. 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 interim financial statements for the second quarter and six-months period ended June 30, 2022, except the following:

- (i) 2,730,631 shares options with an exercise price of C\$0.145 per share have been exercised by five option holders. In addition, 400,169 options have expired unexercised. As a result, at the date of the issue of these unaudited condensed consolidated interim financial statements, the balance of shares options outstanding was 1,319,200.
- (ii) The Company's stock, which has been halted since announcing the Moydow transaction on August 25, 2021, has resumed trading on July 13, 2022 following final approval from the TSX Venture exchange on July 11, 2022.