

DIAMOND FIELDS RESOURCES

DIAMOND FIELDS RESOURCES INC.

Condensed Consolidated Interim Financial Statements

For the three month period ended September 30, 2018

(Unaudited, expressed in United States dollars, unless otherwise stated)

UNAUDITED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited financial statements for the period ended September 30, 2018.

DIAMOND FIELDS RESOURCES INC.**Consolidated Statements of Financial Position****As at September 30, 2018****(Expressed in U.S. dollars)**

	Notes	September 30, 2018	June 30, 2018
		\$	\$
ASSETS			
CURRENT			
Cash		1,283,391	1,425,450
Prepaid expenses and other receivables		29,563	29,100
		1,312,954	1,454,550
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities		158,059	135,613
Derivative financial instruments	11	391,982	665,732
		550,041	801,345
SHAREHOLDERS' EQUITY/(DEFICIENCY)			
Share capital	10	55,633,167	55,633,167
Contributed surplus	10	4,162,497	4,046,823
Accumulated other comprehensive (loss)/income		(4,003)	989
Accumulated deficit		(59,028,748)	(59,027,774)
		762,913	653,205
		1,312,954	1,454,550
Nature and continuance of operations	2		
<i>“Sybrand Van Der Spuy”</i>		<i>“Bertrand Boulle</i>	
<hr/>		<hr/>	
Director		Director	

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

DIAMOND FIELDS RESOURCES INC.
Consolidated Statements of Loss and Comprehensive Loss
For the period ended September 30, 2018 and 2017
(Expressed in U.S. dollars)

	Notes	September 30, 2018	September 30, 2017
		\$	\$
OPERATING EXPENSES			
Salaries	13	27,750	9,000
Share based compensation	10,13	115,674	-
Exploration and Evaluation expenditures	7	89,867	91,362
General and administrative expenses	8	41,118	25,565
		(274,409)	(125,927)
Fair value movement on derivative instruments	11	278,619	4,698
Interest expense		-	(16,679)
Interest income		6,996	-
Foreign exchange gain/(loss)		(12,180)	(49,699)
NET LOSS FOR THE PERIOD		(974)	(187,607)
Exchange difference on translation of foreign operations		(4,992)	(429)
COMPREHENSIVE LOSS FOR THE PERIOD		(5,966)	(188,036)
BASIC LOSS PER SHARE		(0.00)	(0.00)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		67,895,662	43,344,999

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

DIAMOND FIELDS RESOURCES INC.**Consolidated Statement of Changes in Shareholders' Equity/(Deficiency)****For the period ended September 30, 2018 and 2017****(Expressed in U.S. dollars)**

	Number of shares	Share capital \$	Contributed surplus \$	Accumulated deficit \$	Accumulated other comprehensive Income/(loss) \$	Total \$
Balance at June 30, 2017	47,344,999	53,647,079	4,015,808	(59,623,242)	(3,496)	(1,963,851)
Translation adjustment	-	-	-	-	(429)	(429)
Loss for the period	-	-	-	(187,607)	-	(187,607)
Balance at September 30, 2017	47,344,999	53,647,079	4,015,808	(59,810,849)	(3,925)	(2,151,887)
Balance at June 30, 2018	67,895,662	55,633,167	4,046,823	(59,027,774)	989	653,205
Translation adjustment	-	-	-	-	(4,992)	(4,992)
Share based compensation	-	-	115,674	-	-	115,674
Loss for the period	-	-	-	(974)	-	(974)
Balance at September 30, 2018	67,895,662	55,633,167	4,162,497	(59,028,748)	(4,003)	762,913

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

DIAMOND FIELDS RESOURCES INC.
Consolidated statement of cash flows
Period ended September 30, 2018 and 2017
(Expressed in U.S. dollars)

	September 30, 2018	September 30, 2017
	<u>\$</u>	<u>\$</u>
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net Loss for the period	(974)	(187,607)
Items not affecting use of cash		
Foreign exchange gain	(123)	48,318
Share based compensation	115,674	-
Interest	-	12,155
Fair value movement on derivative instruments	(278,619)	(4,698)
Net change in non-cash operating working capital items (Note 12)	21,983	86,171
	(142,059)	(45,661)
CHANGE IN CASH	(142,059)	(45,661)
CASH, BEGINNING OF PERIOD	1,425,450	128,257
CASH, END OF PERIOD	1,283,391	82,596

Supplemental cash flow information (Note 12)

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

DIAMOND FIELDS RESOURCES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTH ENDED SEPTEMBER 30, 2018.
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 Madagascar, Namibia and the Red Sea. The Company was incorporated under the Canada Business Corporations Act on May 28, 2000, and has continued as a company under the Business Corporations Act of British Columbia. The Company is listed on the TSX Venture Exchange ("TSX-V"), having the symbol DFR, as a Tier 2 mining issuer and is in the process of exploring its mineral properties.

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

The address of the Company's corporate office and principal place of business is Suite 303, 595 Howe Street, Vancouver, British Columbia V6C 2T5, Canada.

On December 6, 2017, the Company changed its name from **Diamond Fields International Ltd** to **Diamond Fields Resources Inc.**

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.

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

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

3. STATEMENT OF COMPLIANCE

The condensed consolidated interim financial statements of the Company for the period ended September 30, 2018 have been prepared in accordance with IAS 34 'Interim Financial Reporting'. The condensed consolidated interim financial statements do not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

DIAMOND FIELDS RESOURCES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTH ENDED SEPTEMBER 30, 2018.
Expressed in U.S. dollars

4. BASIS OF MEASUREMENT

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

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

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Group’s accounting policies. The areas involving a higher degree of judgment of 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 years presented in these condensed consolidated interim financial statements unless otherwise indicated.

(a) *Basis of consolidation*

Subsidiaries

Subsidiaries are entities controlled by Diamond Fields Resources Inc. (the “Parent”). The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Parent. The consolidated financial statements include the accounts of the Parent and its subsidiaries, as shown below:

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

Transactions eliminated on consolidation

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

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currencies

Transactions and balances

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

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

Subsidiaries

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

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

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

(c) Cash and cash equivalents

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

(d) Financial instruments

Financial Assets

Financial assets are classified based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for fair value through profit or loss and loans and receivables is as follows:

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) *Financial instruments (continued)*

Fair value through profit or loss (“FVTPL”)

A financial asset is classified as FVTPL if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company’s documented risk management or investment strategy. On initial recognition material transaction costs are recognized in profit or loss as incurred. Financial assets at FVTPL are measured at fair value, and changes therein are recognized in profit or loss. Cash is classified as FVTPL.

Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. Loans and receivables are comprised of other receivables.

Impairment of Financial Assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

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 classified in the ‘other financial liabilities category’: accounts payable and accrued liabilities, convertible debentures and loan payable. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compound Financial Instruments

The Company may issue compound financial instruments such as convertible debentures. Upon issuance, the Company determines whether the conversion feature represents an equity component or liability component. When the conversion feature represents an equity component, the proceeds received on issue of the convertible debenture are allocated into their liability and equity components. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not include an option to convert. Subsequently, the debt component is accounted for as a financial liability measured at amortized cost until extinguished on conversion or maturity of the note. The remainder of the proceeds is allocated to the conversion option and is recognized within shareholders' equity, net of income tax effects.

If the conversion feature represents a liability, or if the convertible debenture includes any other embedded derivatives, they may be separated from the host contract and accounted for as a derivative when the following three criteria are satisfied:

- When the economic risks and characteristics of the embedded derivative are not closely related to those of the host contract;
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- The entire instrument is not measured at fair value with changes in fair value recognized in the statement of loss and comprehensive loss.

The difference between the fair value of the total compound instrument and the fair value of the embedded derivative is assigned to the host contract. The embedded derivative is fair valued at each reporting date using an appropriate fair value valuation model with changes in the fair value being recognized immediately in net loss and comprehensive loss.

Where it is determined that the embedded derivative is not to be separated from the host instrument, the entire instrument will be carried at fair value through profit and loss, with fair value adjustments occurring subsequent to initial recognition being taken to the statement of loss and comprehensive income.

Derivative Financial Instruments

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

(f) *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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) *Share based compensation*

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

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

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

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

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

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

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

(h) *Income taxes*

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

DIAMOND FIELDS RESOURCES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTH ENDED SEPTEMBER 30, 2018.
Expressed in U.S. dollars

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Income taxes (continued)

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

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

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

(i) Loss per share

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

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

(j) Provisions

Rehabilitation Provisions

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

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

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

DIAMOND FIELDS RESOURCES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTH ENDED SEPTEMBER 30, 2018.
Expressed in U.S. dollars

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) 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.

(l) Revenue

Sales of diamonds are recognized when the risks and rewards of ownership pass to the customer, the price can be measured reliably and collectability is reasonably assured. Revenue is measured at the fair value of the consideration received, excluding discounts and rebates. Revenue from diamond 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.

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

IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It will supersede the following lease Standard and Interpretations upon its effective date:

- IAS 17 *Leases*
- IFRIC 4 *Determining whether an arrangement contains a lease*
- SIC 15 *Operating Lease – Incentives*; and
- SIC 27 *Evaluating the Substance of Transactions involving the Legal Form of a Lease*

IFRS 16 is effective for reporting periods beginning on or after January 1, 2019 with early application permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16.

The directors of the Company do not anticipate that the application of IFRS 16 in the future will have a material impact on the amounts reported and disclosures made in the Company's consolidated financial statements.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

Share Based Compensation Transactions

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

Derivative Financial Instruments

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

Title to Mineral Property Interests

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

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7. EXPLORATION & EVALUATION EXPENSES

	Three month ended September 30, 2018 \$	Three month ended September 30, 2017 \$
Namibian Diamond project	7,135	67,589
Beravina Zircon project	16,486	-
Other projects and prospects	66,246	23,773
	<u>89,867</u>	<u>91,362</u>

8. GENERAL AND ADMINISTRATIVE EXPENSES

	Three month ended September 30, 2018 \$	Three month ended September 30, 2017 \$
Office	6,599	6,737
Consultancy and Professional fees	22,727	12,959
Regulatory	7,497	4,292
Investor relation	4,295	1,577
	<u>41,118</u>	<u>25,565</u>

9. INCOME TAXES

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

The Company has not recognized deferred tax assets in relation to prior year losses as it does not believe that there will be sufficient taxable income in future periods to utilize these losses.

DIAMOND FIELDS RESOURCES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
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10. SHARE CAPITAL

Authorized share capital

Issued and outstanding share capital

On May 24, 2018, the TSX-V accepted the Company's private placement of 6,472,496 common shares at a price of CAD 0.125 per share for gross proceeds of CAD 809,062. In addition, on May 25, 2018, the TSX-V approved the issuance of 14,078,170 common shares to settle a total of CAD 1,759,771 in outstanding debt owing to its major shareholder, Spirit Resources SARL.

Accordingly, on May 29, 2018 the Company issued a total of 20,550,666 common shares at CAD 0.125 per share, having an aggregate value of CAD 2,568,833.

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 of the Company's common shares, which vest and become exercisable in full upon grant, except for options granted to consultants performing investor relations activities, which vest in stages over twelve months. The exercise period for any 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 July 1, 2017 to September 30, 2018:

Grant Date	Expiry Date	Opening Balance	During the Year			Closing Balance
			Granted	Exercised	Forfeited / expired	
Balance at June 30, 2017		630,000	2,962,800	-	(140,000)	3,452,800
02/05/18	02/04/23	-	400,000	-	-	400,000
Balance at June 30, 2018		3,452,800	400,000	-	-	3,852,800
07/19/13	07/19/18	-	-	-	(490,000)	(490,000)
08/28/18	08/27/23	-	1,837,200	-	-	1,837,200
Balance at September 30, 2018		3,852,800	1,837,200	-	(490,000)	5,200,000

The following is a summary of options outstanding and exercisable at September 30, 2018:

Grant Date	Expiry Date	Exercise Price (CAD)	Exercisable at September 30, 2018	Outstanding at September 30, 2018
12/12/16	12/11/21	\$ 0.145	2,962,800	2,962,800
02/05/18	02/04/23	\$ 0.145	133,333	400,000
08/28/18	08/27/23	\$ 0.145	612,400	1,837,200
Balance at September 30, 2018			3,708,533	5,200,000

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10. SHARE CAPITAL (CONTINUED)

Stock Options (continued)

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

	September 30, 2018	September 30, 2017
Expected volatility	203%	-
Risk-free interest rate	2.21%	-
Expected life (years)	5	-
Dividend yield	-	-
Forfeiture	-	-

Share purchase warrants

A summary of share purchase warrant activity and information concerning currently outstanding and exercisable warrants from July 1, 2017 to September 30, 2018 is as follows:

Grant Date	Expiry Date	Opening Balance	During the Year			Closing Balance	Exercisable
			Granted	Exercised	Forfeited / expired		
Balance at July 1, 2017		10,666,667	-	-	-	10,666,667	10,666,667
No movement during the year June 30, 2018		-	-	-	-	-	-
Balance at June 30, 2018		10,666,667	-	-	-	10,666,667	10,666,667
No movement during the period September 30, 2018		-	-	-	-	-	-
Balance at September 30, 2018		10,666,667	-	-	-	10,666,667	10,666,667
Weighted average price CAD		\$0.125	-	-	-	\$0.125	\$0.125

Nature and purpose of equity

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

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

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

"Accumulated Other Comprehensive Loss" includes foreign exchange losses/gains on translating subsidiaries with a different functional currency.

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11. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

	Warrants (Note 12) \$
Balance, June 30, 2017	978,240
Movement in fair value	(305,106)
Movement in foreign exchange rates	(7,402)
Balance, June 30, 2018	665,732
Movement in fair value	(278,619)
Movement in foreign exchange rates	(4,868)
Balance, September 30, 2018	391,982

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.

	September 30, 2018	June 30, 2018
Expected volatility	147%	196%
Risk-free interest rate	2.35%	1.68%
Expected life	2.98 years	3.23 years

12. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash operating working capital items:

	September 30, 2018	September 30, 2017
	\$	\$
Decrease/(Increase) in:		
Prepaid expenses and other receivables	(463)	539
Increase in:		
Accounts payable and accrued liabilities	22,446	85,632
	21,983	86,171

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13. RELATED PARTY TRANSACTIONS

The Company incurred the following compensation to related parties for the periods ended September 30, 2018 and 2017, which are recorded in the following accounts in these condensed consolidated interim financial statements:

	<u>2018</u>	<u>2017</u>
	\$	\$
Salaries and consulting fees	27,750	9,000
Exploration and evaluation - advisory fees	-	60,819
Share based compensation	115,674	-

All related party transactions are recorded at the exchange amount, being the amounts established and agreed to between the related parties.