

DIAMOND ND FIELDS R E S O U R C E S

DIAMOND FIELDS RESOURCES INC.
Consolidated Financial Statements
For the year ended June 30, 2019

Management's Responsibility for Financial Reporting

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

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

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

October 28, 2019

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Diamond Fields Resources Inc.

Opinion

We have audited the accompanying consolidated financial statements of Diamond Fields Resources Inc. (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2019 and 2018, and the consolidated statements of income (loss) and comprehensive income (loss), cash flows, and changes in shareholders' equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the consolidated financial statements, which indicates that the Company incurred a net loss of \$111,695 during the year ended June 30, 2019 and, as of that date, the Company's accumulated deficit was \$59,139,469. As stated in Note 2, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.



In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going

concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Glenn Parchomchuk.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

October 28, 2019

DIAMOND FIELDS RESOURCES INC.
Consolidated Statement of Financial Position
As at June 30, 2019 and 2018
(Expressed in U.S. dollars)

	Notes	<u>June 30, 2019</u>	<u>June 30, 2018</u>
		\$	\$
ASSETS			
CURRENT			
Cash		1,575,101	1,425,450
Prepaid expenses and other receivables		32,692	29,100
		1,607,793	1,454,550
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities		212,695	135,613
Derivative financial instruments	13	754,437	665,732
		967,132	801,345
SHAREHOLDERS' EQUITY			
Share capital	12	55,633,167	55,633,167
Contributed surplus	12	4,139,619	4,046,823
Accumulated other comprehensive income		7,344	989
Accumulated deficit		(59,139,469)	(59,027,774)
		640,661	653,205
		1,607,793	1,454,550
Nature and continuance of operations	2		
Subsequent events	20		

“Sybrand Van Der Spuy”

Director

“Albert C Gourley”

Director

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

DIAMOND FIELDS RESOURCES INC.
Consolidated Statement of Income (Loss) and Comprehensive Income (Loss)
For the years ended June 30, 2019 and 2018
(Expressed in U.S. dollars)

	Notes	June 30, 2019	June 30, 2018
		\$	\$
OPERATING EXPENSES			
Exploration expenses	7	707,393	391,707
Share based compensation	12,19	92,796	31,015
General and administrative expenses	8	610,060	326,296
		(1,410,249)	(749,018)
Fair value movement on derivative instruments	13	(86,932)	305,106
Interest expense	9	-	(48,692)
Other income	10	1,355,530	1,062,000
Interest income		29,761	9,308
Foreign exchange gain		195	16,764
NET INCOME (LOSS) FOR THE YEAR		(111,695)	595,468
Exchange difference on translation of foreign operations		6,355	4,485
COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		(105,340)	599,953
BASIC INCOME (LOSS) PER SHARE		(0.00)	0.01
DILUTED INCOME (LOSS) PER SHARE		(0.00)	0.01
WEIGHTED AVERAGE NUMBER OF COMMON			
SHARES OUTSTANDING – Basic		67,895,662	49,146,698
SHARES OUTSTANDING – Diluted		67,895,662	63,666,165

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

DIAMOND FIELDS RESOURCES INC.
Consolidated Statement of Changes in Shareholders' Equity
For the years ended June 30, 2019 and 2018
(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	47,344,996	53,647,079	4,015,808	(59,623,242)	(3,496)	(1,963,851)
Private placement	6,472,496	628,978	-	-	-	628,978
Share issue costs	-	(10,949)	-	-	-	(10,949)
Loan settlement	14,078,170	1,368,059	-	-	-	1,368,059
Translation adjustment	-	-	-	-	4,485	4,485
Share based compensation	-	-	31,015	-	-	31,015
Net income for the year	-	-	-	595,468	-	595,468
Balance at June 30, 2018	67,895,662	55,633,167	4,046,823	(59,027,774)	989	653,205
Share based compensation	-	-	92,796	-	-	92,796
Translation adjustment	-	-	-	-	6,355	6,355
Loss for the year	-	-	-	(111,695)	-	(111,695)
Balance at June 30, 2019	67,895,662	55,633,167	4,139,619	(59,139,469)	7,344	640,661

DIAMOND FIELDS RESOURCES INC.
Consolidated Statement of Cash Flows
For the years ended June 30, 2019 and 2018
(Expressed in U.S. dollars)

	June 30, 2019	June 30, 2018
	<u>\$</u>	<u>\$</u>
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net income (loss) for the year	(111,695)	595,468
Items not affecting use of cash		
Foreign exchange gain	1,773	(4,705)
Gain on disposal of subsidiary	-	(392,000)
Share based compensation	92,796	31,015
Interest	-	48,692
Fair value movement on derivative instruments	86,932	(305,106)
Proceeds received from Beravina Cooperation Agreement	(250,000)	-
Net change in non-cash operating working capital items (Note 16)	79,845	2,645
	(100,349)	(23,991)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares (net)	-	579,184
Loan received	-	350,000
	-	929,184
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds received from Beravina Cooperation Agreement	250,000	-
Cash from disposal of Nickel Fields Ltd.	-	392,000
	250,000	392,000
CHANGE IN CASH	149,651	1,297,193
CASH, BEGINNING OF YEAR	1,425,450	128,257
CASH, END OF YEAR	1,575,101	1,425,450

Supplemental cash flow information (Note 16)

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

DIAMOND FIELDS RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 and 2018.
(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.

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

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

2. NATURE AND CONTINUANCE OF OPERATIONS

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

As at June 30, 2019, the Company has an accumulated deficit of \$59,139,469 (2018: \$59,027,774) and a net loss of \$111,695 (2018: net income of \$595,468) for the year ended June 30, 2019.

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 consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") effective for the Company's reporting for the year ended June 30, 2019.

The financial statements were authorized for issue by the Board of Directors on October 28, 2019.

DIAMOND FIELDS RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 and 2018.
(All amounts are expressed in U.S. dollars.)

4. BASIS OF MEASUREMENT

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

The 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 Company’s significant accounting policies. The areas involving a higher degree of judgment 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 years presented in these consolidated financial statements, unless otherwise indicated.

(a) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by Diamond Fields Resources Inc. (the “Parent”). The financial statements of subsidiaries are included in the 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.

DIAMOND FIELDS RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 and 2018.
(All amounts are expressed in U.S. dollars.)

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 income (loss) and 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:

- 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 income (loss) and comprehensive income (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 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 income (loss) and comprehensive income (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

The Company will classify financial assets as subsequently measured 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 asset and the financial asset's contractual cash flow characteristics. The three categories are defined as follows:

DIAMOND FIELDS RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 and 2018.
(All amounts are expressed in U.S. dollars.)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments (continued)

i) Amortized cost - a financial asset is measured at amortized cost if both of the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

iii) Fair value through profit or loss - any financial assets that are not held in one of the two business models mentioned 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 are comprised of cash and receivables, which are all measured at amortized cost.

Impairment of Financial Assets

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

Financial Liabilities

Financial liabilities are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. The Company has the following financial liabilities: accounts payable and accrued liabilities. 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.

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

DIAMOND FIELDS RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 and 2018.
(All amounts are expressed in U.S. dollars.)

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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments (continued)

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 income (loss) and comprehensive income (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 income (loss) and comprehensive income (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 income (loss) and comprehensive income (loss).

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.

(e) Mineral properties

The Company's properties are all currently in the Exploration and Evaluation ("E&E") stage.

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

DIAMOND FIELDS RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 and 2018.
(All amounts are expressed in U.S. dollars.)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Mineral properties (continued)

Impairment of Non-Financial Assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(f) Share based compensation

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of income (loss) and 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 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 income (loss) and comprehensive income (loss) over the remaining vesting period.

DIAMOND FIELDS RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 and 2018.
(All amounts are expressed in U.S. dollars.)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Share based compensation (continued)

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 income (loss) and 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.

(g) 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.

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.

DIAMOND FIELDS RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 and 2018.
(All amounts are expressed in U.S. dollars.)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) 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.

(i) Provisions

Rehabilitation Provisions

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

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

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

(j) Share capital

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

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

(k) Revenue

Sales of 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.

DIAMOND FIELDS RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 and 2018.
(All amounts are expressed in U.S. dollars.)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) New accounting policies adopted during the year

IFRS 9 Financial Instruments

The Company adopted IFRS 9, *Financial Instruments* standard on July 1, 2018. This standard includes changes in the measurement basis of financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an “incurred loss” model from IAS 39 to an “expected credit loss” model.

The application of IFRS 9 did not have a material impact on the amounts reported and disclosures made in the Company’s consolidated financial statements as compared to the prior periods.

IFRS 15 Revenue from Contracts with Customers

The Company adopted IFRS 15, *Revenue from Contracts with Customers* standard on July 1, 2018. The standard establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange of those goods and services.

The application of IFRS 15 did not have a material impact on the amounts reported and disclosures made in the Company’s consolidated financial statements as compared to prior periods.

(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 Company does 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.

DIAMOND FIELDS RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 and 2018.
(All amounts are expressed in U.S. dollars.)

DIAMOND FIELDS RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 and 2018.
(All amounts are expressed in U.S. dollars.)

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 12.

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 13.

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 CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 and 2018.
(All amounts are expressed in U.S. dollars.)

7. EXPLORATION EXPENSES

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
	\$	\$
Namibian diamond project	155,831	235,097
Beravina zircon project	171,218	135,918
Other projects and new prospects	380,344	20,692
	<u>707,393</u>	<u>391,707</u>

Exploration expenses by nature of expenditure are summarized below:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
	\$	\$
Consulting	579,889	225,323
Travel	81,949	55,844
Sample testing	27,435	109,321
Licences & other expenses	18,120	1,219
	<u>707,393</u>	<u>391,707</u>

Namibian Diamond project

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

On November 17, 2017, the Company amended the earn-in agreement previously signed with International Mining and Dredging Holdings Proprietary Limited (“IMDH”) on April 1, 2015, such that IMDH will no longer earn an interest in DFN, and entered into a new agreement with IMDH and its partner, Namibian Underwater Technology And Mining (Pty) Ltd. (“NUTAM”), whereby NUTAM will have an exclusive right to mine the property. As consideration for the right to mine, NUTAM will pay DFN a sliding royalty based on production from the property. During the year ended June 30, 2019, the Company received \$1,105,530 net share of proceeds from NUTAM (2018 - \$670,000 share of bulk sampling).

Madagascar Zircon project

In August 2016, the Company, through its wholly owned subsidiary, Kimberley Overseas Ltd., reached an agreement with Pala Investments Limited and Austral Resources Limited to acquire Action Mining Ltd., a Mauritius company which wholly owns Compagnie Generale des Mines de Madagascar (“CGMM”). CGMM owns 100% of the mining license for the Beravina zircon deposit in Madagascar.

On May 16, 2019, the Company entered into a cooperation agreement with TMH Acquisition Co., a special purpose vehicle established by Denham Mining Fund LP (“TMH”), to advance the Company’s Beravina project (the “Project”) in Madagascar (the “Cooperation Agreement”). Pursuant to the terms of the Cooperation Agreement, TMH will make an immediate payment of \$250,000 (received) to the Company and fund the next stage of exploration and development work on Beravina (the “Work Program”), expected to cost approximately \$500,000 and to be completed within seven months from the date of entering the Cooperation Agreement (the “Evaluation Period”).

DIAMOND FIELDS RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 and 2018.
(All amounts are expressed in U.S. dollars.)

7. EXPLORATION EXPENSES (CONTINUED)

TMH has the right to extend the Evaluation Period by a further three months if it has incurred expenditures of \$500,000 and made a further payment of \$250,000.

TMH will have the option (the "Option") to buy 100% of the Project in consideration of: a net payment of \$2,000,000; and, a nine percent royalty from future sales, subject to certain minimum deductions. Upon exercise of the Option, TMH is required to place the Project into production by no later than June 30, 2023 (the "Project Long-Stop Date"), subject to certain extensions for events of force majeure, such as permitting delays, but no longer than June 30, 2025. Should the Project not be placed into production by the Project Long-Stop Date, then TMH is required to make advance payments to the Company, as follows:

- A. \$500,000 on the Project Long-Stop Date;
- B. \$500,000 six months after the Project Long-Stop Date; and,
- C. \$500,000 on every anniversary of the Project Long-Stop Date thereafter.

If TMH fails to make an advance royalty payment when due, then the Company shall have the right to reacquire the Project in consideration of 50% of any advance royalty payments made by TMH.

Atlantis II Red Sea project

The Company, through its joint venture partner, Manafa International Trade Company of Saudi Arabia ("Manafa") holds an interest in an exclusive thirty year mining license extending over the Atlantis II Deeps. Pursuant to the terms of the joint venture agreement dated August 3, 2008, DFR and Manafa agreed that these licenses would be transferred into a joint venture company ("JVC"). It was agreed that DFR would own 50.1% of the JVC and Manafa would own 49.9%. Advancement of the project has been hindered since April 2013 following a dispute with Manafa over contractual terms, as such the license held by Manafa for the benefit of Manafa and DFR has not transferred under joint ownership as no JVC had been set up. The Company does not currently hold any interest in Manafa, but only in the Atlantis II license. The Company continues to explore avenues to resolve the impasse.

The Company has evaluated this arrangement under the criteria within IFRS 11, Joint Arrangements, and has concluded that the arrangement is not jointly controlled. As at June 30, 2019, there are no assets or liabilities which are subject to this agreement aside from the license itself.

The Company continues to assert its rights to the project.

Other projects and prospects

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

DIAMOND FIELDS RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 and 2018.
(All amounts are expressed in U.S. dollars.)

8. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
	\$	\$
Directors and secretary fees	143,000	57,371
Salaries, fees and consultancy	309,098	77,326
Audit and tax fees	54,033	43,402
Regulatory	27,259	34,433
Insurance	14,212	14,501
Investor relation	25,733	45,786
Office and other expenses	36,726	53,477
	<u>610,060</u>	<u>326,296</u>

9. INTEREST EXPENSE

	<u>June 30, 2019</u>	<u>Jun 30, 2018</u>
	\$	\$
Interest on loans and debentures	-	48,692
	<u>-</u>	<u>48,692</u>

10. OTHER INCOME

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
	\$	\$
Gain on disposal of subsidiary	-	392,000
Share of net proceeds from sale of diamonds	1,105,530	670,000
Beravina cooperation agreement	250,000	-
	<u>1,355,530</u>	<u>1,062,000</u>

DIAMOND FIELDS RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 and 2018.
(All amounts are expressed in U.S. dollars.)

11. INCOME TAXES

Taxation is calculated at the rate prevailing in its respective operational jurisdiction. There is no deferred tax charge arising for the Company for the year.

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	June 30, 2019	June 30, 2018
	\$	\$
Income/(Loss) for the year	(111,695)	595,468
Expected income tax (recovery)	(425,000)	52,000
Change in statutory, foreign tax, foreign exchange rates and other	(150,000)	152,000
Permanent Difference	620,000	(57,000)
Share issue costs	(2,000)	(2,000)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	(1,657,000)	(28,000)
Change in unrecognized deductible temporary differences	1,614,000	(117,000)
Total income tax expense (recovery)	-	-

Deferred Tax Assets and Liabilities

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

	June 30, 2019	June 30, 2018
	\$	\$
Deferred Tax Assets		
Property and equipment	81,000	79,000
Share issue costs	2,000	3,000
Allowable capital losses	1,215,000	1,221,000
Non-capital losses available for future periods	8,153,000	6,534,000
	9,451,000	7,837,000
Unrecognised deferred tax assets	(9,451,000)	(7,837,000)
Net deferred tax assets	-	-

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	June 30, 2019	Expiry	June 30, 2018	Expiry
	\$	Date Range	\$	Date Range
Temporary Differences				
Property and equipment	301,000	No expiry date	294,000	No expiry date
Share issue costs	7,000	2040 to 2042	9,000	2039 to 2042
Allowable capital losses	4,500,000	No expiry date	4,521,000	No expiry date
Non-capital losses available for future period	20,374,000	2023 to indefinite	17,023,000	2023 to indefinite

Tax attributes are subject to review, and potential adjustment, by tax authorities.

DIAMOND FIELDS RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 and 2018.
(All amounts are expressed in U.S. dollars.)

12. SHARE CAPITAL

Authorized share capital

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

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, of which CAD \$50,000 was applied to settle amounts owing to a director. 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.

As at June 30, 2019 and 2018, the Company had 67,895,662 issued and outstanding shares.

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. 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 June 30, 2017 to June 30, 2019:

Grant Date	Expiry Date	Opening balance	During the year			Closing balance
			Granted	Exercised	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 June 30, 2019		3,852,800	1,837,200	-	(490,000)	5,200,000

DIAMOND FIELDS RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 and 2018.
(All amounts are expressed in U.S. dollars.)

12. SHARE CAPITAL (CONTINUED)

The following is a summary of options outstanding and exercisable at June 30, 2019:

Grant Date	Expiry Date	Exercise price (CAD)	Exercisable at June 30, 2019	Outstanding at June 30, 2019
12/12/16	12/11/21	\$0.145	2,962,800	2,962,800
02/05/18	02/04/23	\$0.145	266,667	400,000
08/28/18	08/27/23	\$0.145	612,400	1,837,200
Balance at June 30, 2019			3,841,867	5,200,000

The weighted average exercise price of options outstanding as at June 30, 2019 was CAD \$0.15 (2018: CAD \$0.19) with exercise price at CAD \$0.145 (2018: ranging from CAD \$0.145 to CAD \$0.50).

During the year ended June 30, 2019, 1,837,200 stock options (2018 – 400,000) were granted. Using the below assumptions, the fair value of options granted during the year ended June 30, 2019 was \$0.063 per option (2018 - \$0.115), for total share based compensation of \$92,796 (2018 - \$31,015)

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

	June 30, 2019	June 30, 2018
Expected volatility	203%	204%
Risk-free interest rate	2.21%	2%
Expected life (years)	5	5
Dividend yield	-	-
Forfeiture	-	-

Share purchase warrants

A summary of share purchase warrant activity and information concerning currently outstanding and exercisable warrants from June 30, 2017 to June 30, 2019 is as follows:

Grant date	Opening balance	During the year			Closing balance	Exercisable
		Granted	Exercised	Forfeited / expired		
Balance at June 30, 2017 and 2018	10,666,667				10,666,667	10,666,667
Movement during the year		-	-	-	-	-
Balance at June 30, 2019	10,666,667	-	-	-	10,666,667	10,666,667
Weighted average price CAD	\$0.125				\$0.125	\$0.125

DIAMOND FIELDS RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 and 2018.
(All amounts are expressed in U.S. dollars.)

12. SHARE CAPITAL (CONTINUED)

Nature and purpose of equity

The reserves recorded in equity on the Company's consolidated 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 functional currency different from that of the US dollar.

13. 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 income (loss) and comprehensive income (loss).

The change in fair value 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	86,932
Movement in foreign exchange rates	1,773
Balance, June 30, 2019	754,437

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.

	June 30, 2019	June 30, 2018
Expected volatility	106%	196%
Risk-free interest rate	1.41%	1.68%
Expected life	2.23 years	3.23 years

DIAMOND FIELDS RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 and 2018.
(All amounts are expressed in U.S. dollars.)

14. CONVERTIBLE DEBENTURES

	\$
Balance June 30, 2017	115,164
Foreign exchange	2,697
Debt settled during the year	(117,861)
Balance June 30, 2018 and 2019	-

On March 27, 2014 the Company issued a new convertible debenture in the total principal amount of CAD \$151,357 to Firebird Global Master Fund II Holdings, Ltd. ("Firebird"). The debenture had a one year term maturing March 26, 2015, with 8% interest payable semi-annually. The debenture was convertible into a total of 605,428 units at a conversion price of CAD \$0.25 per unit. Each unit was comprised of one common share and one-half share purchase warrant, each whole warrant entitling the holder to acquire one additional common share on or before March 26, 2015 at a price of CAD \$0.25 per share. The debenture replaced another debenture originally issued November 7, 2012 to Firebird that matured March 27, 2014. These debentures were subsequently acquired by Spirit.

The new debenture was classified as a compound financial instrument that contained both derivative and debt characteristics. On issuance, the derivative financial liability component was assessed a value of \$27,201 using the binomial model. The residual value of the principal of the debenture of \$108,583 was assessed as the value of the debt component of the convertible debenture.

During fiscal 2018, the Company issued 1,210,856 common shares to Spirit to settle the debentures of \$115,164 in full.

15. LOANS

	June 30, 2019	June 30, 2018
	\$	\$
Opening balance	-	803,695
Loan received	-	350,000
Interest	-	40,163
Loan settlement	-	(1,193,858)
	-	-

During fiscal year 2018, the Company issued 12,867,314 common shares to Spirit to settle the loans and accrued interest of \$1,193,858.

DIAMOND FIELDS RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 and 2018.
(All amounts are expressed in U.S. dollars.)

16. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash operating working capital items:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
	\$	\$
(Increase) / Decrease in:		
Prepaid expenses and other receivables	(3,592)	3,322
Increase / (Decrease) in:		
Accounts payable and accrued liabilities	83,437	(677)
	79,845	2,645
The significant non-cash transaction for the year ended June 30, 2019:		\$
Currency translation adjustment on net assets		6,355
The significant non-cash transactions for the year ended June 30, 2018:		\$
Shares issued for debenture and interest settlement (note 14)		174,201
Shares issued for loan settlement (note 15)		1,193,858
Shares issued to settle director bonus		38,845
Currency translation adjustment on net assets		4,485

17. SEGMENTED INFORMATION

At June 30, 2019, the Company operates in four main geographical locations as set below. Other operations comprise South Africa and British Virgin Islands and these do not constitute a separate reportable segment.

Assets by geographic location for the years ended June 30, 2019 and 2018 were as follows:

As at June 30, 2019	Head Office	Namibia	Madagascar	Other	Total
	\$	\$	\$	\$	\$
Total assets	242,797	1,314,162	42,691	8,143	1,607,793
As at June 30, 2018	Head Office	Namibia	Madagascar	Other	Total
	\$	\$	\$	\$	\$
Total assets	599,138	520,083	324,051	11,278	1,454,550

18. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENT RISKS

(i) Capital Management

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

DIAMOND FIELDS RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 and 2018.
(All amounts are expressed in U.S. dollars.)

18. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENT RISKS
(CONTINUED)

(i) Capital Management (continued)

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

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

(ii) Financial Instrument Risks

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

Market Risk

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

Foreign currency risk

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

The following table reflects the Company's foreign currency exposure as of June 30, 2019:

	Currency CAD	Currency NAD	Currency Other	Currency USD	Total
Financial Assets	\$	\$	\$	\$	\$
Cash	5,098	1,304,169	5,617	260,218	1,575,101
Other receivables	10,786	9,993	-	11,912	32,692
	15,884	1,314,162	5,617	272,129	1,607,793
Financial Liabilities	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	36,877	33,593	128,783	13,442	212,695
Derivative financial instruments	754,437	-	-	-	754,437
	791,314	33,593	128,783	13,442	967,132

DIAMOND FIELDS RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 and 2018.
(All amounts are expressed in U.S. dollars.)

18. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENT RISKS
(CONTINUED)

As at June 30, 2019, with other variables unchanged, a 10% change in the NAD to USD exchange rate would result in a \$128,000 change in foreign exchange gain (loss).

Interest rate risk

The Company does not have any financial instruments subject to interest rate risk at June 30, 2019.

Equity price risk

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

Commodity price risk

Commodity price risk is the uncertainty associated with the valuation of assets arising from changes in commodities. Though the Company is at an early exploration stage it is exposed to price risk through its Namibian operations where an initial six month (non continuous) mining program has started.

Credit risk

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking harm to the Company's reputation. The Company monitors cash flows to ensure it has sufficient available funds to meet current and foreseeable financial requirements at a reasonable cost. The following is a summary of the Company's liabilities and their respective due dates as at June 30, 2019:

	Total	< 1 year	1 – 2 years
	\$	\$	\$
Accounts payable and accrued liabilities	212,295	212,295	-

Determination of fair value

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The Statement of Financial Position carrying amounts for cash, receivables, accounts payable and accrued liabilities and derivative financial instruments approximate fair value due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

DIAMOND FIELDS RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 and 2018.
(All amounts are expressed in U.S. dollars.)

18. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENT RISKS
(CONTINUED)

Fair value hierarchy

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The Company's cash is measure using Level 1 fair value measurements. The Company's derivative financial instruments are measured using level 3 inputs.

19. RELATED PARTY TRANSACTIONS

The Company provided the following compensation to key management personnel of the Company for the years ended June 30, 2019 and 2018, which are recorded in the following accounts in these consolidated financial statements:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
	\$	\$
Exploration and evaluation expenses	272,369	-
General and administrative expenses	266,470	97,371
Share based compensation	90,573	31,015

Amounts due to related parties as at June 30, 2019 were \$108,046 (June 30, 2018 - \$nil).

During the year ended June 30, 2018 the Company issued 400,000 common shares to settle \$38,845 owing to a director.

20. SUBSEQUENT EVENTS

There have been no material disclosable events following the date of reporting until the date of publication of these Financial Statements.