Southstone Minerals Limited
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Interim Management's Discussion & Analysis

**** Quarterly Highlights ****

This Management's Discussion & Analysis – Quarterly Highlights ("**Quarterly Highlights**") of Southstone Minerals Limited (the "**Company**" or "**Southstone**") is prepared as of July 28, 2020 and should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and related notes for the nine months ended May 31, 2020, as well as the audited financial statements for the year ended August 31, 2019.

The interim unaudited financial statements have been prepared by management in accordance with International Accounting Standards ("**IAS**") 34 'Interim Financial Reporting' ("**IAS 34**") using accounting policies consistent with the International Financial Reporting Standards issued by the International Accounting Standards Board and Interpretations of the International Financial Reporting Interpretations Committee.

All figures are in Canadian dollars unless otherwise stated. Additional information, including the above mentioned financial statements, which contain extensive disclosure of the history and properties of the Company are available on SEDAR and may be accessed at www.sedar.com.

Forward-Looking Information

This Quarterly Highlights includes "forward-looking statements", within the meaning of applicable securities legislation, which are based on the opinions and estimates of management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words suggesting future outcomes or statements regarding an outlook. Such risks and uncertainties include, but are not limited to, risks associated with the mining industry (including operational risks in exploration development and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of resource and reserve estimates; the uncertainty of estimates and projections in relation to production, costs and expenses; the uncertainty surrounding the ability of Southstone to obtain all permits, consents or authorizations required for its operations and activities; and health, safety and environmental risks), the risk of commodity price and foreign exchange rate fluctuations, the ability of Southstone to fund the capital and operating expenses necessary to achieve its business objectives, the uncertainty associated with commercial negotiations and negotiating with foreign governments and risks associated with international business activities, as well as those risks described in public disclosure documents filed by Southstone. Due to the risks, uncertainties and assumptions inherent in forward-looking statements, prospective investors in securities of Southstone should not place undue reliance on these forward-looking statements. Statements in relation to "reserves" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described can be profitably produced in the future.

Readers are cautioned that the foregoing lists of risks, uncertainties and other factors are not exhaustive. The forward-looking statements contained in this document are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or in any other documents filed with Canadian securities regulatory authorities, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws. The forward-looking statements are expressly qualified by this cautionary statement.

Analysis of the Company's Financial Performance and Condition

The Company generated a profit of $132,844 compared to a loss of $908,178 for the nine months ended May 31, 2020 from continued operations. The three Kwena companies, collectively the "Kwena Group", were disposed of effective May 25, 2020 and the Kwena Group results have been included in discontinued operations for the nine months May 31, 2020 and May 31, 2019.

The disposition resulted in a loss to the Kwena Group of $869,537 that is included in the loss from discontinued operations and a profit for the continued operations amounting to $19,445.

In addition, the Republic of South Africa Government required mandatory closure of the Oena Diamond Mine due to COVID-19, resulted in a temporary halt in mining operations between March 26, 2020 and May 3, 2020. Operations have now resumed although diamond tender prices remain under pressure as a result of the adverse effect on the world economy and the international travel ban.

For the three months ended May 31, 2020, the Company incurred a loss of $212,889 from continued operations, compared to a loss of $638,050 for the comparative period. The main reason for the loss is related to the stoppage of operations and limited diamond tender sales for the quarter.

Operational Expense Summary

A summary of the material operational expense activity variances during the nine months and three months ended May 31, 2020, compared to the nine months and three months ended May 31, 2019 are as follows:

	Three months ended May 31,		Nine months ended May 31,	
	2020	2019	2020	2019
Revenues	$ 428,178	$ 666,189	$ 4,488,724	$ 2,321,770
Operating expenses				
Amortization	(8,195)	(35,429)	(76,292)	(61,907)
Amortization of service contracts	-	(4,777)	-	(14,264)
Exploration and evaluation expenses	(372,815)	(1,146,660)	(3,683,158)	(2,568,967)
Foreign exchange (loss)/gain	(48,841)	(65,334)	(70,482)	21,057
Management and consulting)	(82,941)	(77,947)	(235,952)	(254,867)
Office and general	(21,497)	1,193	(66,735)	(12,828)
Professional fees	(103,655)	(24,415)	(195,844)	(271,689)
Project investigation costs	67	(5)	(8,248)	452
Raw material and engineering cost	98	(4)	(2,082)	(1,769)
Share based payments	-	-	66,061	-
Shareholder information	(3,652)	(7,161)	(27,194)	(24,365)
Travel and promotion	54	(3,951)	(11,840)	(15,043)
	(641,377)	(1,364,490)	(4,311,766)	(3,204,563)

- Amortization of equipment increased with the addition of equipment to the Oena Diamond Mine in prior years. This is applicable to both the three- and nine-month periods ended May 31, 2020.

- There was no charge in the three- and nine-months periods ended May 31, 2020 for amortization on the service contracts due to the service contracts being fully amortised.

- Exploration and evaluation expenditures increased for the nine-month period in line with the increase in diamond recoveries but decreased for the three-month period ended May 31,2020 compared to May 31, 2019 due to the stoppage of operations related to the COVID-19 regulations on mining.

- The foreign exchange gains and losses reported in the income statement remains volatile due to the mineral properties, and associated plant and infrastructure being consolidated into the group accounts converted from the South African Rand. The South African Rand had weakened by 27% against the Canadian Dollar to April 2020 and strengthened to end June 2020 again by 8%.

- Management and consulting fees show a reduction on the nine-month period ended May 31, 2020 compared to May 31, 2019 due to management agreeing to reduced contract compensation for the current financial year. The increase for the three months May 31, 2020 compared to May 31, 2019 are as a result of the strengthening of the US Dollar against the Canadian Dollar.

- Office and general expenses increased for both the three- and nine-months reporting periods due to the inclusion of the joint operational costs from the Oryx partnership which ran from May 2019 to January 2020.

- Professional fees decreased for the nine-month reporting periods due to not having to contract specific professional consultants during the current reporting periods compared to the previous reporting periods but increased in the three-month period May 31, 2020 compared to May 31, 2019 due to the use of specialists to comply with regulations related to commencement of operations at the Oena Diamond Mine.

- Project investigation costs are reported marginal for both the three- and nine-months reporting periods, current and prior year, due to more focus being placed on the current operations.

- Raw materials and engineering costs are reported marginal for both three- and nine-month reporting periods, current and prior due to reporting the coal operations as a discontinued operation.

- The share-based payments line shows an income due to the expiry of certain share options. No further share options were issued in the current three- and six-month periods nor was there in the comparative periods.

- Shareholder information associated costs increased in the nine-month reporting period May 31, 2020 compared to May 31, 2019 mainly as a result of the increased costs associated with the anticipated disposition of the coal operations as announced October 3, 2019 and on March 23, 2020. The cost decreased again for the three months ended May 31, 2020 compared to May 31, 2019 since materially all the filings were complete.

- Travel and promotion decreased for both the three and nine month periods May 31, 2020 compared to May 31, 2019 due to the restrictions on travel and operations due to COVID-19.

Exploration and Evaluation Expenditures

The following is a breakdown of the exploration and evaluation expenditures for the Oena Diamond Mine for the three and nine month periods ended May 31, 2020 and 2019:

The exploration and evaluation expenses for the Oena Diamond Mine are as follows:

		May 31, 2020		May 31, 2019
Exploration expenditures:				
Project staff salaries, benefits and consulting	$	(276,683)	$	(184,347)
Travel expenses		(8,308)		(18,899)
Supplies Expense		(3,398,167)		(1,924,126)
Recoveries		4,488,724		2,321,770
Exploration and evaluation income	$	805,566	$	194,397

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at May 31, 2020, the Company had current assets from continued operations of $581,811 (August 31, 2019 - $209,650) to settle current liabilities from continued operations of $1,848,534 (August 31, 2019 - $2,602,421) resulting in working capital deficit of $1,266,723 (August 31, 2019 - $ 2,392,771). The Company intends to fund these through loans, private placements and profits generated form its operations. All of the Company's financial liabilities have contractual maturities of less than 365 days and are subject to normal trade terms.

Subsequent to the quarter ended February 29, 2020, there has been a global pandemic outbreak of COVID-19. The actual and threatened spread of the virus globally has had a material adverse effect on the global economy and, specifically, the regional economies in which the Company operates. The pandemic could continue to have a negative impact on the stock market, including trading prices of the Company's shares and its ability to raise new capital. On March 27, 2020, the Company announced the closure of the Oena Diamond Mine in compliance with the South African's instructions for a 21-day lockdown period which was subsequently extended to the end of April 2020. On April 16, 2020, the South African Government announced amendments to the Regulations promulgated under the Disaster Management Act 57 of 2002 to prevent and combat the spread of COVID-19 dated April 11, 2020.

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Transactions with Related Parties

The Company incurred the following expenditures charged by companies controlled by directors and officers of the Company from continued operations:

	Three months ended May 31, 2020	Three months ended May 31, 2019	Nine months ended May 31, 2020	Nine months ended May 31, 2019
Management fees *	$ 73,941	$ 68,947	$ 208,952	$ 227,867
Consulting fees *	9,000	9,000	27,000	27,000
Total	$ 82,941	$ 77,947	$ 235,952	$ 254,867

Management fees are paid as and when funds are available. Short payments are included in the amount owing to and from related parties as. Management fees accrued are made up as follow:

	Three months ended May 31, 2020	Three months ended May 31 2019	Nine months ended May 31, 2020	Nine months ended May 31 2019
Samer Khalaf (Director and CEO)	$ 41,851	$ 40,342	$ 121,090	$ 110,690
Terry Tucker (Director and Executive Chairman)	20,925	20,171	60,546	91,994
Wiklow Corporate Services - Donna Moroney	9,000	9,000	27,000	27,000
Neil Budd - (Independent Director)	4,183	-	4,183	-
Simon van der Loo – CFO	6,982	8,394	23,132	25,183
Total	**$ 82,941**	**$ 77,949**	**$ 235,952**	**$ 254,867**

As at May 31, 2020, $413,557, (August 31, 2019, $800,458) is owed to the CEO, and certain directors and officers of the Company. Amounts owing are non-interest bearing, unsecured and due on demand.

Subsequent Events

On May 28, 2020, the Company announced it had agreed to settle outstanding indebtedness in the sum of $705,456.75 by the issuance of an aggregate of 7,524,872 common shares in the capital stock of the Company at a price of $0.09375 per share, which transaction is subject to the approval of the TSX Venture Exchange.

CC Mining Limited ("CCML") has agreed to settle indebtedness in the sum of C$498,363 by the issuance of 5,315,872 common shares, resulting in CCML holding 19.90% of the outstanding shares of the Company. In addition, two directors have agreed to settle indebtedness for an aggregate sum of $207,093.75 by the issuance of an aggregate of 2,209,000 common shares.

On July 8, 2020, the Company agreed to settle indebtedness in the sum of $30,211 by the issuance of an aggregate of 604,220 common shares in the capital stock of the Company at a price of $0.05 per share, which shares for debt settlement is subject to approval of the TSX Venture Exchange.