

*Interim Management's Discussion & Analysis*

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**\* Quarterly Highlights \***

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This Management's Discussion & Analysis – Quarterly Highlights (“**Quarterly Highlights**”) of Southstone Minerals Limited (the “**Company**” or “**Southstone**”) is prepared as of January 29, 2021 and should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and related notes for the three months ended November 30, 2020, as well as the audited financial statements for the year ended August 31, 2020.

The interim unaudited financial statements have been prepared by management in accordance with International Accounting Standards 34 'Interim Financial Reporting' 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 are available on SEDAR and may be accessed at [www.sedar.com](http://www.sedar.com).

**Forward-Looking Information**

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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.

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 is reporting a profit for the first quarter 2021 of \$225,017 compared to a profit incurred in the comparative period in Q1 2020 of \$364,838. The reduction in profit can be linked to the impact the corona virus have had on global markets, international travel and global economies as a whole. The profit is directly attributable to the diamond recoveries from the Oena Diamond Mine. A comparison of the operational expenses from continuing operations are discussed below.

### Non-Exploration Expense Summary

	Three months ended November 30,	
	2020	2019
Amortization	\$ 825	\$ 1,402
Foreign exchange gain / (loss)	(17,419)	20,653
Management and consulting	85,818	79,184
Office and general	7,855	23,370
Professional fees	63,161	37,474
Project investigation costs	-	2,916
Shareholder information	\$ 3,423	\$ 11,340

- Amortization of equipment decreased quarter on quarter in line with the disposal of some equipment in the previous financial year.
- The foreign exchange gain for the current period Q1 2021 mostly relates to the volatility of the South African Rand against the United States and Canadian Dollars. The Company does not hedge foreign exchange as revenue from continued operations are mostly earned in United States Dollars. Refer to the annual financial statements for the year ended August 31, 2020 for the complete policies and risk assessments related to foreign currency.
- The management and consulting charges increased due to the payment of director fees to an independent director appointed in the second quarter of 2020.
- General overhead, such as office and general, shareholder information and travel and promotion decreased in Q1 2021 compared to Q1 2020 due to travel restrictions related to the corona virus.
- Professional fees increased in Q1 2021 compared to Q1 2020 as a result of higher utilization of professional consultants and the timing of when these expenditures are incurred. These services would include but not limited to legal, advisory and environmental.
- No major costs were incurred on investigating new projects in both the current and comparative quarter.

### Liquidity

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 historically generates cash flow from both operations as well as financing activities. As of November 30, 2020, the Company had cash of \$465,215 to settle current liabilities of \$1,864,351. The Company intends to meet its financial commitments through loans, private placements, debt conversion, and profits generated from its operations. All of the Company's financial liabilities have contractual maturities of less than 365 days and are subject to normal trade terms.

## Transactions with Related Parties

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The Company incurred the following expenditures charged by companies controlled by current directors and officers of the Company:

	November 30, 2020	November 30, 2019
Directors fees	\$ 3,970	\$ -
Consulting fees (included in management and consulting)	81,845	79,184
<b>Total</b>	<b>\$ 85,815</b>	<b>\$ 79,184</b>

  

	Three months ended November 30,	
	2020	2019
Samer Khalaf (Director and CEO)	\$ 39,700	\$ 39,688
Terry Tucker (Director and Executive Chairman)	19,850	19,844
Neil Budd (Independent)	3,970	-
Wiklow Corporate Services - Donna Moroney (Director and Company Secretary)	15,000	9,000
Simon van der Loo – CFO	7,295	10,652
<b>Total</b>	<b>\$ 85,815</b>	<b>\$ 79,184</b>

As of November 30, 2020, \$170,815 (August 31, 2020 - \$241,099) is owed to certain directors and officers of the Company. Amounts owing are non-interest bearing, unsecured and due on demand.

## Subsequent events

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Mr. Kevin C. Gallagher resigned as a director effective January 14, 2021.