Southstone Minerals Limited
2751 Graham Street
Victoria, BC, V8T 3Z1
TSX Venture: SML
www.southstoneminerals.com

Management's Discussion & Analysis

The following Management's Discussion & Analysis ("**MD&A**") of the financial condition and results of the operations of Southstone Minerals Limited (the "**Company**" or "**Southstone**"), constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended August 31, 2021 and should be read in conjunction with the Company's audited consolidated financial statements and related notes for the year ended August 31, 2021, (the "**Financial Statements**") which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as published by the International Accounting Standards Board. All figures are in Canadian Dollars unless otherwise stated. Additional information, including the Financial Statements, which contain disclosure of the history and properties of the Company are available on SEDAR and may be accessed at www.sedar.com.

Date

This MD&A is dated as of November 24, 2021.

Forward-Looking Information

This MD&A 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.

Overview

Southstone Minerals Limited (the "**Company**") was incorporated under the British Columbia Business Corporations Act on April 10, 2007. The Company holds an interest in the Oena Diamond Mine, an alluvial diamond property, located in the Northern Cape Province, South Africa that consists of one New Order Mining Lease.

Assets

Oena Diamond Mine

The Company holds an interest in the Oena Diamond Mine ("**Oena Mine**"), a producing alluvial diamond mine, located in the Northern Cape Province, South Africa, which consists of one New Order Mining Lease. The New Order Mining Lease is held by the Company's subsidiary, African Star Minerals (Pty) Limited ("**African Star**"). During the year ended August 31, 2018, the South African Department of Minerals and Resources confirmed renewal of the New Order Mining Lease to March 15, 2027.

The Oena Mine is a producing alluvial diamond property that covers 8,800 ha located in the Northern Cape Province, South Africa and consists of a 4.8 kilometre **("km**") wide strip along a 15 km length of the Orange River in a well-established alluvial diamond mining province that produces high quality and large sized diamonds. The Oena Mine is located 50 km upstream of Namdeb's Auchas and Daberas alluvial diamond mines which are on the Namibian or north bank of the Orange River, while Trans Hex's Reuning and Baken alluvial diamond mines are respectively 15 km and 60 km downstream of Oena on the South African or southern bank of the Orange River.

In October 2017, the Company entered into a five-year Contract Mining and Diamond Recovery Agreement (the "**Oena Agreement**") with Bluedust 7 Proprietary Limited ("**Bluedust**"). Bluedust has developed the Oena Mine using Bourevestnik X-ray machines and/or pan plants and Bluedust, at its own cost and expense, provides and maintains all the plant and equipment as required. In November 2017, the Company amended the Oena Agreement to include the processing of pan and bantam tailings material.

Total carats recovered for the year ended August 31, 2021 was 1,302 (2020: 2,320.9), which sold for an average of US$1,635.53 (2020: US$1,926.48) per carat.

Of these, 17 (2020: 30) stones exceeded 10 carats and sold for an average price of US$3,556.13 (2020: US$ 4,207) per carat.

The decrease in production relative to the previous year is related to lower tonnages being processed, lower grades in processed gravel and a decrease in the processing days due to COVID-19. The Company continues to assess the Oena Mine and evaluate existing mining and geological information that would support efforts to increase diamond production and potentially add additional contractors.

Gumrock Mining (Pty) Ltd Joint Venture

On October 5, 2020 Southstone announced that it had entered into a Production - Exploitation Joint Venture Operating Agreement (the "**Joint Venture**") with Gumrock Mining (Pty) Ltd ("**Gumrock**"). Gumrock has been successfully operating in the alluvial diamond mining business all over South Africa for over 26 years and adds another expert mining contractor to Southstone alluvial diamond operations. The Joint Venture allows the Company to follow its corporate strategy to quickly exploit near term diamond production opportunities in South Africa.

Farm Kareepan Contractors Agreement

Gumrock, on behalf of the Joint Venture, entered into its first Contractors Agreement on portions of Farm Kareepan 177, Farm Goegedacht 197, Farm Kameelpan 148, Farm Leeuwfontein 185 and Farm Kameelboom 150 (collectively the "**Property**"). The Property covers 1,819 hectares and is located in the North West Province of South Africa approximately 200 kilometers north east of Kimberley. The Contractors Agreement was entered into for a six-month period, during which time the Joint Venture will pay a 15% gross sales royalty to the landowner and any diamonds sold for over 2 million South African Rand will be subject to a 20% gross sales royalty.

The Joint Venture commenced test pitting on the Property and over 349 test pits ranging from 1 to 5 meters in depth were completed and mapped. In late October 2020, bulk sampling commenced with the installation of a 14-foot rotary pan plant. A total of 115.097 carats, 105 diamonds were produced and sold at an average of USD 493 / carat. The results were not satisfactory to continue operations and the Farm Kareepan Contractors Agreement was terminated. All reclamation work was fully completed and approved by the Department of Mineral Resources.

Corporate Activities

The outbreak of COVID-19 has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. 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. Operations at the Oena Diamond Mine were halted between March 27, 2020 and May 4, 2020 in compliance with the South African government's instructions. 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.

The duration and impact of the COVID-19 pandemic is unclear at this time and as a result it is not possible for management to estimate the severity of the impact it may have on the financial results and operations of the Company in future periods. It is management's assumption that the Company will continue to operate as a going concern.

Impairment of mineral property

Fiscal 2021 proved to be a challenging time for the Oena Diamond Mine. The impact on the global economies from the COVID-19 pandemic saw political and economic unrest in South Africa. This, coupled with the reduction of diamond recoveries compared to the previous year, gave rise to uncertainty regarding the valuation of the mineral property. The intangible asset was carried on the books for $494,951 in 2020. The value increased due to the South African Rand and Canadian Dollar foreign exchange conversion but was then fully impaired to zero as at August 31, 2021, giving rise to a non-cashflow impairment loss of $537,164. In terms of the accounting standards, should the indicators of impairment reverse in the future, under IFRS the Company would be permitted to book a reversal of the impairment.

Selected Annual Information

The following is a summary of the results of the financial operations of the Company for the years ended August 31, 2021, 2020 and 2019.

	Year ended August 31, 2021 $	Year ended August 31, 2020 $	Year ended August 31, 2019 * $
Revenues	2,754,197	5,707,141	3,700,177
Net profit/(Loss) from continuing operations*	(537,438)	720,817	(66,537)
Basic and Diluted Loss per share	(0.02)	0.01	(0.02)
Working Capital (Deficiency)	(1,041,360)	(1,204,447)	(943,670)
Total Assets	**736,440**	**1,727,581**	4,188,085
Total Long-Term Financial Liabilities	9,072	38,307	352,542
Retained Earnings (Deficit)	(21,335,617)	(20,821,339)	(20,828,387)
Number of shares outstanding at period end	27,511,888	21,104,056	23,260,212

* *Refer to the Financial Statements for the year ended August 31, 2020 which accounts for the coal business as a discontinued operation.*

Summary of Quarterly Results

The following table sets forth selected financial information for the Company for the eight most recently completed fiscal quarters and should be read in conjunction with the Company's financial statements and related notes for such periods.

	Aug 31, 2021 $	*May 31, 2021 $*	*Feb 28, 2021 $*	*Nov 30, 2020 $*	*Aug 31, 2020 $*	*May 31, 2020 $*	*Feb 28, 2020 $*	*Nov 30, 2019 $*
Revenues	*699,976*	*269,454*	*201,638*	*1,583,129*	*1,218,417*	*428,178*	*1,376,716*	*2,683,830*
Profit / (Loss) for the quarter	*(425,262)*	*(65,422)*	*(271,771)*	*225,017*	*1,438,286*	*(1,005,185)*	*61,971*	*441,288*
Loss per share before other items – basic and diluted	*0.00*	*0.00*	*0.00*	*0.01*	*0.04*	*(0.06)*	*(0.00)*	*0.03*
Weighted Average Shares Outstanding	*26,615,718*	*24,507,914*	*23,419,643*	*22,420,600*	*22,198,343*	*23,178,053*	*23,270,285*	*21,147,063*

Results of Operations – Year Ended August 31, 2020

The Company generated a loss of $537,438 from continued operations for the year ended August 31, 2021, compared to a profit of $720,817 from continued operations for the year ended August 31, 2020, and a loss of $425,262 from operations for the fourth quarter 2021, compared to a profit of $1,438,286 for the fourth quarter 2020.

The biggest impact on the results are from the decrease in production, which saw revenues and gross profit down by almost $3 Million and $600,000 respectively. The non-cash impairment of the mineral property accounted for $537,164, offset by the recorded non cash gain on debt conversions (see Annual Financial Statements note 16) of $259,433. The prior year reported a gain on the disposition on Kwena of $524,886.

Non-Exploration Expense Summary

A summary of the non-exploration activity from continued operations is as follows:

Years ended August 31,	2021	2020
Expenses		
Amortization	(8,851)	(5,179)
Exploration and evaluation expense	(70,161)	(53,756)
Foreign exchange gain (loss)	44,038	(35,520)
Gain on sale / (Impairment) of equipment	6,464	(6,947)
Management and consulting	(385,381)	(322,316)
Office and general	(39,541)	(46,915)
Professional fees	(134,525)	(215,922)
Project investigation costs	(1,838)	(2,916)
Shareholder information	(15,780)	(35,127)
Travel and promotion	-	(11,588)
Impairment of mineral property	(537,164)	-
	(1,142,739)	(736,186)

Amortization relates to the amortization of a vehicle used by management related to the diamond operations. In addition, amortization of $39,082 (2020 - $74,289) was recorded in cost of sales related to plant and equipment directly attributable to the mining operations.

Exploration relates to expenses that are not directly attributable to the recovery of diamonds and as a result has not been included in cost of goods sold. The main reason for the increase relates to the increase in the rehabilitation provision.

The foreign exchange gain reported in 2021 compared to the loss in 2020 is driven by the volatility of the South African Rand against the Canadian and United States Dollar.

The increase in the management and consulting charge is as a result of an increase to corporate secretarial services and rebalancing the compensation structure of the CFO subsequent to the Kwena disposition.

The expense for office and general reduced compared to the prior year due to lower activity in general.

Professional fees reduced in 2021 compared to 2020 due to most of the work related to compliance related matters associated with the mining permit having been completed in the prior year.

Due to the COVID-19 pandemic very little was spent on investigating new projects during 2020 and 2021.

Shareholder information decreased in 2021 due to the costs associated with the Kwena disposition in 2020.

Travel and promotion decreased due to reduced travelling as a result of the COVID-19 pandemic.

The impairment of the mineral property is discussed in the Overview section above.

Recent Financing Activities

On October 9, 2020 the Company settled debt to an arms-length lender of $477,374 through the issuance of 5,315,872 common shares. The common shares were measured at their fair value on the issuance date of $0.045, resulting in a gain on de-recognition of debt of $257,268 to profit and loss. Refer to Note 12 in the Annual Financial Statements for additional details.

On October 15, 2020 a director of the Company converted $43,031 in debt in consideration for 459,000 common shares (Note 14 in the Annual Financial Statements).

On October 22, 2020 an arms-length party settled a promissory note to the value of $21,648 in exchange for 432,960 common shares of the Company resulting in a gain on derecognition of debt to the value of $2,165 (Note 12 of the Annual Financial Statements).

On February 4, 2021 the company issued 200,000 bonus shares to two directors with a value of $14,000 (Note 14 in the Annual Financial Statements) expensed to profit and loss as management and consulting

Requirement of Additional Equity Financing

The Company has relied largely on equity financings and short-term interest-bearing loans for all funds raised to date for its operations. Until the Company starts generating profitable operations from the sale of minerals, the Company intends to continue relying upon the issuance of securities to finance its operations and acquisitions pursuant to private placements, the exercise of warrants and stock options, and short term or long-term loans. Capital markets may not be receptive to offerings of new equity from treasury or debt, whether by way of private placements or public offerings. This may be further complicated by the limited liquidity for the Company's shares, restricting access to some institutional investors. The Company's growth and success is dependent on external sources of financing which may not be available on acceptable terms or at all.

Dividend Report and Policy

The Company has not paid any dividends to date. The Company intends to retain its future earnings, if any, for use in its business and does not expect to pay dividends on its shares in the foreseeable future.

Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet arrangements.

Critical accounting estimates and judgments

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include:

i) recoverability and measurement of deferred tax assets:

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. Forecasted cash flows from operations are based on life of mine projections internally developed and reviewed by management. The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. At the end of each reporting period, the Company reassesses unrecognized income tax assets.

ii) provisions for restoration and environmental obligations and contingent liabilities:

The Company assesses its provision for reclamation and remediation on an annual basis or when new material information becomes available. Mining and exploration activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations at each mining operation and exploration and development property. Actual costs incurred may differ from those amounts estimated. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation. The provision represents management's best estimate of the present value of the future reclamation and remediation obligation. The actual future expenditures may differ from the amounts currently provided.

iii) carrying value of inventories:

The allocation of costs to inventories and the determination of net realizable value involve the use of estimates. There is a high degree of judgment in estimating future costs, future production levels, recovery levels, and prices. There can be no assurance that actual results will not differ significantly from estimates used in the determination of the carrying value of inventories

iv) recoverable amount of its evaluation and exploration assets:

Management considers both external and internal sources of information in assessing whether there are any indications that the Company's mining properties and exploration and evaluation assets are impaired. External sources of information management considers include changes in the market, economic and legal environments, in which the Company operates, that are not within its control and that affect the recoverable amount of its mining properties. Internal sources of information that management considers include the manner in which mining properties are being used, or are expected to be used, and indications of economic performance of the assets.

In determining the recoverable amounts of the Company's mining properties, management makes estimates of the undiscounted future pre-tax cash flows expected to be derived from the Company's mining properties, and the appropriate discount rate. Reductions in commodity price forecasts, increases in estimated future costs of production, increases in estimated future non expansionary capital expenditures, reductions in the amount of recoverable resources and exploration potential, and adverse current economic conditions are examples of factors that could result in a write down of the carrying amounts of the Company's mining properties and exploration and evaluation assets.

v) fair value of stock-based transactions:

Share-based payments are determined using the Black-Scholes option pricing model based on estimated fair values of all share-based awards at the date of grant and is expensed to profit or loss over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

i) assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty (Note 1)

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Estimates and assumptions are continually assessed and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

ii) classification of the Oena Project as an exploration and evaluation asset (Note 8);

The application of the Company's accounting policy for exploration and evaluation assets requires management to make certain judgments as to future events and circumstances and as to whether economic quantities of reserves will be found so as to assess if technical feasibility and commercial viability have been achieved

iii) determination of control over ASM (Note 8);

The determination of control of subsidiaries involves significant judgment. De facto control exists in circumstances when an entity owns less than 50% voting rights in another entity but has control for reason other than voting rights or contractual and other statutory means. The consolidated financial statements include the results of African Star Minerals ("ASM") as management has determined that the Company has de facto control over ASM. The Company has the practical ability to direct the relevant activities of ASM and controls the Board of Directors.

iv) determination of the functional currency of the Company and its subsidiaries; and

The determination of functional currency of the Company and its subsidiaries requires significant judgments. Management considered all of the relevant primary and secondary factors in making this determination.

Accounting standards issued but not yet effective

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Company is currently assessing the impact the that this amendment will have on its consolidated financial statements.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after January 2, 2022 and apply prospectively.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach".

The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

Transactions with Related Parties

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

		August 31, 2021		August 31, 2020
Director fees	$	15,247	$	8,202
Consulting fees		370,134		314,114
Total	$	**385,381**	**$**	**322,316**

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 are made up as follow:

		August 31, 2021		August 31, 2020
Samer Khalaf (Director and CEO)	$	165,285	$	161,284
Terry Tucker (Director and Executive Chair)		82,649		80,642
Neil Budd		15,247		8,202
Wiklow Corporate Services - Donna Moroney		60,000		42,000
Simon van der Loo – CFO		62,200		30,188
Total	**$**	**385,381**	**$**	**322,316**

As at August 31, 2021, $195,224 (August 31, 2020 - $241,099 owed to the CEO, CFO and certain directors and officers) is owed to a director of the Company. Amounts owing are non-interest bearing, unsecured and due on demand. At August 31, 2020, $68,540 was owed to the Company by a director who resigned during the year ended August 31, 2021.

A director converted $43,031 in debt in consideration for 459,000 common shares (Note 16) issued on October 15, 2020.

Effective May 25, 2020 the Company sold its 49% interest in the issued and outstanding Ordinary Shares and 74% interest in the issued and outstanding Preference Shares of each of Kwena Mining Projects (Pty) Ltd., Kwena Mining and Metallurgical Services (Pty) Ltd. and Kwena Springlake Projects (Pty) Ltd to a related party. See Note 25.

On August 24, 2020, the Company issued 1,750,000 common shares to settle outstanding debt with a director of the Company in the amount of $164,063.

Foreign Currency Transactions

The functional currency of the Company, the parent, is the Canadian Dollar. The functional currency of the subsidiaries incorporated in South Africa is the ZAR. The presentation currency of the consolidated financial statements is Canadian dollars.

Transactions and balances:

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income into the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Foreign operations:

The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are recognized in other comprehensive income and recorded in the Company's foreign currency translation reserve in equity. These differences are recognized in the profit or loss in the period in which the operation is disposed.

Financial Instruments and Risk Management

The Company is exposed to the following financial risks:

- Credit Risk
- Liquidity Risk
- Interest Rate Risk
- Foreign Currency Risk

General Objectives, Policies and Processes

The Board of Directors has overall responsibility for the determination of the Company’s risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company’s finance function. The Board of Directors receive periodic reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company’s competitiveness and flexibility. Further details regarding these policies are set out below.

Credit Risk

Credit risk is the risk of loss associated with a counterparty’s inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash, and trade receivables. The Company has no significant concentration of credit risk arising from operations. Cash is held with reputable Canadian and South African chartered banks, which accounts are closely monitored by management. Trade receivables are usually received within 30 days.

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 from both operations as well as financing activities. As at August 31, 2021 the Company had cash of $433,244 to settle current liabilities of $1,519,054. The Company intends to meet its financial commitments through loans, private placements, debt conversion, and revenue 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.

Interest Rate Risk

The Company has cash balances and no variable interest bearing debt. The Company is not subject to significant interest rate risk.

Foreign Currency Risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from their respective functional currency. Diamonds from the South African operations are tendered in United States Dollars and settled in South African Rands at the average rate on the day that the tender closes. The main debt instruments of the group is denominated in Canadian and United States Dollars. The group does not enter into forward cover. As a result, unrealized foreign exchange gains and losses will arise from financial instruments that are unsettled at reporting date and realized foreign exchange gains and losses will arise from the derecognition of financial instruments at the prevailing rate.

A 10% appreciation in the CAD against the ZAR, with all other variables held constant, would result in a $17,293 reduction to comprehensive loss for the year ended August 31, 2021.

A 10% appreciation in the USD against the CAD, with all other variables held constant, would result in a $33,478 decrease to comprehensive income for the year ended August 31, 2021.

Disclosure of Outstanding Securities

The authorized capital of the Company consists of an unlimited number of common shares without par value, of which there were 27,511,888 common shares are issued and outstanding as of the date hereof.

The following incentive stock options are outstanding as of the date hereof:

Exercise Price	Number of Options Outstanding and Exercisable	Weighted Average Remaining Life (Years)	Expiry date
$ 0.50	220,000	0.45	February 10, 2022
$ 0.50	45,000	0.59	April 3, 2022
$ 0.50	**265,000**		

The continuity of the Company’s outstanding share purchase warrants as of the date hereof is as follows:

		Weighted Average Exercise Price	Number of Warrants		Weighted Average Exercise Price	Number of Warrants
Outstanding, beginning of year	$	1.00	400,000	$	0.90	1,821,000
Expired		-	-		1.00	(1,421,000)
Outstanding, end of the year	**$**	1.00	400,000	**$**	**1.00**	**400,000**

There are no assurances that the options, warrants or other rights described above will be exercised in whole or in part. Except as disclosed above, there are no other options, warrants or other rights to acquire common shares of the Company outstanding.

Exploration and evaluation expenditures

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

		August 31, 2021		August 31, 2020
Rehabilitation expense	$	39,896	$	8,341
Supplies expense		5,699		1,697
Social and labour expense		24,566		43,718
	$	**70,161**	**$**	**53,756**

Commitments

The Company has committed to make additional deposits of $70,000 in connection with its rehabilitation provision. There is no formal deadline to make the deposit, however the Company typically complies on an annual basis in connection with filing its estimate of the total asset retirement obligation, as disclosed in Note 15 to the Annual Financial Statements.

Additional Information

Additional information relating to the Company is available on SEDAR at www.sedar.com.