Southstone Minerals Limited
2751 Graham Street
Victoria, British Columbia
V8T 3Z1, Canada
TSX Venture: TGV

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 April 28, 2022 and should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and related notes for the six months ended February 28, 2022, as well as the audited financial statements for the year ended August 31, 2021.

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.

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.

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 loss for the six months ended February 28, 2022 of $181,681, compared to a loss of $46,754 for the comparative period in 2021. The Company is reporting a loss for the three months ended February 28, 2022 of $26,481, compared to a loss of $271,769 for the comparative period in 2021. The biggest contributors for the losses in both periods are the lower recoveries due to restrictions brought on by COVID-19 and production being reduced due to a scheduled shutdown of approximately one month during the holidays in December and January and reduced mining production rates at the Oena Diamond Mine ("Oena").

A comparison of the operational expenses from continuing operations are discussed below.

Non-Exploration Expense Summary

	Three months ended February 28,		Six months ended February 28,	
	2022	2021	2022	2021
Amortization	-	(23)	-	(848)
Foreign exchange gain (loss)	65,589	(5,702)	17,935	11,717
Management and consulting	(75,905)	(104,394)	(178,342)	(190,212)
Office and general	(14,015)	(11,456)	(25,114)	(19,311)
Professional fees	(21,144)	(19,587)	(32,922)	(82,748)
Project investigation costs	-	(26,081)	-	(26,081)
Shareholder information	(9,274)	(3,637)	(14,919)	(7,060)
Travel and promotion	(1,511)	-	(2,166)	-

- The foreign exchange gains and losses fluctuating relates to the volatility of the South African Rand against the Canadian dollar for the six-month and three-month period ended February 28, 2022.

- Office and general expenditures increased slightly compared to the comparative periods due to relatively higher telephone and accounting costs for both the six-month and three-month period ended February 28, 2022.

- Professional fees decreased in both the three and six months of fiscal 2022 compared to fiscal 2021 due to lower utilization of professional consultants and lower audit fees. These services include but are not limited to legal, advisory and environmental.

- There were no project investigation costs in the three and six-month periods ending February 28, 2022. The $26,081 expenditure in fiscal 2021 on project investigation cost relates to the next exploration costs incurred on the Kareepan Project.

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 generates cash flow from both operations as well as financing activities. As at February 28, 2022, the Company had cash of $141,076 to settle current liabilities of $1,076,583. The Company intends to meet its financial commitments through loans, private placements, debt conversion, 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.

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.

For the six months ended February 28, 2022, the Company reported a loss and has an accumulated deficit of $21,515,645. The Company will require additional financing in order to further develop its business, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. If the going concern assumption was not used, then the adjustments required to report the Company's assets and liabilities on a liquidation basis could be material to these consolidated financial statements.

Transactions with Related Parties

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

		February 28, 2022		February 28, 2021
Directors fees	$	7,608	$	7,803
Consulting fees (included in management and consulting)		171,294		182,409
Total	**$**	**178,902**	**$**	**190,212**

	Six months ended February 28,			
		2022		2021
Samer Khalaf (Director and CEO)	$	76,083	$	90,847
Terry Tucker (Director, Executive Chairman, and CFO)		38,004		44,055
Neil Budd (Independent)		7,608		7,803
Wiklow Corporate Services - Donna Moroney (Director & Secretary)		30,560		30,000
Simon van der Loo (Former CFO)		26,646		17,507
Total	**$**	**178,902**	**$**	**190,212**

On December 7, 2021, debt in the amount of $226,500 owing to a director of the Company was settled in consideration for 4,530,000 common shares of the Company.

As at February 28, 2022, $6,594 (August 31, 2021, $195,224) is owed to directors of the Company. Amounts owing are non-interest bearing, unsecured and due on demand.

Subsequent events

The global pandemic outbreak of COVID-19 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.

Subsequent to the period ended February 28, 2022, ASM entered into a Loan and Offtake Agreement ("Offtake Right 2") with HOD, pursuant to which HOD will provide an unsecured loan to ASM for ZAR 1,500,000 for a term of two years. As consideration for the loan, ASM has granted to HOD a right to purchase all diamonds produced from Oena, which will expire once HOD has received minimum sales value of ZAR 1,500,000. The sales price ("Valuation Price") of the diamonds produced from the Oena shall be the highest price bid during the tender process at a designated Tender House located in the Republic of South Africa or an independent evaluator ("Valuator") appointed by ASM in its sole discretion. HOD will be allowed to purchase all or a portion of the diamonds at the Tender Facility by paying the Valuation Price to ASM plus any outstanding commissions (typically 1.5%) to the Tender Facility.

Subsequent to the period ended February 28, 2022, ASM entered into a Contract Mining and Diamond Recovery Agreement (the "Agreement") with Oryx Mining (Pty) Ltd ("Oryx") at Oena. Oryx, at its own cost and expense, will provide and maintain all the Plant and Equipment as required to perform the Mining Services. The diamonds produced by Oryx will be sold via a designated Tender Facility in South Africa and

80% of the gross income of net diamond sales, less commission, will be paid to Oryx for the duration of the 36-month Agreement. For any individual stones recovered with a gross selling price, less commission, of greater that ZAR 10,000,000 Oryx will be paid 70% of the gross income. Mobilization of equipment and road building has already commenced, and mining operations are expected to commence in May 2022.