Southstone Minerals Limited
2751 Graham Street
Victoria, British Columbia, 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, 2022 and should be read in conjunction with the Company's audited consolidated financial statements and related notes for the year ended August 31, 2022, (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 December 14, 2022.

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 April 2022, the Company the Contract Mining and Diamond Recovery Agreement entered into in October 2017 (the "**Oena Agreement**") between the Company and Bluedust 7 Proprietary Limited ("**Bluedust**") was terminated by mutual consent of both parties.

On April 19, 2022, the Company entered into a Contract Mining and Diamond Recovery Agreement (the "**Agreement**") with Oryx Mining (Pty) Ltd ("**Oryx**") at the Oena Mine. 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. Oryx subsequently commenced mining operations on June 13, 2022.

On November 11, 2021, the Company through ASM entered into a Loan and Offtake Agreement with Hall of Diamonds Pty Ltd ("**HOD**"), pursuant to which HOD provided an unsecured loan to ASM for ZAR 750,000 for a term of two years ("**Offtake Loan 1**"). As consideration for the loan, HOD received a right to purchase all of the diamonds produced from the Oena Mine by the Company ("**Offtake Right 1**"). Offtake Right 1 shall expire on the date that HOD has received a minimum sales value of ZAR 750,000. The sale price of the diamonds produced from the Oena Mine shall be determined by an independent evaluator appointed by ASM in its sole discretion.

On April 1, 2022, the Company through ASM entered into another Loan and Offtake Agreement with HOD, pursuant to which HOD provided an unsecured loan to ASM for ZAR 1,500,000 for a term of two years ("**Offtake Loan 2**"). As consideration for the loan, HOD received a right to purchase all diamonds produced from the Oena Mine ("**Offtake Right 2**"), Offtake Right 2 shall expire on the date that HOD has received minimum sales value of ZAR 1,500,000. The sales price ("**Valuation Price**") of the diamonds produced from the Oena Mine 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 appointed by ASM in its sole discretion. HOD will be allowed to purchase all or a portion of the diamonds at the tender house by paying the Valuation Price to ASM plus any outstanding commissions (typically 1.5%) to the tender house.

On August 23, 2022, the Company entered into an advance agreement with HOD for ZAR 600,000. This advance will be repaid with proceeds from the Oena Mine mining production revenues.

Total carats recovered for the year ended August 31, 2022 was 580 (2021: 1,302), which sold for an average of US$1,401 (2021: US$1,636) per carat.

Of these, 3 (2021: 17) stones exceeded 10 carats and sold for an average price of US$3,767 (2021: US$3,556) per carat.

The decrease in production relative to the previous year is related to lower tonnages being processed, lower grades in processed gravel, a change in the mining contractor and a decrease in the processing days due to COVID-19. Production was also reduced due to a scheduled shutdown of approximately one month during the holidays in December and January, 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.

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.

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. The Company continues to closely monitor developments in the coronavirus outbreak, including the potential impact on the Company's activities and its liquidity.

Selected Annual Information

The following is a summary of the results of the financial operations of the Company for the years ended August 31, 2022, 2021 and 2020.

	Year ended August 31, 2022 $	Year ended August 31, 2021 $	Year ended August 31, 2020 $
Revenues	848,345	2,754,197	5,707,141
Net profit/(Loss) from continuing operations	(647,631)	(537,438)	720,817
Basic and Diluted Loss per share	(0.02)	(0.02)	0.01
Working Capital (Deficiency)	(1,141,539)	(1,041,360)	(1,204,447)
Total Assets	409,984	736,440	1,727,581
Total Long-Term Financial Liabilities	172,755	9,072	38,307
Retained Earnings (Deficit)	(21,914,153)	(21,335,617)	(20,821,339)
Number of shares outstanding at period end	32,041,888	27,511,888	21,104,056

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, 2022 $	*May 31, 2022 $*	*Feb 28, 2022 $*	*Nov 30, 2021 $*	*Aug 31, 2021 $*	*May 31, 2021 $*	*Feb 28, 2021 $*	*Nov 30, 2020 $*
Revenues	*138,212*	*116,274*	*313,960*	*279,899*	*699,976*	*269,454*	*201,638*	*1,583,129*
Profit / (Loss) for the quarter	*(256,016)*	*(209,934)*	*(26,481)*	*(155,200)*	*(425,262)*	*(65,422)*	*(271,771)*	*225,017*
Loss per share before other items – basic and diluted	*0.00*	*(0.01)*	*0.00*	*(0.01)*	*0.00*	*0.00*	*0.00*	*0.01*
Weighted Average Shares Outstanding	*30,825,614*	*30,415,734*	*29,589,181*	*27,551,888*	*26,615,718*	*24,507,914*	*23,419,643*	*22,420,600*

Results of Operations – Three Months Ended August 31, 2022

The Company generated a loss of $256,016 from continued operations for the three months ended August 31, 2022, compared to a loss of $425,263 from continued operations for the three months ended August 31, 2021.

The biggest impact on the results is from the decrease in production, which saw revenues and gross profit down by $561,764 and $82,111, respectively. In the three months ended August 31, 2021, a 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.

Non-Exploration Expense Summary

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

Three months ended August 31,	**2022**	**2021**
Expenses		
Amortization	-	(7,997)
Exploration and evaluation expense	(52,122)	(70,161)
Foreign exchange gain (loss)	(25,453)	(1,937)
Management and consulting	(86,170)	(105,780)
Office and general	(18,464)	(18,281)
Professional fees	(53,835)	(30,092)
Project investigation costs	-	24,243
Shareholder information	(2,366)	(4,477)
Travel and promotion	(457)	-
	(238,867)	(214,492)

Amortization relates to the amortization of a vehicle used by management related to the diamond operations. In addition, amortization of $365 (2021 - $17,828) 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. These expenses increased the total rehabilitation provision with 2022 costs incurred being lower than the prior year.

The foreign exchange loss reported in 2022 compared to the gain in 2021 is driven by the volatility of the South African Rand against the Canadian and United States Dollar.

The decrease in the management and consulting charge is a result of rebalancing the compensation structure of CFO services.

The decreased expense for office and general compared to the prior year is due to decreased insurance costs partially offset by increased accounting fees.

Professional fees increased in 2022 compared to 2021 due to higher mine surveyor work completed.

Due to the COVID-19 pandemic very little was spent on investigating new projects during 2021 and 2022.

Shareholder information decreased in 2022 compared to 2021 due to lower investor relations costs.

Results of Operations – Year Ended August 31, 2022

The Company generated a loss of $647,631 from continued operations for the year ended August 31, 2022, compared to a loss of $537,438 from continued operations for the year ended August 31, 2021.

The biggest impact on the results is from the decrease in production, which saw revenues and gross profit down by approximately $1.9 million and $378,564, respectively. The prior year reported a 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 15) of $259,433.

Non-Exploration Expense Summary

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

Years ended August 31,	**2022**	**2021**
Expenses		
Amortization	-	(8,851)
Exploration and evaluation expense	(52,122)	(70,161)
Foreign exchange gain (loss)	(66,047)	44,038
Gain on sale / (Impairment) of equipment	-	6,464
Management and consulting	(340,564)	(385,381)
Office and general	(60,241)	(39,541)
Professional fees	(104,871)	(134,525)
Project investigation costs	-	(1,838)
Shareholder information	(20,341)	(15,780)
Travel and promotion	(2,753)	-
	(646,939)	(612,039)

Amortization relates to the amortization of a vehicle used by management related to the diamond operations. In addition, amortization of $23,209 (2021 - $39,082) 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. These expenses increased the total rehabilitation provision with 2022 costs incurred being lower than the prior year.

The foreign exchange loss reported in 2022 compared to the gain in 2021 is driven by the volatility of the South African Rand against the Canadian and United States Dollar.

The decrease in the management and consulting charge is a result of rebalancing the compensation structure of CFO services.

The increased expense for office and general compared to the prior year is due to increased accounting fees and increased telephone and internet costs.

Professional fees decreased in 2022 compared to 2021 due to lower audit fees incurred.

Due to the COVID-19 pandemic very little was spent on investigating new projects during 2021 and 2022.

Shareholder information increased in 2022 due to higher investor relations and filing fee costs.

Recent Financing Activities

In November 2021, the Company through ASM entered into a Loan and Offtake Agreement with Hall of Diamonds Pty Ltd ("HOD"), pursuant to which HOD provided an unsecured loan to ASM for ZAR750,000 for a term of two years ("Loan 1"). As consideration for the loan, HOD received a right to purchase all of the diamonds produced from Oena by the Company ("Offtake Right 1"). Offtake Right 1 shall expire on the date that HOD has received a minimum sales value of ZAR 750,000. The sale price of the diamonds produced from Oena shall be determined by an independent evaluator appointed by ASM in its sole discretion. As at August 31, 2022, there was a balance of $57,585 (ZAR 750,000) (August 31, 2021 - $nil) outstanding on this loan payable.

In April 2022, the Company through ASM entered into another Loan and Offtake Agreement with HOD, pursuant to which HOD provided an unsecured loan to ASM for ZAR 1,500,000 for a term of two years ("Loan 2"). As consideration for the loan, HOD received a right to purchase all diamonds produced from Oena ("Offtake Right 2"), Offtake Right 2 shall expire on the date that HOD has received minimum sales value of ZAR 1,500,000. The sales price ("Valuation Price") of the diamonds produced from 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 appointed by ASM in its sole discretion. HOD will be allowed to purchase all or a portion of the diamonds at the tender house by paying the Valuation Price to ASM plus any outstanding commissions (typically 1.5%) to the tender house. As at August 31, 2022, there was a balance of $115,170 (ZAR 1,500,000) (August 31, 2021 - $nil) outstanding on this loan payable amount.

During the year ended August 31, 2022, ASM entered into an advance agreement with HOD for ZAR 600,000. This advance will be repaid with proceeds from Oena mining production revenues. As at August 31, 2022, there was a balance of $46,068 (ZAR 600,000) (August 31, 2021 - $nil) outstanding on this advance payable.

Requirement of Additional Equity Financing

The Company has relied largely on revenues generated from operations, 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.

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) determination of control over ASM;

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.

iii) 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

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended August 31, 2022, and have not been applied in preparing these consolidated financial statements. None of these pronouncements are expected to have material impact on the Company's consolidated financial statements.

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, 2022		**August 31, 2021**
Director fees	$	15,246	$	15,247
Consulting fees		327,194		370,134
Total	**$**	**342,440**	**$**	**385,381**

Management fees are paid as and when funds are available. Management fees are broken down as follows:

	August 31, 2022	August 31, 2021
Samer Khalaf (Director and Former CEO)	$ 152,458	$ 165,285
Terry Tucker (Director, Executive Chair, Interim CEO and Interim CFO)	76,359	82,649
Neil Budd (Independent)	15,246	15,247
Wiklow Corporate Services/Donna Moroney (Director and Secretary)	72,082	60,000
Simon van der Loo (Former CFO)	26,295	62,200
Total	**$ 342,440**	**$ 385,381**

- As at August 31, 2022, $nil (August 31, 2021 - $195,225) is owed to a director of the Company. Amounts owing are non-interest bearing, unsecured and due on demand.

- An unsecured promissory note with an interest rate of 12% per annum is owed to Terry Tucker. For the year ended August 31, 2022, total accrued interest was $1,231 (August 31, 2021 - $3,038) with a total amount outstanding of $4,206 (August 31, 2021 - $26,988).

- On December 7, 2021, Terry Tucker converted $226,500 in debt in consideration for 4,530,000 common shares. As such no gain or loss was recognized on the transaction.

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, 2022, the Company had cash of $18,055 to settle current liabilities of $1,343,759. 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 has fixed rates on its debt. Changes in interest rates could result in fair value risk on the Company’s fixed rate debt.

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 are 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 (weakening) in the USD against the CAD, with all other variables held constant, would result in a $29,125 increase (decrease) to net loss for the year ended August 31, 2022.

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 32,041,888 common shares are issued and outstanding as of the date hereof.

During the year ended August 31, 2022, 390,000 options expired unexercised. As a result, there are no incentive stock options outstanding as of the date hereof.

The continuity of the Company's outstanding share purchase warrants is as follows:

		August 31, 2022			August 31, 2021	
		Weighted Average Exercise Price	**Number of Warrants**		**Weighted Average Exercise Price**	**Number of Warrants**
Outstanding, beginning of year	$	1.00	400,000	$	1.00	400,000
Expired		1.00	(400,000)		-	-
Outstanding, end of the year	**$**	**-**	**-**	**$**	**1.00**	**400,000**

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 Mine are as follows:

		August 31, 2022		August 31, 2021
Rehabilitation expense	$	35,791	$	39,896
Rehab deposit		16,331		-
Supplies expense		-		5,699
Social and labour expense		-		24,566
	$	**52,122**	**$**	**70,161**

Commitments

The Company has committed to make additional deposits of $50,000 (ZAR 648,000) 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 14 to the Financial Statements.

On April 19, 2022, the Company 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. Oryx commenced mining operations on June 13, 2022.

Subsequent Events

Subsequent to the year ended August 31, 2022, Samer Khalaf resigned as Chief Executive Officer of the Company for personal reasons, and Terry Tucker was appointed as Interim Chief Executive Officer in his place. Mr. Khalaf remains as a director of the Company.

Additional Information

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