

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 January 30, 2023 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, 2022, as well as the audited financial statements for the year ended August 31, 2022.

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 net income for the three months ended November 30, 2022 of \$62,890, compared to a loss of \$155,200 for the comparative period ending November 30, 2021. The biggest contributor for the gross profit related to the three-month period was the increased revenues during the quarter due to increased diamond sales.

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

Non-Exploration Expense Summary

| | Three months ended November 30, | |
|--|---------------------------------|------------|
| | 2022 | 2021 |
| Revenues | \$ 1,004,287 | \$ 279,899 |
| Cost of sales | (828,009) | (256,050) |
| Gross Profit | 176,278 | 23,849 |
| Expenses | | |
| Foreign exchange gain (loss) | (6,157) | (47,654) |
| Management and consulting (<i>Note 13</i>) | (79,862) | (102,437) |
| Office and general | (23,151) | (11,099) |
| Professional fees | (654) | (11,779) |
| Shareholder information | (1,071) | (5,645) |
| Travel and promotion | (2,393) | (655) |
| | (113,288) | (179,269) |

- The foreign exchange gains and losses fluctuating relates to the volatility of the South African Rand against the Canadian dollar for the period from September 2022 to November 2022.
- The management and consulting charges decreased compared to the comparative periods due to the fees paid to the former CFO in the comparative period.
- Office and general expenditures increased compared to the comparative periods due to relatively higher accounting costs.
- Professional fees decreased in the first three months of fiscal 2023 compared to fiscal 2022 due to lower utilization of professional consultants. These services include, but are not limited to, legal, advisory and environmental.

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 at November 30, 2022, the Company had cash of \$102,942 to settle current liabilities of \$1,255,797. 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.

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.

As at November 30, 2022, the Company has an accumulated deficit of \$21,928,400. 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:

| | November 30, 2022 | | November 30, 2021 | |
|---|--------------------------|---------------|--------------------------|----------------|
| Directors fees | \$ | 4,061 | \$ | 3,780 |
| Consulting fees (included in management and consulting) | | 78,801 | | 98,937 |
| Total | \$ | 82,862 | \$ | 102,717 |

| | Three months ended November 30, | | | |
|---|---------------------------------|---------------|-----------|----------------|
| | | 2022 | | 2021 |
| Samer Khalaf (Director and Former CEO) | \$ | 40,607 | \$ | 37,798 |
| Terry Tucker (Director, Executive Chair, Interim CEO and Interim CFO) | | 20,194 | | 18,899 |
| Neil Budd (Independent) | | 4,061 | | 3,780 |
| Wiklow Corporate Services - Donna Moroney (Director & Secretary) | | 18,000 | | 15,280 |
| Simon van der Loo (Former CFO) | | - | | 26,960 |
| Total | \$ | 82,862 | \$ | 102,717 |

As at November 30, 2022, \$62,371 (November 30, 2021 - \$203,399) is owed to the CEO and certain directors and officers of the Company. Amounts owing are non-interest bearing, unsecured and due on demand.