

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 26, 2024 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, 2023, as well as the audited financial statements for the year ended August 31, 2023.

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.sedarplus.ca.

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.

Analysis of the Company's Financial Performance and Condition

The Company is reporting a net loss for the three months ended November 30, 2023 of \$97,789, compared to net income of \$62,890 for the comparative period ending November 30, 2022. The biggest contributor for the lower loss in the three months ended November 30, 2023 is \$nil revenues due to nil diamond sales.

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

Non-Exploration Expense Summary

	Three months ended November 30,	
	2023	2022
Revenues	\$ -	\$ 1,004,287
Cost of sales	-	(828,661)
Gross profit	-	175,626
Expenses		
Foreign exchange loss	(172)	(6,157)
Management and consulting	(39,412)	(79,862)
Office and general	(38,553)	(23,151)
Professional fees	(10,000)	(654)
Shareholder information	(1,488)	(1,071)
Travel and promotion	-	(2,393)
	<u>(89,625)</u>	<u>(113,288)</u>

- 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 2023 to November 2023.
- The management and consulting charges decreased compared to the comparative periods due to the lower fees paid to management in the current period.
- Office and general expenditures increased compared to the comparative periods due to relatively higher accounting costs.
- Professional fees increased in the first three months of fiscal 2024 compared to fiscal 2023 due to higher utilization of professional consultants. These services include, but are not limited to audit, 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, 2023, the Company had cash of \$23,403 to settle current liabilities of \$1,473,316. 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.

On October 18, 2023, the Company completed a non-brokered private placement by the issuance of 1,360,000 common shares at a price of \$0.05 per shares, for gross proceeds of \$68,000. In connection with this private placement, the Company incurred share issuance costs of \$2,340. The proceeds of the private placement were used solely for working capital.

As at November 30, 2023, the Company has an accumulated deficit of \$22,207,088. 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, 2023		November 30, 2022	
Directors fees	\$	4,069	\$	4,061
Consulting fees (included in management and consulting)		38,343		78,801
Total	\$	42,412	\$	82,862

	Period ended November 30,			
	2023		2022	
Samer Khalaf (Director and Former CEO)	\$	-	\$	40,607
Terry Tucker (Director, Executive Chair, Interim CEO and Interim CFO)		20,343		20,194
Neil Budd (Director)		4,069		4,061
Wiklow Corporate Services - Donna Moroney (Corporate Secretary & Former Director)		18,000		18,000
Total	\$	42,412	\$	82,862

As at November 30, 2023, \$194,610 (August 31, 2023 - \$150,619) is owed to the directors and officers of the Company. Amounts owing are non-interest bearing, unsecured and due on demand.

Subsequent Event

Subsequent to the period ended November 30, 2023, the Company entered into a share purchase agreement (the "**Agreement**") with five arm's length parties, collectively the "**Sellers**", setting out the terms of an acquisition (the "**Acquisition**") of the remaining 90% interest of the issued and outstanding shares of Padstone Pte. Ltd. ("**Padstone**"). In consideration for the Acquisition, the Sellers will be issued, on a pro-rata basis, an aggregate of 15,500,000 common shares of the Company (the "**Consideration Shares**"), with a deemed value of \$0.01 per share, and will be paid a deferred pro-rata cash payment in the amount of USD\$100,000, payable within 24 months from the closing date of the Acquisition. The Company has also agreed to reimburse up to a maximum amount of USD\$100,000 in interest-free Padstone shareholder loans, the proceeds of which were used to fund working capital and general corporate purposes. Repayment of the loans is due within 18 months from the closing date of the Acquisition.

Southstone currently holds a minority 10% interest in Padstone; however, if the Acquisition is not concluded by 31 March 2024 (the "**Long-stop Date**"), this 10% interest returns to Padstone's treasury. Accordingly, Southstone deems Padstone to be arm's length on the following basis: (i) no officers or directors hold office in the other company; (ii) the Company is a passive shareholder and has no control over the direction or management of Padstone; and (iii) the Company's minority 10% interest is diminimus, it provides no voting control over any matter, and is at risk of being returned to Padstone treasury.

The Company also confirmed that the non-brokered private placement, as announced on 6 November 2023, has been extended, which private placement consists of up to 10,000,000 units at a price of C\$0.05 per unit for gross proceeds up to C\$500,000 (the "**Private Placement**").

Each unit shall consist of one common share in the capital of the Company and one-half of a share purchase warrant, with each whole warrant entitling the holder to purchase one additional common share at a price of C\$0.10 per share at any time within two years from the date of issuance. The warrants shall also be subject to an accelerated exercise clause in the event the Company's share price exceeds C\$0.15 for 10 consecutive trading days.

Additional Information

Additional information relating to the Company is available on SEDAR+ at www.sedarplus.ca.