SOUTHSTONE MINERALS LIMITED

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, 2025 and should be read in conjunction with the Company's audited consolidated financial statements and related notes for the year ended August 31, 2025, (the "**Financial Statements**") which have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). 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.sedarplus.ca.

Date

This MD&A is dated as of December 23, 2025.

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 was incorporated under the British Columbia Business Corporations Act on April 10, 2007. The Company indirectly 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 indirectly 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 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, agreed to provide and maintain all the plant and equipment as required to perform the Mining Services. The diamonds produced by Oryx were to be sold via a designated Tender Facility in South Africa and 80% of the gross income of net diamond sales, less commission, was 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 was to be paid 70% of the gross income. Oryx commenced mining operations on June 13, 2022. On April 11, 2023, Oryx advised the Company that it was discontinuing operations at Oena, and no further production or sales were produced by Oryx.

On August 31, 2023, the Company entered into three Contract Mining and Diamond Recovery Agreements (the "Agreements") with Zandfontein Delwery (Pty) Ltd ("Zandfontein"), Blourug Diamante (Pty) Ltd ("Blourug") and Triangle Mining CC ("Triangle"), collectively the "Contractors", at Oena. A single centrally located diamond recovery plant was mobilized with Bourevestnik X-Ray Equipment ("BVX"), used for diamond recovery for the entire mine.

The Contractors, at their own cost and expense, provide and maintain all the plant and equipment as required to perform the Mining Services. The diamonds produced by the Contractors will be sold via a designated Tender Facility in South Africa and 80% of the gross income of net diamond sales, less commission and eligible expenses, will be paid to the Contractors for the duration of the six-year Agreement. For any individual stones recovered with a gross selling price, less commission, of greater that ZAR 10,000,000, the Contractors will be paid 70% of the gross income. Mining operations commenced in November 2023.

On May 15, 2024, the Company terminated the Agreements with Zandfontein and Blourug. On December 5, 2024, the Company terminated the Agreement with Triangle.

On January 31, 2025, the Company entered into a three-year Contract Mining and Diamond Recovery Agreement (the “Agreement”) with Rietput Delwery (Pty) Ltd (“Rietput” or the “Contractor”) at Oena. A single centrally located diamond recovery plant is being mobilized with Bourevestnik X-Ray Equipment (“BVX”) that will be used for diamond recovery for the entire mine.

The Contractor, at their own cost and expense, will provide and maintain all the plant and equipment as required to perform the Mining Services. The diamonds produced by the Contractor will be sold via a designated Tender Facility in South Africa and 80% of the gross income of net diamond sales, less commission and eligible expenses, will be paid to the Contractor for the duration of the three-year Agreement. Equipment mobilization was initiated in February 2025 with mining operations having commenced in April 2025.

Total carats recovered for the year ended August 31, 2025 was 1,683 (2024: 812), which sold for an average of US$1,555 (2024: US$1,845) per carat.

Of these, 20 (2024: 12) stones exceeded 10 carats and sold for an average price of US$3,156 (2024: US$3,652) per carat.

The increase in production relative to the previous year is related to higher tonnages being processed. 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

On March 31, 2023, the Company subscribed for 1,152 shares of Padstone Pte. Ltd. (“Padstone”), which represented 10% ownership of Padstone. Padstone is the registered proprietor of all the issued share capital of Pan African Diamonds, which is an independent mining exploration company focused on diamond exploration in Guinea-Conakry.

With the Company’s agreement, Padstone concurrently established a wholly owned subsidiary in Guinea-Conakry, Southstone Guinée SARL, for the purpose of applying for two diamond exploration permits located in Guinea-Conakry.

On August 31, 2024, the Company and Padstone mutually agreed to terminate the share purchase agreement of the remaining 90% interest of the issued and outstanding shares of Padstone. The 1,152 fully paid ordinary shares of Padstone previously held by the Company, representing 10% of the issued share capital to purchase Padstone, transferred back to the Padstone shareholders with an effective date of August 31, 2024, as per the terms of the termination agreement.

On February 24, 2025, the Company received conditional approval from the TSX Venture Exchange in connection with its proposed acquisition of Afrium Energy Pte. Ltd., a private Singapore corporation that holds indirect interests in uranium prospecting licences in the Republic of Botswana. The Company would acquire a 100% interest in Afrium for 20,000,000 common shares of the Company. Afrium shareholders also receive a 2.5% net smelter return royalty on the licenses, with an option for the Company to repurchase each 0.5% of the NSR for $1.5 million to a maximum total aggregate amount of $7.5 million.

Final approval of the transaction remains subject to the satisfaction of customary TSX Venture Exchange requirements, including the completion of technical, financial, legal, and regulatory review items. The Company continues to work toward satisfying these conditions and will provide further updates in accordance with applicable disclosure requirements.

The Second Addendum, effective September 12, 2025, extends the end date of the acquisition agreement to March 12, 2026.

Selected Annual Information

The following is a summary of the results of the financial operations of the Company for the years ended August 31, 2025, 2024 and 2023.

	Year ended August 31, 2025 $	**Year ended August 31, 2024 $**	**Year ended August 31, 2023 $**
Revenues	3,612,628	2,035,732	1,296,497
Net profit/(loss) from continuing operations	(10,137)	(199,067)	(188,254)
Basic and Diluted Loss per share	(0.001)	(0.01)	(0.01)
Working Capital (Deficiency)	(1,621,488)	(1,567,905)	(1,430,408)
Total Assets	789,403	315,058	203,610
Total Long-Term Financial Liabilities	-	-	-
Accumulated deficit	(22,384,445)	(22,268,947)	(22,110,557)
Number of shares outstanding at period end	33,401,888	33,226,765	32,041,888

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, 2025 $	*May 31, 2025 $*	*Feb 29, 2025 $*	*Nov 30, 2024 $*	*Aug 31, 2024 $*	*May 31, 2024 $*	*Feb 28, 2024 $*	*Nov 30, 2023 $*
Revenues	*2,017,589*	*1,295,627*	*140,228*	*159,184*	*611,022*	*793,481*	*631,229*	*-*
Profit / (Loss) for the quarter	*(6,863)*	*140,407*	*(62,783)*	*(80,898)*	*(430,545)*	*311,703*	*17,564*	*(97,789)*
Loss per share before other items – basic and diluted	*(0.000)*	*0.004*	*(0.002)*	*(0.002)*	*(0.013)*	*0.009*	*0.001*	*(0.003)*
Weighted Average Shares Outstanding	*33,401,888*	*33,401,888*	*33,401,888*	*33,401,888*	*33,226,765*	*32,883,970*	*32,541,176*	*32,202,107*

Results of Operations – Three Months Ended August 31, 2025

The Company incurred a loss of $6,863 from continued operations for the three months ended August 31, 2025, compared to a loss of $430,545 from continued operations for the three months ended August 31, 2024.

The biggest impact on the results is from the increase in production costs, with gross profit up by $401,682, as well as management and consulting fees and professional fees lower by $29,672 and $27,022, respectively, for the three months ended August 31, 2025 compared to the three months ended August 31, 2024.

Non-Exploration Expense Summary

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

Three months ended August 31,	2025	2024
Expenses		
Amortization	(109)	(55)
Change of rehabilitation provision and others	(82,731)	(121,637)
Foreign exchange gain (loss)	9,365	(3,372)
Management and consulting	(47,061)	(76,733)
Office and general	(23,764)	(17,899)
Professional fees	(29,145)	(56,167)
Selling expenses	(30,258)	(8,957)
Shareholder information	(1,071)	(1,071)
	(204,774)	(285,891)

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 in 2025. The same independent consultant, specializing in geological surveying, concluded there was a $82,731 increase in the rehabilitation provision for the year ended August 31, 2025. The remaining $10,937 change in rehabilitation provision relates to the effect of the foreign exchange difference of South African Rand against the Canadian Dollar.

The foreign exchange gain reported in 2025 compared to the loss in 2024 is driven by the volatility of the South African Rand against the Canadian and United States Dollar.

The decrease in the management and consulting charges is a result of decreased consulting services incurred by ASM.

The increased expenses for office and general compared to the prior year is due to increased security costs.

Professional fees decreased in 2025 compared to 2024 due to lower mine surveyor work completed.

Results of Operations – Year Ended August 31, 2025

The Company generated a loss of $10,137 from continued operations for the year ended August 31, 2025, compared to a loss of $199,067 from continued operations for the year ended August 31, 2024.

The biggest impact on the results is from an increase in total diamond carats sold, which saw revenues and gross profit increase by approximately $1,576,896 and $207,208, respectively. Management and consulting fees and professional fees were lower by $16,539 and $6,354, respectively, in the year ended August 31, 2025 compared to the year ended August 31, 2024.

Non-Exploration Expense Summary

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

Years ended August 31,	2025	2024
Expenses		
Amortization	(218)	(55)
Change of rehabilitation provision and others	(82,731)	(121,637)
Foreign exchange gain (loss)	9,385	(903)
Management and consulting	(178,271)	(194,810)
Office and general	(90,668)	(96,408)
Professional fees	(88,007)	(94,361)
Selling expenses	(54,189)	(30,536)
Shareholder information	(16,851)	(14,187)
	(501,550)	(522,897)

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 in 2025. The same independent consultant, specializing in geological surveying, concluded there was a $82,731 increase in the rehabilitation provision for the year ended August 31, 2025. The remaining $10,937 change in rehabilitation provision relates to the effect of the foreign exchange difference of South African Rand against the Canadian Dollar.

The foreign exchange gain reported in 2025 compared to the loss in 2024 is driven by the volatility of the South African Rand against the Canadian and United States Dollar.

The decrease in the management and consulting charges is a result of decreased consulting services incurred by ASM.

The increased expenses for office and general compared to the prior year is due to decreased accounting fees, partially offset by higher security costs.

Professional fees decreased in 2025 compared to 2024 due to lower mine surveyor work completed.

Shareholder information increased in 2025 compared to 2024 due to higher investor relations 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 $61,710 (ZAR 750,000) 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. In July 2025, the Company repaid ZAR 500,000 to HOD. During the year ended August 31, 2025, the Company and HOD agreed to amend the maturity date on Loan 1 to December 31, 2025.

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 $121,515 (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. During the year ended August 31, 2025, the Company and HOD agreed to amend the maturity date on Loan 2 to December 31, 2025.

Due to the new term end date extensions for Loan 1 and Loan 2 during the year ended August 31, 2025, the Company, per IFRS 9, was required to assess whether the change in each Loan was substantial or not substantial. Given the discounted present value of the modified cash flows differed by more than 10% for both Loan 1 and Loan 2, the Company concluded the change was substantial, requiring the Company to extinguish these loans and recognize new ones. This resulted in a gain on the extinguishment of Loan 1 and Loan 2 of $23,674 (ZAR 306,814) in the year ended August 31, 2025.

During the year ended August 31, 2025, the reissued Loan 1 incurred an accretion expense of $5,781 (ZAR 74,922) (August 31, 2024 - $Nil).

As at August 31, 2025, for reissued Loan 1, an amount of $18,533 (ZAR 238,279) remains outstanding (August 31, 2024 - $56,948 (ZAR 750,000)). Subsequent to the year ended August 31, 2025, the Company repaid the remaining ZAR 250,000 to HOD to settle the outstanding amount of Loan 1.

During the year ended August 31, 2025, the reissued Loan 2 incurred an accretion expense of $11,562 (ZAR 149,843) (August 31, 2024 - $Nil).

As at August 31, 2025, for reissued Loan 2, an amount of $111,200 (ZAR 1,429,672) remains outstanding (August 31, 2024 - $113,895 (ZAR 1,500,000)). Subsequent to the year ended August 31, 2025, the Company repaid the remaining ZAR 1,500,000 to HOD to settle the outstanding amount of Loan 2.

In August 2022, ASM entered into an advance agreement with HOD for $46,068 (ZAR 600,000). This advance will be repaid with proceeds from Oena mining production revenues. During the year ended August 31, 2025, the Company and HOD agreed to amend the maturity date on the advance payable to December 31, 2025. As at August 31, 2025, there was a balance of $7,778 (ZAR 100,000) (August 31, 2024 - $7,593 (ZAR 100,000)) outstanding on this advance payable. Subsequent to the year ended August 31, 2025, the Company repaid ZAR 100,000 to HOD to settle the remaining advance outstanding.

During the year ended August 31, 2024, ASM entered into four advance agreements with HOD for $43,822 (ZAR 620,000) and these advances have been fully repaid with proceeds from Oena mining production revenue.

On January 29, 2024, the Company entered into an unsecured term loan agreement with third party, CC Mining Limited, for $80,652 (USD 60,000), interest bearing at the aggregate of Secured Overnight Financing Rate (SOFR) and a margin of 8% per annum, with a maturity date of September 30, 2024. During the year ended August 31, 2025, the Company amended the maturity date for the unsecured term loan with CC Mining Limited to August 31, 2025 and further extended the maturity date to December 31, 2025. Subsequent to the year ended August 31, 2025, the Company extended the maturity of the loan to April 30, 2026. As at August 31, 2025, there was a balance of $101,852 (US$74,066) (August 31, 2024, $87,516 (US$64,870)).

During the year ended August 31, 2025, ASM entered into three advance agreements with Grazia Diamonds (Pty) Limited for $429,193 (ZAR 5,700,000) and these advances have been fully repaid with proceeds from Oena mining production revenue.

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.

On January 10, 2024, 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 Company agreed to issue to the Sellers, 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, and the Company agreed to pay a deferred pro-rata cash payment in the amount of USD$100,000, payable within 24 months from the closing date of the Acquisition.

On August 31, 2024, the Company and Padstone mutually agreed to terminate the share purchase agreement of the remaining 90% interest of the issued and outstanding shares of Padstone. The 1,152 fully paid ordinary shares of Padstone previously held by the Company, representing 10% of the issued share capital of Padstone, transferred back to the Padstone shareholders with an effective date of August 31, 2024, as per the terms of the termination agreement.

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 diamonds, the Company intends to continue relying upon the issuance of securities to finance its operations and acquisitions pursuant to private placements, 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.

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.

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, 2025, 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, 2025		August 31, 2024
Directors fees	$	16,789	$	16,283
Consulting fees (included in management and consulting)		173,482		181,914
Commissions		70,304		-
Total	**$**	**260,575**	**$**	**198,197**

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

		Years ended August 31,		
		2025		2024
Terry Tucker (Director, Executive Chair, Interim CEO and Interim CFO)	$	84,121	$	81,415
Neil Budd (Director)		16,789		16,283
Wiklow Corporate Services - Donna Moroney (Corporate Secretary & Director)		72,000		72,000
Nadim Makki (CEO, ASM)		87,665		28,499
Total	**$**	**260,575**	**$**	**198,197**

- As at August 31, 2025, $483,491 (August 31, 2024 - $305,520) is owed to directors and secretary 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, 2025, total accrued interest was $677 (August 31, 2024 - $603) with a total amount outstanding of $6,019 (August 31, 2024 - $5,342).

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. 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, 2025, the Company had cash of $432,513 to settle current liabilities of $2,294,412. 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 an $118,368 increase (decrease) to net loss for the year ended August 31, 2025.

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 33,401,888 common shares are issued and outstanding as of the date hereof.

As of August 31, 2025 and the date of this report, the Company has nil outstanding share purchase warrants or incentive stock options.

Exploration and evaluation expenditures

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

		August 31, 2025		August 31, 2024
Increase in rehabilitation provision	$	93,668	$	130,667
	$	**93,668**	**$**	**130,667**

Commitments

The Company has committed to make additional deposits of $140,387 (ZAR 1,804,928) (August 31, 2024 - $137,048 (ZAR 1,804,928)). During the year ended August 31, 2024, a ZAR 900,000 deposit by Bluedust 7 Proprietary Limited and a ZAR 100,000 deposit by Oryx Mining (Pty) LTD, that were held in trust, were refunded to the Company due to outstanding rehabilitation liabilities left by Bluedust upon termination of their contract. As a result of the refund, the "rehabilitation deposit to be transferred" liability held by the Company was derecognized, with a corresponding derecognition gain recorded into other income in the year ended August 31, 2024.

In connection with its rehabilitation provision, as per financial provision requirements accepted by the Department of Mineral Resources (DMR) on December 1, 2022, 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 12 of the audited annual consolidated financial statements.

On August 31, 2023, the Company entered into three Contract Mining and Diamond Recovery Agreements (the “Agreements”) with Zandfontein Delwery (Pty) Ltd (“Zandfontein”), Blourug Diamante (Pty) Ltd (“Blourug”) and Triangle Mining CC (“Triangle”), collectively the “Contractors”, at Oena. A single centrally located diamond recovery plant is being mobilized with Bourevestnik X-Ray Equipment (“BVX”) that will be used for diamond recovery for the entire mine.

The Contractors, at their own cost and expense, provide and maintain all the plant and equipment as required to perform the Mining Services. The diamonds produced by the Contractors will be sold via a designated Tender Facility in South Africa and 80% of the gross income of net diamond sales, less commission and eligible expenses, will be paid to the Contractors for the duration of the six-year Agreement. For any individual stones recovered with a gross selling price, less commission, of greater that ZAR 10,000,000, the Contractors will be paid 70% of the gross income. Mining operations commenced in November 2023.

On May 15, 2024, the Company terminated the Agreements with Zandfontein and Blourug. On December 5, 2024, the Company terminated the Agreement with Triangle.

On January 31, 2025, the Company entered into a three-year Contract Mining and Diamond Recovery Agreement (the “Agreement”) with Rietput Delwery (Pty) Ltd (“Rietput” or the “Contractor”) at Oena. A single centrally located diamond recovery plant was mobilized with Bourevestnik X-Ray Equipment (“BVX”), used for diamond recovery for the entire mine.

The Contractor, at their own cost and expense, will provide and maintain all the plant and equipment as required to perform the Mining Services. The diamonds produced by the Contractor will be sold via a designated Tender Facility in South Africa and 80% of the gross income of net diamond sales, less commission and eligible expenses, will be paid to the Contractor for the duration of the three-year Agreement. Equipment mobilization was initiated in February 2025 with mining operations having commenced in April 2025.

Additional Information

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

Subsequent Events

Subsequent to the year ended August 31, 2025, the Company repaid ZAR 250,000 and ZAR 1,500,000 to HOD to settle outstanding amounts of Loan 1 and Loan 2, respectively. The Company additionally repaid ZAR 100,000 to HOD to settle the remaining advance outstanding.

Subsequent to the year ended August 31, 2025, the Company has amended the maturity date for the unsecured term loan with CC Mining Limited to April 30, 2026.