DIAMCOR MINING INC.

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2006

To the Shareholders of Diamcor Mining Inc.:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with the Audit Committee. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Board is also responsible for recommending the appointment of the Company's external auditors.

Meyers Norris Penny LLP, an independent firm of Chartered Accountants, is appointed by the shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

August 2, 2006

Chief Executive Officer

Senior Officer

Auditors' Report

To the Directors of Diamcor Mining Inc.:

We have audited the consolidated balance sheet of Diamcor Mining Inc. as at March 31, 2006 and the consolidated statements of income (loss), deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2006 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements at March 31, 2005 and for the year then ended, prior to the adjustment of certain error corrections as described in Note 15, were audited by other auditors who expressed an opinion without reservation on those statements in their report dated July 20, 2005. We have audited the adjustments to the 2005 financial statements and in our opinion, such statements, in all material respects, are appropriate and have been properly applied.

Meyers Norris Penny LLP

Medicine Hat, Alberta

August 2, 2006

Chartered Accountants

DIAMCOR MINING INC.
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2006

	2006	Restated 2005 *(Note 15)*
ASSETS		
CURRENT		
Cash	**$ 144,699**	$ 201,231
Accounts receivable	**28,357**	34,226
Inventory	**66,334**	68,155
Income taxes recoverable	**-**	20,323
Prepaid expenses	**456**	10,641
	239,846	334,576
PROPERTY, PLANT AND EQUIPMENT *(Note 4)*	**339,665**	400,854
MINERAL PROPERTIES (Note 5)	**172,748**	345,497
FUTURE INCOME TAXES *(Note 11)*	**1,728**	-
REHABILITATION TRUST FUND *(Note 3)*	**50,291**	104,779
	$ 804,278	$ 1,185,706

ON BEHALF OF THE BOARD

______________________________ *Director*

______________________________ *Director*

The accompanying notes are an integral part of these consolidated financial statements

DIAMCOR MINING INC.

CONSOLIDATED BALANCE SHEETS

MARCH 31, 2006

	2006	Restated 2005 (Note 15)
LIABILITIES		
CURRENT		
Accounts payable	$ **336,423**	$ 234,334
Taxes payable	**22,988**	-
	359,411	234,334
LONG-TERM DEBT *(Note 7)*	**-**	603,110
DUE TO RELATED PARTIES *(Note 10)*	**111,337**	466,267
ASSET RETIREMENT OBLIGATION *(Note 6)*	**240,662**	214,877
	711,410	1,518,588
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Share capital *(Note 8)*	**5,978,333**	5,977,833
Contributed surplus *(Note 9)*	**1,008,387**	1,008,387
Deficit	**(6,893,852)**	(7,319,102)
	92,868	(332,882)
	$ **804,278**	$ 1,185,706

NATURE OF OPERATIONS AND GOING CONCERN *(Note 1)*

SUBSEQUENT EVENTS *(Note 19)*

ON BEHALF OF THE BOARD

_____________________________ *Director*

_____________________________ *Director*

The accompanying notes are an integral part of these consolidated financial statements

DIAMCOR MINING INC.
CONSOLIDATED STATEMENTS OF INCOME (LOSS)
YEAR ENDED MARCH 31, 2006

		2006		*Restated* 2005 *(Note 15)*
SALES	$	**1,893,104**	$	1,666,701
COST OF SALES		**1,357,337**		1,005,697
GROSS PROFIT		**535,767**		661,004
EXPENSES				
Accretion and amortization		**274,736**		419,705
Consulting fees		**131,748**		124,420
Insurance		**41,794**		18,178
Interest and bank charges		**2,945**		3,757
Management fees		**112,521**		145,357
Office		**78,385**		118,950
Professional fees		**63,787**		250,521
Promotion and investor relations		**29,727**		2,861
Salaries and wages		**74,473**		86,675
Stock based compensation		**-**		66,659
Transfer agent and regulatory fees		**13,675**		19,058
Travel		**69,334**		38,227
		893,125		1,294,368
LOSS FROM OPERATIONS	$	**(357,358)**	$	(633,364)

The accompanying notes are an integral part of these consolidated financial statements

DIAMCOR MINING INC.

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)
YEAR ENDED MARCH 31, 2006

		2006		*Restated* 2005 *(Note 15)*
LOSS FROM OPERATIONS *(continued from previous page)*		**(357,358)**		(633,364)
OTHER INCOME				
Interest and other		**17,893**		-
Foreign exchange gains		**126,833**		34,265
Debt settlement gains *(Note 12)*		**668,110**		-
		812,836		34,265
INCOME (LOSS) BEFORE INCOME TAXES		**455,478**		(599,099)
PROVISION FOR INCOME TAXES *(Note 11)*				
Current		**31,956**		-
Future		**(1,728)**		-
		30,228		-
NET INCOME (LOSS)	**$**	**425,250**	$	(599,099)
EARNINGS (LOSS) PER SHARE – BASIC	**$**	**0.01**	$	(0.02)
EARNINGS (LOSS) PER SHARE – DILUTED	**$**	**0.01**	$	(0.02)

The accompanying notes are an integral part of these consolidated financial statements

DIAMCOR MINING INC.

CONSOLIDATED STATEMENTS OF DEFICIT

YEAR ENDED MARCH 31, 2006

		2006		Restated 2005 (Note 15)
DEFICIT – BEGINNING OF YEAR AS PREVIOUSLY STATED	**$**	**(7,437,306)**	$	(6,888,637)
Correction of error *(Note 15)*		**118,204**		168,634
DEFICIT – BEGINNING OF YEAR AS RESTATED		**(7,319,102)**		(6,720,003)
Net income (loss)		**425,250**		(599,099)
DEFICIT - END OF YEAR	**$**	**(6,893,852)**	$	(7,319,102)

The accompanying notes are an integral part of these consolidated financial statements

DIAMCOR MINING INC.

CONSOLIDATED STATEMENTS OF CASHFLOWS

YEAR ENDED MARCH 31, 2006

		2006		*Restated* 2005 *(Note 15)*
OPERATING ACTIVITIES				
Net income (loss)	**$**	**425,250**	$	(599,099)
Items not affecting cash:				
Accretion and amortization		**274,736**		419,705
Stock based compensation		**-**		66,659
Forgiveness of accounts payable		**160,431**		-
Future income tax		**(1,728)**		-
Debt settlement gains		**(668,110)**		-
Foreign exchange gains		**(126,833)**		(34,265)
		63,746		(147,000)
Changes in non-cash working capital:				
Accounts receivable		**5,869**		(10,965)
Inventory		**1,821**		(20,280)
Accounts payable		**102,089**		(22)
Income taxes payable		**43,311**		8,371
Prepaid expenses		**10,185**		(2,541)
		163,275		(25,437)
Cash flow from (used by) operating activities		**227,021**		(172,437)
INVESTING ACTIVITY				
Purchase of property plant and equipment		**(15,016)**		(129,836)
Cash flow used by investing activity		**(15,016)**		(129,836)
FINANCING ACTIVITIES				
Advances from (to) related parties		**(118,537)**		79,224
Repayment of long-term debt		**(65,000)**		
Issuance (purchase) of share capital		**(85,000)**		345,700
Cash flow (used by) from financing activities		**(268,537)**		424,924
INCREASE (DECREASE) IN CASH FLOW		**(56,532)**		122,651
Cash - beginning of year		**201,231**		78,580
Cash – end of year	**$**	**144,699**	$	201,231

SUPPLEMENTARY CASH FLOW INFORMATION ***(Note 17)***

The accompanying notes are an integral part of these consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Diamcor Mining Inc. (the "Company") was incorporated under the Company Act of British Columbia. Its principal business activity is the production of diamonds in South Africa through it subsidiaries So Ver Mine (Pty) Ltd., Ongaza Mining and Exploration (Pty) Ltd. and BlueDust (Pty) Ltd.

On April 8th 2005, the Company reached a final settlement agreement with the minority shareholder wherein both parties agreed to resolve all claims among themselves in exchange for the Company paying $85,000 to the minority shareholder for the remaining shares in the So Ver Mine (Pty.) Ltd., assignment of So Ver indebtedness to the minority shareholder and $65,000 to relinquish all other claims by the minority shareholder against Diamcor, So Ver and various other parties. As a result of this the Company obtained 100% of So Ver and will continue to operate the mine and expand its mining activities to other mineral properties in South Africa.

The following transaction took place as a result of this settlement:

Long-term debt	$603,110
Settlement payment	(65,000)
Debt settlement gain *(Note 12)*	$538,110

These consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and the ability of the Company to continue as a going concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, or other business and financial transactions which would assure continuation of the Company's operations and exploration programs. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate such financing.

There can be no assurance that the Company will be able to continue to raise funds in which case the Company may be unable to meet its obligations. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the balance sheets.

	March 31 2006	March 31 2005
Deficit	$ (6,893,852)	$ (7,319,102)
Working capital (deficiency)	$ (119,565)	$ 100,242

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These consolidated financial statements include the accounts of the Company, its 74% owned subsidiary Ongoza Mining & Exploration (Pty) Ltd. (formerly Zelpy 1623 (Pty) Ltd.), BlueDust (Pty) Ltd. and So Ver Mining (PTY) Ltd. All significant inter-company balances and transactions have been eliminated. The non-controlling interest has not been adjusted for due to the deficit in Ongoza Mining & Exploration (Pty) Ltd.

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less.

Inventory

Inventory, which includes rough diamond consumables, are stated at the lower of cost, cost of production or estimated net realizable value. Cost is determined according to the first in first out method. Net realizable value is the estimated selling price in the ordinary course of business less completion and selling expenses.

Property, plant and equipment

Property, plant and equipment are recorded at cost and are amortized either using the straight-line method over the estimated useful lives of the individual assets (Property, plant and equipment) or on a declining basis (Office equipment) at the following annual rates:

Office equipment	12.5%
Property, plant and equipment	15.0%

In the year of acquisition half the normal rates are used:

Mineral properties

The Company records its interests in mineral properties and areas of geological interest at cost. All direct and indirect costs relating to the acquisition of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or where management has determined there to be an impairment. These costs will be amortized on the basis of units produced in relation to the proven reserves available on the related property following commencement of production. Mineral properties which are sold before that property reaches the production stage will have all revenues from the sale of the property credited against the cost of the property. Properties which have reached the production stage will have a gain or loss calculated based on the portion of that property sold. The recorded cost of mineral property interests is based on cash paid and the assigned value of share consideration costs incurred. The recorded amount may not reflect recoverable value as this will be dependant on the development program, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

Cost of maintaining mineral properties

The Company does not accrue the estimated future costs of maintaining its mineral properties in good standing.

Revenue Recognition

Sales are recognized upon delivery of products (primarily rough cut diamonds) and customer acceptance. Sales are shown net of sales taxes and trade discounts.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued from previous page)*

Foreign currency translation

The Company's subsidiaries are integrated foreign operations and are translated into Canadian dollar equivalents using the temporal method. Monetary items are translated at the exchange rate in effect at the balance sheet date; non-monetary items are translated at historical exchange rates. Income and expense items are translated at the average exchange rate for the period. Exchange gains or losses arising on translation of foreign currency items are included in operating results.

Stock-based compensation

The Company uses the fair value method of accounting for all stock-based compensation, including options granted under the Company's incentive stock option plan. Compensation expense for options granted is determined based on the estimated fair values of the stock options at the time of grant, the cost of which is recognized over the vesting periods of the respective options. Stock-based compensation expense is recorded as a charge to operations with a corresponding credit to contributed surplus. Consideration paid for shares on the exercise of options is credited to share capital.

Future income taxes

Future income taxes are calculated using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it to be more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess. *(Note 11)*.

Earnings (loss) per share

The earnings per share figures are calculated using the weighted monthly average number of shares outstanding during the respective years. The calculation of diluted earnings per share figures under the Treasury Stock Method considers the potential exercise of outstanding share purchase options and warrants to the extent each option, warrant or contingent issuance was dilutive.

Asset Retirement Obligation

The Company recognizes the fair value of its asset retirement obligation ("ARO") in the period in which it is incurred and when a reasonable estimate of fair value can be made. The fair value of the estimated ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount is amortized at a reasonable rate based on the useful life of property and equipment. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. Revision to the estimated timing of cash flows or to the original estimated undiscounted cost would also result in an increase or decrease to the ARO. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded. Any difference between the actual costs incurred upon settlement of the ARO and recorded liability is recognized as a gain or loss in the Company's earnings in the period in which the settlement occurs.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued from previous page)*

Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. The amounts recorded for depreciation of property and equipment and the provisions for asset retirement obligation are based on estimates. By their nature, these estimates are subject to measurement uncertainty and the impact on the financial statements of future periods could be material if actual results differ from these estimates. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known.

3. REHABILITATION TRUST FUND

		March 31 2006		March 31 2005
Deposit at Department of Minerals and Energy in South Africa for Rehabilitation Costs	$	50,291	$	52,309
Amount advanced to So Ver Rehabilitation Trust in respect of insurance policy premiums		-		52,470
	$	50,291	$	104,779

4. PROPERTY, PLANT AND EQUIPMENT

	March 31 2006			March 31 2005		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Office equipment	$8,938	$5,579	$3,359	$8,216	$3,340	$4,876
Property, plant and equipment	581,023	244,717	336,306	566,729	170,751	395,978
	$589,961	$250,296	$339,665	$574,945	$174,091	$400,854

5. MINERAL PROPERTIES

Title to mineral properties

Title to mining properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mining properties. The Company has diligently investigated rights of ownership of all of the mineral concessions in which it has an interest and, to the best of its knowledge, all agreements relating to such ownership rights are in good standing. However, this should not be construed as a guarantee to title. The concessions may be subject to prior claims, agreements or transfers and rights of ownership may be affected by undetected defects.

	March 31 2006	March 31 2005
Balance, beginning of year	$ 345,497	$ 575,828
Amortization	172,749	230,331
Balance, end of year	$ 172,748	$ 345,497

The So Ver tailings re-treatment diamond mine is located in the Kimberly area of South Africa. On April 8th 2005, the Company obtained 100% ownership. The So Ver tailings re-treatment mine is currently operating.

6. ASSET RETIREMENT OBLIGATION

The total future asset retirement obligation was estimated based on the Company's net ownership interest in all mines and facilities, estimated costs to reclaim and abandon the mines and facilities and estimate timing of the costs to be incurred in future periods. The Company has estimated the net present value of its total asset retirement obligation to be $171,299 beginning in 2004 based on a future liability of $339,792. These payments are expected to be made over the life of the mine with the majority of the costs incurred between 2007 and 2008. The Company's credit adjusted risk-free rate of 12.0% and an inflation rate of 3.0% were used to calculate the net present value of the asset retirement obligation.

6. ASSET RETIREMENT OBLIGATION *(continued from previous page)*

The following table reconciles the Company's total asset retirement obligation:

	March 31 2006	March 31 2005
Balance, beginning of year	$ 214,877	$ 191,854
Increase (decrease) in liabilities	-	-
Accretion	25,785	23,023
Balance, end of year	$ 240,662	$ 214,877

7. LONG-TERM DEBT

	March 31 2006	March 31 2005
Development loan	$ -	$ 250,000
Second loan	-	142,000
Retained loan	-	211,110
	$ -	$ 603,110

Pursuant to the settlement agreement reached between the Company and the minority shareholder on April 8, 2005 these loans, which were repayable to the minority shareholder of So Ver were assigned to Diamcor Mining Inc. The loans were secured by a notorial bond on the moveable assets of So Ver which was also released as part of the settlement agreement.

8. SHARE CAPITAL

Authorized:

Unlimited common voting shares, no par value

	Number of Shares		Amount
Issued:			
Balance, March 31, 2004	25,072,809	$	5,632,133
Issued during 2005:			
Exercise of warrants	140,000		18,200
Private Placements	3,275,000		327,500
Balance, March 31 2005	28,487,809		5,977,833
Issued during 2006:			
Purchase of minority share interest *(a)*	-		(85,000)
Exercise of warrants *(b)*	100,000		10,000
Settlement of Debt *(c) (d)*	755,000		75,500
Balance, March 31, 2006	29,342,809	$	5,978,333

Included in issued capital stock are 16,667 common shares held in escrow as required by the regulatory authorities.

(a) As part of the settlement agreement with the minority shareholder, 500,000 shares were purchased at the market rate of $0.17 per share.

(b) Warrants were exercised by a director of the Company.

(c) 220,000 shares for settlement of previous years accounting fees.

(d) 535,000 shares for settlement of consulting fees.

8. SHARE CAPITAL *(continued from previous page)*

Warrants

The following warrants were outstanding at March 31, 2006:

Number of Shares	Exercise Price	Expiry Date
1,775,000	$ 0.11	June 1, 2006
1,500,000	$ 0.10	December 16, 2006
535,000	$ 0.13	August 4, 2007

Stock options

The Company adopted a formal stock option plan in December 2003 and follows the TSX Venture Exchange (the "Exchange") policy under which it is authorized to grant options to directors and employees to acquire up to 10% of its issued and outstanding common stock. Under the policy, the exercise price of each option equals the market price of the Company's stock, less applicable discounts permitted by the Exchange, as calculated on the date of grant. The options can be granted for a maximum term of 5 years.

	March 31 2006		March 31 2005	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	1,848,645	$ 0.14	2,148,645	$ 0.14
Options Expired	-	-	(300,000)	0.11
Outstanding, end of period	1,848,645	$ 0.14	1,848,645	$ 0.14
Options exercisable, end of period	1,848,645	$ 0.14	1,848,645	$ 0.14

8. SHARE CAPITAL *(continued from previous page)*

The following stock options were outstanding at March 31, 2006:

Number of options outstanding and exercisable	Exercise Price	Weighted average remaining life	Expiry date
1,101,864	$0.15	.1.13	May 21, 2007
200,467	$0.14	1.18	June 12, 2007
546,314	$0.14	1.28	July 18, 2007

Stock-based compensation

The Company has recognized no stock based compensation in the current fiscal year ($66,659 in 2005).

The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of stock options granted during the year:

	March 31 2006	March 31 2005
Risk-free interest rate	3.20%	2.65%
Expected life of options	5 years	2 years
Annualized volatility	127%	167%
Dividend	0%	0%

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimated, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

9. CONTRIBUTED SURPLUS

		March 31 2006		March 31 2005
Balance, beginning of year	$	1,008,387	$	941,728
Stock-based compensation		-		66,659
Balance, end of period	$	1,008,387	$	1,008,387

10. RELATED PARTY TRANSACTIONS

The Company paid or accrued the following to a director, former directors and to companies controlled by directors and former directors of the Company:

		2006		2005
Salaries and wages	$	70,233	$	75,000
Office	$	17,200	$	20,655

These transactions were in the normal course of operations and were measured at the exchange amounts, which is the amount of consideration established and agreed to by the related parties. As at March 31, 2006, the Company owed $111,337 ($466,267 in 2005) to directors of the Company and its subsidiaries, companies controlled by a director, an individual related to a director and to former directors. The fair value of amounts due to or from related parties cannot be determined as there are no specific terms of repayment and no interest is charged. A portion of the related party amount owing that was settled during the year was forgiven to the company resulting in a debt settlement gain of $130,000 recorded for 2006. *(Note 12)*

11. INCOME TAXES

A reconciliation of income taxes (recovery) at statutory rates with the reported income taxes (recovery) is as follows:

	2006	2005
Net income (loss) for year	$ 425,250	$ (599,099)
Computed taxes paid (recovered) at statutory rates	$ 74,960	$ (251,622)
Difference in foreign tax rates	(1,470)	(68,112)
Non-taxable items	94,971	186,642
Deductible items	(52,376)	(852)
Under provision previous years	9,933	-
Unrecognized benefits of non-capital losses	(94,062)	133,944
Income tax recovery	$ 31,956	$ -

The significant components of the Company's future tax assets are as follows:

	2006	2005
Property, plant and equipment	$ 1,927	$ 6,000
Mineral property expenditures	23,186	248,000
Share issuance costs	-	2,000
Non-capital losses carry forward	763,499	1,161,000
	788,612	1.417,000
Less: valuation allowance	(786,884)	(1,417,000)
	$ 1,728	$ -

11. INCOME TAXES *(continued from previous page)*

The Company had the following estimated tax pool balances at March 31, 2006:

	2006	2005
Canadian Exploration Expense	$ 4,605	$ 4,605
Canadian Development Expense	64,400	92,000
Undepreciated Capital Cost	3,174	3,658
Non-capital loss carry-forward	$ 2,272,317	$ 2,683,140

The Company has available for deduction against future taxable income non-capital losses of approximately $2,272,317 at March 31, 2006 ($2,683,140 in 2005). These losses, if not utilized, will expire commencing 2008. Subject to certain restrictions, the Company also has resource expenditures available to reduce taxable income in future years. Future tax benefits which may arise as a result of these non-capital losses and resource deductions have not been recognized in these financial statements due to the uncertainty of their ability to be realized.

In assessing the ability of future tax assets to be realized, management considers whether it is more likely than not that some portion or all of the future tax assets will not be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of future tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of the future tax asset considered realizable could change materially in the near term based on future taxable income during the carry forward period. A valuation allowance has been provided against all net future tax assets, as realization of such net assets is uncertain.

12. DEBT SETTLEMENT GAINS

	2006	2005
Settlement of debt from minority share purchase *(Note 1)*	$ 538,110	$ -
Cash gifted to Company from related party *(Note 10)*	130,000	-
	$ 668,110	$ -

13. SEGMENTED INFORMATION

Details of identifiable assets by geographic segments are as follows:

	Total Assets	Property, Plant and Equipment	Mineral Properties	Other Assets
March 31, 2006				
Canada	$ 61,753	$ 3,359	$ -	$ 58,394
South Africa	742,525	336,306	172,748	233,471
	$ 804,278	$ 339,665	$ 172,748	$ 291,865
March 31, 2005				
Canada	$ 66,707	$ 4,876	$ -	$ 61,831
South Africa	1,118,999	395,978	345,497	377,524
	$ 1,185,706	$ 400,854	$ 345,497	$ 439,355

Details of earnings (loss) from operations by geographic segments are as follows:

	Canada	South Africa	Total
Sales	$ -	$1,893,104	$1,893,104
Operating costs	-	(1,357,337)	(1,357,337)
Amortization	(2,239)	(272,497)	(274,736)
Other items	231,175	(36,728)	194,447
Provision for income tax	-	(30,228)	(30,228)
Earnings for period ended March 31, 2006	$ 228,936	$ 196,314	$ 425,250
Earnings (loss) for period ended March 31, 2005	$ (615,384)	$ 16,285	$ (599,099)

13. SEGMENTED INFORMATION *(continued from previous page)*

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by management, in deciding how to allocate resources and in assessing performance. All of the Company's operations are within the mining sector. Due to the geographic and political diversity, the Company's mining operations are decentralized whereby mining managers are responsible for business results and regional corporate offices provide support to the mining programs in addressing local and regional issues. The Company's operations are therefore segmented on a geographical basis. The Company's mining properties are all located in South Africa.

14. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables, income tax receivable, amounts due from related parties, accounts payable and amounts due to related parties. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values.

The Company is exposed to credit risk only with respect to uncertainties as to timing and collectability of receivables. The Company mitigates credit risk through standard credit and reference checks. The Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

The Company's Subsidiary in South Africa operates using principally the U.S Dollar and the South African Rand and as such may be negatively affected by fluctuations in foreign exchange rates when translating from the currency of measurement of the Company's subsidiary to the Company's reporting currency.

15. CORRECTION OF AN ERROR

During the year, the Company determined that the 2005 financial statements were erroneously missing an asset retirement obligation. The error was corrected retroactively and the prior year financial statements were restated.

The changes for the asset retirement obligation correction decreased the deficit by $118,204 (decreased by $168,634 in 2005), increased property, plant and equipment by $109,631 (increased by $137,039 in 2005), increased the provision for asset retirement obligation by $214,877 (increased by $191,854 in 2005) and decreased the old provision for future site restoration by $223,450 (decreased by $223,450 in 2005). The impact of this change on net income for the period ending March 31, 2005 was $50,431.

16. CHANGE IN ESTIMATE

During the year, the property, plant and equipment in the subsidiary company, So Ver (Pty) Ltd., calculated amortization for the period based on the remaining carrying value of the assets and the expected remaining life of the mine being 2 years. This was applied prospectively to the financial statements.

17. SUPPLEMENTARY CASH FLOW INFORMATION

Interest paid	**$**	**2,977**	$	3,757
Income taxes recovered	**$**	**(4,737)**	$	(8,371)

18. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

19. SUBSEQUENT EVENTS

Subsequent to June 30, 2006, and as part of the settlement agreement with the minority shareholder reached on April 8, 2005, 500,000 shares purchased by Diamcor Mining Inc., are to be released back into treasury.

On June 29, 2006, 234,000 common shares were issued from the treasury to a director of the Company that exercised stock options held. at an exercise price of 100,000 at $0.15 and 134,000 at $0.14.