Auditors’ Report

To the Shareholders of Diamcor Mining Inc.:

We have audited the consolidated balance sheets of Diamcor Mining Inc. as at March 31, 2009 and the consolidated statements of loss, deficit, comprehensive loss and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated 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, 2009 and 2008 and the results of its operations for the years then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP

Calgary, Alberta

June 18, 2009

Chartered Accountants

DIAMCOR MINING INC.

CONSOLIDATED FINANCIAL STATEMENTS

March 31 , 2009

(Audited)

DIAMCOR MINING INC.
CONSOLIDATED BALANCE SHEETS

	March 31 2009	March 31 2008
ASSETS		
CURRENT		
Cash and cash equivalents	$ 60,030	$ 188,218
Accounts receivable	10,871	8,057
	70,901	196,275
REHABILITATION TRUST FUND (Note 3)	35,554	33,940
DEPOSITS (Note 6)	204,910	-
PROPERTY, PLANT AND EQUIPMENT (Note 4)	155,679	205,039
	$ 467,044	$ 435,254
LIABILITIES		
CURRENT		
Accounts payable	$ 265,139	$ 64,797
Asset retirement obligation (Note 7)	307,429	298,475
Taxes payable	18,889	18,031
Current portion of long term debt (Note 5)	2,750	2,542
	594,207	383,845
LONG TERM DEBT (Note 5)	6,754	9,505
	600,961	393,350
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	8,625,147	7,732,283
Contributed surplus (Note 9)	1,436,107	1,436,107
Deficit	(10,195,171)	(9,126,486)
	(133,917)	41,904
	$ 467,044	$ 435,254

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)

COMMITMENTS (Note 16)

SUBSEQUENT EVENT (Note 17)

On behalf of the board

"Dean Taylor" Director

"Sheldon Nelson" Director

DIAMCOR MINING INC.
CONSOLIDATED STATEMENTS OF LOSS, COMPREHENSIVE LOSS, AND DEFICIT

	For The Year Ended March 31, 2009	For The Year Ended March 31, 2008
SALES	$ -	$ -
COST OF SALES	66,389	137,307
GROSS LOSS	(66,389)	(137,307)
EXPENSES		
Accretion and amortization	46,014	63,780
Consulting fees	68,276	133,992
Insurance	14,765	20,982
Interest and bank charges	5,911	4,614
Management fees	114,685	52,272
Office	95,214	123,661
Professional fees	170,159	144,354
Promotion and investor relations	13,845	31,914
Salaries and wages	332,835	176,869
Stock based compensation	227,576	325,050
Transfer agent and regulatory fees	22,923	23,672
Travel	66,524	95,292
	1,178,727	1,196,452
LOSS FROM OPERATIONS	$ (1,245,116)	$ (1,333,759)
OTHER INCOME AND EXPENSES		
Interest and other Income	17,077	8,752
Gain on Sale of Scrap	136,072	58,660
Gain on sale of Property, Plant and Equipment	6,441	-
Foreign exchange gain (loss)	16,841	(19,731)
	176,431	47,681
Loss Before Income Tax	(1,068,685)	(1,286,078)
Future income tax recovery (note 11)	-	(21,031)
NET LOSS AND COMPREHENSIVE LOSS	$ (1,068,685)	$ (1,265,047)
Deficit, beginning of year	(9,126,486)	(7,861,439)
Deficit, end of year	$ (10,195,171)	$ (9,126,486)
Loss per share - basic (Note 8)	$ (0.11)	$ (0.16)

Fully diluted (loss) earnings per share are not disclosed as the results are anti-dilutive.

DIAMCOR MINING INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For The Year Ended March, 31 2009	For The Year Ended March, 31 2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (1,068,685)	$ (1,265,047)
Items not affecting cash		
Accretion and amortization	46,014	63,780
Stock based compensation	227,576	325,050
Future income tax	-	(21,031)
Gain on sale of property, plant and equipment	(6,441)	-
Foreign exchange (gain) loss	(3,767)	19,731
	263,382	387,530
	(805,303)	(877,517)
Changes in non-cash working capital		
Accounts receivable	(2,814)	24,220
Accounts payable	200,342	(8,482)
Prepaid expenses	-	1,002
	197,528	16,740
Cash flow used by operating activities	(607,775)	(860,777)
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposit on asset purchase	(204,910)	-
Disposal of property, plant and equipment	21,241	-
Purchase of property, plant and equipment	(2,500)	(87,986)
Cash flow from (used by) investing activities	(186,169)	(87,986)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance (repayment) of long term debt	(2,543)	12,047
Proceeds from issuance of share capital	665,288	751,649
Cash flow from financing activities	662,745	763,696
Effect of change in exchange rate for cash	3,011	(23,176)
Decrease in cash and cash equivalents	(128,188)	(208,243)
Cash and cash equivalents - beginning of year	188,218	396,461
Cash and cash equivalents - end of period	$ 60,030	$ 188,218

SUPPLEMENTARY CASH FLOW INFORMATION (Note 15)

SIGNIFICANT NON CASH TRANSACTIONS ARE DISCLOSED IN NOTES 8,10 AND 11

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 its subsidiaries So Ver Mine (Pty) Ltd. (“So Ver”), Ongoza Mining and Exploration (Pty) Ltd. DMI Minerals South Africa (Pty) formally Blue Dust 25 (Pty) Ltd, DMI Diamonds South Africa (pty) Ltd. and Jagersfontain Diamond Mining Company (pty) Ltd.

These consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for the next fiscal year. The Company has incurred losses since inception and expects to incur further losses in the development of its business. The Company’s ability to continue as a going concern depends upon its ability to develop profitable operations and to continue to raise adequate financing to meet its obligations and repay its liabilities arising from normal operations as they fall due. Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, or other business and financial transactions to continue 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. These financial statements do not reflect the adjustments or reclassifications of assets and liabilities which would become necessary if the Company were unable to continue its operations.

	March 31 2009	March 31 2008
Deficit	$ (10,195,171)	$ (9,126,486)
Working capital	$ (523,306)	$ (187,570)

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) using the following 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.),its 70% owned subsidiary DMI Minerals South Africa (Pty) Ltd, its wholly owned subsidiaries, So Ver Mine (Pty) Ltd., DMI Diamonds South Africa (pty) Ltd. and Jagersfontain Diamond Mining Company (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 and DMI Minerals South Africa (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. As at March 31, 2009 and March 31 2008, there were no short-term investments included in cash and cash equivalents.

2. SIGNIFICANT ACCOUNTING POLICIES (continued from previous page)

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	20 - 45%
Other equipment	15%
Leasehold Improvements	5 year straight-line

Long-lived assets

Management tests the recoverability of long-lived assets whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the assets carrying amount. An impairment loss is measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value. Once an impairment loss is recognized, the adjusted carrying amount becomes the new cost basis. Management estimates future cash flows in order to test the recoverability of a long-lived assets held by the Company including only the future cash flows that are directly associated with, and that are expected to arise as a direct result of, its use and eventual disposition.

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 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 the 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 dependent 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 discount. The Company had no sales during the year ended March 31, 2009.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued from previous page

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. In the event that vested options expire, previously recognized compensation expense associated with such stock options is not reversed. In the event that unvested options are cancelled, previously recognized compensation expense associated with such stock options is reversed.

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.

Loss per share

The losses per share figures are calculated using the weighted monthly average number of shares outstanding during the respective year. 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. Fully diluted earnings per share are not disclosed where the effect of options and warrants is anti-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.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles (GAAP) 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 collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. The amounts recorded for depreciation of property, plant and equipment, assessment of impairment of long-lived assets and the provisions for asset retirement obligation are based on estimates. Future income taxes are calculated using tax rates based on the estimated timing of the reversal of temporary differences between accounting and tax values of certain assets and liabilities and are subject to a valuation allowance. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued from previous page)

Financial Instruments

In accordance with CICA accounting standards 3855 and 3861, all financial instruments, including embedded derivatives, must initially be recognized at fair value on the balance sheet and classified into the following categories: financial assets and financial liabilities held for trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities. Subsequent measurements of the financial instruments are based on their classification. Unrealized gains and losses on held for trading financial instruments are recognized in earnings. Unrealized gains and losses on available-for-sale financial assets are recognized in other comprehensive income and are transferred to income when the instrument is settled. The other categories of financial instruments are recognized at amortized cost using the effective interest rate method. Investment transactions are made on the trade date and any transaction costs with respect to financial instruments are expensed in the period incurred.

The Company's financial instruments are listed as follows, according to their classification

a) Cash is classified as held-for-trading and is measured at fair value;
b) Accounts receivable are classified as loans and receivables and are measured at amortized cost; and
c) Accounts payable and long-term debt are classified as other financial liabilities and are measured at amortized cost.

Comprehensive income

The components of other comprehensive income included unrealized gains and losses on financial assets classified as available-for-sale, foreign currency translation on self-sustaining foreign operations and the effective portion of cash flow hedges, if any. There were no such components to be recognized in comprehensive income for the years ended March 31, 2009 and 2008. As the Company has no items of other comprehensive income or loss, the net earnings or loss for the years are equivalent to comprehensive income.

Accounting changes

a) CICA 1535 – Capital disclosures
This new section established standards for disclosing information regarding an entity's capital and how it is managed. The Company adopted this section effective April 1, 2008 which led to additional disclosure in the financial statements.

b) CICA 3862 – Financial Instruments – Disclosure and CICA 3863 – Financial Instruments Presentation
Both sections established new levels of disclosures required for financial instruments in the financial statements. The Company adopted the provisions of these sections on April 1, 2008 which led to additional disclosure in the financial statements.

c) CICA 1400 – Going Concern
Effective April 1, 2008, the Company adopted amendments to CICA 14000, General Standards of Financial Statements Presentation to include requirements to assess and disclose an entity's ability to continue as a going concern. The adoption of this section had no effect on the Companys' financial statements

Recent Accounting Pronouncements Not Yet Adopted

a) International Financial Reporting Standards ("IFRS")
The Canadian Accounting Standards Board has now confirmed that the use of International Financial Reporting Standards ("IFRS") will be required in 2011 for publicly accountable, profit oriented enterprises. IFRS will replace current Canadian GAAP followed by the Company. The Company will be required to begin reporting under IFRS effective January 1, 2011 and will be required to provide information for IFRS for the comparative period in 2010. Under IFRS, there is significantly more disclosure required, specifically for quarterly reporting. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policies which must be addressed. The Company is currently evaluating the impact of adopting IFRS.

2. SIGNIFICANT ACCOUNTING POLICIES (continued from previous page)

b) Business combinations – Section 1582
CICA Handbook Section 1582, "Business Combinations", under the new section, the term "business" will be more broadly defined than in the existing standard. Most assets acquired and liabilities assumed will be measured at fair value, any interest in an acquiree owned prior to obtaining control will be re-measured at fair value at the acquisition date (eliminating the need for guidance on step acquisitions), a bargain purchase option will result in recognition of a gain, and acquisition costs must be expensed. The Company has not yet determined the impact of the adoption of this new section.

c) Consolidated financial statements 1601/1602
CICA Handbook Sections 1601, "Consolidated Financial Statements" and 1602, "Non-controlling interests" – Section 1601 carries forward the requirements of Section 1600, "Consolidated Financial Statements", other than those relating to non-controlling interests which would be covered in Section 1602. Under Section 1602, any non-controlling interest will be recognized as a separate component of shareholders' equity and net income will be calculated without deducting non-controlling interest and instead net income is allocated between the controlling and non-controlling interests. The Company has not yet determined the impact of the adoption of Section 1601 and Section 1602.

3. REHABILITATION TRUST FUND

	March 31, 2009	March 31, 2008
Deposit at Department of Minerals and Energy in South Africa for Rehabilitation Costs	$ 35,554	$ 33,940

4. PROPERTY, PLANT AND EQUIPMENT

	March 31 2009			March 31 2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Property, plant and equipment	556,144	388,165	155,679	556,144	351,105	205,039

These properties are encumbered with a bond in favor of ABSA bank of South Africa to an amount of $24,523 for the purpose of ABSA providing guarantees to the electricity supplier.

5. LONG TERM DEBT

	March 31, 2009	March 31, 2008
Leasehold improvement loan payable in monthly installments of $283 including interest at 8.00%, unsecured, due May 2012,	$9,504	$12,047
Less current portion	(2,750)	(2,542)
Total	$6,754	$9,505

Principal payments on long-term debt in each of the next five fiscal years are estimated as follows:

2009-2010	2,750
2010-2011	2,975
2011-2012	3,218
2012-2013	561

6. 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. No new rights were obtained in the year ended March 31, 2009.

During fiscal 2009 the Company entered into a purchase agreement with De beers Consolidated Mines Limited for the purchase of certain mining rights and assets, the agreement is subject to the satisfaction of certain conditions of closing, including regulatory, and TSX Venture Exchange final approval and is expected to close in fiscal 2010. The estimated purchase price is $1,750,000. A deposit of $204,910 was paid to Debeers during the year as part of the purchase conditions.

7. ASSET RETIREMENT OBLIGATION

The total asset retirement obligation was based on the Company's estimated of costs to reclaim and abandon the mines and facilities. The Company has estimated the asset retirement obligations to be $307,429 ($298,475 at March 31, 2008) the majority of these costs are expected to be incurred after 2010.

As disclosed in Note 3, an amount equivalent to $35,554 ($ 33,940 at March 31 2008) has been deposited with the Department of Minerals and Energy in South Africa in respect of rehabilitation costs expected to be incurred by the Company.

8. SHARE CAPITAL

Authorized:

Unlimited common voting shares, no par value

	Number of Shares restated	Amount
Issued:		
Balance, March 31, 2007	7,013,788	$ 6,774,973
Issued during fiscal 2008:		
Private placement (a)	1,000,000	500,000
Settlement of debt (b)	68,017	40,810
Exercise of warrants (c)	458,334	123,750
Exercise of options (d)	330,000	292,750
Balance, March 31, 2008	8,870,139	$ 7,732,283
Issued during fiscal 2009:		
Private placement (e)	2,121,250	590,288
Exercise of warrants (f)	277,778	75,000
Compensation shares (g)	568,940	227,576
Balance, March 31, 2009	11,838,107	$ 8,625,147

Included in issued capital stock are 1,668 common shares held in escrow as required by the regulatory authorities. The weighted average number of shares outstanding for the year was 9,827,762 (7,924,580 in fiscal year 2008).

(a) On August 30, 2007, the Company completed a non-brokered private placement financing of $500,000.00. The private placement consisted of the sale of 1,000,000 units at a price of $0.50 per unit. Each unit consisted of one common share and one common share purchase warrant. Each warrant will entitle the holder thereof to acquire one additional common share at an exercise price of $0.75 for a period of two years following the closing date. This amount includes the fair value of warrants issued of $397,348. The warrant valuation was calculated using the Black-Scholes pricing model using the following assumptions: zero dividend yield, expected volatility 396% and risk free rate of 4.28%

(b) 68,017 shares for settlement of $40,810 of payables to directors at a share price approximately equal to the market price at the time of settlement

(c) 458,334 warrants exercised at a price of $0.27

(d) 125,000 options at $0.36 by outside investors, 65,000 options exercised at $0.50 by directors, 140,000 options exercised at $0.36 by employees

8. SHARE CAPITAL (continued from previous page)

(e) On January 7, 2009, the Company completed a non-brokered private placement financing of $636,375. The private placement consisted of the sale of 2,121,050 units at a price of $0.30 per unit. Each unit consisted of one common share and one common share purchase warrant. Each warrant will entitle the holder thereof to acquire one additional common share at an exercise price of $0.50 for a period of two years following the closing date. This amount includes the fair value of warrants issued of $442,370. The warrant valuation was calculated using the Black-Scholes pricing model using the following assumptions: zero dividend yield, expected volatility 220% and risk free rate of 1.17%

(f) 277,778 warrants exercised at a price of at $0.27

(g) 568,940 shares issued at a price of $0.40 to directors and management as compensation for management services to the company.

Warrants

The following table summarizes the activity with respect to warrants granted and exercised during the year.

	March 31, 2009		March 31, 2008	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	4,222,364	$ 0.38	3,734,198	$ .28
Warrants Granted	2,121,250	$0.50	1,000,000	$ 0.75
Warrants Expired	-	-	(53,500)	$1.30
Warrants Exercised	(277,778)	$ 0.27	(458,334)	$ 0.27
Outstanding, end of year	6,065,836	$ 0.43	4,222,364	$ 0.38
Exercisable, end of year	6,065,836	$ 0.43	4,222,364	$ 0.38

The following warrants were outstanding at March 31, 2009:

2,041,666	$ 0.27	August 30, 2009
902,920	$ 0.27	August 30, 2009
1,000,000	$ 0.75	August 30, 2009
2,121,250	$ 0.50	January 7, 2011

2,041,666 warrants that were set to expire on February 8, 2009 and 902,920 warrants that were set to expire on February 27, 2009 were granted an exchange approved extension to August 30, 2009.

8. SHARE CAPITAL (continued from previous page)

Stock options

The Company adopted a formal stock option plan in September 2008 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.

The following table summarizes the activity with respect to options granted and exercised during the year.

	March 31 2009		March 31 2008	
	Number of options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	817,500	$ 0.56	636,465	$0 .77
Options Granted	-	-	677,500	$ 0.50
Options Exercised	-	-	(330,000)	$ 0.39
Options Expired	50,000	$ 0.50	(166,465)	-
Outstanding, end of year	767,500	$ 0.56	817,500	$ 0.56
Exercisable, end of year	767,500	$ 0.56	817,500	$ 0.56

The following stock options were outstanding at March 31, 2009:

Number of options outstanding and exercisable	Exercise Price	Weighted average remaining life	Expiry date
90,000	$ 1.20	2.00	April 6, 2011
115,000	$ 0.36	3.00	March 1, 2012
182,500	$ 0.50	3.50	September 17, 2012
380,000	$ 0.50	4.00	March 17, 2013

8. SHARE CAPITAL (continued from previous page)

Stock-based compensation

The Company has recognized $227,576 in stock based compensation in the year ended March 31, 2009 ($325,050 in fiscal year 2008) as described in Note 8 (g).

There were no stock options granted in 2009. The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of stock options granted during 2008 are as follows.

	March 31, 2008
Risk-free interest rate	3.99%
Expected life of options	5 years
Annualized volatility	219%
Dividend	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, 2009	March 31, 2008
Balance, beginning of year	$ 1,436,107	$ 1,275,907
Stock-based compensation	-	325,050
Exercise of options	-	(164,850)
Balance	$ 1,436,107	$ 1,436,107

10. RELATED PARTY TRANSACTIONS

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

	March 31 2009	March 31, 2008
Salaries and consulting	$ 396,074	$ 210,511
Office	$ 23,384	$ -

10. RELATED PARTY TRANSACTIONS (continued from previous page)

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 included in accounts payable. As at March 31, 2009, the Company owed $ 184,697 ($ 990 at March 31 2008) 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.

Additional related party transactions are disclosed in Note 8 to these consolidated financial statements.

11. INCOME TAXES

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

	March 31 2009	March 31 2008
Net loss for year before taxes	$ (1,068,664)	$ (1,286,083)
Computed taxes recovered at statutory rates (29%)	$ (309,913)	$ (405,116)
Stock based compensation	32,990	102,391
Loan loss provision	-	-
Other non-taxable items	34,138	43,889
Change in rates	219,389	165,333
Change in valuation allowance	(62,127)	17,714
Other	(3,704)	54,488
Expired losses	89,227	-
Income tax (recovery)	$ -	$ (21,301)

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

	March 31 2009	March 31 2008
Property, plant and equipment	$ 37,183	$ 36,791
Mineral property expenditures	7,207	11,586
Non-capital losses carry forward	1,099,292	1,157,433
	1,143,683	1,205,810
Less: valuation allowance	(1,143,683)	(1,205,810)
	$ -	$ -

11. INCOME TAXES (continued from previous page)

The Company had the following estimated tax pool balances at March 31, 2009:

	2009	2008
Canadian Exploration Expense	$ 4,605	$ 4,605
Canadian Development Expense	22,089	31,556
Undepreciated Capital Cost	173,421	249,820
Non-capital loss carry-forward	$ 4,060,804	$ 3,612,462

The Company has available for deduction against future taxable income non-capital losses of approximately $4,060,804 at March 31, 2009 ($3,612,462 in 2008) which includes losses in its foreign subsidiaries of $287,522 ($314,669 in 2008). These losses, if not utilized, will expire commencing 2009 (see table). 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.

Canadian Tax loss expiry schedule
2010 - $264,737
2011 - $677,142
2015 - $524,480
2016 - $365,690
2026 - $209,910
2027 - $319,507
2028 - $605,857
2029 - $805,959

12. SEGMENTED INFORMATION

Details of identifiable assets by geographic segments are as follows:

	Total Assets	Property, Plant and Equipment	Cash and Equivalents	Other Assets
March 31, 2009				
Canada	$ 66,281	$ 55,258	$ 7,655	$ 3,368
South Africa	400,763	100,421	52,375	247,967
	$ 467,044	$ 155,679	$ 60,030	$ 251,335
March 31, 2008				
Canada	$ 190,266	$ 76,407	$ 111,562	$ 2,297
South Africa	244,988	128,632	76,656	39,700
	$ 435,254	$ 205,039	$ 188,218	$ 41,997

During the year ended March 31, 2009, the Company had $2,500 ($87,986 in fiscal 2008 all of which were part of the Canadian segment of operations.) in capital expenditures

12. SEGMENTED INFORMATION

Details of losses from operations by geographic segments are as follows:

	Canada	South Africa	Total
Sales	$ -	$ -	$ -
Operating costs	-	(66,389)	(66,389)
Amortization	(23,649)	(22,365)	(46,014)
Other items	(936,641)	(19,641)	(956,282)
Loss for year ended March 31, 2009	$ (960,290)	$ (108,395)	$ (1,068,685)
Sales	-	-	-
Operating costs	-	(137,307)	(137,307)
Amortization	(23,374)	(40,406)	(40,406)
Other Items	(1,070,501)	(14,765)	(14,765)
Provision for Income tax	-	21,301	21,301
Loss for year ended March 31, 2008	$ (1,093,875)	$ (171,177)	$ (1,265,052)

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.

13. FINANCIAL INSTRUMENTS

Fair values

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and amounts due to related parties and long term debt. The fair value of these financial instruments approximates their carrying values due to the short term maturities of these items, except for the amounts due to related parties which are disclosed in Note 10.

Financial risks

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.

a) Credit risk

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. There are no material financial assets that the Corporation considers past due.

b) Interest rate
The Company is not exposed to any material interest rate risk.

13. FINANCIAL INSTRUMENTS

c) Foreign Current risk

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 subsidiaries in South Africa operate using principally the US 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. The Company's monetary assets and liabilities denominated in foreign currency include cash at bank in the amount of $52,375 ($76,656 March 31, 2008), accounts receivable in the amount of $7,503 ($2,839 March 31, 2008), the rehabilitation trust fund in the amount of $35,554 ($33,940 March 31, 2008), accounts payable in the amount of $16,607 ($38,105 March 31, 2008) accrued liabilities in the amount of $ nil ($3,786 March 31, 2008) and taxes payable in the amount of $18,889 ($18,031 March 31, 2008). A one cent change in the Southern African Rand would result in Net Income (Loss) changing by approximately $52,000.

14. CAPITAL MANAGEMENT

The Company's objectives when managing capital are: (i) to maintain a strong capital structure, which optimizes the cost of capital at acceptable risk; and (ii) to maintain investor, creditor and market confidence in order to sustain the future development of the business. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. The Company from time-to-time may adjust capital spending, issue new common shares, issue new debt or repay existing debt. The Company's capital is not subject to any restrictions.

The company manages the following as capital:

	March 31, 2009	March 31, 2008
Working capital (deficiency)	$ (523.306)	$ 110,094
Long-term debt	6,754	9,505
Shareholders' equity (deficit)	(133,917)	41,904

15. SUPPLEMENTARY CASH FLOW INFORMATION

	March 31, 2009	March 31, 2008
Interest paid	$ -	$ 130

Cash and cash equivalents are comprised of cash held with various financial institutions.

16. COMMITMENTS

The Company has a commitment to lease office space at a rate of $ 2,827 per month. The lease expires in May, 2012. The minimum lease payments under this lease are $33,930 per year.

17. SUBSEQUENT EVENT

The Company exercised its right terminate a sales agreement for the Company's So Ver mine (pty) Ltd. As a result of terminating the Agreement, the Company sought alternatives to the disposition of its non-core assets and has now entered into a Sale of Land Agreement ("SOL Agreement") whereby the Company will dispose of its So Ver farm no. 90, measuring 513, 9192 hectares located in the district of Barkly West, South Africa (the "So Ver Farm"). The SOL Agreement is exclusive of the mining licences and rights which the Company holds on the lands comprising a part of the So Ver Farm and the SOL Agreement provides that the Company may continue to conduct mineral exploration on the areas of the So Ver Farm permitted by such mining licences and rights. The Company will continue discussions with various interested parties for the purchase of the So Ver Mine (Pty) Ltd entity and remaining associated part of the So Ver Farm. The purchase price for the So Ver Farm is R 2,000,000 (CDN $ 300,400). There can be no assurance that the transaction proposed under this arrangement will be completed, or completed as described.