



## **Management Discussion & Analysis**

**For the Interim Period Ended  
September 30, 2012**

**DIAMCOR MINING INC.**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**FOR THE INTERIM PERIOD ENDED SEPTEMBER 30, 2012**

Management’s discussion and analysis (“MD&A”) focuses on significant factors and the operating results and financial position of Diamcor Mining Inc. (“Diamcor” or the “the Company”) and its subsidiaries. In order to better understand the MD&A, it should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto for the interim period ended September 30, 2012, and the MD&A and unaudited consolidated financial statements for the interim period ended September 30, 2011. The effective date of this MD&A is November 28, 2012.

The unaudited condensed consolidated interim period ended September 30, 2012 financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). Unless otherwise specified, all financial information is presented in Canadian dollars.

Some of the statements in this MD&A are forward-looking statements that are subject to risk factors set out in the cautionary notes contained herein.

Additional information about the Company and its business activities is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company’s website at [www.diamcormining.com](http://www.diamcormining.com).

**ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)**

This report and the accompanying unaudited condensed consolidated financial statements for the interim period ended September 30, 2012 are the sixth statements and reports of the Company under IFRS. Canadian public companies, effective for fiscal years commencing on or after January 1, 2011, are required to transition to IFRS. This change also required that the company restate the 2011 and 2010 comparative financial statements to be compliant with IFRS.

## HIGHLIGHTS

### Corporate

- ∇ **February 28, 2011** – Milestone acquisition of the Krone-Endora at Venetia Project (the “Project”) from DeBeers Consolidated Mines Limited was completed providing the Company with the ability to leverage its proven operational history and position itself as one of the few near-term producers.
- ∇ **March 29, 2011** – Company established a long-term strategic alliance with world famous luxury retailer Tiffany & Co for purchase of up to 100% of the production of rough diamonds from Krone-Endora at Venetia Project at fair market value prices to be negotiated and adjusted from time-to-time to reflect current market conditions.
- ∇ **March 29, 2011** – Company closed \$5.5M in long-term non-dilutive financing with world famous luxury retailer Tiffany & Co., aimed at expediting the production and supply of diamonds from the Krone-Endora at Venetia Project.
- ∇ **June 20, 2011** – Company received approval to join the OTC market’s prestigious OTCQX International tier, and began trading in the US market under the symbol DMIFF. In conjunction with this, the Company’s ongoing information and future releases were also qualified to be disseminated via Standard & Poor’s Market Access Program to an estimated 100,000 subscribing users of Standard & Poor’s MarketScope Advisor.
- ∇ **March 5, 2012** – Company announced the initial recovery of rough diamonds from the Company’s Krone-Endora at Venetia Project in conjunction with the initial testing of the x-ray flow-sorts.
- ∇ **June 20, 2012** – Company announced that it had completed the vast majority of the infrastructure requirements for the Project, a recommended initial extended drilling programme which resulted in the announcement of a 97.5% increase in the historically higher-grade basal gravel estimates, and that commissioning of the Project’s new 200 ton per hour modular processing plant had begun.
- ∇ **September 6, 2012** – Company announced an update on the positive results of commissioning, along with the initial recovery of 1,214.86 carats of diamonds from initial commissioning and testing exercises. Of particular note, 85 individual rough diamonds with a total combined weight of 154.30 carats were recorded at 1.0 carat in size or larger, with 66 being between 1 and 2 carats, 10 being between 2 and 3 carats, 5 being between 3 and 4 carats, 3 being between 4 and 5 carats, and one individual stone being 9.83 carats in size. These initial results were noted to be only primarily from the processing of material in the +1 to -10mm size fractions in the lower-grade upper areas of the project, and currently meeting or exceeding Company expectations.
- ∇ **November 16, 2012** – Subsequent to the interim period ending September 30, 2012 the Company announced it secured \$4.0M in additional financing from its long-term strategic alliance partner, world famous premier luxury jewelry and specialty retailer Tiffany & Co. The financing would facilitate the purchase of additional equipment to enhance and expand the current capabilities of the quarrying and in-field screening operations.
- ∇ **November 27, 2012** – Subsequent to the interim period ending September 30, 2012 the Company announced the initial sale of 3,579.58 carats of rough diamonds for total proceeds of \$510,829.00 (US), or \$142.71 (US) per carat on average. The vast majority of the initial diamonds sold were obtained from the lower-grade 1m to 10m areas of the Krone-Endora at Venetia Project, and only from material in the 1 to 10mm size fractions.

## HIGHLIGHTS

### Krone-Endora at Venetia Project

- ∇ **February 28, 2011** – Milestone acquisition of the Krone-Endora at Venetia Project from DeBeers Consolidated Mines Limited was completed.
- ∇ **April 8, 2011** – Operations commenced at the Krone-Endora at Venetia Project on the construction of access roads (+/-10km), the preparations for the recommended drilling programme (+/-60km access roads & +/-500 targets), the establishment and installation of security fencing (+/-4km), the construction of the Project's plant site and processing plant, and the preparations for the establishment of water and power infrastructure to support the Company's planned transition to recommended bulk sampling and trial mining exercises.
- ∇ **May 17, 2011** – Extensive initial site preparations were completed, allowing for the start of the initial phase of the recommended drilling programme on +/- 200 targets to begin.
- ∇ **June 29, 2011** – Drilling of 230 targets aimed at collecting additional data and better defining the known higher-grade basal deposit in and around the K1 and Confluence areas was completed as part of the initial phase of the recommended drilling programme.
- ∇ **August 17, 2011** – Due to encouraging results, the recommended drilling programme was further expanded, and the Company reported that 469 targets had been completed with an additional +/-50 targets planned. Construction and preparations aimed at supporting the Company's planned transition to bulk sampling and trial mining were also noted to be advancing in conjunction with finalization of drilling.
- ∇ **October 11, 2011** – Results of the expanded drilling on the initial 469 targets were independently compiled and the Company reported a 97.5% increase in the 2009 estimates for the historically higher-grade basal zone gravels.
- ∇ **December 2011** – Initial phase of drilling over an area of approximately 400 hectares at Krone-Endora at Venetia was completed, and the construction and preparations on various elements to support the Company's initial recoveries of rough diamonds and the Company's planned recommended move to bulk sampling and trial mining were well underway.
- ∇ **January 17, 2012** – Company announced that a majority of the ongoing site developments at the Krone-Endora at Venetia Project were nearing completion, and that the delivery of operational equipment and the new modular processing plant to the project were now underway.
- ∇ **March 5, 2012** – Company announced the initial recovery of 1,877 individual rough diamonds with a combined total weight of approximately 144 carats from Krone-Endora at Venetia Project in conjunction with the initial testing of the x-ray flow-sort final recovery modules.
- ∇ **June 20, 2012** – Company announced that it had begun commission and testing exercised on the new 200 tph modular processing plant at Krone-Endora at Venetia Project.
- ∇ **September 6, 2012** – Company announced an update on the positive results of commissioning, along with the initial recovery of 1,214.86 carats of diamonds from initial commissioning and testing exercises. Of particular note, 85 individual rough diamonds with a total combined weight of 154.30 carats were recorded at 1.0 carat in size or larger, with 66 being between 1 and 2 carats, 10 being between 2 and 3 carats, 5 being between 3 and 4 carats, 3 being between 4 and 5 carats, and one individual stone being 9.83 carats in size. These initial results were noted to be only primarily from the

processing of material in the +1 to -10mm size fractions in the lower-grade upper areas of the project, and currently meeting or exceeding Company expectations.

- ∇ **November 16, 2012** – Subsequent to the interim period ending September 30, 2012 the Company announced that it had secured \$4.0M in additional financing from its long-term strategic alliance partner, world famous premier luxury jewelry and specialty retailer Tiffany & Co. The Company noted that with this additional funding in place, it planned to proceed immediately with the procurement of additional equipment to enhance and expand the current capabilities of the quarrying and in-field screening operations.
- ∇ **November 27, 2012**- Subsequent to the interim period ending September 30, 2012, the Company announced the tender and sale of 3,579.58 carats of rough diamonds for total gross proceeds of U.S. \$510,879.00 or \$142.78 per carat on average. The quantity, size frequency distribution, quality assessment, and initial price achieved for the diamonds sold to date, met or exceeded the Company's expectations.

## INTRODUCTION

Diamcor Mining Inc. is a junior mining and exploration company incorporated in the Province of British Columbia under the Business Corporations Act (BC), with an established operational history of supplying rough diamonds to the world market, and a near-term production capable project now in the final stages of development. The Company has established strategic industry relationships within the Republic of South Africa, Canada, the United States, China and Brazil. The Company's common shares trade on the TSX Venture Exchange under the symbol "V.DMI", and on the OTCQX international tier in the United States under the symbol "DMIFF".

Diamcor's principal business is the identification, acquisition, exploration, evaluation, operation, and development of unique diamond based resource properties with a specific focus on the mining segment of the diamond industry. The Company recently acquired the Krone-Endora at Venetia project from DeBeers and has established a long-term strategic alliance and secured attractive financing with world famous luxury retailer Tiffany & Co. The Company's strategy is to be a near-term producer and supplier of quality rough diamonds to reputable diamond purchasing entities serving the global diamond market.

## CORE BUSINESS AND STRATEGY

Diamcor has a long established operating history in South Africa, key strategic relationships within the diamond industry, extensive knowledge relating to various diamond mining opportunities, and, a significant new near-term diamond production capable project, the Krone-Endora at Venetia Project, which is now in the final stages of development. The Company pursues diamond related properties in South Africa and other diamond producing countries. The Company's strategy is to continue to identify, evaluate, acquire, and develop various diamond related properties, with specific focus on opportunities which demonstrate the potential to provide sustained near-term rough diamond production and attractive long-term cash flow.

This strategy has proven successful as demonstrated by the closing of the acquisition of the Krone-Endora at Venetia Project from De Beers Consolidated Mines Limited on February 28, 2011. The Krone-Endora at Venetia project consists of the prospecting rights over the farms Krone 104MS and Endora 66MS, which represent a combined surface area of approximately 5,888 hectares directly adjacent to De Beer's flagship Venetia Diamond Mine in South Africa. The deposits which occur on the properties of Krone and Endora have been identified as both, an upper "alluvial" deposit, as well as a rare lower / basal "eluvial" deposit, both of which are proposed to have originated from the higher grounds of the adjacent Venetia kimberlites. De Beers previously completed exploration efforts on an initial area of interest comprised of approximately 310 hectares of the properties, the results of which were reported in an initial Independent National Instrument 43-101 Technical Report (the "Technical Report") which was filed by the Company on July 30, 2009. Based on the initial work completed to date, the Technical Report provided an initial inferred resource estimate of 54,258,600 tonnes of diamond bearing gravels, and 1.3 million carats of diamonds for the initial 310 hectare area of interest alone. The Technical Report also noted that based on the previous work programmes and evaluation

completed to date by De Beers and the Company, an estimated 1,000M, or 1 vertical km, of material has shifted and eroded off of the kimberlites of Venetia onto the lower surrounding areas including those of Krone and Endora. On October 11, 2011 the Company announced that the results of new data from the initial drilling of 469 targets over an area which now covers approximately 400 hectares, and noted independent calculations indicated a 97.5% increase in the tonnage estimate for the lower / basal zone gravels from the estimates noted in the previously filed Technical Report.

In addition to the advancement of the Krone-Endora at Venetia project, the Company continued to review and pursue additional mining opportunities in South Africa, and other known diamond mining regions. The Company believes this strategy will allow it to take advantage of the recent trend of increasing rough diamond prices which industry experts believe will continue in the coming years. These forecasted rough diamond price increases are a function of projected material shortfalls in future diamond production, the potential continued increase in customer demand in developing markets such as China and India, and restoration of demand in historically strong markets such as the United States. It is widely accepted and documented that many of the existing diamond mines in the world may be reaching the later stages of their expected life of mine, and with that, overall rough diamond production levels are expected to be lower in the future. This situation coupled with the fact that no large new mines demonstrating an ability to meet projected future increasing demands have been identified in many years, and the fact that long lead times of 7 - 10+ years are typically associated with bringing any new diamond mine into production, all combine to present a compelling opportunity for companies with an ability to provide rough diamond production in the coming years. The Company believes it is well positioned to exploit this opportunity.

As part of the implementation of the Company's near-term production strategy, management classifies all potential projects it considers for evaluation and acquisition into three distinct diamond project categories, all of which have typical expectations with regard to lead times to production and their associated development costs. The Krone-Endora at Venetia Project recently acquired by the Company from De Beers has been identified as a rare higher-grade eluvial deposit which is covered by a lower-grade alluvial deposit, the nature of which is described in further detail below.

The three basic diamond project categories as defined by the Company when reviewing potential projects are - Primary Kimberlite Projects, Alluvial and Eluvial Projects, and Tailings Re-Treatment Projects. These project categories as defined by the Company are briefly explained as follows:

**Primary Kimberlite Projects** - The Company defines Primary Kimberlite Projects as any diamond project which involves the exploration for, or open-pit / underground mining of, any new or existing kimberlite source, these areas being the primary source from which rough diamonds originate. Associated long lead times of seven to ten years (or more) to production are also typical, as is capitalization into the hundreds of millions of dollars. The Company's initial involvement in such projects may occur should the Company acquire projects and then discover new kimberlite bodies of interest on those properties during its ongoing geological evaluation of a project. While not a primary focus of the Company, the Company does have the ability to perform initial exploration efforts to define the potential significance of such a find, after which it is anticipated any additional efforts would be considered as warranted.

**Alluvial and Eluvial Projects** - The Company defines both Alluvial and Eluvial Projects as the exploration for, and mining of, near surface diamond bearing gravels. While the terms Alluvial and Eluvial sound similar, the two deposit types are distinctly different. Alluvial gravel deposits occur as a result of the pre-historic erosion of the top surface areas of primary kimberlite sources by ancient rivers which previously ran over them. The alluvial gravels, and any diamonds contained in these gravels which are eroded from the kimberlite tops, are typically transported downstream before finally settling in areas where these ancient rivers slowed, turned, and/or formed deposit areas. In these situations, the deposited / settled alluvial gravels and associated diamonds are typically found under varying layers of surface structure along graduating terraces in the various key settling areas over which these paleo-rivers once ran. Diamond bearing alluvial gravels typically produce gem quality stones as a direct result of the manner and distance by which they have been transported by the paleo-rivers from their originating sources since the washing or rolling effect of transporting the diamonds, sometimes great distances, tends to destroy the smaller lower quality stones during the process while polishing, rounding, and depositing the larger better quality stones into the various settlement areas. Unlike the capital intensive methods of recovering diamonds from a deep hard rock primary kimberlite source, the alluvial gravel recovery process is done via a simple strip mining and earth moving process using heavy equipment with no requirement for any underground work or associated infrastructure. Exploration of potential alluvial properties to locate diamond bearing gravels also involves less capital intensive methods allowing alluvial projects to be brought into production in a relatively short period of time. Given the short timeframes to production, the Company's strategy includes the

identification, exploration, and potential acquisition of larger new and existing alluvial projects which demonstrate economical grades and diamond quality in selected areas where successful alluvial operations currently exist.

Eluvial Projects, while somewhat similar in nature to Alluvial Projects with regard to production requirements, are significantly more rare and unique due to the fact that their deposits occur immediately adjacent to a known primary source, and are created in a different manner. In the typical alluvial deposits described above, constant flowing pre-historic paleo-rivers slowly eroded away the gravel deposits and diamonds from the source and then transported them downstream to various collection or settlement points, sometimes hundreds of miles away from the source. In contrast to this constant erosion process, eluvial deposits are primarily the result of a gravitational movement, or shift, of material in conjunction with short-duration erosion or weathering which forms the resulting accumulation or deposit directly adjacent to, or near, the primary source. Due to the fact that these deposits have not moved any significant distance, eluvial deposits also tend to closely mirror the characteristics of the primary source. These characteristics can provide for a more definitive understanding of the deposit in general, especially in circumstances where the primary source of origin is well understood. Eluvial deposits would also be expected to retain the same potential for larger diamonds to exist as an alluvial deposit but typically include the added benefit that the smaller diamonds are also retained as opposed to being destroyed due to the short-duration of the event causing the deposit, and the short distance the deposit has travelled. These characteristics typically result in much higher grades and better production consistency in Eluvial Projects when compared with Alluvial Projects. As noted above, the Krone-Endora at Venetia project recently acquired by the Company has been identified as a rare higher-grade lower/basal eluvial deposit which is covered by a lower-grade upper alluvial deposit. The Project is located directly adjacent to the identified source of the deposits, that being De Beer's flagship Venetia Mine. Venetia is one of the world's most significant and well established diamond mines in the world with previously published yearly production volume highs of approximately 9.0 million carats per year, and independent references estimating a high percentage of diamonds recovered potentially may be classified as gem quality. Venetia is noted to be the largest producing diamond mine in South Africa, and the third largest diamond mine in the world.

**Tailings Re-Treatment Projects** - The Company has extensive experience and a proven track record in the mining and recovery of diamonds through the re-processing, or re-treatment, of kimberlite tailings. Countries such as South Africa, and a select few other countries, have a long and extensive history of large kimberlite diamond mines dating back over 100 years. The age of these mines presents a significant opportunity for newer and more modern processing and recovery methods to be implemented to reprocess vast stockpiles of previously processed tailings materials. Several of these historical mines worked and recovered many millions of tons of diamondiferous kimberlite material from open pit and deep underground mining operations for many years, and are recognized as some of the most famous diamond producing mines in the world. The ability to use newer and more efficient processing plants and methods to re-process stockpiled kimberlite tailings from these mines to recover the remaining diamonds missed years ago due to inefficient processing can present a significant opportunity in certain cases. These large above-ground tailings stockpiles can be easily quantified, graded, and valued to produce reliable modeling of processing costs and expected revenues. Given its experience in this area, the Company sees this method of diamond mining as an opportunity to potentially establish further stable sources of long-term rough diamond production and revenue, and thus it remains a focus of the Company.

## **KEY PERFORMANCE DRIVERS AND RECENT EVENTS**

The Company's focus and strategy is to provide rough diamonds to reputable diamond purchasing entities serving the global markets. Thus the primary performance drivers for the Company are the; identification and acquisition of suitable near-term diamond producing properties, low cost and high yield production of diamonds, current rough diamond market prices, forecasted rough diamond prices due to the predicted inability of the worlds' current diamond producing mines to meet world-wide demand, strategic relationships with reputable purchasing entities of rough diamonds serving the global markets - particularly the emerging markets for new diamond sales.

Trade publications and industry experts widely reported a trend of steadily increasing rough diamond prices into the early part of 2008. During that period, demand continued to grow and experts predicted that demand would soon exceed available supply due to the fact existing sources were reaching the later stages of their project life lives. Additionally, no new large kimberlite discoveries have been made for many years which demonstrate the ability to supply the projected increases in demand. This predicted shortfall in supply was expected to last for the foreseeable future, with the result largely being a continued increase in rough diamond prices. The onset of the global financial crisis in 2008 and 2009

had a profound effect on the world economy including the diamond market. At that time, analysts, industry experts, and trade publications reported a softening of diamond prices and short-term demand. Despite the expected decline in the United States market, industry experts anticipated increasing demand in the future from the vast emerging markets of China, India, and the Middle East, and this expectation has since proven to be correct. As of mid-2009 rough diamond prices began to recover, and by early 2010 that recovery began to approach, and by some reports exceed, the previous all-time highs experienced in 2008 prior to the global financial crisis. This trend of steadily increasing rough diamond prices has largely continued, and as of the mid part of 2011, various sources were reporting rough diamonds prices in excess of the 2008 pre-crisis highs. These highs were followed recently by some weakening of prices as an estimated result of overall market instability; however industry experts widely reported that continued increases in rough diamond prices are expected to occur due to the various pre-financial crisis factors previously outlined, all of which remain relevant as of today for the future.

The Company believes that by following its stated focus and strategy to acquire near-term production projects such as the Krone-Endora at Venetia Project, the Company is well positioned to take advantage of current elevated rough diamond prices as well as any future rough price increases caused by the potential inability of current sources to supply sufficient rough diamond production to meet the projected growing world-wide demand.

As of September 30, 2012 the Company's principal assets were the following: (i) a 70% majority interest in DMI Minerals South Africa (Pty) Ltd. ("DMI Minerals"), which is the entity used to acquire the Krone-Endora at Venetia project from De Beers Consolidated Mines Limited, (ii) a 100% interest in DMI Diamonds South Africa (Pty) Ltd. ("DMI Diamonds"), an entity which serves as the Company's main corporate entity to support its South African projects, operations, initial exploration efforts, and the initial evaluation of all future projects, (iii) an 85% interest in So Ver Mine (Pty) Ltd. ("So Ver"), a private South African company which owns the land and mining rights to an area on which it previously operated a diamond tailings processing operation near the town of Kimberley, South Africa, (iv) a 100% interest in Jagersfontein Diamond Mining Company (Pty) Ltd. ("JDMC") which the Company incorporated for potential use for future growth-oriented acquisitions. Below are brief descriptions of each of these assets, and their current status.

**DMI Minerals South Africa (Pty) Limited** – The Company owns a 70% majority interest in DMI Minerals South Africa (Pty) Ltd. ("DMI Minerals") with the remaining 30% interest held by the Company's well-established South African Black Economic Empowerment partner Nozala Investments (Pty) Ltd. ("Nozala"). The subsidiary was formed to be used for the acquisition of projects with near-term production capabilities and suitable long-term production life, and the De Beer's Krone-Endora at Venetia acquisition represents the first acquisition of this type into the entity. On May 26, 2008 DMI Minerals received confirmation from De Beers that its competitive proposal to acquire the Krone-Endora at Venetia project had been approved pending finalization of a definitive sale of assets agreement. On December 22, 2008 the parties to the transaction completed and executed a definitive sale of assets agreement, and then subsequently on March 31, 2010, executed an amended and updated version of the original sale of assets agreement. Under the terms of the original sale of assets agreement the entire area associated with the Endora 66MS property prospecting right was to be transferred, along with an agreed upon portion of the entire area of Krone 104MS property prospecting right subject to an amendment to exclude certain areas inside the current De Beers Venetia Mine fence line. After giving due consideration to the proposed area of the Krone 104MS property in question for exclusion, De Beers agreed to subsequently transfer the entire area of Krone 104MS without any amendment or sub-division as part of the transaction. There were no other material changes to the agreement. This amendment allowed the Company to access additional areas of interest between those areas previously identified in the initial NI43-101 report released and the proposed source of the deposits origin, that being the kimberlite pipes of De Beers Venetia mine.

The finalization of the transaction between the parties took place on December 14, 2010, and on February 28, 2011 the acquisition of the Krone-Endora at Venetia Project was closed.

Shortly after the closing of the Krone-Endora at Venetia Project acquisition, on March 23, 2011, the Company, in conjunction with its subsidiary DMI Minerals South Africa (Pty), entered into a long-term strategic alliance and closed a long term financing with subsidiaries of New York based Tiffany & Co. Under the terms of the strategic agreement, Tiffany & Co., through their diamond sourcing and polishing subsidiary, Laurelton Diamonds South Africa (Proprietary), secured a first right of refusal to purchase up to 100% of the future production of rough diamonds from Krone-Endora at Venetia at fair market value prices to be negotiated and adjusted from time to time to reflect current market conditions. As part of the agreement, DMI Minerals retained the right to freely market any rough diamond



production and specials (rough diamonds 10.8 carats or larger in size) which are not selected for purchase by Laurelton. To expedite the production of supply of rough diamonds from the Krone-Endora at Venetia project, Tiffany and Co. provided the Company with an aggregate amount of \$5,500,000 financing through its subsidiary, Tiffany & Co. Canada. With this strategic financing closed, the Company believes it can advance, develop and deploy the infrastructure to begin the mining and production of rough diamonds from Krone-Endora at Venetia.

On April 8, 2011, DMI Minerals commenced work at Krone-Endora at Venetia in preparation for the start of an extended drilling programme, which is to be followed by a planned bulk sampling programme and trial mining exercises as recommended by the initial Independent National Instrument 43-101 Technical Report filed by the Company on July 28, 2009. The Company initially planned to drill approximately 390 targets in two phases as part of the initial drilling programme, however due to encouraging results of the ongoing drilling efforts, elected to expand the drilling programme. On August 17, 2011 the Company reported that it had subsequently completed the drilling of 469 targets, and would proceed with the drilling of an additional +/- 50 targets over the short-term. Using the data from the drilling of these initial 469 targets, the Company also reported that independent calculations of the drilling data estimated a 97.5% increase in the 2009 estimate for the lower / basal zone gravels. The combined recommended programmes being undertaken are designed to be a continuation of the work previously completed by De Beers and will be used; to better define the diamond bearing resources in areas of the project previously explored; to identify additional diamond bearing resources in areas of the Project which have not yet been accounted for in the current NI43-101 Report; to establish a current market diamond price estimate for the Project; and to support the planned filing of a new updated independent National Instrument 43-101 Technical Report by the Company. Additionally, these programmes were used to support the Company's planned move to the noted trial mining exercises which are now underway, the planned advancement of the Project to a mining right and mining exercises, and to ultimately assist the Company in arriving at final production decisions for the project. The Company has placed significant focus and emphasis on the successful closing, financing, and development of the Krone-Endora at Venetia project over the past few years and currently views this project as the most significant business opportunity in the near-term due to its long-term sustained diamond production potential.

Subsequent to the interim period ended September 30, 2012, on November 16, 2012 the company announced that it had secured an additional \$4,000,000 in financing from Tiffany & Co. This additional funding would allow the Company to further expand and enhance the Project's quarrying and in-field screening operations.

Building upon the success of the Krone-Endora acquisition, the related Tiffany & Co. strategic alliance and financing, and to further leverage management's experience, the Company is continuing the process of identifying and evaluating new diamond mining opportunities with a view towards potential additional acquisitions, development, and production in the future.

**DMI Diamonds South Africa (Pty) Limited** – Is the Company's 100% owned South African Subsidiary, DMI Diamonds South Africa (Pty) Limited ("DMI Diamonds") which is used as the Company's main corporate entity to support its South African projects and operations. As part of the Company's ongoing efforts to identify, acquire, and develop production based projects, DMI Diamonds continuously evaluates and provides production support to various potential and ongoing projects within South Africa.

**So Ver Mine (Pty) Limited** - The Company currently retains an 85% majority ownership position in its South African subsidiary, So Ver Mine (Pty) Ltd. ("So Ver"). So Ver owned certain land and mining rights to areas on which the company successfully processed tailings reserves for several years on a 24 hour a day, 7-day a week basis, until their economic completion. The Company gained significant operational and industry knowledge in the processing of diamond tailings and plans to use this knowledge to potentially acquire new tailings deposits and/or tailings operations which demonstrate an ability to provide additional long-term production and cash-flow. Through the use of controlled procedures and operations, the efficient recovery of quality diamonds through the re-processing of tailings materials was a viable and profitable project for the Company.

In January of 2007 the Company announced it had completed the processing of the majority of the higher grade tailings at the project, and therefore, processing would be suspended pending further evaluation of the entity's strategic fit within the Company's overall strategy and focus. The Company entered into an agreement with an individual whereby the Company would dispose of a certain portion of its landholdings, namely the So Ver Farm No. 90, measuring 513.9192 hectares. The proposed new sale of land agreement was exclusive of the mining licenses and rights which the Company holds on the lands comprising part of the So Ver farm and the agreement provided that the Company may continue to

conduct mining operations on the areas of the So Ver farm permitted by such mining licenses and rights if so desired at a future date. On July 6, 2009, the Company closed the proposed transaction to sell this portion of the So Ver assets. In order to meet its ongoing short-term requirements of BEE ownership in So Ver, in fiscal 2010 the Company agreed to sell a 15% stake in the remaining assets of So Ver and entered into a sale of shares agreement to sell its remaining 85% interest in So Ver. In addition to the purchase consideration the purchaser agreed to repay to the Company certain taxes paid by So Ver, and was required to assume any remaining past and future asset retirement obligations associated with So Ver. As of the date of this filing all payments of funds due had been received and recorded as deferred income. The parties to the transaction have submitted all legal documentation to affect the closing of the transaction which is expected to be forthcoming this fiscal year. Upon completion of the sale of So Ver the amount currently recorded on the Company's balance sheet under current asset retirement obligation of \$342,802 will be eliminated.

**Jagersfontein Diamond Mining Company (Pty) Limited** – The Company currently holds a 100% ownership position in the South African subsidiary Jagersfontein Diamond Mining Company (Pty) Ltd. (“JDMC”), which was formed for the purposes of potentially acquiring additional diamond mining projects aimed at further increasing shareholder value.

## **MANAGEMENT AND CAPABILITIES**

There were no new appointments to the Company's management during the interim period ended September 30, 2012, and no changes to the Board of Directors. Mr. Dean H. Taylor remains a Director and the Company's President and Chief Executive Officer. Mr. Darren Vucurevich remains a Director and was appointed as the Company's Chief Financial Officer on October 8, 2010. Mr. Dean Del Frari remains the Company's Managing Director of Operations and continues to build on his leadership role in the management and development of the Company's projects, operations team, and acquisition efforts aimed at fulfilling the Company's future objectives. The Company's Board of Directors consist of the Company's CEO, Mr. Dean Taylor (Chairman), the Company's CFO, Mr. Darren Vucurevich, world renowned kimberlite expert and professor Dr. Stephen E. Haggerty, and New York-based executive Mr. Sheldon Nelson.

The Company has developed extensive relationships with several industry leaders, and employs the services of many of the same professional consulting firms which support the ongoing projects of various large mining companies. These relationships assist the Company in its ability to successfully and cost effectively evaluate, plan, and execute potential projects in a timely and professional manner. The Company has ongoing access to its established operational team of well-trained employees in South Africa, and the ability to deploy them to operate any projects the Company is able to secure. In addition to this, the Company will continue to enhance its operational management team by drawing on the abundance of skilled and experienced diamond industry professionals available as opportunities materialize.

## **SOUTH AFRICAN MINING CHARTER – BLACK ECONOMIC EMPOWERMENT (BEE)**

In October 2002, with the support of all mining houses and labor unions concerned, the Broad-Based Socio-Economic Empowerment (“BEE”) Charter was introduced by South African Cabinet. This Charter called for certain ownership and management goals in the mining industry for the benefit of historically disadvantaged South Africans within five years. These objectives have been set with the goal of providing equitable access to the nation's vast mineral resources for all South Africans. Many of these historically disadvantaged people are well qualified, skilled workers already in the field and provide a wealth of opportunity for junior companies such as Diamcor. The advent of a new democratic constitution in South Africa has resulted in significant changes and restructuring of what was once referred to as the “big six” mining houses which traditionally controlled mining production and mineral rights within the region. New legislation has seen the phasing out of this past oligarchy and a shift of focus towards the government accommodating small mining companies and creating various opportunities for junior operations to prosper and grow when affiliated with successful Black Empowerment Partners.

On March 5, 2008, the Company announced a formal joint venture partnership with well-established South African BEE group Nozala Investments (Pty) Ltd. This partnership is anticipated to be initially reflected in two Diamcor South African subsidiaries, DMI Minerals South Africa (Pty) Ltd., and Jagersfontein Diamond Mining Company (Pty) Ltd., both of which were formed to potentially secure near-term production-based diamond mining projects within South Africa which fit within the Company's stated focus and strategy. Under the terms of the joint venture, which exceed the

stated requirements of the BEE charter in South Africa, Diamcor retained a 70% direct ownership in the DMI Minerals subsidiary; with Nozala acquiring a 30% direct shareholder ownership interest. Operationally, expenses charged to the development of any projects held by the entity, and the revenues generated, will be similarly proportional. A similar arrangement is also expected to be implemented in the Company's Jagersfontein Diamond Mining Company (Pty) Ltd. subsidiary in the future should suitable projects for this entity materialize. The Company considers these joint ventures to be a significant achievement because not only is Nozala a respected and established BEE group representing the interests of some estimated 500,000 rural women shareholders, but it is also a well-connected corporate entity in the South African business community. Both of these attributes may greatly enhance the Company's ability to achieve its stated growth objectives of securing long-term, high profile projects within South Africa in a corporately responsible way while enhancing the growth of junior mining, women in mining, and in doing so achieve the broad-based beneficiation of many previously disadvantaged South Africans.

The Company has gained considerable insight into the workings of the new BEE Charter, as well as the government expectations and requirements, through its previous operational history. The Company believes well-organized BEE groups provide real value to the Company through their investment, professional affiliations, corporate knowledge, the management of BEE objectives and the assurance that a meaningful broad-based benefit is achieved by their involvement. The Company has chosen to align itself only with groups which demonstrate a proven track record and ability to achieve these Government driven objectives, which in turn will enhance the Company's ability to achieve its growth objectives by participating in the higher profile acquisitions where Corporate Social Responsibility objectives are of paramount importance.

#### SELECTED QUARTERLY FINANCIAL INFORMATION

The quarterly financial results for both the three months ended September 30, 2012, June 30, 2012 and March 31, 2012 are presented in IFRS, with those included in this section for the quarters ending December 31, 2011, September 30, 2011, June 30, 2011, March 31, 2011, December 31, 2010, September 30, 2010, June 30, 2010, and April 1, 2010 having been restated to IFRS to reflect the Company's transition to IFRS effective January 1, 2010. The financial results for the quarters ending December 31, 2009 and September 30, 2009 are presented in Canadian Generally Accepted Accounting Principles (GAAP) and have not been restated. The figures include the results of mining and exploration operations in South Africa.

<b>March 31, 2013 Fiscal Year</b>				
	Fourth Quarter March 31, 2013 (IFRS)	Third Quarter December 31, 2012 (IFRS)	Second Quarter September 30, 2012 (IFRS)	First Quarter June 30, 2012 (IFRS)
Gross Revenue	\$ -	\$ -	\$ 0	\$ 2,299
Expenses			(1,098,322)	(833,413)
Net (loss) for Period			(1,087,393)	(831,114)
Net (Loss) per Share (Basic)			(0.03)	(0.02)
Cash Flow (Used in) Operations			(1,287,998)	(390,429)
Cash and Cash Equivalents (End of Period)			595,819	1,981,059
Assets			5,163,474	6,602,358
Dividends			Nil	Nil

<b>March 31, 2012 Fiscal Year</b>				
	Fourth Quarter March 31, 2012 (IFRS)	Third Quarter December 31, 2011 (Restated to IFRS)	Second Quarter September 30, 2011 (Restated to IFRS)	First Quarter June 30, 2011 (Restated to IFRS)
Gross Revenue	\$ 186,196	\$ -	\$ -	\$ -
Expenses	(1,840,452)	(725,774)	(421,835)	(1,055,571)
Net (loss) for Period	(1,326,894)	(951,797)	(500,078)	(1,071,869)
Net (Loss) per Share (Basic)	(0.03)	(0.04)	(0.02)	(0.04)
Cash Flow (Used in) Operations	(627,259)	(543,776)	(983,170)	(635,551)
Cash and Cash Equivalents (End of Period)	1,747,313	2,137,705	3,805,761	5,020,806
Assets	6,312,358	6,331,937	7,046,831	7,940,959
Dividends	Nil	Nil	Nil	Nil

<b>March 31, 2011 Fiscal Year</b>				
	Fourth Quarter March 31, 2011 (Restated to IFRS)	Third Quarter December 31, 2010 (Restated to IFRS)	Second Quarter September 30, 2010 (Restated to IFRS)	First Quarter June 30, 2010 (Restated to IFRS)
Gross Revenue	\$ -	\$ -	\$ -	\$ -
Expenses	(1,142,283)	(284,388)	(284,280)	(1,096,292)
Net (loss) for Period	(1,294,369)	(180,186)	(113,660)	(1,092,848)
Net (Loss) per Share (Basic)	(0.05)	(0.01)	(0.01)	(0.05)
Cash Flow (Used in) Operations	(1,250,870)	(2,119,087)	(250,056)	(320,796)
Cash and Cash Equivalents (End of Period)	5,992,680	598,374	2,283,035	2,522,906
Assets	8,338,595	3,013,486	2,789,265	3,000,630
Dividends	Nil	Nil	Nil	Nil

<b>March 31, 2010 Fiscal Year</b>				
	Fourth Quarter April 1, 2010 (Restated to IFRS)	Third Quarter December 31, 2009 (Cnd GAAP)	Second Quarter September 30, 2009 (Cnd GAAP)	
Gross Revenue	\$ -	\$ -	\$ -	
Expenses	(749,204)	(236,326)	(252,258)	
Net (loss) for Period	(760,637)	(237,835)	(53,546)	
Net (Loss) per Share (Basic)	(0.05)	(0.02)	(0.01)	
Cash Flow (Used in) Operations	(641,583)	(272,995)	(316,000)	

Cash and Cash Equivalents (End of Period)	1,894,319	209,257	79,435	
Assets	2,490,248	543,259	417,489	
Dividends	Nil	Nil	Nil	

## QUARTERLY RESULTS ANALYSIS

As of September 30, 2012, the Company held assets of \$5,163,474 which included cash of \$595,819, with diamond inventory of \$253,598, and an amount of \$133,045 being recorded as accounts receivable associated with the sale of certain assets of the Company's So Ver property and value added tax receivables not yet received. An amount of \$31,896 under rehabilitation trust fund was recorded as held on deposit with the Department of Mineral Resources in South Africa in conjunction with rehabilitation costs, and an amount of \$82,122 was recorded for prepaid amounts. An amount for the net book value of property, plant and equipment assets of \$1,462,076 was recorded, and an amount for mines under construction associated with the Krone-Endora at Venetia Project of \$2,604,918 was recorded.

As of September 30, 2012, the Company's liabilities totaled \$8,052,964 which includes an amount of \$372,274 in accounts payable, an amount of \$342,802 which has been recorded as a current liability in association with the asset retirement obligations of So Ver, a deferred income amount of \$184,571 which has been recorded which is associated with the sale of So Ver due to certain covenants not yet being met at the balance sheet date, and a current taxes payable amount of \$250. The above amount of \$342,802 which is recorded for asset retirement obligation associated with rehabilitation and abandonment of mines and facilities at So Ver will be eliminated upon completion of the sale of So Ver. The Company has recorded the long-term debt amount of \$6,092,571 related to the Tiffany & Co. financing. An amount of \$123,529 has been recorded for the asset retirement obligation associated with the Krone-Endora at Venetia Project, and an amount of \$936,967 has been recorded as due to the Company's Black Economic Empowerment partner in conjunction with proportionate loan amounts, which have no set terms of repayment, have been received to date, and are being used by DMI Minerals South Africa (Pty) Ltd.

The Company operates in one market segment for the mining, production, and sale of rough diamonds to the world market. The Company's financial instruments consist of cash and cash equivalents, receivables and accounts payables and accrued liabilities. Unless otherwise noted, management is of the opinion that the Company is not exposed to any significant interest, currency or credit risks arising from these instruments. The Company's financial statements are consolidated and shown in Canadian dollars as required and conversions from foreign exchange are noted. A majority of the Company's operational facilities are located in South Africa and the Company follows standard South African policy with regard to both the investment and removal of funds with respect to investment it makes into projects and operations within South Africa.

The Company had a net loss of \$1,087,393 for the interim period ended September 30, 2012 as compared to net loss of \$500,078 for the interim period ended September 30, 2011 as a result of the continued and current development of the Krone-Endora at Venetia Project. During the interim period ended September 30, 2012 the Company generated \$9,506 in gross income from interest and other income, and recorded a gain of \$1,423 associated with foreign exchange. No income was recorded for the interim period ended September 30, 2012 from the sale of diamonds, which was also the case during the interim period ended September 30, 2011. In both Fiscal 2013 and Fiscal 2012 the Company had no diamond producing assets as compared to previous fiscal years when the Company was producing diamonds from its operations at So Ver, and thus during the interim period ended September 30, 2012, cost of sales of \$512,253 was recorded. During the interim period ended September 30, 2012 the Company recorded a total comprehensive loss of \$1,087,393 as compared to a total comprehensive loss of \$500,078 for the interim period ended September 30, 2011.

### **Revenue**

The Company recorded \$9,506 in revenues for the interim period ended September 30, 2012 from interest and other income and a gain of \$1,423 for foreign exchange, as compared to \$23,166 from interest and other income for the interim period ended September 30, 2011. The recent lack of revenue from the sale of rough diamonds is due to the closing of the So Ver Tailings Re-Treatment Facility and the Company's stated focus on the identification and

acquisition of near-term production capable projects which demonstrate the ability for new sustained, long-term rough diamond production, and the development of the Krone-Endora at Venetia Project. With the closing of the acquisition of the Krone-Endora at Venetia Project and a vast majority of the project development now complete, the Company has announced that it has begun commissioning the Project's new modular 200 TPH processing plant through the processing of the remaining concentrate material acquired as part of the acquisition and new material from the K1 area of the project. Given these commissioning efforts and the move to trial mining exercises were underway, the Company anticipates it has the potential to generate additional revenues for the Company from the sale of rough diamonds in the near future. Subsequent to the period ended September 30, 2012, on November 27, 2012 the Company announced the initial sale of 3,579.58 carats of rough diamonds from the Krone-Endora at Venetia Project for total proceeds of \$510,829.00 (US).

### ***Cost of Sales***

During the interim period ended September 30, 2012 the Company continued to focus its efforts on the completion of the recommended advancement and various preparations to support the Company's planned move to the recommended bulk sampling programme and trial mining exercises at the Krone-Endora at Venetia Project. Although the initial recoveries of rough diamonds from initial testing of the modular final recovery were announced on March 4, 2012, and the commissioning of the Project's modular plant are now well underway, the sale of diamonds recovered during these exercises has yet to be realized from the Krone-Endora at Venetia Project. A cost of sales associated with the ongoing commissioning and testing exercises of \$512,253 was recorded for the interim period ended September 30, 2012, as opposed to \$0 for the interim period ended September 30, 2011.

### ***Expenses***

Total expenses for the interim period ended September 30, 2012 increased slightly to \$586,069, as compared to \$523,244 for the interim period ended September 30, 2011. Of the total expense variations for the interim period ended September 30, 2012 and September 30, 2011, accretion and depreciation increased to \$68,667 from \$13,135, while consulting fees were reduced to \$38,979 from \$48,729 due to reduced requirements for certain consultants which were previously required during the early stage advancement of the Krone-Endora at Venetia Project. Insurance costs increased to \$9,824 from \$5,959, while interest and bank charges increased to \$154,188 from \$103,157 due to the interest expense associated with the Tiffany & Co financing. Equipment costs associated with the ongoing development of the Krone-Endora at Venetia project decreased to \$0 as a result of the completion of the vast majority of the ongoing development and commissioning efforts during the interim period ended September 30, 2012, as compared with \$101,409 for the interim period ended September 30, 2011. Office expenses increased to \$26,143 from \$16,618, also due to the additional requirements of the Krone-Endora at Venetia Project, while professional fees increased to \$59,444 from \$33,823 again as a result of additional requirements due to the completion and finalization of various preparations for the recommended bulk sampling programme and trial mining exercises at the Krone-Endora at Venetia Project. Investor relations expense decreased to \$44,407 from \$51,290 due to reduced requirements associated with Company awareness and fundraising, and salaries and wages increased to \$147,182 from \$117,578, again due primarily to the increased efforts and requirements associated with the ongoing development of the Krone-Endora at Venetia Project. Non-cash stock based compensation for the interim period ended September 30, 2012 was \$0, the same as it was for the interim period ended September 30, 2011. Expenses recorded for transfer and regulatory fees decreased to \$7,496 from \$12,028, while travel expenses increased to \$29,739 for the interim period ended September 30, 2012 as compared to \$19,518 for the interim period ended September 30, 2011.

Expenses for the interim period ended September 30, 2012 were primarily incurred by the Company for the completion of the various infrastructure preparations underway aimed at supporting the announced initial recoveries of rough diamonds, preparations for the announced move to plant commissioning, the Company's preparations for its planned move to bulk sampling and trial mining exercises in the coming months, various business development and awareness objectives, and the Company's ongoing general administrative costs. The Company remains committed to managing its resources carefully and conserving cash where possible however total expenses are expected to remain at current levels given the Krone-Endora at Venetia acquisition is now complete, and the recommended work programmes, plant commissioning, and further advancement of the project is now underway. While expenses are expected to remain at current levels in the coming quarters, the Company believes it also has the potential to generate revenue in the near future from the recovery and sale of rough diamonds.

## Net Earnings

As a result of the conclusion and discontinuation of the tailings re-treatment at So Ver, the ongoing efforts associated with the advancement of the Krone-Endora at Venetia project, and the additional efforts being made to evaluate and advance other opportunities, the Company generated no income from the sale of rough diamonds in the interim period ended September 30, 2012. Due to the ongoing commissioning and testing exercises underway at the Krone-Endora at Venetia Project, the Company incurred \$512,253 in direct costs, recorded \$586,069 in expenses, recorded \$9,506 in interest and other income, and recorded a gain of \$1,423 due to foreign exchange, which resulted in a net loss of \$1,087,393 for the interim period ended September 30, 2012, as compared to a net loss of \$523,244 for the interim period ended September 30, 2011.

The following table provides a brief summary of the company's financial operations:

	Interim Period Ended September 30,		
	2012	2011	2010
Total Revenue	\$ Nil	\$ Nil	\$ Nil
Net Income (Loss)	\$ (1,087,393)	\$ (500,078)	\$ (181,522)
Basic And Diluted Loss Per Common Share	\$ (0.03)	\$ (0.03)	\$ (0.05)
Total Assets	\$ 5,163,474	\$ 7,046,831	\$ 2,712,701
Total Long Term Liabilities	\$ 8,052,964	\$ 7,477,051	\$ 811,239
Cash Dividend	\$ Nil	\$ Nil	\$ Nil

## LIQUIDITY AND CAPITAL RESOURCES

For the interim period ended September 30, 2012, the Company recorded a net loss of \$1,087,393 as compared to a net loss of \$500,078 for the interim period ended September 30, 2011. The Company had negative cash flows from operating activities of \$1,287,998 in the interim period ended September 30, 2012, compared to \$864,731 for the interim period ended September 30, 2011. As of September 30, 2012, the Company had an accumulated deficit of \$18,565,032.

**Cash Position.** At September 30, 2012, the Company had cash and cash equivalents of \$595,819 compared to \$1,747,313 at September 30, 2011 and rough diamond inventory of \$253,598 compared to \$0 for the period ended September 30, 2011. Subsequent to the period ended September 30, 2012, on November 16, 2012 the Company announced it had secured \$4.0M in financing from its long-term strategic alliance partner, Tiffany & Co. Also subsequent to the period ended September 30, 2012, on November 27, 2012, the Company announced the initial sale of 3,579.58 carats of rough diamonds for \$510,829.00 (US). The Company believes it has adequate cash for the continued development, commissioning, bulk sampling, and planned transition to mining and production of diamonds at its Krone-Endora at Venetia Project, and the potential to generate additional future revenues from the sale of rough diamonds in the future.

A portion of the cash on hand and available for use by the Company at September 30, 2012 was held in its foreign bank accounts in South Africa and is being used for the continued advancement of the Krone-Endora at Venetia Project and for general corporate purposes. The Company also follows certain procedures to aid in the recovery and re-investment of funds from its projects and shareholder loans.

**Financing Activities.** Recent financings by the Company were designed to support the Company's strategy of leveraging its well-established operational history to identify and acquire near-term production-based diamond producing assets with long-life potential to achieve sustained rough diamond production, while minimizing shareholder dilution.

The Company completed its planned first tranche of a non-brokered private placement financing of \$2,152,121 resulting in the issuance of 7,173,739 units at a price of \$0.30 per unit on February 8, 2010, with each unit consisting of one common share and one-half of one common share purchase warrant at an exercise price of \$0.50 expiring February 8,

2012. In conjunction with the closing of the first tranche of this financing, the Company paid finder's fees of an aggregate \$174,649 in cash and issued an aggregate of 474,281 broker warrants, with each broker warrant entitling the holder thereof to purchase a Common Share at a price of \$0.50 per share until February 8, 2011. All 474,281 broker warrants expired unexercised on February 8, 2011. Of the 3,586,870 warrants with an expiry date of February 8, 2012, 1,080,725 were exercised resulting in net proceeds of \$540,362.50 to the Company and the issuance of 1,080,725 common shares, with the remaining 2,506,145 expiring unexercised.

The Company completed its planned second tranche of the above planned non-brokered private placement financing of \$1,651,547 resulting in the issuance of an additional 5,505,155 units at a price of \$0.30 per unit on May 3, 2010, with each unit consisting of one common share and one-half of one common share purchase warrant at an exercise price of \$0.50 expiring May 3, 2012. In conjunction with the closing of the second tranche of this financing, the Company paid finder's fees of an aggregate \$127,575 in cash and issued an aggregate of 369,962 broker warrants to purchase up to 369,962 shares of the Company at a purchase price of \$0.50 per share until May 3, 2011. Of the 369,962 broker warrants with an expiry date of May 3, 2011, 124,737 were exercised resulting in net proceeds to the Company of \$62,368.50 and the issuance of 124,737 common shares, with the remaining 245,225 expiring unexercised. Of the 2,752,572 warrants which were available for exercise on or before May 3, 2012, 2,647,422 were ultimately exercised resulting in net proceeds to the Company of \$1,323,711, with the remaining 105,150 expiring unexercised.

The above financings were aimed at providing the Company with the capital necessary to fund the acquisition of the Krone-Endora at Venetia project, advance work for the preparation of the recommended and planned initial work programmes for the project, and for general corporate purposes.

On March 23, 2011, shortly after the closing of the acquisition of Krone-Endora at Venetia project from De Beers, the Company entered into a long-term strategic alliance with Tiffany & Co. to expedite the production and supply of rough diamonds from Krone-Endora. Tiffany & Co., through its Canadian subsidiary, provided the Company with \$5,500,000 in financing, which included a \$3,500,000 Term Loan and a \$2,000,000 Convertible Debenture. The Term Loan has a 5 year term and a fixed rate of interest of 7% per annum. The loan is non-amortizing for a 24 month period and no interest or principal is due until following this 24 month period, at which time interest and principal is payable monthly in accordance with a 36 month amortization schedule. The Company has the right to repay the Term Loan and any accrued and unpaid interest due at any time without notice or penalty. The Convertible Debenture has a term of 5 years and a fixed rate of interest of 7% per annum. Like the Term Loan, interest accrues but is not payable for the 24 month period from the date of issuance, following which interest becomes due and is payable monthly. The Company has the right to repay the outstanding principal and any accrued and unpaid interest, without penalty, on not less than 30-days notice and subject to conversion rights contained in the Convertible Debenture. Tiffany & Co. Canada may convert the principal and any accrued and unpaid interest, in whole or in part, into Company common shares at a price of \$0.75 per share. At any time after 24 months from date of issuance, the Company has the right to convert the principal, and any accrued and unpaid interest, in whole or in part, into Company common shares at a price of \$0.75 per share. Under both conversion scenarios and assuming full conversion of principal and all accrued interest 24 months from the date of the issue of the Convertible Debenture, a maximum of 3,053,614 common shares could potentially be issued at that time. The sourcing, negotiation and successful completion of this strategic alliance and financing were completed by the Company's management and directors.

In addition to these recent financings, various parties, Management, and Directors exercised a cumulative total of 1,586,005 warrants at a price of \$0.27 prior to their expiration on March 31, 2010; 340,000 options with an exercise price of \$0.36 each were exercised by Management; 247,500 options with an exercise price of \$0.50 each were exercised by Management, Directors, and Employees; 121,667 options with an exercise price of \$0.30 were exercised by Management and Employees, 150,000 options with an exercise price of \$0.30 were exercised by consultants. 124,737 broker warrants with an exercise price of \$0.50 were exercised prior to their expiration on May 3, 2011.

Subsequent to all financings and related items, as of September 30, 2012 the Company had **29,993,667** common shares issued and outstanding and has authorized capital of an unlimited number of shares.

Subsequent to the period ended September 30, 2012, on November 16, 2012, the Company announced that it had secured an additional \$4.0M in financing from its long-term strategic alliance partner, world famous premier luxury jewelry and specialty retailer Tiffany & Co. The \$4,000,000 in financing was provided by Tiffany's subsidiary, Tiffany & Co. Canada, via a \$2,400,000 term loan and a \$1,600,000 convertible debt debenture. The Term Loan has a fixed rate of



interest of 9% and is secured by a promissory note which is non-amortizing until January 20, 2014, at which time principal and interest is payable monthly in accordance with a 36 month amortization schedule. The Company has the right to repay the outstanding principal and any accrued and unpaid interest due under the Promissory Note at any time without notice or penalty. The Convertible Debenture has a fixed rate of interest of 9% per annum, and is non-amortizing until January 20, 2014, following which time principal and interest is payable monthly in accordance with a 36 month amortization schedule. The Company has the right to repay the outstanding principal and any accrued and unpaid interest, without penalty, on not less than 30-days' notice and subject to the conversion rights contained in the Convertible Debenture. Under the conversion rights of the Convertible Debenture, Tiffany & Co. Canada may convert the principal amount of \$1,600,000, along with any accrued and unpaid interest due at that time, in whole or in part, into Class A Common Shares (the "Shares") of the Company at a conversion price of CAD \$1.60 per Share.

**Working Capital.** As of September 30, 2012 the Company had working capital of \$610,188 as compared to working capital of \$4,023,219, at September 30, 2011. As noted in previous filings, the current working capital calculation includes an Asset Retirement Obligation of \$342,802 for So Ver which is required to be classified as a current liability but expected to be eliminated upon completion of the sale of the So Ver Mine (Pty) Limited entity.

**Future Capital Requirements.** The Company has incurred losses since its inception. However, given the Company's closing of the Krone-Endora at Venetia acquisition, its successful recent financings, the successful development and advancement of the project, and the recent move to commissioning of the new modular plant at the Project, the Company anticipates it has the potential ability to finance the ongoing development and transition to mining and initial production at the Krone-Endora project. Its ability to continue as a going concern beyond initial production will depend on the results of its operations and its ability to ultimately become profitable through the sale of rough diamonds and, or its ability to raise additional capital.

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.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements.

## **CONTRACTUAL OBLIGATIONS**

The Company has a commitment to lease office space at a rate of \$3,189 per month. The lease expires in May, 2017. The minimum lease payments under this lease are \$38,268 per year.

## **SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

In the preparation of the unaudited condensed consolidated interim financial statements Management is required to make judgments, assumptions and estimates that affect both the reported amounts of the Company's assets and liabilities at the date of the financial statements, and its reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The unaudited condensed consolidated interim financial statements also include estimates, which, by their nature, are uncertain. The impacts of such estimates affect various items throughout the unaudited condensed and consolidated interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized by the Company in the period in which the estimate is revised and in future periods if the revision affects both the current and future periods. Estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable by the Company under the circumstances.

Significant areas requiring the use of management estimates relate to recoverability of capitalized acquisition costs and exploration and evaluation associated with the Krone-Endora at Venetia project, asset valuations of other items, reserve and resource estimation, estimated useful lives and residual value of property, plant and equipment, provisions and contingent liabilities, decommissioning and rehabilitation/restoration provisions, accrued liabilities, the assumptions used in determining the fair value of stock options and warrants, and the calculations of current and future income tax assets and liabilities and their reversals, as applicable. Actual results could materially differ from these estimates.

The Company reviews its interest in the Krone-Endora at Venetia project for potential impairment based on results to date, or when events and changes in circumstances may indicate that the carrying value of the assets may not be recoverable. IFRS requires the Company to make certain judgments, assumptions, and estimates in identifying such events and changes in circumstances, and in assessing their impact on the valuations of the affected assets. Impairments are recognized when the book values exceed management's estimate of the net recoverable amounts associated with the affected assets. The values shown on the balance sheet for the Company's interest in the Krone-Endora at Venetia project represent the Company's assumption that the amounts are recoverable. Due to the various variables associated with the Company's judgments and assumptions, the precision and accuracy of estimates of related impairment charges are subject to significant uncertainties, and may change significantly as additional information becomes known. The Company's assessment is that as at December 31, 2011, there has been no impairment in the carrying value of its interest in the Krone-Endora at Venetia project.

The Company has recorded asset retirement obligations for the Krone-Endora at Venetia project and So Ver tailing re-treatment facilities. The asset retirement obligation calculation, and the accretion recorded are based on current amounts assessed and currently deposited with the South African Department of Mineral Resources, and assumptions regarding the timing and cost of such rehabilitation. The estimates may be inaccurate and the actual costs for the asset retirement obligations may change significantly.

The Company expenses all stock-based payments, and values warrants using the fair value method. Under the fair value method, an option and warrant pricing model is used to determine fair value, and estimates are made as to the volatility of the Company's shares and the expected life of the options and warrants. Such estimates affect the fair value determined by the option and warrant pricing model.

The determination of the categories for financial assets and liabilities has also been identified as an accounting policy which involves judgments or assessments to be made by management.

## **CHANGES IN ACCOUNTING POLICIES**

### **International Financial Reporting Standards ("IFRS")**

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC"). The standards impacted that are applicable to the Company are as follows:

IFRS 9, *Financial Instruments* was issued in November 2009 as the first step in its project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces new requirements for classifying and measuring financial assets that must be applied starting January 1, 2013, with early adoption permitted. The IASB intends to expand IFRS 9 during the intervening period to add new requirements for classifying and measuring financial liabilities, de-recognition of financial instruments, impairment and hedge accounting. The Company is currently assessing the impact of this standard.

IFRS 10, *Consolidated Financial Statements* was issued in May 2011 and will supersede the consolidation requirements in SIC-12, *Consolidation – Special Purpose Entities* and IAS 27, *Consolidated and Separate Financial Statements* effective for annual periods beginning on or after January 1, 2013, with early application permitted. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard also provides additional guidance to assist in the determination of control where this is difficult to assess. The Company is currently assessing the impact of this standard.

IFRS 11, *Joint Arrangements* was issued in May 2011 and will supersede existing IAS 31, *Joint Ventures* effective for annual period beginning on or after January 1, 2013, with early application permitted. IFRS 11 provides for the accounting of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard also eliminates the option to account for jointly controlled entities using the proportionate consolidation method. The Company is currently assessing the impact of this standard.

IFRS 12, *Disclosure of Interests in Other Entities* was issued in May 2011 and is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company is currently assessing the impact of this standard.

IFRS 13, *Fair Value Measurement* was issued in May 2011 and sets out in a single IFRS a framework for measuring fair value. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This definition of fair value emphasizes that fair value is a market-based measurement, not an entity-specific measurement. In addition, IFRS 13 also requires specific disclosures about fair value measurement. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine* On October 20, 2011, the IASB issued a new interpretation, IFRIC 20, to address accounting issues regarding waste removal costs incurred in surface mining activities during the production phase of a mine, referred to as production stripping costs. The new interpretation addresses the classification and measurement of production stripping costs as either inventory or as a tangible or intangible non-current 'stripping activity asset'. The standard also provides guidance for the depreciation or amortization and impairment of such assets. IFRIC 20 is effective for reporting years beginning on or after January 1, 2013, although earlier application is permitted. The Company is assessing the impact, if any, the adoption of this standard may have on its consolidated financial statements.

In May 2011, the IASB published IAS 28, *Investments in Associates and Joint Ventures*, which are effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. Amendments to IAS 28 provide additional guidance applicable to accounting for interests in joint ventures or associates when a portion of an interest is classified as held for sale or when the Company ceases to have joint control or significant influence over an associate or joint venture. When joint control or significant influence over an associate or joint venture ceases, the Company will no longer be required to re-measure the investment at that date. When a portion of an interest in a joint venture or associate is classified as held for sale, the portion not classified as held for sale shall be accounted for using the equity method of accounting until the sale is completed at which time the interest is reassessed for prospective accounting treatment.

In June 2011, the IASB issued IAS 1, *Presentation of Items of OCI: Amendments to IAS 1 Presentation of Financial Statements*. The amendments stipulate the presentation of net earnings and OCI and also require the Company to group items within OCI based on whether the items may be subsequently reclassified to profit or loss. Amendments to IAS 1 are effective for the Company beginning on January 1, 2012 with retrospective application and early adoption permitted.

In December 2010, the IASB amended IAS 12, *Income Taxes* (effective January 1, 2012) to remove subjectivity in determining on which basis an entity measures the deferred tax relating to an asset. The amendment introduces a presumption that an entity will assess whether the carrying value of an asset will be recovered through the sale of the asset.

In January 2008, the IASB amended IAS 27, *Separate Financial Statements*, which has subsequently been amended by IFRS 9 and other standards. IAS 27 has the objective of setting standards to be applied in accounting for investments in subsidiaries, joint ventures and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements.

The aggregate impact of the initial application of the statements and interpretations on the Group's annual financial statements has not yet been assessed by management.

## **RISK FACTORS RELATING TO THE COMPANY'S BUSINESS**

The Company faces a number of risks and uncertainties that could cause actual results or events to differ materially from those contained in any forward-looking statement. Additional risks and uncertainties not presently known to the

Company or that are currently deemed to be immaterial may also impair the Company's business operations. Factors that could cause or contribute to such differences include, but are not limited to, the following:

### ***Capital Requirements***

There is no assurance that the Company will continue to be able to access the capital markets for the required funding necessary to maintain exploration properties, nor to complete any future acquisitions, or any future exploration programs. The Company may require additional capital to finance expansion or growth at levels greater than its current business plan. Insufficient capital may require the Company to delay or scale back its proposed acquisitions and/or development activities.

### ***Revenues and Growth***

There are no assurances that suitable additional projects will be secured or that diamonds will be recovered at levels sufficient to sustain the Company's operations. Should the Company ultimately discover diamond deposits through its exploration efforts or acquisitions, the economics and feasibility of any potential project can be affected by many factors which may be beyond the capacity of the Company to anticipate or control. Material processing revenues and production in general are also reliant on both the quality and amount of diamond bearing material both available and being processed and the Company cannot predict with any certainty the recovery levels from a given area being worked, thus affecting revenues. This is also true of any prospective project the Company may acquire related to various other methods of diamond production.

### ***Nature of Mining***

The operation of any diamond mining project is subject to risks inherent in the mining industry, including variations in grade and other geological differences, unexpected problems associated with weather and required water, power, surface conditions, processing problems, mechanical equipment performance, accidents, labor disputes, risks relating to the physical security of the diamonds, force majeure risks and natural disasters. Such risks could result in personal injury or fatality; damage to or destruction of mining properties, processing facilities or equipment; environmental damage; delays or reductions in mining production; monetary losses; and possible legal liability.

### ***Nature of Joint Arrangement (Nozala)***

On March 5, 2008, the Company announced a formal joint venture partnership with well-established South African BEE group Nozala Investments (Pty) Ltd. This partnership is expected to be reflected in two Diamcor wholly-owned South African subsidiaries, DMI Minerals South Africa (Pty) Ltd. and Jagersfontein Diamond Mining Company (Pty) Ltd., both of which were initially formed to secure diamond mining projects in South Africa. Under the terms of the first joint venture with regards to DMI Minerals, Diamcor retains a 70% direct ownership in the subsidiary with Nozala holding a 30% direct shareholder ownership interest. This arrangement is also expected to be similar in nature for the Jagersfontein Diamond Mining Company subsidiary in the future if a suitable acquisition can be secured. Operationally, expenses charged to the development of projects held by the entities, and the revenues generated, will be similarly proportional. These joint arrangements are subject to the risks normally associated with the conduct of joint ventures and similar joint arrangements. These risks include the inability to exert influence over strategic decisions, the joint venture partner's ability to provide its proportionate share of funding, the development and operation of the projects, and mineral claims.

### ***Diamond Prices and Demand for Diamonds***

The profitability of Diamcor is dependent upon production, which is dependent in significant part upon the worldwide demand for, and price of, diamonds. Diamond prices fluctuate and are affected by numerous factors beyond the control of the Company, including worldwide economic trends, particularly in the US, Japan, China and India, worldwide levels of diamond discovery and production and the level of demand for, and discretionary spending on, luxury goods such as diamonds and jewelry. Low or negative growth in the worldwide economy or the occurrence of terrorist activities creating disruptions in economic growth could result in decreased demand for luxury goods such as diamonds, thereby negatively affecting the price of diamonds. Similarly, a substantial increase in the worldwide level of diamond

production could also negatively affect the price of diamonds. In each case, such developments could materially adversely affect the company's results of operations.

### ***Currency Risk***

Currency fluctuations may affect the Company's financial performance. Diamonds are sold throughout the world based principally on the US dollar price. The Company reports its financial results in Canadian dollars and a majority of its costs and expenses are incurred in either Canadian dollars or the South African Rand. The Company's South African subsidiaries 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 appreciation of the Canadian dollar against the US dollar, and the depreciation of such other currencies against the US or Canadian dollar, therefore, may increase expenses and the amount of the Company's liabilities relative to revenue.

### ***Licenses and Permits / (Rights)***

There are inherent risks involved in operating in foreign countries, including stringent environmental and permitting / rights issues. The exercise of the So Ver mineral rights, Krone-Endora at Venetia, pending acquisitions, and future exploration on certain properties requires licenses and permits from the South African government. There can be no guarantee that the Company will be able to renew these licenses or obtain or maintain all other necessary licenses and permits that may be required to maintain operations or to further explore and develop certain 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.

### ***Regulatory and Environmental Risks***

The operation of mines and exploration activities are subject to various laws and regulations governing the protection of the environment, exploration, development, production, taxes, labour standards, occupational health, waste disposal, mine safety, manufacturing safety, power and water, and other matters. New laws and regulations, amendments to existing laws and regulations, or more stringent implementation or changes in enforcement policies under existing laws and regulations could have a material adverse impact on the Company by increasing costs and/or causing a reduction in levels of production from the mine. Mining and manufacturing are subject to potential risks and liabilities associated with pollution of the environment and the disposal of waste products occurring as a result of mining and manufacturing operations. To the extent that the Company is subject to uninsured environmental liabilities, the payment of such liabilities could have a material adverse effect on the Company.

### ***Reliance on Skilled Employees***

Production and exploration for any Company projects are dependent upon the efforts of certain key and skilled employees. The loss of these employees or the inability of the Company to attract and retain additional skilled employees may adversely affect the level of diamond production and the Company's ability to operate efficiently. Currently, there is significant competition for skilled workers in these operations. The loss of the services of any of the Company's key executive officers or key employees could harm its business. None of the Company's key executive officers or key employees currently has a contract that guarantees their continued employment with the Company. There can be no assurance that any of these persons will remain employed by the Company or that these persons will not participate in businesses that compete with it in the future.

### ***Regional Power Supply***

Potential power supply issues in South Africa have been highlighted by the media in the past years with regards to the inability of state-owned power supplier *Eskom* to deliver consistent electricity requirements to many of the larger mines in South Africa. While these issues are not presently expected to affect any of the current operational requirements of the Company, there can be no assurances that any new projects that the Company may acquire or operate will be able to secure the required electrical capacities needed to sustain uninterrupted supply and production.

## ***Competition***

Within the minerals industry sector, including the diamond tailings re-treatment sector, diamond exploration sector, and various other related methods of diamond mining and production, Diamcor competes with other companies possessing greater financial and technical resources than it may have access to. Even with its current facility, and the promise of any other exploration or diamond producing project, or property, there can be no assurances that the Company will continue to be able to complete or execute its desired programs on its proposed schedules, nor within the cost estimates assumed. If the Company is unable to successfully compete in the diamond market, then its results of operations will be adversely affected.

## ***Securities May Be Volatile and Subject to Wide Fluctuations***

The market price of the Company's securities may be volatile and subject to wide fluctuations. If the Company's revenues do not grow, or grow more slowly than it requires, or if operating or capital expenditures exceed its expectations and cannot be adjusted accordingly, or if some other event adversely affects the Company, the market price of the Company's securities could decline. If securities analysts alter their financial estimates of the Company's financial condition it could affect the price of the Company's securities. Some other factors that could affect the market price of the Company's securities include announcements of new explorations, technological innovations and competitive developments. In addition, if the market for stocks in the Company's industry or the stock market in general experiences a loss in investor confidence or otherwise fails, the market price of the Company's securities could fall for reasons unrelated to its business, results of operations and financial condition. The market price of the Company's stock also might decline in reaction to conditions, trends or events that affect other companies in the market even if these conditions, trends or events do not directly affect the Company. In the past, companies that have experienced volatility in the market price of their stock have been the subject of securities class action litigation. If the Company were to become the subject of securities class action litigation, it could result in substantial costs and a diversion of management's attention and resources.

## **RELATED PARTY TRANSACTIONS**

During the interim period ended September 30, 2012, the Company paid or accrued to key management personnel and consultants, salaries totaling \$246,000 Directors fees of \$24,000, and performance bonuses totaling \$275,000. As at September 30, 2012, the Company owed a total of \$145,000 to Directors of the Company and its subsidiaries, and companies controlled by a Director.

## **OUTSTANDING SHARE INFORMATION**

As at November 28, 2012:

### **Authorized**

Issued and outstanding shares	30,063,667
Fully diluted (4,278,833 options)	34,342,000
Weighted average outstanding shares	29,690,597

## **NATIONAL INSTRUMENT 52-109 ON CERTIFICATION OF ANNUAL AND INTERIM FILINGS**

The Company files a 52-109FV2 certification of interim filings duly executed by the Company's current CEO and CFO as required by securities laws.

## **DISCLOSURE CONTROLS AND PROCEDURES**

The Company has disclosure controls and procedures in place to provide reasonable assurance that any information required to be disclosed by the Company under securities legislation is recorded, processed, summarized and reported within the applicable time periods and to ensure that required information is gathered and communicated to the Company's management so that decisions can be made about timely disclosure of that information. The Company's Chief Executive Officer and Chief Operating Officer evaluated the Company's disclosure controls and procedures for the period ended September 30, 2012 and have concluded that the Company's disclosure controls and procedures to be adequate for the above purposes.

Including the Company's transition to IFRS, there have been no significant changes in the Company's disclosure controls, or in other factors that materially affected or are reasonably likely to affect, the Company's disclosure controls subsequent to the date the Company carried out its evaluation.

## **OTHER**

The Company operates offices in both Canada and South Africa and is listed on the Canadian TSX Venture Exchange trading under the symbol "DMI", and on the OTC QX International in the USA trading under the symbol "DMIFF". Public company information is available on SEDAR at [www.sedar.com](http://www.sedar.com) or at the Company's website [www.diamcormining.com](http://www.diamcormining.com).

## **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Certain statements included in this MD&A may constitute forward-looking statements within the meaning of securities laws. In some cases, forward-looking statements can be identified by the use of terms such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "possible", "continue" or other similar expressions concerning matters that are not historical facts. Forward-looking statements may relate to management's future outlook and anticipated events or results, and may include statements or information regarding projected capital expenditure requirements, estimated productions, plans, timelines and targets for construction, joint venture relationships, the closing of anticipated acquisitions, mining, development, production and exploration activities, future mining and processing, the number and timing of expected rough diamond sales, projected sales growth, expected gross margin and expense trends, expected diamond prices and expectations concerning the diamond industry.

Forward-looking statements are based on certain factors and assumptions regarding, among other things, mining, production, construction and exploration activities, world economic conditions, the level of world-wide diamond production, and the receipt of necessary regulatory permits. With respect to statements concerning sales growth, Diamcor has assumed that current world economic conditions will not materially change or deteriorate. While Diamcor considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

Forward-looking statements are subject to certain factors, including risks and uncertainties, which could cause actual results to differ materially from what we currently expect. These factors include, among other things, the uncertain nature of mining activities, risks associated with joint venture operations, risks associated with the remote locations of certain mine sites, risks associated with regulatory requirements, fluctuations in diamond prices and changes in world economic conditions and the risk of fluctuations in the foreign currency exchange rate. Please see page 19 of this MD&A for a discussion of these and other risks and uncertainties involved in Diamcor's operations.

You should not place undue importance on forward-looking statements and should not rely upon this information as of any other date. While Diamcor may elect to, it is under no obligation and does not undertake to update this information at any particular time, except as required by law.