Condensed Consolidated Financial Statements

For the Interim Period Ended
December 31, 2012

DIAMCOR MINING INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31, 2012 and March 31, 2012

	December 31 2012	March 31 2012 (audited)
ASSETS		
CURRENT		
Cash and cash equivalents	$ 1,956,201	$ 1,747,313
Inventory	$ 81,392	$ -
Accounts receivable	301,897	664,058
	2,339,490	2,411,371
NON CURRENT		
REHABILITATION TRUST FUND (Note 5)	31,519	35,070
PREPAIDS	21,646	11,591
PROPERTY, PLANT AND EQUIPMENT (Note 3)	3,331,468	1,482,195
MINES UNDER CONSTRUCTION (Note 4)	2,574,169	2,372,131
Total assets	$ 8,298,292	$ 6,312,358
LIABILITIES		
CURRENT		
Accounts payable	$ 161,347	$ 660,950
Asset retirement obligation (Note 7)	346,248	337,735
Current portion of long term debt (Note 6)	-	561
Deferred income (Note 15)	182,393	202,935
Taxes payable	247	275
	690,235	1,202,456
NON CURRENT		
LONG TERM DEBT (Note 6)	10,237,196	5,889,441
DECOMMISSIONING LIABILITY (Note 7)	123,530	121,704
DUE TO NOZALA INVESTMENTS (Note 6)	952,782	943,346
	12,003,743	8,156,947
Equity		
Equity attributable to owners of the parent		
Share capital (Note 8)	12,903,824	10,853,483
Contributed surplus (Note 9)	4,603,144	4,698,952
Warrants (Note 8)	-	663,134
Accumulated and other comprehensive income	(679,960)	(347,273)
Deficit	(19,101,463)	(17,187,032)
	(2,274,455)	(1,318,736)
Non-controlling interests	(1,430,996)	(525,853)
Total equity	(3,705,451)	(1,844,589)
Total liabilities and equity	$ 8,298,292	$ 6,312,358

COMMITMENTS (Note 14)

On behalf of the board

"Dean Taylor" Director

"Sheldon Nelson" Director

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

DIAMCOR MINING INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

	For the three months ended December 31, 2012	For the three months ended December 31, 2011	For the nine months ended December 31, 2012	For the nine months ended December 31, 2011
SALES	$ 539,980	$ -	$ 539,980	$ -
COST OF SALES	843,056	237,604	1,679,845	363,894
GROSS LOSS	(303,076)	(237,604)	(1,139,865)	(363,894)
EXPENSES				
Accretion and depreciation	94,767	67,073	232,307	90,614
Consulting fees	36,815	48,975	107,660	151,366
Insurance	12,038	7,106	32,363	19,297
Interest and bank charges	173,400	94,876	460,251	314,285
Office	28,879	22,342	84,910	65,024
Professional fees	38,792	32,334	133,567	150,073
Promotion and investor relations	26,768	13,797	90,006	135,315
Salaries and wages	143,646	344,309	435,649	580,458
Stock based compensation	-	35,100	-	575,100
Transfer agent and regulatory fees	16,002	18,770	30,833	38,025
Travel	29,119	41,092	87,626	83,624
	600,226	725,774	1,695,172	2,203,181
LOSS FROM OPERATIONS	$ (903,302)	$ (963,378)	$ (2,835,037)	$ (2,567,075)
OTHER INCOME AND EXPENSES				
Interest and other Income	2,301	11,581	16,330	43,329
Foreign exchange loss	(61)	-	(867)	-
	2,240	11,581	15,463	43,329
LOSS BEFORE INCOME TAX	(901,062)	(951,797)	(2,819,574)	(2,523,746)
NET LOSS FOR THE YEAR	$ (901,062)	$ (951,797)	$ (2,819,574)	$ (2,523,746)
Total comprehensive loss attributable to:				
Non-controlling interests	$ (364,634)	$ (115,529)	$ (905,143)	$ (245,726)
Equity holders of parent	(536,428)	(836,268)	(1,914,431)	(2,278,020)
	$ (901,062)	$ (951,797)	$ (2,819,574)	$ (2,523,746)
Other comprehensive income				
Foreign currency translation (loss)	$ 42,905	$ (433,689)	$ (332,687)	$ (446,964)
Total comprehensive loss for the year	$ (493,523)	$ (1,269,957)	$ (2,247,118)	$ (2,724,984)
Loss per share - basic and diluted (Note 9)	$ (0.02)	$ (0.05)	$ (0.06)	$ (0.09)

DIAMCOR MINING INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the three months ended December 31, 2012	For the three months ended December 31, 2011	For the nine months ended December 31, 2012	For the nine months ended December 31, 2011
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss	$ (901,062)	$ (951,797)	$ (2,819,574)	$ (2,523,746)
Items not affecting cash				
Accretion and depreciation	94,768	67,073	212,307	90,614
Stock based compensation	-	35,100	-	575,100
Other comprehensive income	115,048	121,949	15,999	(206,275)
Interest on long term debt	171,542	79,332	454,922	306,265
	381,358	303,454	683,228	765,704
	(519,704)	(648,343)	(2,136,346)	(1,758,042)
Changes in non-cash working capital				
Accounts payable	(210,927)	181,705	(499,603)	16,806
Accounts receivable	(168,852)	(67,614)	362,161	(118,856)
Inventory	172,206	-	(81,392)	-
Taxes payable	-	(190)	-	6,360
Prepaids	60,476	70,000	(10,055)	(2,500)
	(147,097)	183,901	(228,889)	(98,190)
Cash flow used by operating activities	(666,801)	(464,442)	(2,365,235)	(1,856,232)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment and construction of mines	(1,968,583)	(1,203,589)	(2,656,481)	(1,689,156)
Cash flow used from investing activities	(1,968,583)	(1,203,589)	(2,656,481)	(1,689,156)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of long term debt	4,000,000	-	4,000,000	-
repayment of short term debt	-		(561)	-
Proceeds from issuance of share capital	42,200	3,000	1,291,400	160,369
Cash flow from financing activities	4,042,200	3,000	5,290,839	160,369
Effect of change in exchange rate for cash	(46,434)	(3,026)	(80,235)	(69,956)
Increase (Decrease) in cash and cash equivalents	1,360,382	(1,668,057)	188,888	(3,454,975)
Cash and cash equivalents - beginning of year	595,819	3,805,762	1,747,313	5,592,680
Cash and cash equivalents - end of period	$ 1,956,201	$ 2,137,705	$ 1,936,201	$ 2,137,705

DIAMCOR MINING INC.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital	Contributed Surplus	Warrants	Deficit	Accumulated Other Comprehensive Income	Non-controllling interests	Total Shareholders' Equity
Balance - March 31, 2011	9,461,125	3,465,619	1,806,910	(13,732,196)	(49,989)	(130,051)	821,418
Issued during fiscal 2012							
Issuance of warrants	-	-	-	-	-	-	-
Exercise of warrants	87,316	-	(24,947)	-	-	-	62,369
Expiry of warrants	-	49,045	(49,045)	-	-	-	-
Exercise of options	208,983	(110,983)	-	-	-	-	98,000
Option grant	-	575,100	-	-	-	-	575,100
Other Comprehensive Income	-	-	-	-	(446,964)	-	(446,964)
Non-controlling interests	-	-	-	-	-	(245,726)	(245,726)
loss for the period	-	-	-	(2,278,020)	-	-	(2,278,020)
Balance - December 31, 2011	9,757,424	3,978,781	1,732,918	(16,010,216)	(496,953)	(375,777)	(1,413,823)
Balance - March 31, 2012	10,853,483	4,698,952	663,134	(17,187,032)	(347,273)	(525,853)	(1,844,589)
Issued during fiscal 2013							
Issuance of warrants	-	-	-	-	-	-	-
Exercise of warrants	1,810,192	-	(663,134)	-	-	-	1,147,058
Expiry of warrants	-	28,392	-	-	-	-	28,392
Exercise of Options	240,149	(124,200)	-	-	-	-	115,949
Other Comprehensive Income	-	-	-	-	(332,687)	-	(332,687)
Non-controlling interests	-	-	-	-	-	(905,143)	(905,143)
loss for the period	-	-	-	(1,914,431)	-	-	(1,914,431)
Balance - December 31 2012	12,903,824	4,603,144	-	(19,101,463)	(679,960)	(1,430,996)	(3,705,451)

1. NATURE OF OPERATIONS AND GOING CONCERN

Diamcor Mining Inc. (the "Company") was incorporated under the Company Act of British Columbia, now the Business Corporations Act (British Columbia). Its principal business activity is the production of diamonds in South Africa through its subsidiaries So Ver Mine (Pty) Ltd ("So Ver"), DMI Minerals South Africa (Pty) Ltd, DMI Diamonds South Africa (Pty) Ltd (formally Blue Dust 25 (Pty) Ltd) and Jagersfontein Diamond Mining Company (Pty) Ltd.

These consolidated financial statements were authorized for issue by the Board of Directors on February 27th, 2013. The company's address is 630, 1620 Dickson Avenue Kelowna, British Columbia VIY 9Y2, Canada.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

The consolidated financial statements of Diamcor Mining Inc. and all its subsidiaries (the "Group") have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The consolidated financial statements have been prepared on a historical cost basis. The consolidated financial statements are presented in Canadian dollars.

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounts Standards ("IAS") 34, "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Diamcor Mining Inc. has followed the same accounting policies and methods of computation used in the Company's annual audited financial statements for the year ended March 31, 2012. In addition, certain disclosures that are required to be included in annual financial statements are not included in these interim. Therefore, these interim financial statements should be read in conjunction with the aforementioned. The condensed consolidated interim financial statements were authorized for issue in accordance with a resolution by the Board of Directors on February 27, 2013.

2.1. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as at December 31, 2012. Subsidiaries are fully consolidated. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions are eliminated in full. Where the ownership of a subsidiary is less than 100%, and therefore a non-controlling interest exists, any losses of that subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

Details of the company's subsidiaries as at December 31, 2012 are as follows:

Name	Place of Incorporation	Interest
DMI Diamonds South Africa (Pty) Ltd.	South Africa	100%
Jagersfontain Diamond Mining Company (Pty) Ltd.	South Africa	100%
DMI Minerals South Africa (Pty) Ltd	South Africa	70%
So Ver Mine (Pty) Ltd.	South Africa	85%

2.2 Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. In particular, information about significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements is described below.

Mineral property and exploration costs

The application of the Group's accounting policy for mineral properties and exploration costs requires judgment in determining whether it is likely that future economic benefits are likely either from future exploration or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of a reserve is itself an estimation process that requires varying degrees of uncertainty depending on sub-classification and these estimates directly impact the point of deferral of exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after the expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

Reserve and resource estimates

Diamond reserves are estimates of the amount of diamonds that can be economically and legally extracted from the Group's mining properties. The Group estimates its reserves and a mineral resource based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgments to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade of the ore body. Changes in the reserve or resource estimates may impact upon the carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, goodwill, provision for rehabilitation, recognition of deferred tax assets, and depreciation and amortization charges. The company is currently in the process of evaluating the reserve and resource estimates.

2. BASIS OF PREPARATION

Units-of-production depreciation

Estimated recoverable reserves are used in determining the depreciation and / or amortization of mine specific assets. This results in a depreciation charge proportional to the depletion of the anticipated remaining life of mine production. Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. Numerous units-of-production (UOP) depreciation methodologies are available to choose from. The Group adopts a Run of the Mine (ROM) tonnes of ore produced methodology for mining costs and a carats per tonne of diamonds produced methodology for post mining costs. Changes are accounted for prospectively.

Impairment of non-financial assets

The Group assesses each cash generating unit annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Management has assessed its cash generating units as being an individual mine site, which is the lowest level for which cash inflows are largely independent of those of other assets.

Recovery of deferred tax assets

Judgment is required in determining whether deferred tax assets are recognized on the statement of financial position. Deferred tax assets, including those arising from un-utilized tax losses, require management to assess the likelihood that the Group will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realize the net deferred tax assets recorded at the reporting date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Group operates could limit the ability of the Group to obtain tax deductions in future periods.

2.3 Summary of significant accounting policies

Cash and short-term deposits

Cash and cash equivalents in the statement of financial position comprise cash at banks and at hand and short term deposits with an original maturity of three months or less. Cash at December 31, 2012 was $1,956,201.

Inventories

Diamonds are physically measured or estimated and valued at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs of selling final product. Cost is determined by the weighted average method and comprises direct purchase costs and an appropriate portion of fixed and variable overhead costs, including depreciation and amortization, incurred in converting materials into finished goods. Materials and supplies are valued at the lower of cost or net realizable value. Any provision for obsolescence is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any provision for obsolescence.

Mines under construction

All expenditures on the construction, installation, mining rights or completion of infrastructure facilities are capitalized to mine under construction until the commencement of commercial production. After commercial production starts, all assets included in mine under construction are transferred to Property Plant and Equipment. Capitalized development expenditures are not depreciated until the assets are ready for their intended use. Upon completion of construction, mining assets are amortized on a unit of production basis which is measured by the portion of the mine's economically recoverable and proven reserves produced during the period. Impairment is tested in the same way as other non-financial assets. The recorded cost of mineral claims and exploration costs represents costs incurred and are not intended to reflect present or future values. The ultimate recovery of such capitalized costs is dependent upon the discovery and development of economic reserves or the sale of mineral rights.

Property, plant and equipment

Upon completion of mine construction, the assets are transferred into property, plant and equipment or mine properties. Items of property, plant and equipment and mine properties are stated at cost, less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation, and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalized value of a finance lease is also included within property, plant and equipment. When a mine construction project moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalization relating to mining asset additions or improvements or mineable reserve development.

Accumulated mine development costs are depreciated/amortized on a unit-of-production basis over the economically recoverable reserves of the mine concerned, except in the case of assets whose useful life is shorter than the life of the mine, in which case the straight-line method is applied based on the life of the asset. Rights and concessions are depleted on the unit-of-production basis over the total reserves of the relevant area. The unit-of-production rate for the depreciation/amortization of mine development costs takes into account expenditures incurred to date, together with sanctioned future development expenditures.

Other plant and equipment such as mobile mine equipment is generally depreciated over their estimated useful lives as follows:

- Office equipment	20 -45% declining balance
- Computers	15% declining balance
- Motor vehicles	15% declining balance
- Plant and equipment	15% declining balance
- Leasehold improvements	5 year straight-line

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognized. The asset's residual values, useful lives and methods of depreciation/amortization are reviewed at each reporting period, and adjusted prospectively if appropriate.

Impairment of non-financial assets

The carrying amounts of non-current assets are reviewed for impairment whenever facts and circumstances suggest that the carrying amounts may not be recoverable. If there are indicators of impairment, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. The recoverable amount of an asset is determined as the higher of its fair value less cost to sell and its value in use. An impairment loss exists if the asset's carrying amount exceeds the recoverable amount and is recorded as an expense immediately. Where the asset does not generate cash flows that are independent from other assets, the recoverable amount of the cash generating unit ("CGU") to which the asset belongs is determined.

Value in use is determined as the present value of the future cash flows expected to be derived from an asset or CGU. The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. Fair value less cost to sell is the amount obtainable from the sale of an asset or CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. For mining assets, fair value less cost to sell is often estimated using a discounted cash flow approach as a fair value from an active market or binding sale agreement is not readily available. Estimated future cash flows are calculated using estimated future prices, mineral reserves and resources, operating and capital costs. All assumptions used are those that an independent market participant would consider appropriate.

Tangible assets that have been impaired in prior periods are tested for possible reversal of impairment whenever events or changes in circumstances indicate that the impairment has reversed. If the impairment has reversed, the carrying amount of the asset is increased to its recoverable amount but not beyond the carrying amount that would have been determined had no impairment loss been recognized for the asset in the prior periods. A reversal of an impairment loss is recognized into earnings immediately.

Decommissioning liability

The Group assesses its mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, and cost. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognized in the statement of financial position by either increasing or decreasing the rehabilitation liability and rehabilitation asset if the initial estimate was originally recognized as part of an asset measured in accordance with IAS 16 *Property, Plant and Equipment*. Any reduction in the rehabilitation liability and therefore any deduction from the rehabilitation asset may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to profit or loss. If the change in estimate results in an increase in the rehabilitation liability and therefore an addition to the carrying value of the asset, the entity is required to consider whether this is an indication of impairment of the asset as a whole and test for impairment in accordance with IAS 36. If, for mature mines, the revised mine assets net of rehabilitation provisions exceeds the recoverable value, that portion of the increase is charged directly to expense. For closed sites, changes to estimated costs are recognized immediately in profit or loss. Also, rehabilitation obligations that arose as a result of the production phase of a mine should be expensed as incurred.

Foreign currency translation

The consolidated financial statements are presented in Canadian dollars, which is the parent company's functional currency. Transactions in foreign currencies are initially recorded in the functional currency, at the respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange ruling at the reporting date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

The financial results of Group entities that have a functional currency different from the presentation currency are translated into the presentation currency. The presentation currency of the Company is Canadian Dollars. The functional currency of all of the subsidiaries is the South African Rand. Income and expenditure transactions of foreign operations are translated at the average rate of exchange for the year except for significant individual transactions which are translated at the rate of exchange in effect at the transaction date. All assets and liabilities, including fair value adjustments are translated at the rate of exchange ruling at the reporting date. Differences arising on translation from the Transition Date are recognized as other comprehensive income and are included in other comprehensive income (loss). When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of the net investment in a foreign operation and are recognized in other comprehensive income and are included in the other comprehensive income (loss). On disposal of part or all of the operations, the proportionate share of the related cumulative gains and losses previously recognized in other comprehensive income (loss) through the statement of comprehensive income are included in determining the profit or loss on disposal of that operation recognized in the profit or loss.

Financial instruments

Initial recognition and measurement

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. All financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset. The Group's financial assets include cash and accounts receivable.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes: financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognized in finance income or finance costs in profit or loss. Transaction costs are expensed. Assets in this category include cash and cash equivalents.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in profit or loss. The losses arising from impairment are recognized in profit or loss in finance costs. The group has designated accounts receivable as loans and receivables.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. The Group's financial liabilities include accounts payable, and accrued liabilities, short term debt, long-term debts and due to Nozala Investments.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Income taxes

Income tax expense comprises current and deferred income tax. Income tax is recognized in the income statement, except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Current income tax

Current income tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current income tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Statement of Financial Position. Deferred income tax is calculated using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period, and which are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax liabilities:

- are generally recognized for all taxable temporary differences;
- are recognized for taxable temporary differences arising on investments in subsidiaries except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future; and
- are not recognized on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred income tax assets:

- are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized; and
- are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, and sales taxes or duty. Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred, which is considered to occur when title passes to the customer. Revenue is measured at the fair value of the consideration received or receivable.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Stock-based compensation

The Company uses the fair value method of accounting for all stock-based compensation, including options granted under the Company's incentive stock option plan. Compensation expense for options granted is determined based on the estimated fair values of the stock options at the time of grant, the cost of which is recognized over the vesting periods of the respective options. Stock-based compensation expense is recorded as a charge to operations with a corresponding credit to contributed surplus. Consideration paid for shares on the exercise of options is credited to share capital. In the event that vested options expire, previously recognized compensation expense associated with such stock options is not reversed.

Loss per share

Basic EPS is calculated by dividing the profit or loss attributable to ordinary equity holders after adjusting for non-controlling interests (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period. The denominator (number of units) is calculated by adjusting the shares in issue at the beginning of the period by the number of shares bought back or issued during the period, multiplied by a time-weighting factor.

Diluted EPS is calculated by adjusting the earnings and number of shares for the effects of dilutive options and other dilutive potential units. The effects of anti-dilutive potential units are ignored in calculating diluted EPS. All options are considered anti-dilutive when the Company is in a loss position.

Recent pronouncements issued

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.

3. PROPERTY, PLANT AND EQUIPMENT

	Plant and Equipment	*Motor Vehicles*	*Office Equipment*	*Computers*	*Leaseholds*	***Total $***
Cost						
Balance, March 31, 2012	**2,247,017**	**69,338**	**37,301**	**53,093**	**33,090**	**2,439,839**
Additions	2,149,247	52,733	12,339	-	-	2,214,319
Translation adjustments	(227,459)	(7,019)	(568)	(186)	-	(235,232)
Balance, December 31, 2012	**4,168,805**	**115,052**	**49,072**	**52,907**	**33,090**	**4,418,926**
Accumulated Depreciation						
Balance, March 31, 2012	**840,710**	**23,917**	**23,404**	**38,591**	**31,022**	**957,644**
Depreciation	192,468	19,613	3,587	4,772	1,530	221,970
Translation adjustments	(89,122)	(2,831)	(22)	(182)	-	(92,157)
Balance, December 31, 2012	**944,056**	**40,699**	**26,969**	**43,181**	**32,552**	**1,087,457**
Net book value, March 31, 2012	**1,406,307**	**34,873**	**13,897**	**14,502**	**2,068**	**1,482,195**
Net book value, December 31, 2012	**3,224,749**	**74,353**	**22,103**	**9,726**	**538**	**3,331,469**

4. MINES UNDER CONSTRUCTION

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

Cost	
Balance, March 31, 2012	**2,372,131**
Additions	442,162
Translation adjustments	(240,124)
Balance, December 31, 2012	**2,574,169**

5. REHABILITATION TRUST FUND

The rehabilitation trust fund consists of a deposit at the Department of Mineral Resources in South Africa for rehabilitation costs on mines where exploration has begun. A continuity of the balance is as follows:

Costs	**$**
Balance, March 31, 2012	**35,070**
Additions/(Disposals)	-
Translation adjustments	(3,551)
Balance, December 31, 2012	**31,519**

6. LONG TERM DEBT

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

2013-2014	1,156,586
2014-2015	3,259,815
2015-2016	3,738,628

The amount due to Nozala Investments of $952,782 CAD (March 31, 2012 - $943,346 CAD, interest at 12%, unsecured), currently has no set terms of repayment and is not expected to be repaid in the current year. The loan amount received is principally being used for the ongoing operations of DMI Minerals South Africa (Pty) Ltd, including the purchase of certain mineral rights and assets from De Beers Consolidated Mines Limited. The loan is denominated in South African Rand and no payments were made in the nine months ended December 31, 2012.

7. DECOMMISSIONING LIABILITY

The total decommissioning liability was based on the Company's estimated costs to reclaim and abandon the mines and facilities. The Company has estimated the costs related to the asset retirement obligations based on the South African Department of Mineral Reserves estimate of required rehabilitation costs, adjusted for inflation. This book value of the obligation at December 31, 2012 is $469,778 (March 31, 2012 - $459,439) adjusted annually using an inflation rate of three percent. Upon the completion of the sale of So Ver Mine (Pty) Ltd the Asset Retirement Obligation of $346,248 (March 31, 2012 - $337,735) will be eliminated.

An amount equivalent to $31,519 (March 31, 2012 - $35,070) has been deposited with the Department of Mineral Resources in South Africa in respect of rehabilitation costs.

8. SHARE CAPITAL

	Number of Shares	Amount
Authorized:		
Unlimited common voting shares, no par value		
Issued:		
Balance, March 31, 2011	25,643,283	$ 9,461,125
Issued during fiscal 2012:		
Exercise of warrants (a) (b)	1,501,987	1,154,174
Exercise of options (c) (d) (e) (f) (g) (h)	351,667	238,184
Cancellation of escrow shares	(1,667)	-
Balance, March 31, 2012	27,495,270	$10,853,483
Issued during fiscal 2013:		
Exercise of warrants (i)	2,350,897	1,810,192
Exercise of Options (j) (k) (l) (m)	252,500	240,149
Balance, September 30, 2012	30,098,667	$ 12,903,824

The weighted average number of shares outstanding for the period was 29,541,601 (26,137,599 in fiscal year 2012).

a) 124,737 broker warrants associated with the May 4, 2010 non-brokered private placement financing were exercised at a price of $0.50 on May 3, 2011.

b) 1,377,250 warrants were exercised at a price of $0.50 between January 26, 2012 and March 29, 2012.

c) 66,667 options were exercised at a price of $0.30 by an officer and director of the Company on April 12, 2011

d) 75,000 options were exercised at a price of $0.36 by a director of the Company on August 4, 2011

e) 10,000 options were exercised at a price of $0.30 by an employee of the Company on September 6, 2011

f) 150,000 options were exercised at a price of $0.30 by a consultant to the Company on September 13, 2011

g) 10,000 options were exercised at a price of $0.30 by an employee of the Company on December 22, 2011

h) 40,000 options were exercised at a price of $0.36 by a consultant of the Company on March 1, 2012

i) 2,350,897 warrants were exercised at a price of $0.50 between April 1, 2012 and May 3, 2012

j) 147,500 options were exercised at a price of $0.50 by employees and directors between September 1st and 14th, 2012

k) 50,000 options were exercised at a price of $0.50 by a director of the company on October 19th 2012

l) 20,000 options were exercised at a price of $0.50 by an employee of the company on November 8th 2012

m) 35,000 options were exercised at a price of $0.32 by a consultant to the company on November 30th 2012

Warrants

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

	December 31, 2012		**March 31, 2012**	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	2,456,047	$ 0.50	6,709,404	$ 0.50
Warrants Expired	(105,150)	$ 0.50	(2,751,370)	$ 0.50
Warrants Exercised	(2,350,897)	$ 0.50	(1,501,987)	-
Outstanding, end of year	-	-	2,456,047	$ 0.50
Exercisable, end of year	-	-	2,456,047	$ 0.50

	December 31, 2012	**March 31, 2011**
Balance, beginning of year	$ 663,134	$ 1,806,910
Exercise of warrants	(634,742)	(403,181)
Expiry of warrants	(28,392)	(740,595)
Balance, end of year	-	$ 663,134

Stock options

The Company adopted a formal stock option plan in November 20, 2009 and follows the TSX Venture Exchange (the "Exchange") policy under which it is authorized to grant options to directors, employees and consultants to acquire up to 20% of its issued and outstanding common stock. Under the policy, the exercise price of each option equals the market price of the Company's stock, less applicable discounts permitted by the Exchange, as calculated on the date of grant. The options can be granted for a maximum term of 5 years.

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

	December 31 2012		March 31 2012	
	Number of options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	4,535,833	$ 0.35	3,642,500	$ 0 .36
Options Expired	(40,000)	-	(90,000)	$ 0 .36
Options issued	-	-	1,335,000	$ 0 .37
Options exercised	(252,500)	$ 0.35	(351,667)	$ 0 .32
Outstanding, end of year	4,243,333	$ 0.35	4,535,833	$ 0.35
Exercisable, end of year	4,243,333	$ 0.35	4,535,833	$ 0.35

The following stock options were outstanding at December 31, 2012:

Number of options outstanding and exercisable	Exercise Price	Weighted average remaining life	Expiry date
325,000	$ 0.50	.25	March 17, 2013
2,618,333	$ 0.30	2.50	June 2 , 2015
1,200,000	$0.38	3.25	April 8, 2016
100,000	$0.32	4.00	December 8, 2016

Stock-based compensation

The Company has recognized nil in stock based compensation for the period ended December 31, 2012 ($618,521 in fiscal year 2012).

There were 1,335,000 stock options issued in the year ended March 31, 2012. The option valuation was calculated using the Black-Scholes pricing model with the following assumptions: zero dividend yield, expected volatility 150% and risk free rate ranging between 0.87% - 1.43%. Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimated, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

9 .CONTRIBUTED SURPLUS

	$
Balance, March 31, 2012	**4,698,952**
Exercise of Options	(124,200)
Expiry of warrants	28,392
Balance December 31, 2012	**4,603,144**

10. RELATED PARTY TRANSACTIONS

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

	December 31 , 2012	**March 31, 2012**
Salaries and consulting	$ 370,500	$ 446,500
Directors fees	36,000	48,000
Performance bonuses	420,000	798,000

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. As at December 31, 2012, the Company owed $5,543 (March 31, 2012 - $7,313) to directors of the Company and its subsidiaries, companies controlled by a director, an individual related to a director and to former directors. The fair value of amounts due to or from related parties cannot be determined as there are no specific terms of repayment and no interest is charged.

11. SEGMENTED INFORMATION

The Company's primary business is the exploration and development of diamond properties in Africa so there is only one reportable operating segment.

Details of identifiable assets by geographic segments are as follows:

	Total Assets	Property, Plant and Equipment	Mineral Properties and mines under construction	Cash and Equivalents	Other Assets
December 31, 2012					
Canada	1,019,405	17,017	-	914,969	87,420
South Africa	7,278,887	3,314,452	2,574,169	1,041,232	349,034
	8,298,292	3,331,468	2,574,169	$ 1,956,201	436,454
March 31, 2012					
Canada	1,535,989	24,542	-	1,406,258	105,189
South Africa	4,776,369	1,457,653	2,372,131	341,055	605,530
	6,312,358	1,482,195	2,372,131	$ 1,747,313	710,719

12. FINANCIAL INSTRUMENTS

Fair values

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Company classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument

- Level 1 – inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets.
- Level 2 – inputs to the valuation methodology included quoted prices for identical assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- Level 3 – inputs to the valuation methodology are not based on observable market date.

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, amounts due to related parties, short term debt and long-term debt. The fair value of these financial instruments approximates their carrying values due to the short term maturities of these items, except for the amounts due to related parties which are disclosed in Note 10. The Company's cash has been assessed on the fair value hierarchy described above; cash is classified as Level 1.

Financial risks

The Company's activities result in exposure to a variety of financial risks, including risks related to credit, market risk (currency fluctuation and interest rates) and liquidity risk.

a) Credit risk

The Company is exposed to credit risk only with respect to uncertainties as to timing and collectability of receivables. The Company mitigates credit risk through standard credit and reference checks. There are no material financial assets that the Corporation considers past due. The Company currently holds the majority of its cash holdings in large financial institutions in Canada and South Africa and does not expect any significant risk associated with those deposits. The majority of the Company's receivables are sales taxes refundable due from the government of South Africa and Canada; the Company does not foresee any significant risk in the collection.

The accounts receivable ageing amounts are as follows:

0-30 days past due	$230,381
90 days past due	-
120+ days past due	$71,516

b) Interest rate

The Company is not exposed to any material interest rate risk as the Company's short and long term debt has a fixed rate of interest, except for the Nozala investments loan which has a variable rate of interest of South African prime plus three percent. A 1% change in the South African Prime Rate would result in interest expense changing by approximately $9,700.

c) Foreign Currency risk

The Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

The Company's subsidiaries in South Africa operate using principally the US Dollar and the South African Rand and as such may be negatively affected by fluctuations in foreign exchange rates when translating from the currency of measurement of the Company's subsidiary to the Company's reporting currency. The Company's monetary assets and liabilities denominated in South African Rand include cash in bank in the amount of $1,041,232 ($341,055 March 31, 2012), accounts receivable in the amount of $216,548 ($570,460 March 31, 20121), the rehabilitation trust fund in the amount of $31,519 ($35,070 March 31, 2011), accounts payable in the amount of $85,617 ($154,486 March 31, 2012), long term debt in the amount of $952,782 ($943,346 March 31, 2012) accrued and taxes payable in the amount of $247 ($275 March 31, 2012). A 5% change in the Southern African Rand would result in Net Income (Loss) changing by approximately $106,000.

d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they fall due. The Company manages this risk through management of its cash flow from operations and its capital structure. Based on senior management's and the Board of Directors' review of ongoing operations, the Company may revise timing of capital expenditures, bank loans, including project specific loans, or issue equity or a combination thereof.

The Company's current financial liabilities of $182,393 are payable within one year. The Company enters into contractual obligations in the normal course of business operations. Management believes the Company's requirements for capital expenditures, working capital and ongoing commitments (including long-term debt and lease obligations) can be financed from existing cash, issuing equity, cash flow provided by operating activities, existing bank loans and by acquiring new project loans.

	Current	***2014***	***2015***	***2016***
Accounts payable	182,393	-	-	-
Long-term debt	-	1,156,586	3,259,815	3,738,628
	$182,393	$1,156,586	$3,259,815	$3,738,628

13. CAPITAL MANAGEMENT

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

The Company manages the following as capital:

	December 31, 2012	**March 31, 2012**
Working capital	1,831,648	1,749,585
Long-term debt	11,189,978	6,832,787
Shareholders' (deficit) equity	(3,705,451)	(1,844,589)

14. COMMITMENTS

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.

15. SALE OF PROPERTY

During fiscal 2010 the Company entered into agreements to sell its 15% stake in So Ver Mine (Pty) Ltd for Rand 600,000 (approximately $70,000). As of the balance sheet date this amount has not been received and is included in accounts receivable.

In addition the Company entered in an agreement to sell its remaining 85% share of So Ver Mine (Pty) Ltd for Rand 956,250 (approximately $112,000).

Due to certain covenants of the sales not being met at the balance sheet date, $182,393 (March 31, 2012 - $202,935) has been recorded as deferred income.

16. INCOME TAXES

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

	March 31, 2012	March 31, 2011
Net loss for year before taxes	$ (3,857,436)	$ (2,617,294)
Computed taxes recovered at statutory rates 26.13% (2011 - 28%)	$ (1,007,948)	$ (732,840)
Stock based compensation	161,620	259,840
Other non-deductible items	115,339	39,262
Change in rates	16,309	41,636
Change in deferred tax asset not recognized	700,050	233,406
Other (FX on Consolidation)	7,832	(13,044)
Expired losses	-	172,038
Income tax (recovery)	$ (6,798)	$ 298

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

	March 31, 2012	March 31, 2011
Property, plant and equipment	$ 43,584	$ 22,326
Mineral property expenditures	5,017	5,017
Non-capital losses carry forward	2,212,667	1,535,602
Asset retirement obligations	84,884	81,538
	2,346,152	1,644,393
Less: deferred tax asset not recognized	(2,346,152)	(1,646,102)
	$ -	$ 1,709

The Company had the following estimated tax pool balances at March 31, 2012:

	2012	2011
Canadian Exploration Expense	$ 4,605	$ 4,605
Canadian Development Expense	15,462	15,462
Undepreciated Capital Cost	198,878	198,140
Non-capital loss carry-forward	8,609,518	6,033,731

The Company has available for deduction against future taxable income non-capital losses of approximately $6,559,924 at March 31, 2012 ($6,033,731 in 2011) which includes losses in its foreign subsidiaries of $2,009,594 ($905,631 in 2011). These losses, if not utilized, will expire commencing 2015 (see table). Subject to certain restrictions, the Company also has resource expenditures available to reduce taxable income in future years. Future tax benefits which may arise as a result of these non-capital losses and resource deductions have not been recognized in these financial statements due to the uncertainty of their ability to be realized.

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

Tax loss expiry schedule

2014	$524,480
2015	$365,690
2026	$209,910
2027	$319,507
2028	$605,857
2029	$801,813
2030	$991,005
2031	$1,309,838
2032	$1,471,824

17. ***SUBSEQUENT EVENTS***

On January 15, 2013 an employee of the Company exercised 30,000 options @ $0.30.

On January 23, 2013 an employee of the Company exercised 15,000 options @ $0.30.

On February 19, 2013 a director of the Company exercised 4,500 options @ $0.50