

DIAMCOR MINING INC.
Form 51-102F1 – Management Discussion & Analysis
For the quarter ended December 31, 2006
Unaudited – Prepared by Management

The following Management Discussion & Analysis is prepared as of February 27, 2007 (“The Report Date”) and should be read in conjunction with the unaudited financial statements for the third quarter ending December 31, 2006.

NATURE OF BUSINESS AND LIQUIDITY

Diamcor Mining Inc.’s (“Company”) principal business is the acquisition, operation, exploration and development of diamond based resource properties. As of December 31, 2006 the Company’s principal assets were its 100% interest in So Ver Mine (Pty) Ltd. (“So Ver”), a private South African company that owns a diamond tailings processing operation near the town of Kimberley, South Africa and its 74% majority interest in Ongoza Mining (Pty) Ltd. (“Ongoza”), an exploration company performing work on previously identified areas of interest within Diamcor’s current So Ver landholdings. Initial details of the exploration work being completed by Ongoza were released on January 31, 2006, and on September 21, 2006 the Company announced that it had received the initial independent technical exploration report from MPH Consulting Ltd. outlining the results and recommendations from those efforts. In addition to these current operations, the Company continues to actively look at expanding its operations through the acquisition of other suitable properties, and the use of its established operational expertise to assist other parties through mutually beneficial joint venture opportunities should they become available.

The Company secured its 100% ownership in So Ver in 2005 when it settled all previous legal actions with a minority shareholder. This allowed the Company access to funds and approved shareholders loans it had available from the So Ver Mine’s ongoing operations. In a December 20, 2005 press release by the Company it was announced the South African Reserve Bank had granted the Company authorization to repay outstanding shareholder loan amounts totaling \$2,732,530.00 (ZAR), or an amount equal to approximately \$503,878.00 (CND) from So Ver to Diamcor. The Company transferred a portion of these funds in an amount equal to approximately \$340,661.50 (CND) from So Ver to Diamcor at that time to both pay down corporate accounts payables, as well as fund the initial exploration efforts of Ongoza at the Company’s Doornkloof project. No other portion of these available funds has since been recovered due to the ongoing operational needs at So Ver, however the Company will continue to work towards the ultimate recovery of all remaining loans from So Ver.

The financial results for the period ended December 31, 2006 include the results of mining and exploration operations in South Africa. As of December 31, 2006, Diamcor held assets of \$564,103 including cash of \$150,728, mineral property assets of \$43,187, and property, plant and equipment assets of \$291,836. Liabilities totaled \$899,507 which included \$551,773 in accounts payable and taxes payable of \$10,155. Long term debt remained at \$0 and amounts due to related parties were \$75,256. The asset retirement obligation associated with So Ver increased to \$262,323 (\$255,102 – September 30, 2006).

SELECTED ANNUAL FINANCIAL INFORMATION

The following table provides a brief summary of Diamcor Mining Inc. financial operations. For more detailed information, refer to the financial statements.

| Third Quarter | Dec 31/06 | Dec 31/05 | Dec 31/04 |
|-------------------------------------|--------------|------------|--------------|
| Total revenues | \$ 176,809 | \$ 299,278 | \$ 390,097 |
| Net income (loss) | \$ (149,342) | \$ 2,025 | \$ (180,686) |
| Basic and diluted gain(loss) /share | \$ (0.01) | \$ 0.00 | \$ (0.01) |
| Total assets | \$ 564,103 | \$ 865,186 | \$ 1,328,509 |
| Total long term liabilities | Nil | Nil | Nil |
| Cash dividends | Nil | Nil | Nil |

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RESULTS OF OPERATIONS

Diamcor had a net loss of \$(149,342) for the third quarter ending December 31, 2006 as compared to a gain of \$ 2,025 for the third quarter ending December 31, 2005. During the third quarter ending December 31, 2006 sales revenues of \$176,809 were recorded (2005: \$299,278). During the quarter, the Company's gross income of \$176,809 was generated through the sale of diamonds. The cost of sales for the quarter was \$146,282 which resulted in the Company realizing a gross profit / (loss) of \$ 30,527 for the third quarter ending December 31, 2006.

The results for the last 12 quarters are summarized below. (All figures in \$000's except per share amounts.)

| | Gross | | Income Per | | | Net Income | |
|---------|----------|--------------|------------|---------------|------------|------------|----------------|
| | Revenues | Gross Profit | Share | Diluted Share | Net Income | Per Share | Net Income per |
| | \$000's | \$000's | \$ | \$ | \$000's | \$ | Diluted Share |
| | | | | | | | |
| 31Mar04 | 126.0 | (36.0) | 0.00 | 0.00 | (461.0) | (0.02) | (0.01) |
| 30Jun04 | 777.0 | 412.0 | 0.03 | 0.01 | 56.0 | 0.00 | 0.00 |
| 30Sep04 | 376.0 | 154.6 | 0.01 | 0.00 | (188.5) | 0.00 | 0.00 |
| 31Dec04 | 390.1 | 149.4 | 0.01 | 0.00 | (180.7) | 0.00 | 0.00 |
| 31Mar05 | 123.6 | (54.8) | 0.00 | 0.00 | (236.8) | (0.01) | (0.01) |
| 30Jun05 | 591.5 | 221.4 | 0.01 | 0.01 | 429.1 | 0.02 | 0.02 |
| 30Sep05 | 662.7 | 327.0 | 0.01 | 0.01 | 67.5 | 0.00 | 0.00 |
| 31Dec05 | 299.3 | 7.1 | 0.00 | 0.00 | 2.0 | 0.00 | 0.00 |
| 31Mar06 | 339.6 | (19.7) | 0.00 | 0.00 | (154.3) | (0.01) | (0.01) |
| 30Jun06 | 409.3 | 7.7 | 0.00 | 0.00 | (180.1) | (0.01) | (0.01) |
| 30Sep06 | 164.2 | (58.9) | 0.00 | 0.00 | (255.8) | (0.01) | (0.01) |
| 31Dec06 | 176.8 | 30.5 | (0.01) | (0.01) | (149.3) | (0.05) | (0.05) |

Note: Dec 31, 2006 Income and Net Income Per Share calculations reflect the 10 for 1 consolidation which was effected as announced on November 27, 2006.

SO VER MINE

The So Ver Mine is located 65 kilometers northwest of Kimberley, South Africa. The facility is adjacent to the Rex Diamond Mine and near various other active mining operations. Diamcor initially held a 53.33% interest in the holding company that controlled So Ver, and subsequently announced a settlement (see Legal Proceedings) to secure its current 100% ownership position. Previous to that settlement, on April 1, 2003 Diamcor management and senior personnel had been directed by the South African Courts to oversee the operations of the tailings re-treatment mine and since that time have continued to manage the affairs of the facility. On April 11, 2005, it was announced that all parties involved had executed a definitive settlement agreement. Under the terms of the settlement, along with the removal of any future litigation, Diamcor secured its current 100% interest and ownership of the So Ver Mine, as well as all surface rights and entitlements going forward.

So Ver Mine (Pty) Ltd. is a tailings re-treatment facility which used a modern, and well maintained five story pan plant recovery system to process previously recovered tailings materials from surrounding underground mines. Through the use of controlled procedures the recovery of quality diamonds from these materials had been proven to be a viable venture. The company gained extensive knowledge over the years in the processing of tailings, and it intends to exploit the knowledge it gained in its continued efforts to expand operations to other facilities, or in the processing of additional reserves should they become available.

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During the start of the third quarter ending December 31, 2006 the recovery rates at So Ver continued to weaken as operations moved towards processing the final reserves on the property which were known to have lower grades and qualities. With the lower grades and qualities of tailings not able to support the costs associated with processing of the remaining material through the larger facility, efforts at the facility were focused on the evaluation of remaining reserves and operational issues associated with moving towards potential processing through the use of smaller recovery systems. In a press release from the Company on November 8, 2006, the Company announced its intentions to immediately suspend processing operations through the larger five-storey plant to ensure no unnecessary continued losses would be incurred. Key operational issues such as the required use of large heavy equipment required to haul the low grade tailings to the plant, along with high fixed power consumption costs associated with the running of the main plant were key considerations along with the extensive labor requirements associated with both ongoing operations and maintenance. The operational focus of South African Management for the third quarter changed from processing tailings, to evaluation and a re-focusing of resources on the task of salvaging, storing and securing the assets of So Ver, many of which can be used in future operations. During this process items which are of no further use to the Company will be divested of, while other items may be re-worked for use in a possible localized and portable operation for processing of the remaining tailings in the New Year. Re-habilitation of areas associated with the main plant will also be achieved as required during this time in an effort to reduce any associated liabilities of the facility going forward. Given these efforts there were no reportable production numbers or details for the third quarter from October 1, 2006 to December 31, 2006.

While Diamcor management was in operational control of the So Ver facility from 2001 until this third quarter, increases to both diamond recovery and reliability were consistently recorded at So Ver.

Along with ongoing de-commissioning of the main plant, Management is evaluating the logic in processing the remaining tailings of So Ver thru a smaller portable plant system. The Company will continue to consider the proposed use of any remaining So Ver general facilities, its portable equipment, and/or its employees at certain times in the future to assist in the efforts associated with Ongoza's ongoing Doornkloof exploration project if it is warranted. The Company has determined this operational plan being implemented at So Ver will continue to provide significant cost and time savings for Ongoza when compared to traditional exploration projects, which would not typically have access to such facilities and expertise in such close proximity to work being performed. It has also determined that the use of proposed portable production facilities would be more than acceptable for use on any continued bulk sampling efforts should it chose to do so at Doornkloof.

ONGOZA MINING (PTY) LTD.

Ongoza Mining & Exploration (Pty) Ltd. ("Ongoza") is a Diamcor South African subsidiary which was formed to take advantage of exploration opportunities that had been identified in the initial published report by MPH Consulting Ltd. on So Ver in 2002. The subsidiary is 74% owned by Diamcor, with the remaining 26% held as required by Pholo Mining (Pty) Ltd., which is a registered Black Economic Empowerment "BEE" group.

The MPH report performed on So Ver in 2002 identified that along with the tailings re-treatment facility, the property may offer thus far undervalued exploration potential in the form of a parallel dyke system, which has since been referred to in past releases as the Doornkloof West Dyke System. The published report of 2002 identified that credible evidence of blows, and/or kimberlite pipes, lying some 500m west of the exploited Ardo Dyke System were present, and that exploration work should be completed to better determine their significance. The most attractive scenario would be the exploitation of a dyke/blow system from the surface, utilizing the existing plant and equipment, however as no reserve has been delineated; no model or value for this scenario can yet be presented. In 2005 it was announced that the South African Department of Minerals had granted Ongoza the required prospecting permit required to begin this work. On December 22, 2005 it was further announced that MPH Consulting Ltd. had again been consulted to act as the independent consulting firm appointed to oversee initial exploration activities, and act as the qualified persons as required under 43-101 standards. The announced exploration program began early in 2006 with initial efforts focused on the recovery and bulk sampling from the two identified areas in question. These efforts were aimed at better understanding if in fact the areas contained diamonds, and to allow for additional recommendations with regards to further exploration work to be completed. The Company believes it has a distinct advantage under this scenario when compared to normal remote exploration projects due to its established So Ver facilities and operational team already located in the area. Most exploration scenarios usually require extensive

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preliminary work to be completed before any such bulk sampling such as those done at Doornkloof could be done. These efforts usually occur at a much later time after extensive work at substantial additional costs have been completed. In the scenario undertaken at Doornkloof, the relationship of its close proximity to the established facilities at So Ver allowed for the initial efforts on two MPH identified areas to proceed immediately to bulk sampling without the usual high costs of having to locate temporary plants and people into a remote areas to do this work.

The initial bulk sampling efforts were completed early in 2006, and the result of those efforts formed the basis of an initial independent exploration report which Management has now received and reviewed. Along with the results of the initial bulk sampling efforts, the report identified possible recommendations from qualified persons as to the possible direction the program may take going forward in an effort to better identify the opportunity. Due to limited and inconclusive results in the initial bulk sampling, the Company elected not to expend the additional resources and capital needed for a full 43-101 compliant report at that time, and instead decided to receive the initial independent exploration report from which it can now plan its future efforts. On September 21, 2006 an extensive press release outlining the relevant information and findings of that report was released. This release outlined the focus of the initial work completed, the basis for exploration, the examination and mapping of the area and its historical workings, the exploration work completed, the identification of the sizes of the inferred blows, other dyke identification, the bulk sampling process, the initial results overview of the initial sampling, report recommendations for the North and South blows, and the conclusions of Diamcor Management with regards to these efforts and the information supplied in the initial report. From this information, Management continues to evaluate the project, and consideration remains focused on the possible next steps.

LEGAL PROCEEDINGS

In March 2003, Diamcor commenced legal proceedings in South Africa against Mr. Nicolaas Van der Merwe and obtained an order from the South African High Court requiring him to provide Diamcor with access to all information concerning So Ver's mine operations. The South African Courts issued a search warrant authorizing the confiscation of all diamond mine operation data from Mr. Van der Merwe's office and residence. The order was executed and resulted in the seizure of significant quantities of diamonds and business records. This led to multiple legal claims being filed by Diamcor against Mr. Van der Merwe and related parties for misappropriation of an alleged 1.64 million dollars worth of So Ver assets in South Africa.

After review of the seized documents, the South African High Court initially ruled that the So Ver Mine should be governed by an independent board, which included a representative of Diamcor, one representative of the minority shareholder Mr. Van der Merwe, and an independent member. An interim hearing held in the third quarter of 2004 saw Diamcor awarded sole control over operations of the So Ver Mine. As part of his response to Diamcor's claims, Mr. Van der Merwe commenced legal action in British Columbia against the Company for defamation, abuse of process and breach of contract; however during the third quarter of 2004 that law suit was discontinued. Diamcor and Mr. Van der Merwe continued negotiations throughout the fiscal year 2005 to settle all remaining disputes between all related parties, and those efforts formed the basis of the remaining South African litigation. Ultimately, these efforts were successful and lead to all parties involved executing a definitive settlement agreement as announced on April 11, 2005, which thus ended all pending and future legal actions between Diamcor Mining Inc., So Ver Mine (Pty) Ltd., Nicolass Van Der Merwe, NorthWest Diamond Company (Pty) Ltd., as well as any of those Companies Directors and Officers who may have been named previously in these matters. As part of the terms of the settlement Diamcor succeeded in securing 100% of the So Ver mine, as well as all surface rights and entitlements going forward. No further legal actions by, nor against the Company have been launched.

MANAGEMENT

Diamcor's Board of Directors at December 31, 2006 consisted of Mr. Wayne Wolf, Mr. Barry Conduit and Mr. Darren Vucurevich. Mr. Wolf acts as President and Chief Executive Officer, while both Mr. Barry Conduit and Mr. Darren Vucurevich remain independent from the company.

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During the third quarter ending December 31, 2006 management fees (CDN office) of \$34,383 were paid to a company owned by Mr. Wolf.

INVESTOR RELATIONS

Management focus for the third quarter centered on operational issues with the remaining tailings and processing at So Ver along with the continued evaluation of the initial exploration program at Doornkloof. The Company announced that during the first quarter ending June 30, 2005 it had signed a 12 month contract with Stockgroup Media Inc., which included various programs such as: banner ads, investor lead generation programs, company showcase features, and various programs designed to increase investor awareness and Company branding. This program was up for renewal in June of 2006, and the Company elected to continue with a smaller more limited program moving forward in an effort to reduce its monthly costs for the short term. There were no additional investor relations agreements put into place with any parties during the third quarter. The Company expects that to be successful with any proposed growth focus through possible further acquisition(s), participation in new projects, and continued exploration efforts at Doornkloof, it will also require an increase in investor relations programs aimed at raising Company awareness and attracting suitable ongoing investment needed to support these stated goals. Implementation of an increase to these efforts will require the Company to secure additional funding to support these efforts.

SECURITY ISSUANCES

There were no securities issued during the third quarter ending December 31, 2006.

OUTLOOK AND SUBSEQUENT DEVELOPMENTS

CORPORATE STRATEGY

Diamcor's corporate strategy in the short term will remain focused on the de-commissioning of its larger plant facilities at So Ver, and to evaluate the possible use of smaller portable equipment to generate positive cash flow and profits from the processing the remaining tailings available. In addition to these efforts the company will evaluate how the use of these scaled back operations at So Ver may be used to assist with the nearby Ongoza exploration activities at Doornkloof in an effort to identify its significance. This focus continues to allow the Company to better evaluate how best to proceed and to finalize future plans regarding the next steps in the program. Management will continue in its efforts to work towards both acquiring additional tailings and/or diamond properties, as well as developing relationships that may allow the Company to gain access to additional properties through the use of its established operational team and industry knowledge. No definitive plans or agreements have yet been established, however management continues to evaluate and discuss several potential opportunities which could improve the Company's current position, or lead to added exposure to new opportunities, acquisitions, mergers or joint ventures in the future.

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SO VER TAILINGS RETREATMENT FACILITY

So Ver's focus for the third quarter ending December 31, 2006, was to maximizing tailings processed in an effort to generate suitable cash flow to support ongoing operations. Continued efforts and evaluation of the facility in the beginning of the third quarter showed the tailings reserves that remained on the property were no longer thought to be of a high enough grade, or quality, to justify their processing through such a larger facility. Management announced in its release on November 8, 2006 that it had taken action in this regard by immediately suspending the use of the larger plant to ensure operational losses are minimized. Also announced were the Company intentions to evaluate the implementation of a smaller portable system to process the remaining tailings in the New Year. No such production has yet been implemented as of this writing, and evaluations in that regard continue. Should these portable, smaller production facilities be implemented, the number of carats of diamonds recovered as well as the individual size of stones and their qualities are not predictable and will continue to depend on both the amount, and quality, of the tailings being processed. Tonnage of raw tailings material processed each month upon a resumption of processing would continue to be shown in production update releases put out by the Company. The Company would continue to broker all diamonds recovered through its established connections with diamond brokers who hold monthly closed bidding tenders that are well attended by various buyers from around the world. All diamonds would continue to be sorted into standard lots and groupings before going to tender, and would continue to achieve various different levels of value based on the size, quality and quantity of the offering. Average overall pricing achieved throughout previous quarters is market driven, and would be expected to remain consistent with little to no change. There are expected to be continued changes in the operational plan, and costs associated with So Ver in the short term and the Company may use all, or a portion of the facilities to assist in the initial exploration efforts associated with Ongoza's Doornkloof exploration project. Use of the facility for these efforts should continue to provide significant savings to the Company over traditional methods. It remains expected that confirmation of additional recommendations and work related to further exploration would require additional resources and planning to complete.

DOORKLOOF EXPLORATION

The previously announced initial Doornkloof exploration project continues to be evaluated. Initial work began late in December 2005 with the exploration site preparation, the cleaning, flushing out and setup of the So Ver facility to process the bulk samples, the equipment allocation for bulk recovery of samples, and the scheduling of employees to support the exploration efforts in general. The initial exploration program announced on December 22, 2005 named MPH Consulting Ltd. as the independent consulting firm appointed to oversee the work and act as the qualified persons as required. The initial bulk sampling efforts were completed early in 2006, and the result of those efforts formed the basis of an initial independent exploration report which Management has now received and reviewed. Along with the results of the initial bulk sampling efforts the report identified possible recommendations from qualified persons as to the possible direction the program may take going forward in a continued effort to better identify the opportunity. Due to limited and inconclusive results in the initial bulk sampling, the Company elected not to expend the additional resources and capital needed for a full 43-101 compliant report at that time, and instead decided to receive the initial independent exploration report from which it can now plan its future efforts. On September 21, 2006 an extensive press release outlining the relevant information and findings of that report was released. This release outlined the focus of the initial work completed, the basis for exploration, the examination and mapping of the area and its historical workings, the exploration work completed, the identification of the sizes of the inferred blows, other dyke identification, the bulk sampling process, the initial results overview of the initial sampling, report recommendations for the North and South blows, and the conclusions of Diamcor Management with regards to these efforts and the information supplied in the initial report. From this information, Management continues to evaluate the project, and consideration remains focused on the possible next steps.

Management has stated previously that its intention was to invest funds from its profitable So Ver operation to fund this initial surface preparation and bulk sampling programs. Those objectives and efforts were completed and made possible with the reinvestment of funds secured from the previously mentioned shareholders loans recovered from So Ver. The Company now continues to identify and evaluate its requirements with regards to operational staff, consultants, and the expected additional capital needed for the project to move forward.

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GENERAL & ADMINISTRATIVE EXPENSES

During the third quarter ending December 31, 2006, Management continued to focus on maximizing revenues at So Ver while maintaining, or lowering, corporate overhead in an effort to conserve cash. Management feels it has been effective in its efforts to achieve this goal, but expects corporate expenses will need to be increased if it intends to effectively pursue further exploration work at Doornkloof, or in its efforts to acquire, or participate in new projects in the future. Additional technical and corporate staff will be needed for the ongoing evaluation of potential opportunities that the Company may wish to acquire, or become involved in. It is also expected additional staff may be required to assist with the functions of IR and Company awareness.

FINANCIAL INSTRUMENTS

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 is required by South African policy to adhere to certain rules and regulations with regards to both the investment and removal of funds with respect to these projects.

FINANCIAL CONDITION

A majority of the cash on hand and available for use by the Company at December 31, 2006 was held in its foreign bank accounts in South Africa and is being used for ongoing operations at its So Ver facilities, and to support its ongoing efforts of initial exploration. Previous operational profits at the So Ver facility had provided for a surplus to be accumulated above what was required for the ongoing operational expenses at the facility, and a portion of those funds were used to repay the recently approved outstanding shareholders loans due from So Ver to Diamcor, which in turn was reinvested into the Doornkloof Exploration project and its majority owned subsidiary Ongoza. The company follows certain procedures to aid in the recovery and reinvestment of funds available from So Ver, but expects it will require all future revenues generated by So Ver to be used for its ongoing tailings operations and rehabilitation efforts as the project nears the completion of the processing of currently available tailings reserves. Amounts previously available were adequate to sustain current operations, complete a substantial portion of the initial exploration work at Doornkloof, and cover corporate expenditures for the balance of the third quarter ending December 31, 2006. It is expected the So Ver facility will remain able to sustain its own operations to completion, but it will not be able to continue to support the ongoing efforts of additional exploration projects at Doornkloof. Management will continue to prepare to accept suitable offers of finance to support future growth, and if the terms of such offers would prove to be attractive and aid in the growth of the Company, they are prepared to do so.

SHARE CONSOLIDATION

On July 20, 2006 the Board of Directors of Diamcor announced a proposal to consolidate the Common Shares on a basis of one new share for up to ten preconsolidated shares. Diamcor and its Board believe that reducing the number of shares will have several benefits, and enhance its ability to attract quality larger investment that can then be used to fund both its ongoing efforts, and its ability to secure new projects and people aimed at growth. The proposed consolidation was subject to both TSX Venture Exchange approval, as well as shareholder approval. Both the required TSX Venture approval and Shareholder approval by a special resolution at the Company's Annual General and Special Meeting on September 15, 2006 were secured. As announced by both an exchange bulletin, and through the subsequent Company release on November 27, 2006, all required approvals and documents needed to effect the one-for-ten consolidation were completed. On that date, the Company shares began trading on the TSE Venture Exchange on a consolidated basis under the newly approved symbol of DMI.

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SUBSEQUENT FINANCINGS

On January 19, 2007 the Company announced its intent to complete a non-brokered private placement financing of up to \$500,000.00 (cnd). The private placement consisted of the sale of 2,777,778 units at a price of \$0.18 per unit. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to acquire one additional common share at an exercise price of \$0.27 for a period of two years from the closing date. In addition to the private placement, and in an effort to strengthen the balance sheet, the Company also entered into share for debt agreements with creditors to settle a total of \$226,499.28 in debt through the issuance of 1,258,329 common shares in the Company also at a deemed value of \$0.18, along with 902,920 two year warrants entitling the holders thereof to acquire one additional common share of the Company at an exercise price of \$0.27.

On February 27, 2007 the Company issued a press release indicating it had received all required exchange approvals, and had closed both the private placement financing and the share for debt.

PHOLO – DIAMCOR'S BLACK ECONOMIC EMPOWERMENT PARTNER

The Company has a non-exclusive relationship with a Black Economic Empowerment ("BEE") group, Pholo Mining (Pty) Ltd. ("Pholo"), which continues with the Ongoza Mining and Exploration project at Doornkloof. Management continues to believe the members of Pholo continue to support Diamcor and to forge the required relationships with key individuals and companies to fulfill the South African Department of Minerals and Energy requirements regarding the development of this mineral and diamond project in the country, and to extend the participation of blacks in the development of the South African economy. Diamcor's subsidiary Ongoza Mining & Exploration (Pty) Ltd. ("Ongoza") is owned 74% by Diamcor and 26% by Pholo. Ongoza's Doornkloof project is under way, and the required prospecting permit and approvals for ongoing work remain in effect. Diamcor will continue to manage the project, and invest available funds and operational expertise into completing both the initial exploration program, as well as any recommended future programs aimed at further identifying the opportunity.

GENERAL CONTRACTORS and CONSULTANTS

Continued efforts and collaboration between Diamcor Management and Okanagan Valley Business Consulting continued throughout the third quarter. Management of both Companies continued work on various issues aimed at growth.

Diamcor will continue to need to add suitable staff and consulting assistance for both the overall management and future exploration advancements at Doornkloof, and for various other corporate functions associated with the possibilities of growth.

RISK FACTORS RELATING TO THE COMPANY'S BUSINESS

As a Company active in the operation of foreign mining operations, tailings re-treatment facilities, and diamond exploration and development, Diamcor is exposed to a number of risks.

There is no assurance that the Company will continue to be able to access the capital markets for the required funding necessary to maintain its properties, nor to complete its desired exploration programs as desired. The current tailings re-treatment facility is no longer profitable or in operation, and there are also no assurances that any, or any suitable recoveries and amounts of diamonds will be recovered at the levels previously experienced. Revenues and production in general are reliant on both the quality and amount of tailings both available and being processed, and the Company cannot predict with any certainty the recovery levels from a given area being worked.

Within the minerals industry sector, and both the diamond tailings retreatment sector and diamond mining and exploration sector, Diamcor competes with other companies possessing greater financial and technical resources than itself. Even with its current So Ver facility, and the promise of any other property or project, there can be no assurances that the Company will continue to be able to complete or execute its desired programs on its proposed

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schedules, nor within the cost estimates assumed. Inherent risks are always present due to weather, stringent environmental and permitting issues, along with other risks involved in operating in foreign countries. Ultimately, remaining tailings reserves, and the Company's ability to secure suitable additional reserves of tailings materials to process, along with the cost effectiveness of doing so with the current location of facilities will expire. As well, should the Company ultimately discover diamond deposits through its exploration efforts, 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. Items such as the ability to effectively market the diamonds, foreign government regulations and requirements, environmental issues, cost of recovery, taxation, and various other issues which may yet be unknown to the Company could provide risk.