

**Form 51-102F1**  
**For the Second Quarter Ended September 30, 2009**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

*(Prepared as of November 27, 2009)*

*The following is management's discussion and analysis ("MD&A") of the results of operations for Diamcor Mining Inc. ("Diamcor" or the "Company") for the second quarter ended September 30, 2009, and its financial position as at September 30, 2009. This MD&A is based on the Company's consolidated financial statements prepared in accordance with generally accepted accounting principles in Canada ("Canadian GAAP") and should be read in conjunction with the consolidated financial statements and notes thereto. Unless otherwise specified, all financial information is presented in Canadian dollars.*

**CAUTION REGARDING FORWARD-LOOKING INFORMATION**

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

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

*Forward-looking information is subject to certain factors, including risks and uncertainties, which could cause actual results to differ materially from what we currently expect. These factors include, among other things, the uncertain nature of mining activities, risks associated with joint venture operations, risks associated with the remote locations of certain mine sites, risks associated with regulatory requirements, fluctuations in diamond prices and changes in world economic conditions and the risk of fluctuations in the foreign currency exchange rate. Please see page 14 of this MD&A for a discussion of these and other risks and uncertainties involved in Diamcor's operations.*

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

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**For the Second Quarter Ended September 30, 2009**

**OVERVIEW**

Diamcor Mining Inc. is a junior mining and exploration company incorporated in the Province of British Columbia and Governed by the Business Corporations Act (BC) with established historical operations and key strategic relationships within the Republic of South Africa. It is listed on the TSX Venture Exchange under the symbol DMI. Its principal business is the acquisition, operation, exploration and development of diamond based resource properties with a focus on the mining segment of the diamond industry. The Company's strategy is to be a supplier of rough diamonds to the global market by acquiring and operating projects which demonstrate an ability to achieve near-term production, cash flow, and growth potential with a long-term project life.

**CORE BUSINESS AND STRATEGY**

The Company continues to make progress in its pursuit of the acquisition and development of diamond related properties in South Africa. The Company has an established operating team with significant knowledge of the Diamond mining industry, and the current strategy remains its noted pursuit of opportunities which demonstrate an ability to provide near-term diamond production and cash flow over a long-term project life. This strategy is being implemented and demonstrated through its ongoing efforts to acquire the De Beers Krone-Endora project, for which the Company announced it had signed a definitive sale of assets agreement for on December 22, 2008. The Company is finalizing work with the goal of successfully closing this transaction in the near-term, and is continuing with efforts to pursue other production based grow related diamond mining acquisition opportunities. The Company believes its current strategy will allow it to take advantage of any future anticipated returns to historically higher diamond prices, and long-standing industry projected future shortfalls of the world diamond producers abilities to meet the long-term increasing demands associated with US economic recovery and those of new emerging markets such as China and India. As part of the implementation of the Company's desired near-term production strategy, management classifies all potential projects being considered into three distinct diamond project categories, all of which have typical expectations with regards to timeframes to production and associated development costs. The three basic diamond project categories as defined by the Company are - Primary Kimberlite Projects, Alluvial / Eluvial Projects, and Tailings Re-Treatment Projects. These project categories are briefly explained as follows:

**Primary Kimberlite Projects** - The Company defines Primary Kimberlite Projects as any diamond project which involves the exploration for, or underground mining of, any new or existing kimberlite source, these areas being the primary source where diamonds originate from. Although this type of exploration, and any such resulting project, could provide an extreme economic benefit to the Company in the long-term, primary kimberlite diamond exploration is accepted to be an inherently high risk proposition which requires the commitment of significant high-risk capital to support the ongoing economic evaluation needed. Associated long lead times of five to seven+ years to production are typical, as is capitalization into the hundreds of millions of dollars, and these efforts currently fall outside the primary scope of the Company's current near-term focus. The Company's initial involvement in any such projects may occur should the Company acquire other projects (as described below) and then discover new kimberlite pipes or blows of interest on those properties. Should this occur the Company does have the ability to perform initial exploration efforts to define the potential significance of such a find, after which it is anticipated any warranted additional efforts would be completed in conjunction with a suitable larger joint venture partners in order to offset associated costs and minimize risk.

**Alluvial / Eluvial Projects** - The Company defines Alluvial / Eluvial Projects as the exploration for, and mining of, near surface diamond bearing gravels. Alluvial gravels are the result of the pre-historic erosion of the top surface areas of primary kimberlite sources by ancient rivers or events, and the recovery and processing of those associated gravels to recover diamonds which have been transported and deposited

along reasonably well defined areas over which these ancient rivers once flowed. These deposited / settled alluvial gravels, and the associated diamonds, are then found under varying layers of surface structure along graduating terraces in the various key areas over which these paleo-rivers once ran. Diamond bearing alluvial gravels typically produce gem quality stones as a result of the way and distance they have been moved by the paleo-rivers from their originating sources, as the washing or rolling effect of transporting the diamonds tends to destroy small, lower quality stones during the process, while polishing, rounding, and depositing the larger better quality stones into the various settlement areas. Unlike the capital intensive methods of recovering diamonds underground from a primary kimberlite source, the alluvial gravel recovery process is done via a simple strip mining and earth moving process using heavy equipment with no requirement for any underground work or associated infrastructure. Exploration of potential alluvial properties to locate diamond bearing gravels also involves less capital intensive methods. Initial exploration on potential alluvial properties begins in well known areas with satellite, air and land based geological and geophysical work in conjunction with shallow drilling and bulk sampling which can then be used to produce a three dimensional model to calculate inferred resource estimates for quantities of gravels and diamonds, their depth from surface, and the geological make-up of the overburden to be removed. Alluvial projects typically have the ability for short term production and thus the Company's strategy includes the identification, exploration, and potential acquisition of larger new and existing alluvial projects in selected areas where successful alluvial operations currently exist.

Eluvial projects are similar in nature to alluvial projects with regards to their production requirements, but they are rare and unique due to the fact that they occur next to a known primary source. In typical alluvial deposits, the above noted constant flowing pre-historic paleo-rivers slowly erode the resulting deposit and diamonds away from the source, and then deposit them downstream at various collection or settling points. In contrast, Eluvial deposits are typically the result of short-duration erosion or weathering in conjunction with a gravitational movement which forms a resulting accumulation and deposit directly adjacent to the primary source. Eluvial deposits present certain advantages in that the resulting deposit has not moved any significant distance, and thus it tends to more closely mirror the characteristics of the primary source allowing for more a definitive understanding of the deposit in general. Eluvial deposits when compared with alluvial deposits tend to retain the same, if not greater, possibility for larger diamonds to exist, but include the added benefit that smaller diamonds are also retained as opposed to being destroyed due to the short-duration of the event causing their deposit, and the short distance travelled. These circumstances can result in much higher grades and thus better production consistency. The previously mentioned De Beers Krone-Endora project has been identified in the Independent Nation Instrument 43-101 released by the Company on July 30, 2009 as both an Alluvial, and Eluvial, deposit which is located directly adjacent to South Africa's largest diamond mine, Venetia. Venetia is one of the world's most significant diamond mines with previously published yearly production volumes as high as approximately 9.0 million carats per year, and certain independent reports indicating as much as 85% of all diamonds recovered being classified as gem quality.

**Tailings Re-Treatment Projects** - The Company has extensive experience, and a proven track record, in the mining and recovery of diamonds through the re-processing, or re-treatment, of kimberlite tailings. South Africa has a long and extensive history of large kimberlite diamond mines dating back over 100 years, and that history presents a significant opportunity for newer and more modern processing and recovery methods to be implemented on the remaining vast stockpiles of previously processed kimberlite tailings materials. These historical mines worked and recovered many millions of tons of diamondiferous kimberlite material from open pit and deep underground mining at sites which are now recognized to be some of the most famous diamond mines in the world. The ability to use newer and more efficient processing plants and methods to re-process the stockpiled kimberlite tailings from these mines to recover the remaining diamonds missed years ago presents a significant opportunity for the Company. These large above ground tailings stockpiles can be easily quantified, graded and valued to produce reliable modeling of processing costs and expected revenues. The Company sees this method of diamond mining as an opportunity to establish further stable sources of long-term revenue for the Company and it remains a key focus of the Company's ongoing strategy. The Company plans to continue its ongoing efforts to identify, evaluate, and acquire large sources of quality diamond tailings to enhance its ongoing growth strategy.

## KEY PERFORMANCE DRIVERS AND RECENT EVENTS

Trade publications and industry experts widely reported a continuing trend of steadily increasing rough diamond prices right into the early part of 2008. Up to that point, and in recent years, diamond demand had continued to grow, and experts predicted that growing demand would soon exceed available supply. That expected supply shortfall was projected to last for the foreseeable future and continue to increase moving forward with an expected resulting upward pressure on diamond prices. The onset of the now well documented global financial crisis of late 2008 and 2009 had profound effects on all sectors, and the diamond market was not spared. Analysts, industry experts, and trade publications all reported a vast softening of diamond prices and short-term demand across-the-board, and noted that various diamond producers including the world's number-one supplier, De Beers, had elected to decreased production levels in response to the reduced diamond demand and pricing. Although there is a likelihood of a continued near-term reduction in demand from the United States due to the fallout of that global financial crisis, industry experts anticipate increasing demands from the vast emerging markets of China, India, and the Middle East in the near future are promising. As of mid-2009 diamond pricing had already begun to show signs of recovery and the Company believes that should it be successful in its efforts to acquire projects such as Krone-Endora, its potential timeframes to production could allow it to be well positioned to take advantage of any returns to the historical pricing and supply-demand shortfalls.

As of September 30, 2009 the Company's principal assets were the following: (i) a 100% interest in So Ver Mine (Pty) Ltd. ("So Ver"), a private South African company which owns certain remaining land and mining rights to areas on which it previously operated a diamond tailings processing operation near the town of Kimberley, South Africa, (ii) a 70% majority interest in DMI Minerals South Africa (Pty) Ltd. ("DMI Minerals"), a subsidiary which the Company intends to use to acquire the Krone-Endora project from De Beers Consolidated Mines Limited, as previously announced by the Company and discussed in further detail below, (iii) a 100% interest in DMI Diamonds South Africa (Pty) Ltd. ("DMI Diamonds"), a subsidiary which serves as the Company's main corporate entity to support the ongoing efforts surrounding the operation, evaluation, and due diligence of its current and future South African projects being considered. (iv) a 100% interest in Jagersfontein Diamond Mining Company (Pty) Ltd. ("JDMC"), a subsidiary which the Company intends to use for future growth-oriented acquisitions, (v) the Company previously held a 74% majority interest in Ongoza Mining (Pty) Ltd. ("Ongoza"), an exploration company formed to perform initial exploration work on select areas of interest within the Company's So Ver landholdings. These efforts are now complete and thus this subsidiary has been wound up and is no longer functional. Below are brief descriptions of each of these assets, and their current status.

**So Ver Mine (Pty) Limited** - The Company's 100% owned South African subsidiary, So Ver Mine (Pty) Ltd., owned various portions of land, and the mining rights to areas on which it successfully processed tailings reserves for several years. The Company gained significant operational and industry knowledge in the processing of diamond tailings and plans to use this knowledge to acquire new tailings deposits and or tailings operations which demonstrate the potential to provide long-term production, cash-flow, and further growth to the Company. The So Ver production and processing facility was a modern 5 story plant designed to re-process kimberlite tailings stored on site from surrounding underground mines which was extensively upgraded and operationally enhanced by the Company in 2002. Through the use of controlled procedures and efficient operations, the recovery of diamonds through the re-processing of tailings materials was a viable and profitable project for the Company. In January of 2007 the Company announced the final quarterly production results for So Ver and confirmed it had effectively completed the processing of the majority of the higher grade tailings at the project and therefore processing was suspended. The focus at So Ver was then changed to dismantling and salvaging all usable portions of the large plant, ensuring all rehabilitation obligations associated with the facility were in order, and the re-deployment of various operational staff and resources to assist in the Company's new acquisition and development efforts. The majority of the Company's operational assets reside at the secure So Ver facility and key items were reconditioned for potential re-deployment with other items, which no longer required, were slated for divestiture. On August 7, 2008 the Company announced it had began considering and evaluating various proposals for the planned disposition of this non-core asset as part of its strategy to enable it to focus on

new larger production based mining opportunities such as Krone-Endora. On March 19, 2009 the Company announced that it had signed an agreement to divest of the Company's wholly owned So Ver Mine (Pty) Ltd subsidiary for the purchase price of R2 950 000.00 (Approximately \$400,000.00 Cnd), however, the purchasing entity was ultimately unable to meet the agreed upon conditions of the agreement and the Company elected to exercise its right to terminate that agreement. The Company subsequently announced that it had entered into an agreement with an individual whereby the Company would dispose of a portion of its landholdings, namely the So Ver farm no. 90, measuring 513.9192 hectares, for the purchase price of R2 000 000.00 (approximately \$300,400.00 Cnd). The proposed new sale of land agreement was exclusive of the mining licenses and rights which the Company still holds on the lands comprising part of the So Ver farm and the agreement provided that the Company may continue to conduct mining operations on the areas of the So Ver farm permitted by such mining licenses and rights. On July 6, 2009 the Company announced that it had successfully closed on the proposed transaction. In addition to this completed sale of land agreement the Company continues exploring alternatives with regards to divesting the So Ver Mine (Pty) Ltd entity and the remaining associated parts of the So Ver farm. The Company has also submitted documentation to meet its requirements with regards to Black Economic Empowerment ownership in the short-term as required until such time as a suitable sale of this non-core entity can be finalized.

**DMI Minerals South Africa (Pty) Limited** – The Company owns a 70% majority interest in DMI Minerals South Africa (Pty) Ltd (“DMI Minerals”), with the remaining 30% interest held by the Company's well-established South African Black Economic Empowerment partner Nozala Investments (Pty) Ltd (“Nozala”). The subsidiary was formed for potential acquisitions of projects with near-term production capabilities and suitable long-term production life, and the De Beer's Krone-Endora acquisition will represent the first acquisition for this entity. Using this DMI Minerals entity, the Company entered into a competitive, and confidential, request for proposals with various other bidders to acquire the Krone-Endora project from De Beers Consolidated Mines Limited. On May 26, 2008, the Company announced that DMI Minerals had received confirmation from De Beers Consolidated Mines Limited that its proposal to acquire the Krone-Endora alluvial deposit had been approved as the successful proposal, after which, on December 22, 2008 the Company further announced that the parties to the transaction had successfully completed a definitive sale of assets agreement for the acquisition. The Krone-Endora deposit consists of prospecting rights over the farms Krone 104 and Endora 66, which both located directly adjacent to the De Beers Venetia Diamond Mine in the Limpopo Province of South Africa. The De Beers Venetia Mine is widely known, based on De Beers' published production reports, to be South Africa's largest producer of diamonds. The acquisition was subject to the signing of the definitive asset purchase agreement (which was executed between DMI Minerals and De Beers on December 22, 2008), an associated deposit of 1,500,000 Rand or approximately CAD\$213,300.00 (which supplied at the time of signing), the regulatory approval of the reviewable transaction by the TSX Venture Exchange (all associated documents, including an Independent National Instrument 43-101 compliant Technical Report were submitted to the TSX Venture Exchange, and conditional approval of the transaction has been received), and the satisfaction of various associated closing conditions which include;

- 1) The signing of a sole, royalty-free license for the use of all geological information (completed - July 2009)
- 2) The signing of a rights of access agreement to the properties by the parties (completed - August 2009)
- 3) The preparation, submission, and acceptance of the renewals of the associated prospecting permits by De Beers (completed - July 2009)
- 4) The conclusion of a due diligence effort by De Beers on DMI Minerals to ensure the direct and indirect shareholdings meet Black Economic Empowerment requirements as outline by the South African Department of Minerals and Energy (to be completed in conjunction with section 11 work)
- 5) The submission of applications to secure ministerial consent in terms of section 11 of the Minerals and Petroleum Resource Development Act, No. 28 of 2002 for the transfer of the associated prospecting rights and environmental and rehabilitation liabilities from De Beers to DMI Minerals (ongoing)

- 6) The granting of a suitable water allocation and conveyance solution of that water allocation to the prospecting area on terms acceptable to both parties (targeted for completion by December 31, 2009)
- 7) The final payment of 12,500,000 Rand (approximately CAD\$1,750,000).  
(Due at time of closing)

Upon successful completion of the acquisition DMI Minerals plans to follow the recommendations of the recently completed Independent National Instrument 43-101 Technical Report, and commence with a closer spaced (100m x100m) drilling programme in conjunction with trial mining exercises on known areas of interest identified by the previous exploration work completed on the deposit by De Beers. These drilling and trial mining exercises will be used by the Company to further identify any additional potential high-grade diamond trap-sites areas, and delineate the future work necessary to enable the Company to establish production decisions and goals for the longer-term of the project. The Company has been placing significant emphasis and focus on the tasks associated with financing and closing of the acquisition of the Krone-Endora project from DeBeers, and considers it to be a significant business opportunity for the Company given its near-term diamond production potential. Furthermore, through its relationship with Nozala, the Company believes additional acquisitions and mining opportunities will be secured in the future. To this end, a business portfolio of potential tailings reprocessing and alluvial mining projects for possible future acquisition consideration are being reviewed, with a view to creating additional value and growth for shareholders in the future.

**DMI Diamonds South Africa (Pty) Limited** – The Company’s 100% owned South African Subsidiary, DMI Diamonds, is used as the main corporate entity for funding and supporting the Company’s current and future prospective South African projects, operations, initial exploration efforts, and evaluation of all opportunities. The subsidiary has been used by the Company to complete due diligence on several currently targeted projects, and others which have been identified as being possible acquisitions which demonstrate an ability to potentially further advance the Company’s stated goals and growth strategy. Despite the subsidiary’s ongoing evaluation of various projects and the previously announced agreement to potentially acquire an initial 24% interest in the South African company Nerikets Properties (Pty) Ltd. (“Nerikets”), its current efforts have largely been focused on the ongoing operational support and funding of the pending Krone-Endora acquisition. As noted , and in it’s ongoing efforts to secure other suitable near-term production projects prior to the Krone-Endora opportunity becoming, on September 14, 2007 the Company entered into an agreement in principle to potentially acquire an initial 24% interest in the privately held South African company Nerikets Properties (Pty) Ltd. (“Nerikets”) through its 100% owned South African subsidiary DMI Diamonds South Africa (Pty) Ltd. Pursuant to the terms of the agreement, the Company had an exclusive option to acquire the remaining 76% interest in Nerikets. Nerikets held the Prospecting Rights Permit for diamond exploration over a 3,606.44 hectare area known as Hardcastle located on the north bank of the Middle Orange River (the “Hardcastle Project”). On November 5, 2007 the Company announced that it had completed all remaining due diligence and received the required approvals allowing the Company to conclude the agreement as announced if it so desired. The Company released further information on November 19, 2007 outlining its plans to proceed immediately with an extensive initial exploration program aimed at establishing a better understanding of the geological nature of the property, and identifying potential alluvial gravels located on the property. During that year, the Company completed all initial geological and geophysical work required for it to proceed with a planned 200 hole drilling programme. The Company deployed various members of both its Canadian and South African operational team along with independent consultants and completed approximately half of the 200 targets on the southern portions of the Hardcastle property. Initial efforts to continue drilling the northern most targets were not able to be completed with the traditional truck mounted drilling rigs used on the southern targets due to the presence of considerable near surface sand covering this area. It was determined that remaining targets would required a more specialized drilling rig with larger floating tires designed for use under these circumstances. Management was unable to secure a specialized drilling rig at a reasonable cost at that time and thus elected to postpone drilling until suitable arrangements could be made. The Company evaluated the information gathered during the completed portion of the drilling program, but elected to suspend further exploration on the property and focus its efforts on the opportunities surrounding the much less speculative De Beers Krone-Endora project for the immediate future. In the interim, the Company is incurring minimal costs associated with Hardcastle and a majority of its near-term future

efforts will be associated with the planned support of the Krone-Endora acquisition until its successful completion.

**Jagersfontein Diamond Mining Company (Pty) Limited** – The Company currently holds a 100% ownership position in the South African subsidiary Jagersfontein Diamond Mining Company (Pty) Ltd. JDMC was formed with the intention of securing additional diamond mining projects the Company continues to target which are aimed at further increasing shareholder value and near-term production based growth. The Company expects that should it be successful in moving towards formal proposals for such projects, it would do so in conjunction with its stated Black Economic Empowerment group Nozala as its partner.

**Ongoza Mining & Exploration (Pty) Limited** - The Company held a 74% majority ownership of Ongoza Mining & Exploration (Pty) Ltd with the remaining 26% ownership residing with a previous Black Economic Empowerment partner, Pholo Mining & Exploration (Pty) Ltd. The Ongoza subsidiary was formed to secure permitting and perform initial bulk sampling work on two kimberlite blows on the So Ver property which had been previously identified in an independent report generated on So Ver. With the granting of the prospecting permit, a bulk exploration program was announced which began in January 2006 and was followed by the release of a management summary on its review of the relevant results of an independent technical exploration report compiled by MPH Consulting Ltd. The Company elected not to proceed with any further kimberlite exploration work on these targets and thus Ongoza remained largely inactive after that time. Given the Company's focus on near-term production projects it applied for, and was granted, final closure certificates for the exploration work after which it elected to wind-up the subsidiary. No further efforts will be undertaken through this subsidiary in the future.

**Other Efforts** – The Company previously reported on May 31, 2007 that it had signed a memorandum of understanding for a joint venture agreement with Trans Hex Group Ltd. and its joint venture partners (collectively “Trans Hex”) to perform exploration on various new and yet unexplored portions of the Company's So Ver land holdings in South Africa. Trans Hex had been evaluating geophysical anomalies outside the So Ver mining area and was in possession of exploration information that suggested there may be a potential to discover additional kimberlitic bodies on yet unexplored parts of the So Ver property. Under the terms of the joint venture understanding the Company agreed to allow Trans Hex access to sample various geophysical targets identified in specific areas of its So Ver landholdings, and in exchange, retain a 7.5% interest in any project that may follow from the exploration targets identified. Trans Hex agreed to fund these projects through feasibility after which all post-feasibility funding would be in proportion to each party's interest in any subsequent project that may result. The Trans Hex efforts continued throughout fiscal 2008 and were largely concluded in fiscal 2009. The Company has received final information from Trans Hex and no future efforts on any targets of interest are being explored under this joint venture arrangement. No significant effort or expenditures will be allocated to these efforts in the future by the Company, and both parties have acknowledged this will conclude the exploration work associated with the previously signed memorandum of understanding.

## **MANAGEMENT AND CAPABILITIES**

There were no significant changes to the Company's management and Board of Directors during the quarter ending September 30, 2009. Mr. Dean H. Taylor remains a Director and the Company's President and Chief Executive Officer. Mr. Dean Del Frari remains the Company's Director of Operations for South Africa and he continues to build on his leadership role in assisting with the development of the operations team and acquisition efforts necessary to fulfill the Company's future objectives. The Company's Board of Directors currently consist of Mr. Dean Taylor (Chairman), Mr. Darren Vucurevich, CMA and owner of a private accounting firm, world renowned diamond expert and professor Dr. Stephen E. Haggerty, and New York based executive Mr. Sheldon Nelson.

The Company has developed extensive relationships and employs the services of many of the same professional consulting firms which support the ongoing projects of many of the larger South African

mining companies. These relationships assist the Company in its ability to successfully and cost effectively evaluate, plan, and execute potential projects in a timely and professional manner. The Company has ongoing access to its established operational team of well trained employees in South Africa, and the ability to deploy them to operate any projects the Company is able to secure. In addition to this, the Company will continue to enhance its operational management team within South Africa by drawing on the abundance of skilled and experienced diamond industry professionals available within the region as opportunities materialize.

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

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

On March 5, 2008, the Company announced a formal joint venture partnership with well-established South African BEE group Nozala Investments (Pty) Ltd. This partnership is anticipated to be initially reflected in two Diamcor South African subsidiaries, DMI Minerals South Africa (Pty) Ltd and Jagersfontein Diamond Mining Company (Pty) Ltd., both of which were initially formed to secure diamond mining projects in South Africa. Under the terms of the joint venture, Diamcor retain a 70% direct ownership in the DMI Minerals subsidiary, with Nozala acquiring a 30% direct shareholder ownership interest. Operationally, expenses charged to the development of projects held by the entity, and the revenues generated, will be similarly proportional. A similar arrangement is also expected to be implemented in the Company’s Jagersfontein Diamond Mining Company (Pty) Ltd. subsidiary in the future as suitable projects materialize. The Company considers these joint ventures a significant achievement because not only is Nozala a respected and established BEE group representing the interests of some estimated 500,000 rural women shareholders, but it is also a well-connected corporate entity in the South African business community, both of which will greatly enhance the Company’s ability to achieve its stated growth objectives of securing long term, high profile projects within South Africa.

The Company has gained considerable insight into the workings of the new BEE Charter through its previous operational history, as well as government expectations and requirements associated with it. The Company believes proper BEE groups provide real value to the Company through their investment, professional affiliations, corporate knowledge, the management of BEE objectives and the assurance that a meaningful broad based benefit is achieved by their involvement rather than the self-enrichment of a few. The Company plans to align itself only with groups which demonstrate a proven track record and ability to achieve, and exceed these Government driven objectives, which in turn will enhance the Company’s ability to achieve its growth objectives by participating in the higher profile acquisitions which will demand obvious levels of professional BEE involvement.

## **SELECTED ANNUAL FINANCIAL INFORMATION**

The financial results for the second quarter ending September 30, 2009 include the results of mining and exploration operations in South Africa. As of September 30, 2009, the Company held assets of \$417,489



including cash of \$79,435, deposits currently equal to \$213,300 held in association with the pending De Beers Krone-Endora acquisition, and property, plant and equipment assets of \$82,688. Liabilities totaled \$671,367 which included \$233,344 in accounts payable and taxes payable of \$20,317. The Company has total long term debt of \$104,263, of which the Company has recorded an amount of \$97,509 as owing to its Black Economic Empowerment Partner Nozala Investments for direct contributions made by Nozala via a shareholders loan from Nozala to DMI Minerals South Africa (Pty) Ltd entity, for their proportionate share of operating costs and expenses associated with the purchase of certain mining rights and assets from De Beers Consolidated Mines limited. The amount currently has no set terms of repayment and is not expected to be repaid in the current year. No amounts in the long-term debt were due to related parties. The Company's asset retirement obligation associated with reclamation and abandonment of mines and facilities is recorded at \$312,041. The Company operates in one market segment for the mining, production and sale of rough diamonds.

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

	<b>Six Months Ended September 30,</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
Total Revenue	\$ Nil	\$ Nil	\$ Nil
Net Income (Loss)	\$ (119,961)	\$ (317,456)	\$ (653,120)
Basic And Diluted Loss Per Common Share	\$ (0.01)	\$ (0.04)	\$ (0.09)
Total Assets	\$ 417,489	\$ 614,726	\$ 658,632
Total Long Term Liabilities	\$ 104,263	\$ 9,505	\$ Nil
Cash Dividend	\$ Nil	\$ Nil	\$ Nil

#### **RESULTS OF OPERATIONS FOR PERIOD ENDED SEPTEMBER 30, 2009**

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

The Company had a net loss of \$(53,546) for the quarter ending September 30, 2009 as compared to net loss of \$(203,485) for the same quarter ending September 30, 2008. During the quarter ending September 30, 2009 the Company generated no gross income from the sale of diamonds, which was also the case during the quarter ending September 30, 2008. In both fiscal 2009 and Fiscal 2008 the Company had no diamond producing assets as compared to previous fiscal years when the Company was producing diamonds from its tailings operation at So Ver. Despite the lack of production of diamonds, cost of sales of \$13,466 were incurred which resulted in the Company realizing a gross loss of \$(13,466) for the quarter ending September 30, 2009.

#### ***Revenue***

The Company had no revenues for the quarter ending September 30, 2009, and also no revenues for the quarter ended September 30, 2008. This is due to the closing of the So Ver Tailings Re-Treatment Facility on November 8, 2006. The Company anticipates that upon satisfaction of the remaining conditions of closing, and the successful acquisition of the Krone-Endora project, it will generate revenue in fiscal 2010.

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

The Company continued its efforts to conserve capital and wind down its So Ver operations again during the quarter and thus cost of sales again decreased to \$13,466 for the quarter ending September 30, 2009 from \$20,329 for the quarter ending September 30, 2008. The direct costs which remained were associated with the discontinuation and ongoing care and maintenance of the Company's So Ver mine in South Africa.

### ***Expenses***

Total expenses increased slightly to \$252,258 for the quarter ending September 30, 2009, as compared to \$238,165 during the quarter ending September 30, 2008. Of the total expense variations for these two periods, consulting fees were noted to have increased from \$27,492 at September 30, 2008 to \$50,808 at September 30, 2009 due to the ongoing acquisition efforts at Krone-Endora and the sale of So Ver landholdings, while professional fees increased from \$45,102 at September 30, 2008 to \$89,384 at September 30, 2009 again in association with the ongoing acquisition efforts associated with Krone-Endora and the sale of So Ver landholdings. Management fees decrease from \$12,024 at September 30, 2008 to \$0 at September 30, 2009. Salaries decreased from \$82,585 at September 30, 2008 to \$61,657 at September 30, 2009, and there was no non-cash stock based compensation recorded during the quarter ended September 30, 2009. In addition, office expenses decreased from \$31,063 in the quarter ending September 30, 2008 to \$8,416 for the quarter ending September 30, 2009 primarily due to a reduced requirement for operational offices in South Africa associated with So Ver, and a requested relocation of Canadian corporate offices which resulted in an associated 90-day elimination of rent. The Company remains committed to managing its resources carefully and conserving cash where available, however, it anticipates total expenses will remain at current levels while it continues with its efforts to successfully conclude the pending De Beers Krone-Endora Acquisition, and then increase moving forward should it implement expected recommendations with regards to post-acquisition work programmes associated with the project. The Company does however anticipate such increased expenses would potentially be offset by additional revenues from diamond sales as a result of such recommended programmes. In addition to the ongoing management of costs associated with the pending Krone-Endora acquisition, the Company continues to carefully manage and minimize all expenses associated with the review of other potential new projects.

In May of 2008, the Company authorized the granting of an aggregate of 568,940 compensation shares ("Compensation Shares") of common stock to certain Company officers, directors and employees. The Compensation Shares were recommended by the Company's Compensation Committee in March 2008 and were ratified by the Board of Directors in March 2008. The purpose of the Compensation Shares is to recognize the outstanding performance of these officers, directors and employees during the preceding fiscal year in a manner that preserves the working capital of the Company, with a secondary goal of incentivizing these individuals with equity interests more in line with industry standards. The Compensation Committee believes that the increased equity for these individuals will advance the Company's management retention and business plan objectives. The issuance of the Compensation Shares was subject to disinterested shareholder and TSX Venture Exchange approvals which were confirmed in a news release dated September 25, 2008. The associated expense recorded for the compensation shares for accounting purposes was done in the March 31, 2009 year-end filings and was based on a deemed price of \$0.40 per share.

### ***Net Earnings***

As a result of the conclusion and discontinuation of the tailings re-treatment at So Ver and the ongoing efforts associated with the De Beers Krone-Endora acquisition, the Company realized a net loss of \$(53,546) during the quarter ending September 30, 2009, as compared to a net loss of \$(203,480) for the quarter ending September 30, 2008.

### Summary of Quarterly Results

Period Ending	Gross Revenues \$000's	Gross Profit \$000's	Income (Loss) Per Share \$	Income (Loss) Per Diluted Share \$	Net Income (Loss) \$000's	Net Income (Loss) Per Share \$	Net Income (Loss) Per Diluted Share \$
31-Dec-06	176.8	30.5	(0.01)	(0.01)	(149.3)	(0.05)	(0.05)
31-Mar-07	0.0	9.3	0.00	0.00	(377.5)	(0.11)	(0.11)
30-Jun-07	0.0	(20.7)	(0.00)	(0.00)	(157.5)	(0.02)	(0.01)
30-Sep-07	0.0	(24.9)	(0.00)	(0.00)	(495.5)	(0.06)	(0.04)
31-Dec-07	0.0	(74.9)	(0.01)	(0.00)	(300.7)	(0.04)	(0.02)
31-Mar-08	0.0	(16.8)	(0.00)	(0.00)	(311.3)	(0.04)	(0.02)
30-Jun-08	0.0	(6.1)	(0.00)	(0.00)	(113.9)	(0.01)	(0.01)
30-Sept-08	0.0	(20.3)	(0.00)	(0.00)	(203.5)	(0.02)	(0.01)
31-Dec-08	0.0	(33.8)	(0.00)	(0.00)	(271.5)	(0.03)	(0.01)
31-Mar-09	0.0	(6.2)	(0.00)	(0.00)	(480.0)	(0.05)	(0.02)
30-Jun-09	0.0	(3.0)	(0.00)	(0.00)	(66.4)	(0.01)	(0.01)
30-Sept-09	0.0	(13.4)	(0.00)	(0.00)	(53.5)	(0.01)	(0.01)

### RESULTS FOR THE SECOND QUARTER ENDING SEPTEMBER 30, 2009

In the Second fiscal quarter ending September 30, 2009 the Company generated no revenue and incurred \$13,466 in direct costs and \$252,258 in expenses. The company had no interest or other income for the period. The sale of certain portions of the Company's So Ver landholdings resulted in a gain on sale of assets of \$195,681, along with \$4,247 being recorded from the sale of scrap associated with the So Ver operation, and a gain on Foreign Exchange of \$12,250, which resulted in the net loss of (\$53,546) for the quarter.

### LIQUIDITY AND CAPITAL RESOURCES

During the quarters ending September 30, 2009 and 2008, the Company recorded a net loss of (\$53,546) and net loss of (\$203,485), respectively. The Company recorded negative cash flows from operating activities of (\$316,000) and (\$172,355) during the quarters ending September 30, 2009 and 2008 respectively, positive cash flows from investing activities associated with the disposal of property, plant and equipment associated with So Ver landholding sale of \$281,401 for the quarter ending September 30, 2009 as opposed to \$11,009 for the quarter ending September 30, 2008, and cash flows from financing activities of \$(6,833) and \$383,933 during the quarters ending September 30, 2009 and 2008 respectively. At June 30, 2009, the Company had an accumulated deficit of (\$10,315,132).

**Cash Position.** At September 30, 2009, the Company had cash and cash equivalents of \$79,435 compared to \$385,185 at September 30, 2008. The Company believes it has adequate cash for operating purposes through the end of the third fiscal quarter 2009. However, unless the Company can derive revenue from the sale of its remaining assets located at So Ver, it will have to (i) investigate and close an additional private placement or other debt facility, and, or (ii) rely on current warrant holders to exercise outstanding warrants that will be expiring, and, or (iii) scale back plans and operations. The Company is in a capital-intensive business and no assurances can be made that it will be able to generate revenues timely or raise additional funds on favorable terms or at all.

A portion of the cash on hand and available for use by the Company at September 30, 2009 was held in its

foreign bank accounts in South Africa and is being used for ongoing operations at its remaining So Ver facilities and to support its ongoing acquisition efforts. Historically, operational results 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; however those operations have now been discontinued as noted. The Company follows certain procedures to aid in the recovery and re-investment of funds from its projects.

**Financing Activities.** Recent historical financings closed by the Company include a non-brokered private placement financing of \$500,000 resulting in the issuance of a 1,000,000 units at a price of \$0.50 per unit, on August 30, 2007. This provided the Company with adequate funds to cover operating costs and partially fund the ongoing exploration and acquisition work which has continued through the period ending September 30, 2009. Each unit issued consisted of one common share and one common share purchase warrant. Each warrant entitled the holder thereof to acquire one additional common share at an exercise price of \$0.75 for a period of two years following the closing date. At that same time, shares-for-debt agreements were secured with creditors to settle a total of \$226,499 in outstanding liabilities. Agreements with directors in 2008 were secured to settle a total of \$40,810 in outstanding liabilities through the issuance of 68,017 shares at a price approximately equal to the market price at the time of settlement. Both share for debt settlements were aimed at adding additional solidity to the balance sheet. Various parties exercised a cumulative total of 458,334 warrants at a price of \$0.27, and 125,000 options at \$0.36 were exercised by outside investors, 65,000 options at \$0.50 were exercised by directors, and 140,000 options at \$0.36 were exercised by employees. To further conserve cash, the Company authorized the issuance of 568,940 in compensation shares to employees, managers, executives and directors in May 2008, which was subsequently approved by disinterested shareholders and the TSX Venture Exchange on September 25, 2008. The shares were granted on October 23, 2008 and an expense recorded for the amount of \$113,788 was recorded. The Company also closed a non-brokered private placement financing of \$636,375.00 resulting in the issuance of a 2,121,050 units at a price of \$0.30 per unit, on January 7, 2009. This provided the Company with adequate funds to cover operating costs and partially fund the continued acquisition work associated with Krone-Endora through the quarter ending September 30, 2009. Each unit issued consisted of one common share and one common share purchase warrant. Each warrant entitled the holder thereof to acquire one additional common share at an exercise price of \$0.50 for a period of two years following the closing date.

On October 15, 2009 the Company announced its intentions to complete a non-brokered private placement of up to \$5,000,000.00 through the proposed issuance of up to 16,666,667 units at a price of \$0.30 per unit. Each unit was proposed to consist of one common share in the Company and one half of one common share purchase warrant. Each whole warrant would entitle the holder to purchase an additional common share in the Company at an exercise price of \$0.50 for a period of 24 months from the time of closing. Proceeds from the Offering will be used to fund all costs associated with the finalization of the purchase of the Krone-Endora alluvial diamond deposit from De Beers Consolidated Mines Limited, for project planning and the purchase of various equipment to be used in conjunction with the recommended post-closing trial mining efforts on the Deposit, and in part for general corporate purposes.

As of August 28, 2009, the Company has 11,838,107 common shares outstanding and has authorized capital of an unlimited number of shares.

**Working Capital.** As of September 30, 2009 the Company had working capital deficiency of (\$483,846), as compared to working capital of \$(94,677) at September 30, 2008. The difference in the appearance of this working capital calculation for the quarter ending September 30, 2009 is primarily attributable to the Assets Retirement Obligation of So Ver (\$312,041) being reclassified as a current liability, and the deposit held for Krone-Endora (\$213,300) being reclassified as a long term asset.

**Future Capital Requirements.** The Company has incurred losses since its inception and the ability of the Company to continue as a going concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. The Company is actively targeting sources of additional revenues and financing through alliances with financial, exploration and mining entities, or other business and financial transactions which would assure continuation of the Company's operations, acquisitions, and exploration

programs. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate such financing.

Management continues to assess its financing requirements as necessary and is currently concentrating financing efforts on proposals to fund the remaining acquisition price of the Krone-Endora deposit from De Beers, and the funds needed to commence mining operations. Additional financing requirements remain in large part to be determined by its success in finding, developing, and acquiring new alluvial and tailings re-treatment projects. The Company is currently in discussions with several sources regarding its financing requirements.

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

### **CONTRACTUAL OBLIGATIONS**

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

### **PROPOSED TRANSACTIONS**

On May 26, 2008, the Company, through its South African subsidiary, DMI Minerals South Africa (Proprietary) Limited, received confirmation from De Beers Consolidated Mines Limited that its proposal to acquire the Krone-Endora alluvial deposit had been approved as the successful proposal. The Krone-Endora deposit consists of prospecting rights over the farms Krone 104 and Endora 66, both located directly adjacent to the De Beers Venetia Diamond Mine in the Limpopo Province of South Africa, which is widely known, based on De Beers' published production reports, to be South Africa's largest producer of diamonds. The acquisition was subject to the completion of definitive acquisition documents which were signed between DMI Minerals and De Beers, and the regulatory approval of the reviewable transaction by the TSX Venture Exchange, and the satisfaction of the associated closing conditions of the agreement.

The Company announced on December 22, 2008 that the parties to the transaction had signed the definitive purchase asset purchase agreement, and that a deposit of 1,500,000 Rand (currently equal to approximately CAD\$213,300.00) was paid by the Company to De Beers. All associated Exchange documents were then submitted which resulted in the conditional approval of the transaction pending the filing of an Independent National Instrument 43-101 compliant Technical Report.

On July 30, 2009 the Company subsequently announced independent geologists had completed all work required to finalize this document, and that the Company had filed the required NI 43-101 report. The initial findings of this independent report were summarized in the associated release and highlighted an independent initial inferred resource estimate of 54.26 million tonnes of diamond bearing gravels in two near-surface litho-stratigraphic units, and 1.3 million carats of diamonds. It was also noted that the report provided a conclusion the deposit was not only an "alluvial" deposit, but a combination of an alluvial and "elluvial" deposition indicating and expected "direct shift" of basal or lower source material from the higher grounds of the Venetia mine. Due to this, the diamond deposit mineralization was reported to appear generally uniform throughout the deposit, which is unique, as opposed to that of a typical higher-risk "alluvial" deposit whereby large areas can be barren with only intermittent trap sites bearing diamonds. It was also noted that the historical exploration completed on the property previously provided a significant understanding of the deposit formation, and thus the project was identified as late-stage exploration project with a recommendation for additional closer grid drilling in conjunction with an immediate move to desired near-term trial mining exercises.

Other conditions of closing associated with the acquisition were; the signing of a sole, royalty-free license for the use of all geological information (which has subsequently been completed); the signing of a rights of access agreement to the properties by the parties (which has subsequently been completed); the preparation, submission, and acceptance of the renewals of the associated prospecting permits by De Beers (which has subsequently been completed); the submission of applications to secure ministerial consent in terms of Section 11 of the Minerals and Petroleum Resource Development Act, No. 28 of 2002 for the transfer of the associated prospecting rights and environmental and rehabilitation liabilities from De Beers to DMI Minerals (currently pending); the conclusion of a due diligence effort by De Beers on DMI Minerals to ensure the direct and indirect shareholdings meet Black Economic Empowerment requirements as outline by the South African Department of Minerals and Energy (pending as part of previous section 11 submission); the granting of a suitable water allocation and conveyance solution of that water allocation to the prospecting area on terms acceptable to both parties (currently pending finalization and sign-off by the Company); and a final payment of 12,500,000 Rand or approximately CAD\$1,750,000(due on closing).

Upon completion of the acquisition and the transfer of prospecting rights, DMI Minerals plans to commence with the above noted recommended drilling and evaluation programme in conjunction with the proposed trial mining / bulk sampling exercises based on the previous work completed on the deposit by De Beers. These evaluations will be used by the Company to delineate the future work necessary to enable the Company to arrive at final longer-term production decisions and goals. The acquisition represents the Company's first for its DMI Minerals subsidiary in conjunction with its Black Economic Empowerment partner Nozala Investments (Pty) Ltd.

## **CHANGES IN ACCOUNTING POLICIES**

Management is often required to make judgments, assumptions and estimates in the application of Canadian GAAP that have a significant impact on the financial results of the Company. Certain policies are more significant than others and are, therefore, considered critical accounting policies. Accounting policies are considered critical if they rely on a substantial amount of judgment (use of estimates) in their application or if they result from a choice between accounting alternatives and that choice has a material impact on the Company's reported results or financial position. There have been no changes to the Company's critical accounting policies or estimates from those disclosed in the Company's MD&A for the period ending March 31, 2009.

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

The Company faces a number of risks and uncertainties that could cause actual results or events to differ materially from those contained in any forward-looking statement. Additional risks and uncertainties not presently known to the Company or that are currently deemed to be immaterial may also impair the Company's business operations. Factors that could cause or contribute to such differences include, but are not limited to, the following:

### ***Capital Requirements***

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

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

There are no assurances that suitable additional projects will be secured or that diamonds be recovered at the levels previously experienced. Should the Company ultimately discover diamond deposits through its exploration efforts or acquisitions; the economics and feasibility of any potential project can be affected by

many factors which may be beyond the capacity of the Company to anticipate or control. Tailings processing 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, thus affecting revenues. This is also true of any prospective project the Company may acquire related to various other methods of diamond production.

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

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

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

Diamcor owns an undivided 74% interest in the assets and liabilities of the Ongoza Mining & Exploration (Pty) Ltd. ("Ongoza"), a South African subsidiary which Diamcor formed to take advantage of certain exploration opportunities on So Ver in 2002. The remaining 26% ownership is held by Pholo Mining (Pty) Ltd., which is a registered BEE group. This joint arrangement is subject to the risks normally associated with the conduct of joint ventures and similar joint arrangements. These risks include the inability to exert influence over strategic decisions, the development and operation of exploration project, and mineral claims.

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

On September 14, 2007 the Company announced that it had entered into an agreement in principle to acquire an initial 24% interest in the privately held South African company Nerikets Properties (Pty) Ltd through its 100% owned South African subsidiary DMI Diamonds South Africa (Pty) Ltd. Pursuant to the terms of the Agreement, the Company also announced it had secured an exclusive option to acquire the remaining 76% interest in Nerikets. Nerikets is a BEE registered and compliant South African company which holds the Prospecting Rights Permit for diamond exploration over a 3,606.44 hectare area known as Hardcastle located on the north bank of the Middle Orange River. This joint arrangement is subject to the risks normally associated with the conduct of joint ventures and similar joint arrangements. These risks include the inability to exert influence over strategic decisions, the development and operation of the Hardcastle alluvial project, and mineral claims.

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

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

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

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

### ***Currency Risk***

Currency fluctuations may affect the Company's financial performance. Diamonds are sold throughout the world based principally on the US dollar price. The Company reports its financial results in Canadian dollars and a majority of its costs and expenses are incurred in either Canadian dollars or the South African Rand. The Company's South African subsidiaries operate using principally the US dollar and the South African Rand and as such may be negatively affected by fluctuations in foreign exchange rates when translating from the currency of measurement of the Company's subsidiary to the Company's reporting currency. The appreciation of the Canadian dollar against the US dollar, and the depreciation of such other currencies against the US or Canadian dollar, therefore, may increase expenses and the amount of the Company's liabilities relative to revenue.

### ***Licenses and Permits***

There are inherent risks involved in operating in foreign countries, including stringent environmental and permitting issues. The operation of the So Ver Mine, pending acquisitions, and future exploration on certain properties requires licenses and permits from the South African government. There can be no guarantee that the Company will be able to renew these licenses or obtain or maintain all other necessary licenses and permits that may be required to maintain the operations or to further explore and develop certain properties. Title to mining properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mining properties.

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

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

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

Production and exploration for any Company projects is dependent upon the efforts of certain key and skilled employees. The loss of these employees or the inability of the company to attract and retain additional skilled employees may adversely affect the level of diamond production and the company's ability to operate efficiently. Currently, there is significant competition for skilled workers in these



operations. The loss of the services of any of the Company's key executive officers or key employees could harm its business. None of the Company's key executive officers or key employees currently has a contract that guarantees their continued employment with the Company. There can be no assurance that any of these persons will remain employed by the Company or that these persons will not participate in businesses that compete with it in the future.

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

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

### ***Competition***

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

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

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

## **OUTSTANDING SHARE INFORMATION**

As at November 27, 2009:

### **Authorized**

Issued and outstanding shares	11,838,107
Fully diluted (6,065,836 warrants and 767,500 options)	18,671,443
Weighted average outstanding shares	<b>11,838,107</b>

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

The Company files a 52-109F2 certification of interim filings duly executed by the Company's current CEO and acting CFO as required by securities laws.

## **DISCLOSURE CONTROLS AND PROCEDURES**

The Company has disclosure controls and procedures in place to provide reasonable assurance that any information required to be disclosed by the Company under securities legislation is recorded, processed, summarized and reported within the applicable time periods and to ensure that required information is gathered and communicated to the Company's management so that decisions can be made about timely disclosure of that information. The Company's Chief Executive Officer and acting Chief Operating Officer evaluated the Company's disclosure controls and procedures for the period ended September 30, 2009 and have found those disclosure controls and procedures to be adequate for the above purposes.

There have been no significant changes in the Company's disclosure controls or in other factors that could significantly affect disclosure controls subsequent to the date the Company carried out its evaluation.

## **OTHER**

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