

**DIAMCOR MINING INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31 , 2010**

(Audited)

To the Shareholders of Diamcor Mining Inc.:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Company's external auditors.

Meyers Norris Penny LLP, an independent firm of Chartered Accountants, is appointed by the shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

June 20, 2010



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Chief Executive Officer



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Chief Financial Officer

To the Shareholders of Diamcor Mining Inc.:

We have audited the consolidated balance sheets of Diamcor Mining Inc. as at March 31, 2010 and 2009 and the consolidated statements of loss, comprehensive loss and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2010 and 2009 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Calgary, Alberta

June 20, 2010

*Meyer Norris Penny LLP*

Chartered Accountants

**DIAMCOR MINING INC.  
CONSOLIDATED BALANCE SHEETS**

	March 31 2010	March 31 2009
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	\$ 1,894,319	\$ 60,030
Accounts receivable (Note 18)	211,447	10,871
	2,105,766	70,901
REHABILITATION TRUST FUND (Note 3)	37,248	35,554
DEPOSITS (Note 7)	207,750	204,910
PROPERTY, PLANT AND EQUIPMENT (Note 4)	68,957	155,679
	\$ 2,419,721	\$ 467,044
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable	\$ 204,983	\$ 265,139
Asset retirement obligation (Note 8)	316,651	307,429
Current portion of long term debt (Note 6)	2,975	2,750
Deferred income (Note 18)	242,988	-
Share capital purchase deposits	188,967	-
short term debt (Note 5)	385,530	-
Taxes payable	18,230	18,889
	1,360,324	594,207
LONG TERM DEBT (Note 6)	3,779	6,754
DUE TO NOZALA INVESTMENTS (Note 6)	94,971	-
	1,459,074	600,961
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 9)	8,738,841	7,560,947
Contributed surplus (Note 10)	2,004,473	1,436,107
Warrants (Note 9)	1,530,867	1,064,200
Deficit	(11,313,534)	(10,195,171)
	960,647	(133,917)
	\$ 2,419,721	\$ 467,044

**NATURE OF OPERATIONS AND GOING CONCERN** (Note 1)

**COMMITMENTS** (Note 17)

**SUBSEQUENT EVENTS** (Note 19)

On behalf of the board

"Dean Taylor"

Director

"Sheldon Nelson"

Director

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

	For the Year Ended March 31, 2010	For the Year Ended March 31, 2009
<b>SALES</b>	\$ -	\$ -
<b>COST OF SALES</b>	20,418	66,389
<b>GROSS LOSS</b>	(20,418)	(66,389)
<b>EXPENSES</b>		
Accretion and amortization	87,778	46,014
Consulting fees	181,596	68,276
Insurance	16,284	14,765
Interest and bank charges	29,273	5,911
Management fees	-	114,685
Office	63,990	95,214
Professional fees	230,174	170,159
Promotion and investor relations	70,973	13,845
Salaries and wages	589,544	332,835
Stock based compensation	-	227,576
Transfer agent and regulatory fees	40,855	22,923
Travel	66,266	66,524
	1,376,733	1,178,727
<b>LOSS FROM OPERATIONS</b>	\$ (1,397,151)	\$ (1,245,116)
<b>OTHER INCOME AND EXPENSES</b>		
Interest and other Income	42,735	17,077
Gain on sale of assets	216,341	6,441
Gain on sale of scrap	9,275	136,072
Foreign exchange gain	21,960	16,841
	290,311	176,431
<b>LOSS BEFORE INCOME TAX</b>	(1,106,840)	(1,068,685)
Current income taxes	11,523	-
<b>NET LOSS AND COMPREHENSIVE LOSS</b>	\$ (1,118,363)	\$ (1,068,685)
<b>Deficit, beginning of year</b>	(10,195,171)	(9,126,486)
<b>Deficit, end of year</b>	\$ (11,313,534)	\$ (10,195,171)
<b>Loss per share - basic and diluted (Note 9)</b>	\$ (0.09)	\$ (0.11)

**DIAMCOR MINING INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	For the Year Ended March 31, 2010	For the Year Ended March 31, 2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (1,118,363)	\$ (1,068,685)
<b>Items not affecting cash</b>		
Accretion and amortization	87,779	46,014
Stock based compensation		227,576
Gain on sale of assets	(216,341)	(6,441)
Foreign exchange (gain) loss	(3,352)	(3,767)
	(131,914)	263,382
	(1,250,277)	(805,303)
<b>Changes in non-cash working capital</b>		
Accounts payable	(60,156)	200,342
Accounts receivable	42,412	(2,814)
Asset retirement obligation	-	-
Taxes payable	(659)	-
	(18,403)	197,528
Cash flow used by operating activities	(1,268,680)	(607,775)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Deposit on asset purchase	-	(204,910)
Purchase of property, plant and equipment	-	21,241
Disposal of property, plant and equipment	279,000	(2,500)
Cash flow from (used by) investing activities	279,000	(186,169)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance (repayment) of long term debt	92,221	(2,543)
Issuance (repayment) of short term debt	413,222	-
Share capital purchase deposits	188,967	-
Proceeds from issuance of share capital (net of issuance cost of \$208,540)	2,132,927	665,288
Cash flow from financing activities	2,827,337	662,745
<b>Effect of change in exchange rate for cash</b>	(3,368)	3,011
<b>Increase (Decrease) in cash and cash equivalents</b>	1,834,289	(128,188)
Cash and cash equivalents - beginning of year	60,030	188,218
Cash and cash equivalents - end of year	\$ 1,894,319	\$ 60,030

**SUPPLEMENTARY CASH FLOW INFORMATION** (Note 16)

**DIAMCOR MINING INC.**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

	Share Capital	Contributed Surplus	Warrants	Deficit	Total Shareholders' Equity
Balance - March 31 2008	7,089,276	1,436,107	643,007	(9,126,486)	41,904
Issued during fiscal 2009:					
Private placement	147,918		442,370		590,288
Exercise of warrants	96,177		(21,177)		75,000
Compensation shares	227,576				227,576
Loss for the year				(1,068,685)	(1,068,685)
Balance - March 31 2009	7,560,947	1,436,107	1,064,200	(10,195,171)	(133,917)
Issued during fiscal 2010:					
Short term loan bonus shares	80,000				80,000
Exercise of warrants	242,809		(53,463)		189,346
Expiry of warrants		568,366	(568,367)		(1)
Issuance of warrants			989,722		989,722
Private Placement	1,162,400				1,162,400
Broker warrants	(98,775)		98,775		-
Share issuance costs	(208,540)				(208,540)
Loss for the year				(1,118,363)	(1,118,363)
Balance - March 31 2010	8,738,841	2,004,473	1,530,867	(11,313,534)	960,647

**Diamcor Mining Inc.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the year ended March 31, 2010

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## 1. NATURE OF OPERATIONS AND GOING CONCERN

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

These consolidated financial statements have been prepared on a going-concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for the next fiscal year. The Company has incurred losses since inception and expects to incur further losses in the development of its business. The Company's ability to continue as a going concern depends upon its ability to develop profitable operations and to continue to raise adequate financing to meet its obligations and repay its liabilities arising from normal operations as they fall due. Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, or other business and financial transactions to continue the Company's operations and exploration programs. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate such financing.

There can be no assurance that the Company will be able to continue to raise funds in which case the Company may be unable to meet its obligations. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the balance sheet. These financial statements do not reflect the adjustments or reclassifications of assets and liabilities which would become necessary if the Company were unable to continue its operations.

	March 31, 2010	March 31, 2009
Deficit	\$ (11,313,534)	\$ (10,195,171)
Working capital	\$ 745,442	\$ (523,306)

## 2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) using the following significant accounting policies:

### Principles of consolidation

These consolidated financial statements include the accounts of the Company, its 70% owned subsidiary DMI Minerals South Africa (Pty) Ltd, its 85% owned subsidiary, So Ver Mine (Pty) Ltd, and its 100% owned subsidiaries DMI Diamonds South Africa (Pty) Ltd and Jagersfontain Diamond Mining Company (Pty) Ltd. All significant inter-company balances and transactions have been eliminated. The non-controlling interest has not been adjusted for due to the deficits in So Ver Mine (Pty) Ltd and DMI Minerals South Africa (Pty) Ltd.

### Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less. As at March 31, 2010 and March 31 2009, there were no short-term investments included in cash and cash equivalents.

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**Diamcor Mining Inc.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the year ended March 31, 2010

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**2. SIGNIFICANT ACCOUNTING POLICIES** (continued from previous page)

**Property, plant and equipment**

Property, plant and equipment are recorded at cost and are amortized over the estimated useful lives of the individual assets at the following annual rates:

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

**Long-lived assets**

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

**Mineral properties**

The Company records its interests in mineral properties and areas of geological interest at cost. All direct and indirect costs relating to the acquisition of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or where management has determined there to be impairment. These costs will be amortized on the basis of units produced in relation to the proven reserves available on the related property following commencement of production. Mineral properties which are sold before the property reaches the production stage will have all revenues from the sale of the property credited against the cost of the property. Properties which have reached the production stage will have a gain or loss calculated based on the portion of that property sold. The recorded cost of mineral property interests is based on cash paid and the assigned value of share consideration costs incurred. The recorded amount may not reflect recoverable value as this will be dependent on the development program, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

**Cost of maintaining mineral properties**

The Company does not accrue the estimated future costs of maintaining its mineral properties in good standing.

**Revenue recognition**

Sales are recognized upon delivery of products (primarily rough diamonds) and customer acceptance. Sales are shown net of sales taxes and trade discounts. The Company had no sales during the years ended March 31, 2010 and 2009.

**Foreign currency translation**

The Company's subsidiaries are integrated foreign operations and are translated into Canadian dollar equivalents using the temporal method. Monetary items are translated at the exchange rate in effect at the balance sheet date; non-monetary items are translated at historical exchange rates. Income and expense items are translated at the average exchange rate for the period. Exchange gains or losses arising on translation of foreign currency items are included in operating results.

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**Diamcor Mining Inc.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the year ended March 31, 2010

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**2. SIGNIFICANT ACCOUNTING POLICIES** (continued from previous page)

**Stock-based compensation**

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

**Future income taxes**

Future income taxes are calculated using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs. To the extent that the Company does not consider it to be more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

**Loss per share**

The losses per share figures are calculated using the weighted monthly average number of shares outstanding during the respective year. The calculation of diluted earnings per share under the Treasury Stock Method considers the potential exercise of outstanding share purchase options and warrants to the extent each option, warrant or contingent issuance was dilutive.

**Asset retirement obligation**

The Company recognizes the fair value of its asset retirement obligation ("ARO") in the period in which it is incurred and when a reasonable estimate of fair value can be made. The fair value of the estimated ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount is amortized at a reasonable rate based on the useful life of property and equipment. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. Revision to the estimated timing of cash flows or to the original estimated undiscounted cost would also result in an increase or decrease to the ARO. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded. Any difference between the actual costs incurred upon settlement of the ARO and recorded liability is recognized as a gain or loss in the Company's earnings in the period in which the settlement occurs.

**Measurement uncertainty**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. The amounts recorded for depreciation of property, plant and equipment, assessment of impairment of long-lived assets and mineral properties and the provisions for asset retirement obligation are based on estimates. Future income taxes are calculated using tax rates based on the estimated timing of the reversal of temporary differences between accounting and tax values of certain assets and liabilities and are subject to a valuation allowance. By their nature, these estimates are subject to measurement uncertainty and the impact on the financial statements of future periods could be material if actual results differ from these estimates. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known.

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**Diamcor Mining Inc.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the year ended March 31, 2010

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**2. SIGNIFICANT ACCOUNTING POLICIES** (continued from previous page)

**Financial Instruments**

In accordance with CICA accounting standards 3855, 3862 and 3863 all financial instruments, including embedded derivatives, must initially be recognized at fair value on the balance sheet and classified into the following categories: financial assets and financial liabilities held for trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities. Subsequent measurements of the financial instruments are based on their classification. Unrealized gains and losses on held for trading financial instruments are recognized in earnings. Unrealized gains and losses on available-for-sale financial assets are recognized in other comprehensive income and are transferred to income when the instrument is settled. The other categories of financial instruments are recognized at amortized cost using the effective interest rate method. Investment transactions are made on the trade date and any transaction costs with respect to financial instruments are expensed in the period incurred.

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

- a) Cash and cash equivalents are classified as held-for-trading and is measured at fair value;
- b) Accounts receivable are classified as loans and receivables and are measured at amortized cost; and
- c) Accounts payable, long-term debts and due to Nozala Investments are classified as other financial liabilities and are measured at amortized cost.

Transaction costs that are directly attributable to the acquisition or issue of financial instruments that are classified as other than held-for-trading, which are expensed as incurred, are included in the initial carrying value of such instruments and amortized using the effective interest method.

**Comprehensive income**

The components of other comprehensive income included unrealized gains and losses on financial assets classified as available-for-sale, foreign currency translation on self-sustaining foreign operations and the effective portion of cash flow hedges, if any. There were no such components to be recognized in comprehensive income for the years ended March 31, 2010 and 2009. As the Company has no items of other comprehensive income or loss, the net earnings or loss for the periods are equivalent to comprehensive income.

**Adoption of new accounting policies**

In 2009, the Company adopted the following new standards and abstracts:

In February 2008, the AcSB issued amended Section 1000 – "Financial Statement Concepts", which clarifies the criteria for recognizing assets, intangible assets and internally developed assets. The standard is effective for fiscal years beginning on or after February 1, 2008. The adoption of this standard had no material effect on the financial statements of the Company.

Section 1506 – "Accounting Changes". Under this section, voluntary changes in accounting policy are permitted only if they result in financial statements that provide more reliable and relevant information to the reader. Changes in accounting policy must be applied retrospectively, while changes in accounting estimates are to be applied prospectively. The revised section also outlines additional disclosure required when accounting changes are applied, including the justification for the change, a complete description of the policy, the primary source of GAAP and the detailed effect on the financial statement line items. There was no impact on the Company's financial statements resulting from the adoption of the revised standard.

Amendments to Section 3862 – "Financial Instruments – Disclosures". The amendments require improved and consistent disclosures about fair value measurements of financial instruments and liquidity risk. The amendments apply to annual financial statements relating to fiscal years ending after September 30, 2009. In the first fiscal year of application, an entity need not provide comparative information for the disclosures required by the amendment. (See note 14).

EIC-173 – "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities" which clarifies that an entity must consider its own risk and the credit risk of the counterparty when measuring the fair value of derivative instruments. EIC-173 had no impact on the Company's financial statements.

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**Diamcor Mining Inc.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the year ended March 31, 2010

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**2. SIGNIFICANT ACCOUNTING POLICIES** (continued from previous page)

**Recent Accounting Pronouncements Not Yet Adopted**

- a) International Financial Reporting Standards (“IFRS”)  
The Canadian Accounting Standards Board has now confirmed that the use of International Financial Reporting Standards (“IFRS”) will be required in 2011 for publicly accountable, profit oriented enterprises. IFRS will replace current Canadian GAAP followed by the Company. The Company will be required to begin reporting under IFRS effective April 1, 2011 and will be required to provide information for IFRS for the comparative period in 2010. Under IFRS, there is significantly more disclosure required, specifically for quarterly reporting. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policies which must be addressed. The Company is currently evaluating the impact of adopting IFRS and plans to identify changes and develop IFRS accounting policies in fiscal 2011.
- b) Business combinations – Section 1582  
CICA Handbook Section 1582, “Business Combinations”. Under the new section, the term “business” will be more broadly defined than in the existing standard. Most assets acquired and liabilities assumed will be measured at fair value, any interest in an acquiree owned prior to obtaining control will be re-measured at fair value at the acquisition date, a bargain purchase option will result in recognition of a gain, and acquisition costs must be expensed. It is the Canadian equivalent to International Financial Reporting Standard IFRS 3, Business Combinations. This standard is effective for the Company for its interim and annual financial statements beginning on January 1, 2011. There will be no impact on the financial statements upon adoption of this standard unless the Company enters into a business combination in the future, which at such time, the Company will determine the impact of the adoption.
- c) Consolidated financial statements 1601/1602  
CICA Handbook Sections 1601, “Consolidated Financial Statements” and 1602, “Non-controlling interests” – Section 1601 carries forward the requirements of Section 1600, “Consolidated Financial Statements”, other than those relating to non-controlling interests which would be covered in Section 1602. Under Section 1602, any non-controlling interest will be recognized as a separate component of shareholders’ equity and net income will be calculated without deducting non-controlling interest and instead net income is allocated between the controlling and non-controlling interests. The adoption of these standards should not have a material impact on the Company’s financial statements.

**3. REHABILITATION TRUST FUND**

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	March 31, 2010	March 31, 2009
Deposit at Department of Minerals and Energy in South Africa for Rehabilitation Costs	\$ 37,248	\$ 35,554

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**Diamcor Mining Inc.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the year ended March 31, 2010

**4. PROPERTY, PLANT AND EQUIPMENT**

	March 31 2010			March 31 2009		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Property, plant and equipment	146,235	77,278	68,957	543,844	388,165	155,679

During the year, assets relating to the So Ver operations with a cost of \$397,609 and a net book value of \$62,640 were sold for proceeds of \$279,000.

**5. SHORT TERM DEBT**

In December 2009, the Company completed a \$400,000 short term loan financing with a portion of the amount being financed through related parties which consist of a company owned by a director and employees of the Company. The loans are unsecured; bear interest at the rate of 10% per annum and mature on June 2, 2010. In partial consideration for the loans, the Company agreed to issue to the lenders as a bonus, an aggregate of 400,000 common shares. For accounting purposes, the debt has a liability and equity component, which are separately presented in the financial statements as short term debt and share capital. The face value of the debt has been allocated to the liability and equity components proportionately based on their respective fair values. The fair value of the equity component was determined using the TSX venture exchange approved method as outlined in TSX Corporate Finance Manual. The proceeds of \$400,000 have been allocated \$320,000 to loans payable and \$80,000 to share capital. The company recorded \$13,222 in interest expense and \$52,308 in accretion expense for the year ending March 31, 2010.

**6. LONG TERM DEBT**

	March 31, 2010	March 31, 2009
Leasehold improvement loan payable in monthly installments of \$283 including interest at 8.00%, unsecured, due May 2012,	\$6,754	\$9,504
Less current portion	(2,975)	(2,750)
<b>Total</b>	<b>\$3,779</b>	<b>\$6,754</b>

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

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

The amount due to Nozala Investments of \$94,971 currently has no set terms of repayment and is not expected to be repaid in the current year. The loan amount received is principally being used for the ongoing operations of DMI Minerals South Africa (Pty) Ltd, including the purchase of certain mining rights and assets from De Beers Consolidated Mines Limited.

**Diamcor Mining Inc.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the year ended March 31, 2010

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## **7. MINERAL PROPERTIES**

### **Title to mineral properties**

Title to mining properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mining properties. The Company has diligently investigated rights of ownership of all of the mineral concessions in which it has an interest and, to the best of its knowledge, all agreements relating to such ownership rights are in good standing. However, this should not be construed as a guarantee to title. The concessions may be subject to prior claims, agreements or transfers and rights of ownership may be affected by undetected defects. No new rights were obtained in the year ended March 31, 2010.

During fiscal 2009 the Company entered into a purchase agreement with De Beers Consolidated Mines Limited for the purchase of certain mining rights and assets. The agreement is subject to the satisfaction of certain conditions of closing including regulatory and TSX Venture Exchange final approval and is expected to close in fiscal 2010. The estimated purchase price is \$1,750,000. A deposit of \$207,750 was paid to De Beers during the year as part of the purchase conditions.

## **8. ASSET RETIREMENT OBLIGATION**

The total asset retirement obligation was based on the Company's estimated costs to reclaim and abandon the mines and facilities. The Company has estimated the asset retirement obligations to be \$316,651 (\$307,429 at March 31, 2009). Upon the completion of the sale of So Ver Mine (Pty) Ltd the Asset Retirement Obligation will be eliminated.

As disclosed in Note 3, an amount equivalent to \$37,248 (\$35,554 at March 31 2009) has been deposited with the Department of Minerals and Energy in South Africa in respect of rehabilitation costs.

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**Diamcor Mining Inc.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the year ended March 31, 2010

**9. SHARE CAPITAL**

Authorized:		
Unlimited common voting shares, no par value		
	Number of Shares	Amount
Issued:		
Balance, March 31, 2008	8,870,139	\$ 7,089,276
Issued during fiscal 2009:		
Private placement (a)	2,121,250	147,918
Exercise of warrants (b)	277,778	96,177
Compensation shares (c)	568,940	227,576
Balance, March 31, 2009	11,838,107	\$ 7,560,947
Issued during fiscal 2010:		
Bonus shares issued (Note 5)	400,000	80,000
Private placement (d)	7,173,739	1,162,400
Exercise of warrants (e)	701,282	242,809
Share issuance costs	-	(307,315)
Balance, March 31, 2010	20,113,128	\$ 8,738,841

Included in issued capital stock are 1,668 common shares held in escrow as required by the regulatory authorities. The weighted average number of shares outstanding for the year was 13,000,200 (9,827,762 in fiscal year 2009).

(a) On January 7, 2009, the Company completed a non-brokered private placement financing of \$636,375 gross proceeds less foreign exchange loss of 46,087 resulting in net cash proceeds of \$590,288. The private placement consisted of the sale of 2,121,050 units at a price of \$0.30 per unit. Each unit consisted of one common share and one common share purchase warrant. Each warrant will entitle the holder thereof to acquire one additional common share at an exercise price of \$0.50 for a period of two years following the closing date. The warrant valuation of \$442,370 was calculated using the Black-Scholes pricing model using the following assumptions: zero dividend yield, expected volatility 220% and risk free rate of 1.17%

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

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

**Diamcor Mining Inc.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the year ended March 31, 2010

**9. SHARE CAPITAL** (continued from previous page)

(d) On February 8, 2010, the Company completed a non-brokered private placement financing of \$2,152,122 (gross proceeds less share issuance costs of \$208,540 resulting in net cash proceeds of \$1,942,581.) The private placement consisted of the sale of 7,173,739 units at a price of \$0.30 per unit. Each unit consisted of one common share and half common share purchase warrant. Each warrant will entitle the holder thereof to acquire one additional common share at an exercise price of \$0.50 for a period of two years following the closing date. In addition 474,281 warrants granted to brokers will entitle the holder thereof to acquire one additional common share at an exercise price of \$0.50 for a period of one year following the closing date. The warrant valuation of \$1,088,496 includes a value of \$98,775 for the broker warrants which was charged to share issuance costs. The warrant valuation was calculated using the Black-Scholes pricing model with the following assumptions: zero dividend yield, expected volatility 190% and risk free rate of 0.62%

(e) 701,282 warrants exercised at a price of \$0.27

**Warrants**

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

	March 31, 2010		March 31, 2009	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	6,065,836	\$ 0.43	4,222,364	\$ 0.38
Warrants Granted	4,061,151	0.50	2,121,250	\$ 0.50
Warrants Expired	(3,243,304)	0.27	-	-
Warrants Exercised	(701,282)	0.27	(277,778)	\$ 0.27
Outstanding, end of year	6,182,401	\$ 0.50	6,065,836	\$ 0.43
Exercisable, end of year	6,182,401	\$ 0.50	6,065,836	\$ 0.43

The following warrants were outstanding at March 31, 2010:

2,121,250	\$ 0.50	January 7, 2011
474,281	\$0.50	March 3, 2011
3,586,870	\$0.50	March 3, 2012



**Diamcor Mining Inc.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the year ended March 31, 2010

**9. SHARE CAPITAL** (continued from previous page)

**Warrants (continued)**

	March 31, 2010	March 31, 2009
Balance, beginning of year	1,064,200	643,007
Exercise of warrants	(53,463)	(21,177)
Expiry of warrants	(568,366)	-
Issuance of warrants	989,721	442,370
Broker warrants	98,775	-
Balance, end of year	1,530,867	1,064,200

**Stock options**

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

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

	March 31 2010		March 31 2009	
	Number of options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	767,500	\$ 0.56	817,500	\$ 0.56
Options Expired	-	-	(50,000)	\$0.50
Outstanding, end of year	767,500	\$ 0.56	767,500	\$ 0.56
Exercisable, end of period	767,500	\$ 0.56	767,500	\$ 0.56

**Diamcor Mining Inc.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the year ended March 31, 2010

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**9. SHARE CAPITAL** (continued from previous page)

The following stock options were outstanding at March 31, 2010:

Number of options outstanding and exercisable	Exercise Price	Weighted average remaining life	Expiry date
90,000	\$ 1.20	1.00	April 6, 2011
115,000	\$ 0.36	2.00	March 1, 2012
182,500	\$ 0.50	2.50	September 17, 2012
380,000	\$ 0.50	3.00	March 17, 2013

**Stock-based compensation**

The Company has recognized nil in stock based compensation for the year ended March 31, 2010 (\$227,576 in fiscal year 2009).

There were no stock options granted in the year ended March 31, 2010 or the year ended March 31 2009. Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimated, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

**10. CONTRIBUTED SURPLUS**

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	March 31, 2010	March 31, 2009
Balance, beginning of year	\$ 1,436,107	\$ 1,436,107
Expiry of warrants	568,366	-
Balance	\$ 2,004,473	\$ 1,436,107

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**Diamcor Mining Inc.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the year ended March 31, 2010

**11. RELATED PARTY TRANSACTIONS**

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

	March 31, 2010	March 31, 2009
Salaries and consulting	\$ 369,563	\$ 396,074
Directors fees	72,000	72,000
Office	-	23,384
Performance bonuses	132,000	-
Interest on short term loans	4,261	-

These transactions were in the normal course of operations and were measured at the exchange amounts, which is the amount of consideration established and agreed to by the related parties. As at March 31, 2010, the Company owed \$152,661 (\$184,697 at March 31 2009) to directors of the Company and its subsidiaries, companies controlled by a director, an individual related to a director and to former directors. The fair value of amounts due to or from related parties cannot be determined as there are no specific terms of repayment and no interest is charged.

Additional related party transactions are disclosed in Note 5 to these consolidated financial statements.

**12. INCOME TAXES**

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

	March 31, 2010	March 31, 2009
Net loss for year before taxes	\$ (1,106,840)	\$ (1,068,685)
Computed taxes recovered at statutory rates (28.95%)	\$ (320,507)	\$ (309,913)
Stock based compensation	-	32,990
Other non-taxable items	3,801	34,138
Change in rates	341,245	219,389
Change in valuation allowance	(61,134)	(62,127)
Other (Fx on Consolidation)	(18,066)	(3,704)
Expired losses	66,184	89,227
Income tax (recovery)	\$ 11,523	\$ -

**Diamcor Mining Inc.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the year ended March 31, 2010

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**12. INCOME TAXES** (continued from previous page)

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

	March 31, 2010	March 31, 2009
Property, plant and equipment	\$ 48,617	\$ 62,338
Mineral property expenditures	7,384	11,586
Non-capital losses carry forward	1,255,832	1,279,705
Asset retirement obligations	79,162	98,500
	1,390,995	1,452,129
Less: valuation allowance	(1,390,995)	(1,452,129)
	\$ -	\$ -

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The Company had the following estimated tax pool balances at March 31, 2010:

	2010	2009
Canadian Exploration Expense	\$ 4,605	\$ 4,605
Canadian Development Expense	15,462	22,089
Undepreciated Capital Cost	211,447	173,421
Non-capital loss carry-forward	\$ 5,175,900	\$ 4,060,804

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**Diamcor Mining Inc.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the year ended March 31, 2010

**12. INCOME TAXES** (continued from previous page)

The Company has available for deduction against future taxable income non-capital losses of approximately \$5,175,900 at March 31, 2010 (\$4,060,804 in 2009) which includes losses in its foreign subsidiaries of \$473,507 (\$287,552 in 2009). These losses, if not utilized, will expire commencing 2009 (see table). Subject to certain restrictions, the Company also has resource expenditures available to reduce taxable income in future years. Future tax benefits which may arise as a result of these non-capital losses and resource deductions have not been recognized in these financial statements due to the uncertainty of their ability to be realized.

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

Canadian Tax loss expiry schedule

2011 - \$677,142  
2015 - \$524,480  
2016 - \$365,690  
2026 - \$209,910  
2027 - \$319,507  
2028 - \$605,857  
2029 - \$805,959  
2030 - \$1,667,355

**13. SEGMENTED INFORMATION**

Details of identifiable assets by geographic segments are as follows:

	Total Assets	Property, Plant and Equipment	Cash and Equivalents	Other Assets
March 31, 2010				
Canada	\$ 1,952,121	\$ 38,121	\$ 1,707,027	\$ 206,974
South Africa	467,600	30,836	187,292	249,471
	\$ 2,419,721	\$ 68,957	\$ 1,894,319	\$ 456,445
March 31, 2009				
Canada	\$ 66,281	\$ 55,258	\$ 7,655	\$ 3,368
South Africa	400,763	100,421	52,375	247,967
	\$ 467,044	\$ 155,679	\$ 60,030	\$ 251,335

**Diamcor Mining Inc.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the year ended March 31, 2010

**13. SEGMENTED INFORMATION** (continued from previous page)

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

	Canada	South Africa	Total
Operating costs	-	(20,418)	(20,418)
Amortization and accretion	(69,445)	(18,333)	(87,778)
Taxation	-	(11,523)	(11,523)
Other items	(1,025,705)	27,061	(998,644)
Loss for the year ended March 31, 2010	\$ (1,095,150)	\$ (23,213)	\$ (1,118,363)
Sales	-	-	-
Operating costs	-	(66,389)	(66,389)
Amortization and accretion	(23,649)	(22,365)	(46,014)
Other Items	(936,641)	(19,641)	(956,282)
Loss for year ended March 31, 2009	\$ (960,290)	\$ (108,395)	\$ (1,068,685)

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by management, in deciding how to allocate resources and in assessing performance. All of the Company's operations are within the mining sector. Due to the geographic and political diversity, the Company's mining operations are decentralized whereby mining managers are responsible for business results and regional corporate offices provide support to the mining programs in addressing local and regional issues. The Company's operations are therefore segmented on a geographical basis. The Company's mining properties are all located in South Africa.

**14. FINANCIAL INSTRUMENTS**

Fair values

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

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

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and amounts due to related parties and short term debt. The fair value of these financial instruments approximates their carrying values due to the short term maturities of these items, except for the amounts due to related parties which are disclosed in Note 11.

**Diamcor Mining Inc.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the year ended March 31, 2010

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**14. FINANCIAL INSTRUMENTS** (continued from previous page)

Financial risks

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

a) Credit risk

The Company is exposed to credit risk only with respect to uncertainties as to timing and collectability of receivables. The Company mitigates credit risk through standard credit and reference checks. There are no material financial assets that the Corporation considers past due.

b) Interest rate

The Company is not exposed to any material interest rate risk as the Company's short term debt has a fixed rate of interest.

c) Foreign Current risk

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

The Company's subsidiaries in South Africa operate using principally the US Dollar and the South African Rand and as such may be negatively affected by fluctuations in foreign exchange rates when translating from the currency of measurement of the Company's subsidiary to the Company's reporting currency. The Company's monetary assets and liabilities denominated in South African Rand include cash at bank in the amount of \$187,293 (\$52,375 March 31, 2009), accounts receivable in the amount of \$4,473 (\$7,503 March 31, 2009), the rehabilitation trust fund in the amount of \$37,248 (\$35,554 March 31, 2009), accounts payable in the amount of \$32,399 (\$16,607 March 31, 2009) accrued and taxes payable in the amount of \$18,230 (\$18,889 March 31, 2009). A one cent change in the Southern African Rand would result in Net Income (Loss) changing by approximately \$40,000.

d) Liquidity risk

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

The Company's current financial liabilities of \$1,360,324 are payable within one year. The Company enters into contractual obligations in the normal course of business operations. Management believes the Company's requirements for capital expenditures, working capital and ongoing commitments (including long-term debt and lease obligations) can be financed from existing cash, cash flow provided by operating activities, existing bank loans and by acquiring new project loans.

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**Diamcor Mining Inc.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the year ended March 31, 2010

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## 15. CAPITAL MANAGEMENT

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

The company manages the following as capital:

	March 31, 2010	March 31, 2009
Working capital (deficiency)	\$ 745,442	\$ (523,306)
Long-term debt	98,971	6,754
Shareholders' (deficit)	(960,647)	(133,917)

## 16. SUPPLEMENTARY CASH FLOW INFORMATION

	March 31, 2010	March 31, 2009
Interest paid	\$ 3,600	\$ nil

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

## 17. COMMITMENTS

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

## 18. SALE OF PROPERTY

During fiscal 2010 the Company entered into agreements to sell its 15% stake in So Ver Mine (Pty) Ltd for Rand 600,000 (approximately \$83,100). As of the balance sheet date this amount has not been received and is included in accounts receivable.

In addition the Company entered in an agreement to sell its remaining 85% share of So Ver Mine (Pty) Ltd for Rand 956,250 (approximately \$132,000). As of the balance sheet date approximately \$86,410 remained outstanding and is included in accounts receivable. In addition, the purchasers have agreed to repay to the Company certain taxes paid by So Ver Mine (Pty) Ltd approximating \$19,788. This amount is included in accounts receivable.

Due to certain covenants of the sales not being met at the balance sheet date, \$242,988 has been recorded as deferred income.

## 19. SUBSEQUENT EVENTS

On May 4, 2010 the Company completed a private placement of 5,505,155 units at a price of CND \$0.30 per unit for gross proceeds of \$1,651,547. Each unit consists of one Company common share, and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at an exercise price of \$0.50 until May 4, 2012.

In conjunction with the closing of the second tranche of this financing, the Company will pay finder's fees of \$127,575 in cash and issue 369,962 broker warrants, with each broker warrant entitling the holder thereof to purchase a share at a price of \$0.50 per share until May 4, 2011.

On June 2, 2010 the Company repaid its short term borrowings as per the terms of the agreement dated December 2, 2009.

On June 2, 2010 the Company issued to certain officers, directors, employees, and consultants 2,900,000 share purchase options exercisable at a price of \$0.30 each for a period of 5 years expiring June 2, 2015.

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