



Consolidated Financial Statements

**For the Year Ended
March 31, 2015**

Independent Auditors' Report

To the Shareholders of Diamcor Mining Inc.:

We have audited the accompanying consolidated financial statements of Diamcor Mining Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at March 31, 2015 and 2014, and the consolidated statements of loss and comprehensive loss, changes in equity, and cash flows, for the years then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Diamcor Mining Inc. and its subsidiaries as at March 31, 2015 and 2014, and their financial performance, and their cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Calgary, Alberta
July 28, 2015

MNP LLP
Chartered Accountants

Diamcor Mining Inc.
Consolidated Statements Of Financial Position

As at:	March 31 2015	March 31 2014
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 2,042,886	\$ 3,671,238
Accounts receivable	189,265	294,918
Inventory (Note 2)	142,319	294,300
Prepays	57,909	88,855
Assets held for sale (Note 15)	51,728	51,975
	2,484,107	4,401,286
NON CURRENT		
REHABILITATION TRUST FUND (Note 5)	28,104	28,238
RESTRICTED CASH (Note 18)	466,144	208,874
PROPERTY, PLANT AND EQUIPMENT (Note 3)	7,905,911	4,505,090
EXPLORATION AND EVALUATION ASSETS (Note 3, 4)	-	2,356,547
DEFERRED TAXES	-	295,665
Total assets	\$ 10,884,266	\$ 11,795,700
LIABILITIES		
CURRENT		
Accounts payable (Note 16)	\$ 671,968	\$ 1,251,914
Decommissioning liability (Note 7)	369,053	358,304
Current portion of long term debt (Note 6)	908,513	1,656,228
Deferred income (Note 15)	162,628	163,406
	2,112,162	3,429,852
NON CURRENT		
LONG TERM DEBT (Note 6)	5,934,750	5,608,860
DECOMMISSIONING LIABILITY (Note 7)	222,704	129,116
DEFERRED TAXES (note 17)	23,294	-
DUE TO NOZALA INVESTMENTS (Note 6)	1,107,620	985,732
	9,400,530	10,153,560
Equity		
Equity attributable to owners of the parent		
Share capital (Note 8)	21,500,397	19,379,886
Contributed surplus (Note 9)	7,827,284	7,902,484
Warrants (Note 8)	2,363,495	1,446,593
Accumulated other comprehensive loss	(2,216,933)	(1,932,155)
Deficit	(25,498,744)	(23,560,651)
	3,975,499	3,236,157
Non-controlling interests	(2,491,763)	(1,594,017)
Total equity	1,483,736	1,642,140
Total liabilities and equity	\$ 10,884,266	\$ 11,795,700

COMMITMENTS (Note 14)

SUBSEQUENT EVENTS (Note 19)

On behalf of the board

"Dean Taylor"

Director

"Sheldon Nelson"

Director

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

Diamcor Mining Inc.
Consolidated Statements Of Loss and Comprehensive Loss

	For the year ended March 31, 2015	For the year ended March 31, 2014
SALES	\$ 3,073,905	\$ 4,287,129
OPERATING EXPENSES	2,396,309	1,388,643
NET INCOME FROM OPERATING ACTIVITIES	677,596	2,898,486
GENERAL AND ADMINISTRATIVE EXPENSES		
Accretion and depreciation (note 3 and 7)	942,088	735,605
Consulting fees	200,504	183,774
Insurance	69,509	57,091
Interest and bank charges	698,868	723,767
Office	215,199	158,073
Professional fees	239,731	170,687
Promotion and investor relations	102,883	199,547
Salaries and wages	963,437	1,112,712
Stock-based compensation (Note 8)	-	3,467,590
Transfer agent and regulatory fees	50,626	82,230
Royalties	15,367	21,439
Travel	147,308	165,054
	3,645,520	7,077,569
LOSS FROM OPERATIONS	\$ (2,967,924)	\$ (4,179,083)
OTHER INCOME AND EXPENSES		
Interest and other Income	27,662	9,389
Gain (loss) on sale of assets	113,947	(13)
Foreign exchange	12,398	85,827
	154,007	95,203
LOSS BEFORE INCOME TAX	(2,813,917)	(4,083,880)
Deferred tax expense (recovery) (note 17)	312,385	(390,807)
NET LOSS FOR THE YEAR	\$ (3,126,302)	\$ (3,693,073)
OTHER COMPREHENSIVE LOSS		
Foreign currency translation gain (loss)	\$ 5,685	\$ (389,575)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	\$ (3,120,617)	\$ (4,082,648)
Total net loss attributable to:		
Non-controlling interests	\$ (1,188,209)	\$ (388,903)
Equity holders of parent	(1,938,093)	(3,304,170)
	\$ (3,126,302)	\$ (3,693,073)
Total comprehensive Income (loss) attributable to:		
Non-controlling interests	\$ (897,746)	\$ (88,068)
Equity holders of parent	\$ (2,222,871)	\$ (3,994,580)
	\$ (3,120,617)	\$ (4,082,648)
Loss per share - basic and diluted (Note 8)	\$ (0.05)	\$ (0.09)

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

Diamcor Mining Inc.
Consolidated Statements Of Cash Flows

	For the year ended March 31, 2015	For the year ended March 31, 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	\$ (3,126,302)	\$ (3,693,073)
Items not affecting cash		
Accretion and depreciation (Note 3 & 7)	942,088	735,605
Stock-based compensation (Note 8)	-	3,467,590
Gain (loss) on sale of assets	(113,947)	-
Deferred tax (recovery) expense	312,385	(390,807)
Interest on long term debt	692,909	718,287
Changes in non-cash working capital		
Accounts payable	(579,946)	789,089
Taxes payable	-	-
Accounts receivable	105,653	(60,398)
Inventory	151,981	(206,508)
Prepays	30,946	(77,715)
Cash flow (used in) generated by operating activities	(1,584,233)	1,282,070
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on disposal of property, plant and equipment	317,291	-
Purchase of property, plant and equipment and exploration and evaluation assets (Note 3 & 4)	(2,105,598)	(150,525)
Cash flow used in investing activities	(1,788,307)	(1,851,678)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	(990,211)	(1,485,316)
Increase in restricted cash not available for operations	(257,270)	(208,874)
Proceeds from issuance of share capital net of issue costs (Note 8)	2,962,213	5,274,984
Cash flow generated by financing activities	1,714,732	3,580,794
Effect of change in exchange rate for cash	29,456	(133,570)
(Decrease) Increase in cash and cash equivalents	(1,628,352)	2,877,616
Cash and cash equivalents - beginning of year	3,671,238	793,622
Cash and cash equivalents - end of period	\$ 2,042,886	\$ 3,671,238

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

DIAMCOR MINING INC.

Consolidated Statement Of Changes In Equity

	Share Capital	Contributed Surplus	Warrants	Deficit	Accumulated Other Comprehensive Loss	Non-controlling Interests	Total Shareholders' Equity
Balance - March 31, 2013	13,229,975	4,460,494	-	(20,256,481)	(1,241,745)	(1,505,949)	(5,313,706)
Conversion of debt	2,295,920	-	-	-	-	-	2,295,920
Private placement	4,019,318	-	1,446,593	-	-	-	5,465,911
Share issuance costs	(214,927)	-	-	-	-	-	(214,927)
Issuance of options (Note8)	-	3,467,590	-	-	-	-	3,467,590
Exercise of options (Note 8)	49,600	(25,600)	-	-	-	-	24,000
Net loss for the year	-	-	-	(3,304,170)	-	(388,903)	(3,693,073)
Other comprehensive loss	-	-	-	-	(690,410)	300,835	(389,575)
Balance - March 31, 2014	19,379,886	7,902,484	1,446,593	(23,560,651)	(1,932,155)	(1,594,017)	1,642,140
Private placement	2,216,698	-	916,902	-	-	-	3,133,600
Share issuance costs	(241,887)	-	-	-	-	-	(241,887)
Exercise of options (Note 8)	145,700	(75,200)	-	-	-	-	70,500
Net loss for the year	-	-	-	(1,938,093)	-	(1,188,209)	(3,126,302)
Other comprehensive loss	-	-	-	-	(284,778)	290,463	5,685
Balance - March 31 2015	21,500,397	7,827,284	2,363,495	(25,498,744)	(2,216,933)	(2,491,763)	1,483,736

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

Diamcor Mining Inc.

Notes To The Consolidated Financial Statements

For the year ended March 31, 2015 and March 31, 2014

1. Nature Of Operations

Diamcor Mining Inc. (the "Company") was incorporated under the Company Act of British Columbia, now the Business Corporations Act (British Columbia). Its principal business activity is the identification, acquisition, exploration, evaluation, operation, and advancement of unique diamond based resource properties with a specific focus on the mining segment of the diamond industry through its subsidiaries So Ver Mine (Pty) Ltd. ("So Ver"), DMI Minerals South Africa (Pty) Ltd., and DMI Diamonds South Africa (Pty) Ltd. (formally Blue Dust 25 (Pty) Ltd).

These consolidated financial statements were authorized for issuance by the Board of Directors on July 28, 2015. The Company's address is 630, 1620 Dickson Avenue Kelowna, British Columbia V1Y 9Y2, Canada.

Management routinely plans future activities including forecasting future cash flows for its internal use. Management has reviewed their plan with the Directors and has collectively formed a judgment that the Group has adequate resources to continue as a going concern for the foreseeable future, which Management and the Directors have defined as being at least the next 12 months. In arriving at this judgment, Management has prepared the cash flow projections of the Group, which incorporates a detailed cash flow modeling through the current financial year. Directors have reviewed this information provided by Management and have considered the information in relation to the financing uncertainties in the current economic climate and the financial resources available to the Group. The expected cash flows have been modeled based on anticipated revenue streams with debt funding programmed into the model and reducing over time. Sensitivities have been applied to this model in relation to revenues not achieving anticipated levels. Key assumptions used in the future cash flow amounts are selling price and rough diamonds sold in the period and the assumption that the Group will move to full scale operations after completion of trial mining and bulk sampling.

The Directors have considered the: (i) base of investors and debt lenders historically available to the Group; (ii) global capital markets; (iii) sources of Group income; and (iv) cash generation and (v) debt amortization levels. Considering the above, Management and Directors are satisfied that the Group has access to adequate resources to continue as a going concern for at least the next 12 months.

For these reasons, they continue to adopt the going concern basis in preparing the consolidated financial statements.

2. Basis Of Preparation And Statement Of Compliance

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

2.1. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as at March 31, 2015. Subsidiaries are fully consolidated. The financial statements of the subsidiaries are prepared for the same reporting period as the Group, using consistent accounting policies. All intra-group balances, transactions and unrealized gains and losses resulting from intra-group transactions are eliminated in full. Where the ownership of a subsidiary is less than 100%, and therefore a non-controlling interest exists, any losses of that subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

Details of the Group's subsidiaries as at March 31, 2015 are as follows:

Name	Place of Incorporation	Interest	Operations	Functional Currency
DMI Diamonds South Africa (Pty) Ltd.	South Africa	100%	Active	South African Rand
DMI Minerals South Africa (Pty) Ltd.	South Africa	70%	Active	South African Rand
So Ver Mine (Pty) Ltd.	South Africa	85%	Dormant	South African Rand

DMI Minerals South Africa (Pty) Ltd. is the only entity involved in the incidental recovery of rough diamonds as a result of ongoing operations. DMI Diamonds South Africa (Pty) Ltd. was incorporated for the purpose of leasing mining and production equipment to DMI Minerals South Africa (Pty) Ltd. So Ver Mine (Pty) Ltd. was sold during fiscal 2010 and is awaiting satisfaction of certain sale covenant requirements (see Note 15).

Diamcor Mining Inc.

Notes To The Consolidated Financial Statements

For the year ended March 31, 2015 and March 31, 2014

2. Basis Of Preparation And Statement Of Compliance *(continued)*

2.2 Significant accounting judgments, estimates and assumptions

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

Exploration and evaluation assets

Certain direct costs related to the acquisition, advancement and exploration of the mining properties are capitalized until the technical feasibility and commercial viability of the property is determined. Viability of the project is determined using management's assessment of several factors including operational levels, mineral recovery levels, attainment of required mining permits, and other relevant factors. Until technical feasibility and commercial viability is achieved, the Group will continue to follow their significant accounting policy for exploration and evaluation assets. The timing of commercial viability also has an impact on the going concern assumption. Currently, the Group anticipates a final decision to a move to full scale mining and commercial levels of operations in 2015/16 after performing an economic assessment.

Mining Property

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 Group 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.

Reserve and resource estimates

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

Impairment of non-financial assets

The Group assesses each cash generating unit annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. As at March 31, 2015, there were no indicators of impairment based on the following factors:

- a. The mining rights are not expected to expire in the near term;
- b. The Group is continuing with further advancement and development of the property and acquiring further property, plant and equipment; and
- c. Current information suggests there are significant inferred resources that demonstrate the potential to deliver future economic benefits.

Recovery of deferred tax assets

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

Diamcor Mining Inc.

Notes To The Consolidated Financial Statements

For the year ended March 31, 2015 and March 31, 2014

2. Basis Of Preparation And Statement Of Compliance *(continued)*

Provisions

In the determination of provisions, management is required to make a significant number of estimates and assumptions with respect to activities that will occur in the future including the ultimate amounts and timing of settlements, inflation factors, risk-free discount rates, and expected changes in legal, regulatory, environmental and political environments. A change in any one of the assumptions could impact the estimated future obligations and in return, profit or loss, and in the case of decommissioning liability, property, plant and equipment.

2.3 Summary of significant accounting policies

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and at hand and short term deposits with an original maturity of three months or less.

Inventory

Rough diamonds are physically measured or estimated and valued at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of selling the final product. Cost is determined by the weighted average method and comprises direct purchase costs and an appropriate portion of fixed and variable overhead costs incurred in converting materials into finished goods. At March 31, 2015, there was \$142,319 (March 31 2014 - \$294,300) in rough diamond inventory.

Exploration and evaluation assets

Management has elected to capitalize to exploration and evaluation assets certain expenditures, namely professional fees, site sampling costs, and mining rights until the commencement of commercial production. All assets included in exploration and evaluation assets have been transferred to property, plant and equipment. Capitalized expenditures are not depreciated until the assets are ready for their intended use and after sustainable production levels have been achieved.

Impairment is tested in the same way as other non-financial assets. The recorded cost of mineral claims and exploration costs represents costs incurred and are not intended to reflect present or future values. The ultimate recovery of such capitalized costs is dependent upon the discovery and development of economic reserves or the sale of mineral rights. Exploration and evaluation assets are assessed for impairment upon the transfer of property, plant and equipment.

Property, plant and equipment

Items of property, plant and equipment and mine properties are stated at cost, less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprise its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning liability, and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value

of any other consideration given to acquire the asset. When a mine construction project moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalization relating to mining asset additions or improvements or mineable reserve development.

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

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

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

2. Basis Of Preparation And Statement Of Compliance *(continued)*

2.3 Summary of significant accounting policies *(continued)*

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

Impairment of non-financial assets

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

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

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

Decommissioning liability

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

Foreign currency translation

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

Diamcor Mining Inc.
Notes To The Consolidated Financial Statements
For the year ended March 31, 2015 and March 31, 2014

2. Basis Of Preparation And Statement Of Compliance *(continued)*

2.3 Summary of significant accounting policies *(continued)*

The financial results of Group entities that have a functional currency different from the presentation currency are translated into the presentation currency. The presentation currency of the Company is Canadian Dollars. The functional currency of all of the subsidiaries is the South African Rand. Income and expenditure transactions of foreign operations are translated at the average rate of exchange for the year except for significant individual transactions which are translated at the rate of exchange in effect at the transaction date.

All assets and liabilities, including fair value adjustments are translated into the presentation currency at the rate of exchange ruling at the reporting date. Differences arising on translation from the reporting date are recognized as other comprehensive loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains or losses arising from such a monetary item are considered to form part of the net investment in a foreign operation and are recognized in other comprehensive loss. On disposal of part or all of the operations, the proportionate share of the related cumulative gains and losses previously recognized in other comprehensive loss through the consolidated statement of loss and comprehensive loss are included in determining the profit or loss on disposal of that operation recognized in profit or loss.

Financial instruments

Financial instruments are classified as at fair value through profit or loss, loans and receivables, held-to-maturity, available-for-sale, other financial liabilities or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial instruments at initial recognition. All financial instruments are recognized initially at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

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

Financial instruments at fair value through profit or loss

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

Loans and receivables

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

Other financial liabilities

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

Equity instruments

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

Income taxes

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

Diamcor Mining Inc.
Notes To The Consolidated Financial Statements
For the year ended March 31, 2015 and March 31, 2014

2. Basis Of Preparation And Statement Of Compliance *(continued)*

2.3 Summary of significant accounting policies *(continued)*

Current income tax

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

Deferred tax

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

Deferred tax liabilities:

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

Deferred tax assets:

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

Revenue recognition

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

Stock-based compensation

The Group uses the fair value method of accounting for all stock-based compensation, including options granted under the Group's incentive stock option plan. Compensation expense for options granted is determined based on the estimated fair values of the stock options at the time of grant, the cost of which is recognized over the vesting periods of the respective options.

Stock-based compensation expense is recorded as a charge to operations with a corresponding credit to contributed surplus. Consideration paid for shares on the exercise of options is credited to share capital. In the event that vested options expire, previously recognized compensation expense associated with such stock options is not reversed.

Loss per share

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

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

Assets held for sale

Certain property, plant and equipment have been listed for sale and reclassified as assets held for sale on the consolidated statement of financial position. There assets are expected to be sold within a twelve month period. Assets held for sale are valued at the lower of carrying value and fair value less cost of disposal.

Diamcor Mining Inc.
Notes To The Consolidated Financial Statements

For the year ended March 31, 2015 and March 31, 2014

2. Basis Of Preparation And Statement Of Compliance *(continued)*

2.3 Summary of significant accounting policies *(continued)*

New and amended accounting standards

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC"). The Group intends to adopt those standards when they become effective. The Group has yet to assess the full impact of these standards.

- IFRS 15, "Revenue from contracts with customers", replaces the existing revenue recognition guidance with a new framework to determine the timing and measurement of revenue, providing users of the financial statements more information and relevant disclosures. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Group has not yet assessed the impact of the new standard.
- IFRS 9, "Financial Instruments", addresses requirements for the classification and measurement of financial instruments, impairment methodology and hedge accounting. The IASB set a mandatory effective date for annual periods beginning on or after January 1, 2018. The Group has not yet assessed the impact of the new standard.

Effective April 1, 2014, the Group adopted the following standards

IAS 32, "Financial Instruments – presentation". Amendments to IAS 32 provides clarification on the application of the offsetting rules. The amendment was effect and adopted by the Group as of April 1, 2014. The adoption of the standard did not have a material effect on the Group.

3. Property, Plant and Equipment

	<i>Plant and Equipment</i>	<i>Motor Vehicles</i>	<i>Office Equipment</i>	<i>Computers</i>	<i>Leaseholds</i>	Total \$
Cost						
Balance, March 31, 2013	3,999,604	108,672	48,107	60,204	33,090	4,249,677
Additions	1,753,507	13,650	-	1,259	-	1,768,416
Translation adjustments	(205,942)	(5,596)	(846)	(461)	-	(212,845)
Balance, March 31, 2014	5,547,169	116,726	47,261	61,002	33,090	5,805,248
Transfer from exploration and evaluation assets	3,490,844	-	-	-	-	3,490,844
Additions	1,038,604	-	44,956	5,792	-	1,089,352
Disposals	(363,138)	-	-	-	-	(363,138)
Translation adjustments	(37,637)	(556)	(74)	(40)	-	(38,307)
Balance, March 31, 2015	9,675,842	116,170	92,143	66,754	33,090	9,983,999
Accumulated Depreciation						
Balance, March 31, 2013	449,178	44,335	28,114	44,866	33,090	599,583
Depreciation	688,262	25,032	3,330	4,784	-	721,408
Translation adjustments	(18,509)	(2,115)	(154)	(55)	-	(20,833)
Balance, March 31, 2014	1,118,931	67,252	31,290	49,595	33,090	1,300,158
Depreciation	879,896	25,229	9,102	4,063	-	918,290
Disposals	(149,794)	-	-	-	-	(149,794)
Translation adjustments	9,222	97	108	7	-	9,434
Balance, March 31, 2015	1,858,255	92,578	40,500	53,665	33,090	2,078,088
Net book value, March 31, 2014	4,428,238	49,474	15,971	11,407	-	4,505,090
Net book value, March 31, 2015	7,817,587	23,592	51,643	13,089	-	7,905,911

Diamcor Mining Inc.
Notes To The Consolidated Financial Statements
For the year ended March 31, 2015 and March 31, 2014

4. Exploration and Evaluation Assets

Cost	\$
Balance, March 31, 2013	2,396,692
Additions	83,262
Translation adjustments	(123,407)
Balance, March 31, 2014	2,356,547
Additions	1,016,246
Decommissioning obligation	118,051
Reclassified to property, plant and equipment	(3,490,844)
Balance, March 31, 2015	-

5. Rehabilitation Trust Fund

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

Costs	\$
Balance, March 31, 2013	29,771
Translation adjustments	(1,533)
Balance, March 31, 2014	28,238
Translation adjustments	(134)
Balance, March 31, 2015	28,104

6. Long-Term Debt and Due to Nozala Investments

Long-term debt

Long-term debt consists of the following:

	March 31, 2015	March 31, 2014
Term loan 1 (a)	1,940,419	2,767,066
Term loan 2 (b)	2,941,706	2,698,813
Convertible debenture 2 (c)	1,961,138	1,799,209
Total debt including accrued interest	6,843,263	7,265,088
Less: current portion due in one year	908,513	1,656,228
Long-term portion	5,934,750	5,608,860

- a) Term loan 1 was issued in March 2011, beared an interest at an annual fixed rate of 7% and had a 5-year term with payments commencing in April 2013. On December 1, 2014, the Group and Tiffany & Co. agreed to defer any remaining payments on the loan until January 2016. Additionally the interest rate on the loan will be increased to 9%, at which time the principal and interest is payable monthly at \$136,832 in accordance with a 16-month amortization schedule. The Group has the right to repay the outstanding principal and any accrued and unpaid interest under this loan at any time without notice or penalty.
- b) Term loan 2 was issued in November 2012, bears interest at an annual fixed rate of 9% and had a 5-year term with payments expect to start in January 2014. On February 4 2014 and again on December 31, 2014, the Group and Tiffany & Co. agreed to defer any payments on the \$2,400,000 term loan until January 2016. This loan is secured by a promissory note until January 2016, at which time principal and interest is payable monthly at \$99,603 in accordance with a 36-month amortization schedule. The Group has the right to repay the outstanding principal and any accrued and unpaid interest under this loan at any time without notice or penalty.

Diamcor Mining Inc.
Notes To The Consolidated Financial Statements
For the year ended March 31, 2015 and March 31, 2014

6. Long-Term Debt and Due To Nozala Investments *(continued)*

- c) Convertible debenture 2 was issued in November 2012, bears interest at an annual fixed rate of 9% and had a 5-year term. On February 4, 2014 and again on December 1, 2014 the Group and Tiffany & Co. agreed to defer any payments on the \$1,600,000 convertible debenture until January 2016. The Group will be required to make blended monthly payments of \$66,402 commencing in January 2016. The principal amount and accrued interest is convertible by the holder into common voting shares of the Group at \$1.60 per share. The value attributed to the equity conversion option was nil. The Group has the right to repay the outstanding principal and any accrued and unpaid interest, without penalty, on not less than 30 days' notice and subject to the conversion rights contained in the convertible debenture.

Term loan 1 and 2 and convertible debenture 2 are secured by a general security agreement which states the loans are secured by 100% of the general assets of the Group.

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

2015-2016	908,513
2016-2017	3,634,054
2017-2018	2,128,898
2018-2019	1,494,049

Due to Nozala Investments

The amount due to Nozala Investments of \$1,107,620 CAD (March 31, 2014 - \$985,732 CAD, carries a floating interest rate of 12.25% (South African prime plus 3%), unsecured), currently has no set terms of repayment and is not expected to be repaid in the current year. The loan amount received is principally being used for the ongoing operations of DMI Minerals South Africa (Pty) Ltd., including the purchase of certain mineral rights and assets from De Beers Consolidated Mines Limited. The loan is denominated in South African Rand and no payments were made in the year ended March 31, 2015 or the year ended March 31, 2014.

7. Decommissioning Liability

The total decommissioning liability was based on the Group's estimated costs to reclaim and abandon the mines and facilities. The Group has estimated the costs related to the decommissioning liability based on the South African Department of Mineral Reserves estimate of required decommissioning costs, adjusted for inflation. The Group has estimated the net present value of the decommissioning obligation to be \$591,757 (March 31, 2014 - \$487,223) based on an undiscounted total future liability of \$619,338. The decommissioning liability was based on using an inflation rate of 3.00 - 4.50%. The long-term portion of the liability was discounted using a risk free rate of 6.00%. These costs are expected to be incurred in approximately 10 years. Upon the completion of the sale of So Ver, the decommissioning liability of \$369,053 (March 31, 2014 - \$358,304) will be eliminated. (See note 17)

An amount equivalent to \$28,104 (March 31, 2014 - \$28,238) has been deposited with the South African Department of Mineral Resources in respect of decommissioning costs (Note 5).

The continuity of the decommissioning as at March 31, 2015

	March 31, 2015	March 31, 2014
Balance, beginning of year	\$ 487,420	\$ 473,223
Change in estimate	118,051	-
Accretion recorded during the year	23,798	14,197
Translation adjustment	(37,512)	-
	591,757	487,420
Less: current portion of decommissioning liability	369,053	358,304
	\$ 222,704	\$ 129,116

Diamcor Mining Inc.
Notes To The Consolidated Financial Statements
For the year ended March 31, 2015 and March 31, 2014

8. Share Capital

	Number of Shares	Amount
Authorized:		
Unlimited common voting shares, no par value		
Issued:		
Balance, March 31, 2013	30,493,667	\$ 13,229,975
Conversion of debt (a)	3,061,227	2,295,920
Private placement (b)(f)(g)	4,074,342	4,019,318
Share issuance costs		(214,927)
Exercise of options (c)(d)(e)	80,000	49,600
Balance, March 31, 2014	37,709,236	\$ 19,379,886
Exercise of options (h)(i)(j)	235,000	145,700
Private Placement (k)	3,133,600	2,216,698
Share issuance costs	-	(241,887)
Balance, March 31, 2015	41,077,836	\$ 21,500,397

The weighted average number of shares outstanding for the period was 38,659,442 (34,890,752 in fiscal year 2014).

- a) Conversion of debt at a price of \$0.75, conversion amount was \$2,295,920 on April 8th 2013
- b) Private placement on June 17, 2013 of 1,587,784 shares at a price of \$1.25 and 817,038 warrants at an exercise price of \$1.75 The warrants were assigned a value of \$556,525
- c) 25,000 options were exercised at a price of \$0.30 by a consultant to the Group on September 17th, 2013
- d) 40,000 options were exercised at a price of \$0.30 by an employee of the Group on December 23th, 2013
- e) 15,000 options were exercised at a price of \$0.30 by an employee of the Group on January 7th, 2014
- f) Private placement on March 11, 2014 consisting of 2,147,858 shares at a price of \$1.40 and 1,188,400 warrants at an exercise price of \$1.80. The warrants were assigned a value of \$769,558.
- g) Private placement on March 21, 2014 consisting of 338,700 shares at a price of \$1.40 and 169,350 warrants at an exercise price of \$1.80. The warrants were assigned a value of \$120,510.
- h) 10,000 options were exercised at a price of \$0.30 by an employee of the Group on April 10th, 2014
- i) 125,000 options were exercised at a price of \$0.30 by a consultant of the Group on June 2nd, 2014
- j) 100,000 options were exercised at a price of \$0.30 by a director of the Group on September 17th, 2014
- k) Private Placement on December 30, 2014 of 3,133,600 shares at a price of \$1.00 and 1,745,816 warrants at an exercise price of \$1.25 The warrants were assigned a value of \$916,902

Diamcor Mining Inc.
Notes To The Consolidated Financial Statements
For the year ended March 31, 2015 and March 31, 2014

8. Share Capital (continued)

Warrants

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

	March 31, 2015		March 31, 2014	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	2,174,788	\$ 1.78	-	\$ -
Warrants issued	1,745,816	\$ 1.25	2,174,788	\$ 1.78
Outstanding, end of period	3,920,604	\$ 1.54	2,174,788	\$ 1.78
Exercisable, end of period	3,920,604	\$ 1.54	2,174,788	\$ 1.78

	March 31, 2015	March 31, 2014
Balance, beginning of year	\$ 1,446,593	\$ -
Warrants issued	916,902	1,446,593
Balance, end of period	\$ 2,363,495	\$ 1,446,593

There were 1,745,816 stock warrants issued in the year ended March 31, 2015. (2,174,788 March 31 2014). The warrant valuation was calculated using the Black-Scholes pricing model with the following assumptions: zero dividend yield, expected volatility of 74% and risk free rate of 1.07%. Warrant 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 Group's warrants.

The following warrants were outstanding at March 31, 2015:

Number of warrants outstanding and exercisable	Exercise Price	Weighted average remaining life	Expiry date
817,038	\$ 1.75	1.21	June 17, 2016
1,188,400	\$ 1.80	1.95	March 11, 2017
169,350	\$ 1.80	1.97	March 21, 2017
1,745,816	\$ 1.25	2.50	December 30, 2017

Stock options

The Group adopted a formal stock option plan in December 21, 2013 and follows the TSX Venture Exchange (the "Exchange") policy under which it is authorized to grant options to directors, employees and consultants to acquire up to 7,033,535 of its issued and outstanding common stock. Under the policy, the exercise price of each option is equal to the market price of the Group'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.

Diamcor Mining Inc.
Notes To The Consolidated Financial Statements
For the year ended March 31, 2015 and March 31, 2014

8. Share Capital (continued)

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

	March 31 2015		March 31 2014	
	Number of options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	6,768,333	\$ 0.77	3,848,333	\$ 0.33
Options expired	(150,000)	\$1.50	-	-
Options issued	-	-	3,000,000	\$ 1.33
Options exercised	(235,000)	\$0.30	(80,000)	\$ 0.30
Outstanding, end of year	6,383,333	\$ 0.77	6,768,333	\$ 0.77
Exercisable, end of year	6,383,333	\$ 0.77	6,768,333	\$ 0.77

The following stock options were outstanding at March 31, 2015:

Number of options outstanding and exercisable	Exercise Price	Weighted average remaining life	Expiry date
2,233,333	\$ 0.30	0.18	June 2, 2015
1,200,000	\$0.38	1.03	April 8, 2016
100,000	\$0.32	1.69	December 8, 2016
1,550,000	\$1.25	3.35	August 6, 2018
1,300,000	\$1.40	4.00	March 31, 2019

The following stock options were outstanding at March 31, 2014:

Number of options outstanding and exercisable	Exercise Price	Weighted average remaining life	Expiry date
2,468,333	\$ 0.30	1.17	June 2, 2015
1,200,000	\$0.38	2.02	April 8, 2016
100,000	\$0.32	2.69	December 8, 2016
150,000	\$1.50	2.09	May 1, 2016
1,550,000	\$1.25	4.35	August 6, 2018
1,300,000	\$1.40	5.00	March 31, 2019

Stock-based compensation

The Group has recognized \$nil in stock-based compensation for the period ended March 31, 2015 (\$3,467,590 in fiscal year 2014) as the options granted in 2014 vested immediately.

There were no options issued by the Group in the year ended March 31, 2015 (3,000,000 in fiscal year 2014). The option valuation in fiscal 2014 was calculated using the Black-Scholes pricing model with the following assumptions: zero dividend yield, expected volatility between 120-131% and risk free rate between 1.71-1.77%. 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 Group's stock options.

Diamcor Mining Inc.
Notes To The Consolidated Financial Statements
For the year ended March 31, 2015 and March 31, 2014

9. Contributed Surplus

	\$
Balance, March 31, 2013	4,460,494
Exercise of options	(25,600)
Issuance of options	3,467,590
Balance, March 31, 2014	7,902,484
Exercise of Options (note 8)	(75,200)
Balance, March 31, 2015	7,827,284

10. Related Party Transactions

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

	March 31, 2015	March 31, 2014
Salaries and consulting	\$654,000	\$599,000
Stock based compensation	-	2,809,935
Directors fees	68,000	66,000
Performance bonuses	200,000	418,000

As at March 31, 2015, the Group owed \$313,582 (March 31, 2014 - \$218,367) to directors of the Group and companies controlled by a director.

These transactions were in the normal course of operations and are measured at fair value.

11. Segmented Information

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

Details of identifiable assets by geographic segments are as follows:

	Total Assets	Property, Plant and Equipment	Exploration and Evaluation Assets	Cash and Equivalents and Restricted Cash	Other Assets
March 31, 2015					
Canada	\$ 1,425,124	\$ 9,765	\$ -	\$ 1,326,761	\$ 88,598
South Africa	9,459,142	7,896,146	-	1,182,269	380,727
	\$ 10,884,266	\$ 7,905,911	\$ -	\$ 2,509,030	\$ 469,325
March 31, 2014					
Canada	\$ 2,376,680	\$ 10,486	\$ -	\$ 2,281,348	\$ 84,846
South Africa	9,419,020	4,494,604	2,356,547	1,598,764	969,105
	\$ 11,795,700	\$ 4,505,090	\$ 2,356,547	\$ 3,880,112	\$ 1,053,951

12. Financial Instruments

Fair values

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Group 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 data.

The Group's financial instruments consist of cash and cash equivalents, restricted cash, accounts receivable, accounts payable, amounts due to Nozala Investments and long-term debt. The fair value of cash and cash equivalents, accounts receivable and accounts payable approximate their carrying values due to the short term maturities of these items. The fair value of the Nozala Investments loan approximates its carrying value as the debt rate floats with prime. The fair value of the long-term debt approximates its carrying value as the interest rate is a market rate for similar instrument

The Group's cash and cash equivalents have been assessed on the fair value hierarchy described above; cash and cash equivalents and restricted cash are classified as Level 1.

Financial risks

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

The accounts receivable ageing amounts are as follows:

0-30 days past due but not impaired	\$126,565
90 days past due	-
<u>120+ days past due but not impaired</u>	<u>\$ 62,700</u>
Total	\$189,265

b) Interest rate

The Group is not exposed to any material interest rate risk as the Group's long term debt has a fixed rate of interest, except for the Nozala Investments loan which has a variable rate of interest of South African prime rate plus 3%. A 1% change in the South African prime rate would result in interest expense changing by approximately \$11,000.

Diamcor Mining Inc.
Notes To The Consolidated Financial Statements

For the year ended March 31, 2015 and March 31, 2014

12. Financial Instruments *(continued)*

Financial risks *(continued)*

c) Foreign Currency risk

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

The Group'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 Group's subsidiary to the Group's reporting currency. The Group's monetary assets and liabilities denominated in South African Rand include:

	March 31, 2015	March 31, 2014
Cash and cash equivalents and restricted cash	\$1,182,269	\$1,598,764
Accounts receivable	118,753	221,990
Prepays	39,823	76,935
Rehabilitation trust fund	28,104	28,238
Accounts payable	225,493	794,220
Long term debt	1,107,620	985,732

A 5% change in the South African Rand would result in other comprehensive loss changing by approximately \$142,000.

d) Liquidity risk

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

The Group's current financial liabilities of \$1,580,481 are payable within one year. The Group enters into contractual obligations in the normal course of business operations. Management believes the Group's requirements for capital expenditures, working capital and ongoing commitments (including long-term debt) can be financed from existing cash, issuing equity, cash flow provided by operating activities, existing bank loans and by acquiring new project loans.

The table below summarizes the maturity profile of the Group's financial liabilities as at March 31, 2015 based on contractual undiscounted payments:

	Current	Fiscal 2016	Fiscal 2017	Fiscal 2018
Accounts payable	671,968	-	-	-
Long-term debt	908,513	3,634,054	2,128,898	1,494,049
	\$1,580,481	\$3,634,054	\$2,128,898	\$1,494,049

Diamcor Mining Inc.
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13. Capital Management

The Group'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 Group 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 Group, from time-to-time, may adjust capital spending, issue new common shares, issue new debt or repay existing debt. The Group's capital is not subject to any restrictions.

The Group manages the following as capital:

	March 31, 2015	March 31, 2014
Working capital	793,989	1,352,314
Long-term debt	6,843,263	7,265,088
Shareholders' equity	1,483,736	1,642,140

Working capital is calculated based on current assets less current liabilities, excluding prepaids, assets held for sale, deferred income and decommissioning liability.

14. Commitments

The Group has a commitment to lease office space at a rate of \$3,364 per month. The lease expires in May, 2017. The minimum lease payments under this lease are \$40,368 per year.

15. Sale of Property

During fiscal 2010, the Group entered into agreements to sell its 15% stake in So Ver Mine (Pty) Ltd for South African Rand 600,000 (approximately \$62,700) As at the consolidated statement of financial position date this amount has not been received and is included in accounts receivable. In addition, the Group entered in an agreement to sell its remaining 85% share of So Ver Mine (Pty) Ltd for South African Rand 956,250 (approximately \$99,928). These monies have been collected and are non-refundable.

Due to certain covenants on both sales not being met at the reporting date, \$162,628 (March 31, 2014 - \$163,406) has been recorded as deferred income.

Only July 23, 2014 the Group formally notified the purchasers of So Ver Mine (Pty) that they are in breach of the purchase agreement entered into in fiscal 2010; as such the Group will seek to have the purchaser vacate the property. The Group expects to have resolution of the matter in fiscal 2016.

16. Accounts Payable

Trade and other payables consist of the following components:

	March 31, 2015	March 31, 2014
Trade Payables	326,893	923,559
Salary and benefits	345,075	328,355
	671,968	1,251,914

Trade payables are non-interest bearing and are normally settled on 30 day terms.

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For the year ended March 31, 2015 and March 31, 2014

17. Income Taxes

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

	March 31, 2015	March 31, 2014
Net loss before income taxes	\$(2,814,773)	\$(4,083,880)
Computed taxes recovered at statutory rates 25.00% (2014 – 25.00%)	\$(703,693)	\$(1,020,970)
Stock based compensation	-	866,898
Other non-deductible items	(5,497)	(1,630)
Difference in tax rates	(87,413)	(8,885)
Share issue costs	(56,555)	-
Change in deferred tax asset not recognized	1,158,093	(262,479)
Other (FX on Consolidation)	7,450	36,259
Income tax expense (recovery)	\$312,385	\$(390,807)

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

	March 31, 2015	March 31, 2014
Property, plant and equipment	\$(221,319)	\$(148,323)
Mineral property expenditures	-	5,017
Non-capital losses carry forward	4,463,088	3,644,532
Share issue costs	45,244	-
Decommissioning liabilities	154,620	112,532
	4,442,634	3,613,758
Less: deferred tax asset not recognized	(4,464,927)	(3,318,093)
	(\$23,293)	\$295,665

The Group had the following estimated tax pool balances at March 31, 2015:

	2015	2014
Canadian Exploration Expense	\$4,605	\$4,605
Canadian Development Expense	15,462	15,462
Undepreciated Capital Cost - Canada	198,359	194,860
Undepreciated Capital Cost – South Africa	7,327,483	3,800,259
Non-capital loss carry-forward – Canada	5,005,993	5,450,562
Non-capital loss carry-forward – South Africa	11,105,611	8,096,697

The Group has available for deduction against future taxable income non-capital losses of approximately \$16,111,604 at March 31, 2015 (\$13,547,259 in 2014) which includes losses in its foreign subsidiaries of \$11,105,611 (\$8,096,904 in 2014). Canadian losses, if not utilized, will expire commencing 2014 (see table below). There is no expiry period for losses in the foreign subsidiaries. There is a temporary difference associated with the translation of intercompany loan balances of \$2,370,310 (\$2,388,104 in 2014) resulting in a deferred tax asset of \$296,289 (\$298,513 in 2014) that has not been recognized. Subject to certain restrictions, the Group 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.

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17. Income Taxes (continued)

In assessing the ability of deferred tax assets to be realized, management considers whether it is probable that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

Tax loss expiry schedule for Canadian non-capital loss carry-forward is as follows:

2029	\$149,008
2030	\$991,005
2031	\$1,309,838
2032	\$1,866,197
2033	\$689,945

18. Restricted Cash and Reclassification of Comparative Figures

The comparative figures for fiscal 2014 have been reclassified in order to conform to the current year's financial statement presentation.

The Company had determined that certain amounts are encumbered by a guarantee by Standard Bank of South Africa Limited for certain rehabilitation obligations and electrical guarantees. The encumbered amount as at March 31 2015 was \$466,144 (March 31, 2014 \$208,874). Accordingly, an amount of \$208,874 previously recorded in fiscal 2014 as cash and cash equivalents was reclassified to restricted cash.

19. Subsequent Events

On April 15, 2015 120,000 options were issued to consultants of the Group at an exercise price of \$1.35

On May 26, 2015 100,000 options were exercised at a price \$0.30 by a director of the Group.

On May 26, 2015 1,933,333 options were exercised at a price of \$.30 by officers of the Group.