

DIAMCOR MINING INC.
CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

(Unaudited – See Notice to Reader)

Unaudited Interim Financial Statements

Notice to Reader

The accompanying unaudited interim consolidated financial statements of Diamcor Mining Inc. ("the Company", for the six month period ended September 30, 2006, have been prepared by management and have not been the subject of a review by the Company's external independent auditor.

DIAMCOR MINING INC.
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2006

	SEPTEMBER 30 2006 unaudited	<i>March 31 2006 audited</i>
ASSETS		
CURRENT		
Cash	\$ 50,702	\$ 144,699
Accounts receivable	16,888	28,357
Inventory	77,040	66,334
Prepaid expenses	-	456
	144,630	239,846
PROPERTY, PLANT AND EQUIPMENT <i>(Note 4)</i>	305,724	339,665
MINERAL PROPERTIES <i>(Note 5)</i>	86,374	172,748
FUTURE INCOME TAXES <i>(Note 10)</i>	1,728	1,728
REHABILITATION TRUST FUND <i>(Note 3)</i>	38,748	50,291
	\$ 577,204	\$ 804,278

ON BEHALF OF THE BOARD

"Wayne Wolf" Director

"Barry Conduit" Director

The accompanying notes are an integral part of these consolidated financial statements. These financial statements should be read in conjunction with the audited statements of the year ended March 31 2006.

DIAMCOR MINING INC.
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2006

	SEPTEMBER 30 2006 unaudited	March 31 2006 audited
LIABILITIES		
CURRENT		
Accounts payable	\$ 419,972	\$ 336,423
Taxes payable	8,237	22,988
	428,209	359,411
DUE TO RELATED PARTIES (Note 9)	75,253	111,337
ASSET RETIREMENT OBLIGATION (Note 6)	255,102	240,662
	758,564	711,410
SHAREHOLDERS' (DEFICIENCY)		
Share capital (Note 7)	6,032,093	5,978,333
Contributed surplus (Note 8)	1,116,387	1,008,387
Deficit	(7,329,840)	(6,893,852)
	(181,360)	92,868
	\$ 577,204	\$ 804,278

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)

SUBSEQUENT EVENTS (Note 17)

ON BEHALF OF THE BOARD

"Wayne Wolf" Director

"Barry Conduit" Director

The accompanying notes are an integral part of these consolidated financial statements. These financial statements should be read in conjunction with the audited statements of the year ended March 31 2006.

DIAMCOR MINING INC.

CONSOLIDATED STATEMENTS OF (LOSS) EARNINGS

	For the Three Months Ended September 30 2006	For the Three Months Ended September 30 2005	For the Six Months Ended September 30 2006	For the Six Months Ended September 30 2005
SALES	\$ 164,217	\$ 662,730	\$ 573,517	\$ 254,262
COST OF SALES	<u>223,120</u>	<u>335,709</u>	<u>555,087</u>	<u>705,878</u>
GROSS PROFIT	<u>(58,903)</u>	<u>327,021</u>	<u>18,430</u>	<u>548,384</u>
EXPENSES				
Accretion and amortization	55,998	75,724	121,938	150,960
Consulting fees	73,824	28,068	81,248	20,005
Insurance	2,667	4,514	4,311	8,873
Bank charges and interest	377	595	741	1,479
Management fees	31,332	51,254	65,742	88,482
Office	9,895	16,614	25,579	50,731
Professional fees	9,595	39,709	13,927	31,579
Promotion and investor relations	2,285	11,332	11,289	11,332
Stock based compensation	-	-	108,000	5,200
Transfer agent and regulatory fees	6,778	6,307	7,957	7,981
Travel	2,885	5,381	18,194	10,568
Salaries and wages	<u>378</u>	<u>8,532</u>	<u>4,124</u>	<u>16,561</u>
	196,014	248,030	463,050	403,751
(LOSS) INCOME FROM OPERATIONS	<u>\$ (254,917)</u>	<u>\$ 78,991</u>	<u>\$ (444,620)</u>	<u>\$ 144,633</u>
OTHER INCOME				
Interest and other	7,526	-	8,362	-
Foreign exchange (loss) gain	(8,494)	31,397	(4,432)	(2,349)
Debt settlement gains	<u>-</u>	<u>-</u>	<u>-</u>	<u>397,176</u>
	(968)	31,397	3,930	394,827
(Loss) before income tax	<u>(255,885)</u>	<u>110,388</u>	<u>(440,690)</u>	<u>539,460</u>
Provision for income tax	<u>-</u>	<u>42,806</u>	<u>-</u>	<u>42,806</u>
Net (loss) income	\$ (255,885)	\$ 67,582	\$ (440,690)	\$ 496,654
Deficit, beginning of period	<u>\$ (7,073,957)</u>	<u>\$ (7,008,234)</u>	<u>\$ (6,889,152)</u>	<u>\$ (7,437,306)</u>
Deficit, end of period	\$ (7,329,842)	\$ (6,940,652)	\$ (7,329,842)	\$ (6,940,652)
(Loss) earnings per share – basic	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.02
(Loss) earnings per share – diluted	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.02

The accompanying notes are an integral part of these consolidated financial statements. These financial statements should be read in conjunction with the audited statements of the year ended March 31 2006.

DIAMCOR MINING INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Three Months Ended September 30 2006	For the Three Months Ended September 30 2005	For the Six Months Ended September 30 2006	For the Six Months Ended September 30 2005
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Income (loss)	\$ (255,885)	\$ 67,582	\$ (440,690)	\$ 496,654
Items not affecting cash:				
Accretion and amortization	55,998	75,724	121,938	150,960
Stock based compensation	-	-	108,000	5,200
Future income tax	-	42,806	-	42,806
Foreign exchange	17,532	(108)	30,685	3,394
Debt settlement gains	-	-	-	(397,176)
	<u>(182,355)</u>	<u>186,004</u>	<u>(180,067)</u>	<u>301,838</u>
Changes in non-cash working capital items:				
Accounts receivables	35,109	(216,005)	11,469	(181,739)
Inventory	3,802	(50,221)	(10,706)	(5,406)
Accounts payable	91,523	(92,695)	83,549	188,610
Taxes payable	(7,238)	(1,404)	(14,751)	(7,214)
Prepaid expenses	-	4,205	456	8,410
	<u>(59,141)</u>	<u>(170,116)</u>	<u>(110,050)</u>	<u>304,499</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Property, plant and equipment	(1,623)	(7,815)	(1,623)	(8,103)
	<u>(1,623)</u>	<u>(7,815)</u>	<u>(1,623)</u>	<u>(8,103)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Advances from (to) related parties	-	43,373	(36,084)	(120,068)
Issuance (purchase) of share capital	20,000	75,500	53,760	85,500
Repayment of long term debt	-	-	-	(158,273)
	<u>20,000</u>	<u>118,873</u>	<u>17,676</u>	<u>(192,841)</u>
	<u>20,000</u>	<u>118,873</u>	<u>17,676</u>	<u>(192,841)</u>
Increase (decrease) in cash flow	<u>(40,764)</u>	<u>(59,058)</u>	<u>(93,997)</u>	<u>103,555</u>
Cash, beginning of period	<u>91,466</u>	<u>363,844</u>	<u>144,699</u>	<u>201,231</u>
Cash, end of period	<u>\$ 50,702</u>	<u>\$ 304,786</u>	<u>\$ 50,702</u>	<u>\$ 304,786</u>

SUPPLEMENTARY CASH FLOW INFORMATION (note 15)

The accompanying notes are an integral part of these consolidated financial statements. These financial statements should be read in conjunction with the audited statements of the year ended March 31 2006.

Diamcor Mining Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30 2006

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., Ongaza Mining and Exploration (Pty) Ltd. and BlueDust (Pty) Ltd.

On April 8th 2005, the Company reached a final settlement agreement with the minority shareholder wherein both parties agreed to resolve all claims among themselves in exchange for the Company paying \$85,000 to the minority shareholder for the remaining shares in the So Ver Mine (Pty) Ltd., assignment of So Ver indebtedness to the minority shareholder and \$65,000 to relinquish all other claims by the minority shareholder against Diamcor, So Ver and various other parties. As a result of this the Company obtained 100% of So Ver and will continue to operate the mine and expand its mining activities to other mineral properties in South Africa. The following transaction took place as a result of this settlement:

Long-term debt	\$603,110
Settlement payment	<u>(65,000)</u>
Debt settlement gain (Note 11)	\$538,110

These consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and the ability of the Company to continue as a going concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, or other business and financial transactions which would assure continuation of 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 sheets.

	Sept 30	March 31
	2006	2006
Deficit	\$ (7,329,840)	\$ (6,893,852)
Working capital (deficiency)	\$ (283,579)	\$ (119,565)

Diamcor Mining Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30 2006

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These consolidated financial statements include the accounts of the Company, its 74% owned subsidiary Ongoza Mining & Exploration (Pty) Ltd. (formerly Zelpy 1623 (Pty) Ltd.), BlueDust (Pty) Ltd. and So Ver Mining (Pty) Ltd. All significant inter-company balances and transactions have been eliminated. The non-controlling interest has not been adjusted for due to the deficit in Ongoza Mining & Exploration (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.

Inventory

Inventory, which includes rough diamond consumables, are stated at the lower of cost, cost of production or estimated net realizable value. Cost is determined according to the first in first out method. Net realizable value is the estimated selling price in the ordinary course of business less completion and selling expenses.

Property, plant and equipment

Property, plant and equipment are recorded at cost and are amortized either using the straight-line method over the estimated useful lives of the individual assets (Property, plant and equipment) or on a declining basis (Office equipment) at the following annual rates:

Office equipment	12.5%
Property, plant and equipment	15.0%

In the year of acquisition half the normal rates are used:

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 an 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 that 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 cut diamonds) and customer acceptance. Sales are shown net of sales taxes and trade discounts.

Diamcor Mining Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30 2006

2. SIGNIFICANT ACCOUNTING POLICIES (continued from previous page)

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.

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.

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 or 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. (Note 10).

Earnings (loss) per share

The earnings per share figures are calculated using the weighted monthly average number of shares outstanding during the respective years. The calculation of diluted earnings per share figures 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.

Diamcor Mining Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30 2006

2. SIGNIFICANT ACCOUNTING POLICIES (continued from previous page)

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. The amounts recorded for depreciation of property and equipment and the provisions for asset retirement obligation are based on estimates. 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.

3. REHABILITATION TRUST FUND

	Sept 30	March 31
	2006	2006
Deposit at Department of Minerals and Energy in South Africa for Rehabilitation Costs	\$ 38,748	\$ 50,291

4. PROPERTY, PLANT AND EQUIPMENT

	Sept 30			March 31		
	2006			2006		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Property, plant and equipment	591,584	285,860	305,724	589,961	250,296	339,665
	\$591,584	\$285,860	\$305,724	\$589,961	\$250,296	\$339,665

Diamcor Mining Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30 2006

5. 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.

	Sept 30	March 31
	2006	2006
Balance, beginning of period	\$ 172,748	\$ 345,497
Amortization	86,374	172,749
Balance, end of period	\$ 86,374	\$ 172,748

The So Ver tailings re-treatment diamond mine is located in the Kimberley area of South Africa. On April 8th 2005, the Company obtained 100% ownership. The So Ver tailings re-treatment mine is currently operating.

6. ASSET RETIREMENT OBLIGATION

The total future asset retirement obligation was estimated based on the Company's net ownership interest in all mines and facilities, estimated costs to reclaim and abandon the mines and facilities and estimate timing of the costs to be incurred in future periods. The Company has estimated the net present value of its total asset retirement obligation to be \$171,299 beginning in 2004 based on a future liability of \$339,792. These payments are expected to be made over the life of the mine with the majority of the costs incurred between 2007 and 2008. The Company's credit adjusted risk-free rate of 12.0% and an inflation rate of 3.0% were used to calculate the net present value of the asset retirement obligation.

The following table reconciles the Company's total asset retirement obligation:

	Sept 30	March 31
	2006	2006
Balance, beginning of year	\$ 240,662	\$ 214,877
Accretion	14,440	25,785
Balance, end of year	\$ 255,102	\$ 240,662

Diamcor Mining Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30 2006

7. SHARE CAPITAL

Authorized:

Unlimited common voting shares, no par value

	Number of Shares	Amount
Issued:		
Balance, March 31, 2005	28,487,809	\$ 5,977,833
Issued during 2006:		
Purchase of minority share interest (a)	-	(85,000)
Exercise of warrants (b)	100,000	10,000
Settlement of Debt (c) (d)	755,000	75,500
Balance, March 31, 2006	29,342,809	5,978,333
Issued during 2006:		
Exercise of warrants	200,000	20,000
Exercise of options	234,000	33,760
Balance, Sept 30, 2006	29,776,809	\$ 6,032,093

Included in issued capital stock are 16,667 common shares held in escrow as required by the regulatory authorities.

(a) As part of the settlement agreement with the minority shareholder, 500,000 shares were purchased at the market rate of \$0.17 per share.

(b) Warrants were exercised by a director of the Company.

(c) 220,000 shares for settlement of previous years accounting fees.

(d) 535,000 shares for settlement of consulting fees.

Diamcor Mining Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30 2006

7. SHARE CAPITAL (continued from previous page)

Warrants

The following warrants were outstanding at Sept 30, 2006:

Number of Shares	Exercise Price	Expiry Date
1,300,000	\$ 0.10	December 16, 2006
535,000	\$ 0.13	August 4, 2007

Stock options

The Company adopted a formal stock option plan in December 2003 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 10% 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.

	Sept 30 2006	March 31 2006		
	Weighted Average	Weighted Average		
	Number of Options	Exercise Price	Number of Options	Exercise Price
Outstanding, beginning of year	1,848,645	\$ 0.14	1,848,645	\$ 0.14
Options Granted	900,000	\$ 0.12		
Options Exercised	234,000	\$ 0.14		
Outstanding, end of period	2,514,645	\$ 0.14	1,848,645	\$ 0.14
Options exercisable, end of period	2,514,645	\$ 0.14	1,848,645	\$ 0.14

Diamcor Mining Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30 2006

7. SHARE CAPITAL (continued from previous page)

The following stock options were outstanding at Sept 30, 2006:

Number of options outstanding and exercisable	Exercise		Weighted average remaining life	Expiry date
	Price			
1,001,864	\$0.15		1.13	May 21, 2007
66,467	\$0.14		1.18	June 12, 2007
546,314	\$0.14		1.28	July 18, 2007
900,000	\$0.12		4.50	March 16, 2011

Stock-based compensation

The Company has recognized \$108,000 in stock based compensation in the current fiscal year (nil in 2006).

The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of stock options granted during the year:

	Sept 30	March 31
	2006	2006
Risk-free interest rate	4.17%	3.20%
Expected life of options	5 years	5 years
Annualized volatility	127%	127%
Dividend	0%	0%

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.

Diamcor Mining Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30 2006

8. CONTRIBUTED SURPLUS

	Sept 30	March 31
	2006	2006
Balance, beginning of year	\$ 1,008,387	\$ 1,008,387
Stock-based compensation	108,000	-
Balance, end of period	\$ 1,116,387	\$ 1,008,387

9. RELATED PARTY TRANSACTIONS

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

	Sept 30	March 31
	2006	2006
Salaries and wages	\$ 37,500	\$ 70,233
Office	\$ 7,364	\$ 17,200

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 September 30, 2006, the Company owed \$75,256 (\$111,337 in 2006) 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. A portion of the related party amount owing that was settled during 2006 was forgiven to the company resulting in a debt settlement gain of \$130,000 recorded for 2006. (Note 11)

Diamcor Mining Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30 2006

10. INCOME TAXES

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

	March 31 2006	March 31 2005
Net income (loss) for year	\$ 425,250	\$ (599,099)
Computed taxes paid (recovered) at statutory rates	\$ 74,960	\$ (251,622)
Difference in foreign tax rates	(1,470)	(68,112)
Non-taxable items	94,971	186,642
Deductible items	(52,376)	(852)
Under provision previous years	9,933	-
Unrecognized benefits of non-capital losses	(94,062)	133,944
Income tax	\$ 31,956	\$ -

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

	March 31 2006	March 31 2005
Property, plant and equipment	\$ 1,927	\$ 6,000
Mineral property expenditures	23,186	248,000
Share issuance costs	-	2,000
Non-capital losses carry forward	763,499	1,161,000
	788,612	1,417,000
Less: valuation allowance	(786,884)	(1,417,000)
	\$ 1,728	\$ -

Diamcor Mining Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30 2006

10. INCOME TAXES (continued from previous page)

The Company had the following estimated tax pool balances at March 31, 2006:

	2006	2005
Canadian Exploration Expense	\$ 4,605	\$ 4,605
Canadian Development Expense	64,400	92,000
Undepreciated Capital Cost	3,174	3,658
Non-capital loss carry-forward	\$ 2,272,31	\$ 2,683,140

The Company has available for deduction against future taxable income non-capital losses of approximately \$2,272,317 at March 31, 2006 (\$2,683,140 in 2005). These losses, if not utilized, will expire commencing 2008. 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.

11. DEBT SETTLEMENT GAINS

	Sept 30 2006	March 31 2006
Settlement of debt from minority share purchase (Note 1)	\$ -	\$ 538,110
Cash gifted to Company from related party (Note 9)	-	130,000
	\$ -	\$ 668,110

Diamcor Mining Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30 2006

12. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables, income tax receivable, amounts due from related parties, accounts payable and amounts due to related parties. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values.

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. 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 Subsidiary in South Africa operates using principally the U.S 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.

13. CORRECTION OF AN ERROR

During the year, the Company determined that the 2005 financial statements were erroneously missing an asset retirement obligation. The error was corrected retroactively and the prior year financial statements were restated.

The changes for the asset retirement obligation correction decreased the deficit by \$118,204 (decreased by \$168,634 in 2005), increased property, plant and equipment by \$109,631 (increased by \$137,039 in 2005), increased the provision for asset retirement obligation by \$214,877 (increased by \$191,854 in 2005) and decreased the old provision for future site restoration by \$223,450 (decreased by \$223,450 in 2005). The impact of this change on net income for the period ending March 31, 2005 was \$50,431.

14. CHANGE IN ESTIMATE

During the year, the property, plant and equipment in the subsidiary company, So Ver Mine (Pty) Ltd., calculated amortization for the period based on the remaining carrying value of the assets and the expected remaining life of the mine being 2 years. This was applied prospectively to the financial statements.

15. SUPPLEMENTARY CASH FLOW INFORMATION

	Sept 30 2006	2006
Interest paid	\$ 377	\$ 2,977
Income taxes paid (recovered)	\$ 7,238	\$ (4,737)

16. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

Diamcor Mining Inc.

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17. SUBSEQUENT EVENTS

Subsequent to September 30, 2006, and as part of the settlement agreement with the minority shareholder reached on April 8, 2005, 500,000 shares purchased by Diamcor Mining Inc., are to be released back into treasury.

On November 27, 2006 the Company, having filed all required documents and articles of amendment with the TSX Venture Exchange, started trading under the new symbol DMI on a one-for-ten consolidated basis as approved at the annual and special shareholders meeting held on September 15, 2006.