Management Discussion & Analysis

For the Interim Period Ended December 31, 2022

DIAMCOR MINING INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE INTERIM PERIOD ENDED DECEMBER 31, 2022

Management's discussion and analysis ("MD&A") focuses on significant factors and the operating results and financial position of Diamcor Mining Inc. ("Diamcor" or the "Company") and its subsidiaries. To better understand the MD&A, it should be read in conjunction with the interim unaudited consolidated financial statements and notes thereto for the three-month interim period ended December 31, 2022, and the MD&A and unaudited consolidated financial statements for the three-month interim period ended December 31, 2021. The effective date of this MD&A is February 15, 2023.

The unaudited consolidated financial statements for the interim period ended Dec. 31, 2022, have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Unless otherwise specified, all financial information is presented in Canadian dollars.

Some of the statements in this MD&A are forward-looking statements that are subject to risk factors set out in the cautionary notes contained herein.

Additional information about the Company and its business activities is available on SEDAR at www.sedar.com and on the Company's website at www.diamcormining.com.

RECENT AND Q3 2022 HIGHLIGHTS

- The Company's focus during the period continued to be on managing costs and the optimization of operational hours to minimize the effects of national load-shedding in South Africa by the state-run national power supplier (Eskom), with continued refinements to processing plants and equipment aimed at sustaining increased processing volumes for the long-term.

- During the interim quarter, the Company tendered and sold 8,327.58 carats of rough diamonds, generating revenue of (USD) $2,054,248.33, resulting in an average price of (USD) $246.68 per carat.

- The Company recorded a net loss of $386,619 for the interim period ended December 31, 2022 ($939,916 loss – 2021), resulting in a $nil per share gain. ($0.01 loss – 2021).

- The Company continued to advance several objectives aimed at reducing the impact of future issues with national power supply in South Africa for the long-term.

- The management of operational salary and wages expenses, variable operational costs, and historical fixed costs continued to be a focus during the period.

- In total, ongoing trial mining exercises at the Company's Krone-Endora at Venetia project from inception thru December 31, 2022, have resulted in the incidental recovery, tender, and sale of 194,969.18 carats of rough diamonds generating revenue of (USD) $36,247,542.60, resulting in an average price of (USD) $185.91 per carat.

- The Company had 127,547,505 common shares issued and outstanding as at December 31, 2022 and has authorized capital of an unlimited number of shares.

ABOUT DIAMCOR

Diamcor Mining Inc. ("Diamcor" or the "Company") is a junior mining and exploration company incorporated in the Province of British Columbia under the Business Corporations Act (BC). The Company has a proven history of supplying rough diamonds to the world market and its principal focus is the identification, acquisition, exploration, evaluation, operation, and development of unique production focused diamond-based resource properties. The Company established a long-term strategic alliance and secured financing from world famous luxury retailer Tiffany & Co. and is currently developing the Krone-Endora at Venetia project which it acquired from De Beers. Upon successfully acquiring the project, the Company secured a 30-year mining right for an initial target area (657.71 hectares of the project's total 5,888-hectare area), and the required Water Use License. The Company then significantly advanced the Krone-Endora at Venetia project through the development of extensive infrastructure including the construction of ~60 km of roads, the procurement and development of two large deposit specific processing plants, the installation of ~20km of underground water pipelines and a 13km independent power line, backup power systems, and worker housing. Early in 2020, the Company completed the acquisition of a Caterpillar heavy equipment compliment for the project and continues to advance various other infrastructure items aimed at supporting the further development of the project for both the near and long-term. The collective advancement of all items over a period of years at the project provides the Company with the potential to establish a low-cost surface mining operation. The project's deposits, and their association with and origins from the adjacent world-famous Venetia deposit, provide the Company with the potential to establish a source of rough diamond supplies consisting of a relatively high percentage of gem and near gem quality with the added benefit of large diamond recovery potential (largest individual rough diamond recovered to date from trial mining exercises – 91.7 carats). The Company's long-term strategy is to continue to grow its position as a producer and supplier of quality rough diamonds to reputable diamond purchasing entities serving the global diamond market.

The Company's common shares trade on the TSX Venture Exchange under the symbol "V.DMI", and on the OTCQB tier in the United States under the symbol "DMIFF".

CORE BUSINESS AND STRATEGY

Diamcor has an established operating history in South Africa, key strategic relationships within the diamond industry globally, extensive knowledge of various diamond mining opportunities, and as noted, is currently developing the Krone-Endora at Venetia project it acquired from De Beers. The Company's strategy is to identify, evaluate, acquire, and develop various types of diamond related properties and other mining projects, with a specific focus on opportunities which demonstrate the potential to generate near-term and sustained rough diamond production and/or positive cash flow while minimizing shareholder dilution.

The Company advanced this strategy by acquiring the Krone-Endora at Venetia project from De Beers Consolidated Mines Limited. When acquired, the Krone-Endora at Venetia project consisted of the prospecting rights over the farms Krone 104MS and Endora 66MS with a combined surface area of approximately 5,888 hectares directly adjacent to De Beer's flagship Venetia Diamond Mine in South Africa. The deposits which occur on the properties of Krone and Endora have been identified by De Beers as both, an upper "colluvial" deposit, as well as a lower / basal "alluvial" deposit, both of which are proposed to have originated from the higher grounds of the adjacent Venetia kimberlites, with the full extent to which these deposits occur over the entire area of the project yet to be determined. De Beers previously completed exploration efforts on an initial area of interest comprised of approximately 310 hectares of the properties, the results of which were reported in an initial Independent National Instrument 43-101 Technical Report (the "Initial Technical Report") which was filed by the Company in conjunction with the acquisition. The Initial Technical Report provided an inferred resource estimate of 54,258,600 tonnes of diamond bearing gravels, and 1.3 million carats of diamonds for the 310-hectare area of interest in that report. The Initial Technical Report also noted that based on the previous work programs and evaluation completed to date by De Beers and the Company, an estimated 1,000m, or 1 vertical km, of material was shifted and eroded off the kimberlites of Venetia onto the lower surrounding areas including those of Krone and Endora, with the full extent of the materials deposited on the properties of Krone and Endora yet to be determined, which remains a primary focus of the Company's efforts currently underway. The Company's initial efforts have been focused on key areas of interest defined by the previous work and estimates outlined in the Initial Technical Report, and specifically on the K1 area of the project, the establishment of infrastructure and equipment required to support the project for the long-term, the completion of trial mining and bulk sampling efforts to better define the location and extent of material on the Krone and Endora properties, and the finalization of work required to support the filing of an updated Independent National Instrument 43-101 Technical Report (the "Updated Technical Report") on April 28, 2015. These combined efforts along with the bulk sampling and trial mining efforts underway are aimed at allowing the Company to secure data to aid it in arriving at initial production decisions for the project in the near-term.

In addition to the advancement of the Krone-Endora at Venetia project, the Company continues to review and pursue other mining opportunities in South Africa and other mining regions. The Company believes its strategy will enhance its ability to take advantage of the current trend of declining world-wide production of rough diamonds due to the aging of current diamond mines, and the lack of recent new discoveries. The Company, and many industry experts, also believe this trend presents the potential for increasing prices and demand of higher quality natural rough diamonds from conflict-free sources in the coming years. These forecasted rough diamond price increases are a function of; not only the projected material shortfalls in future diamond production, but also the potential increases in customer demand from developing markets such as China and India, and the restoration of demand in historically strong markets such as the United States. It is widely accepted and documented that many existing larger diamond mines are approaching the later stages of their expected life of mine, and current rough diamond production levels are expected to remain consistent at best, or potentially be reduced in the near future. These dynamics, coupled with the fact that few, if any, large new diamond mines have been identified or developed which demonstrate an ability to meet these projected future increasing demands, along with the fact that long lead times of +/-10 years are typically associated with bringing any large new diamond mine into production. Combined, these elements present a compelling opportunity for companies with the ability to provide rough diamond production in the coming years, and the Company believes it is well positioned to exploit this opportunity.

COVID-19 UPDATE

In March of 2020, the Company was forced to suspend operations due to a Government of South Africa mandated COVID-19 shutdown in South Africa. The Company partially resumed operations in October of 2020 with reduced staffing levels and appropriate COVID-19 precautions in place, and continued to advance various operational objectives and resume activities at the Project in recent quarters. The Company continues to monitor any potential new COVID-19 developments which may affect its operations.

KEY PERFORMANCE DRIVERS AND RECENT EVENTS

The primary performance drivers for the Company are: the identification and acquisition of projects which demonstrate potential for near-term diamond production and future growth, with suitable costs and diamond yields, the successful transition of these projects into full scale production, the dynamics of current and future rough diamond market prices for various reasons including the Russia Ukraine conflict, and the establishment of strategic relationships with reputable purchasing entities of rough diamonds serving global markets.

Historically, the onset of the global financial crisis in 2008 and 2009 had a profound effect on the world economy including the diamond market. At that time, analysts, industry experts, and trade publications reported a softening of diamond prices and short-term demand. Despite this decline in the rough diamond market, industry experts anticipated increasing demand from the emerging markets of China, India, and the Middle East. As of mid-2010 rough diamond prices began to recover and were approaching the previous historical all-time highs experienced prior to the global financial crisis. This trend of steadily increasing rough diamond prices largely continued, and by mid-2011 industry sources were reporting rough diamond prices above the 2008 pre-crisis highs. Starting at the end of 2018, rough prices for certain categories of goods again began to fall under pressure, a trend which continued through to the end of 2019. The events of early 2020 associated with the global public health and economic crisis relating to COVID-19 had a significant impact on a majority of businesses throughout the world and the rough diamond industry. As a response to this global crisis, on March 26, 2020, the Government of South Africa mandated a COVID-19 lockdown, and operations at the Company's Krone-Endora at Venetia project were required to shut-down completely three (3) days afterwards. The South African lockdown was widely accepted as one of the most comprehensive and restrictive in the world and while originally proposed to be for a duration of 21 days, was subsequently extended several times. By July of 2020, certain provisions of the lockdown with regard to the exporting of rough diamonds were relaxed and limited rough diamond tenders and sales resumed, albeit with significantly lower quantities of rough diamonds being offered. On September 21, 2020, the Government of South Africa announced that the lockdown had been reduced to Level-1, the lowest level of restrictions, allowing operational planning to resume at Krone-Endora at Venetia moving forward, and by December of 2020 the Company had resumed mining and processing material on a limited basis. Due consideration is still being given with regard to the ongoing dynamic nature of the COVID-19 global pandemic as future outbreaks or new variants may result in a change to restrictions for all businesses at any time. Despite the various price fluctuations over the interim periods and declines in prices due to the uncertainties surrounding COVID-19, prices have largely recovered to historical levels, and the overall potential for further increasing rough diamond prices over the long-term remains logical for the same looming supply/demand reasons set forth above. Continued reductions in overall rough diamond production from all major suppliers are expected to continue in the near-term due to the age of various mines, reductions in processing volumes due to COVID-19 limitations, and closures of certain other mines as they reach the end of their mine life. Subsequent to the interim period ended December 31, 2022, the conflict between Russia and Ukraine continues to result in sanctions being placed on diamonds originating from Russia which are estimated to have historically made up approximately 30% of the world's rough diamond supply. These combined developments present a potential opportunity for companies with rough diamond supplies. Despite these current developments, readers are cautioned that any significant or sustained decrease in the market prices for rough diamonds could have a material adverse effect on the Company's performance and results from operations**.**

As has been widely reported by various media outlets, South Africa's national power supplier Eskom continued to have significant issues throughout a majority of the interim period with regard to consistent supply of power. These issues required Eskom to impose further increases in load-shedding throughout the country, and by the end of the interim quarter the Company was experiencing outages multiple times per day over extended periods. The Company has back-up generators in place which it can use as required and is planning to advance and install additional alternative power systems to minimize the effects of future issues surrounding power supply at the Project.

As of December 31, 2022, the Company's principal assets were the following: (i) a 70% majority interest in DMI Minerals South Africa (Pty) Ltd., which the Company used to acquire the Krone-Endora at Venetia project from De Beers Consolidated Mines Limited, (ii) a 100% interest in DMI Diamonds South Arica (Pty) Ltd., which serves as the Company's main corporate entity to support its South African projects, operations, initial exploration efforts, and the evaluation of all future projects. Below are brief descriptions of each of these assets.

DMI Minerals South Africa (Pty) Limited

The Company owns a 70% majority interest in DMI Minerals South Africa (Pty) Ltd. ("DMI Minerals") with the remaining 30% interest held by the Company's South African Black Economic Empowerment partner Nozala Investments (Pty) Ltd. ("Nozala"). On May 26, 2008, DMI Minerals received confirmation from De Beers that its proposal to acquire the Krone-Endora at Venetia project had been approved as the successful bid pending finalization of a definitive sale of assets agreement. On December 22, 2008, the parties to the transaction completed and executed a definitive sale of assets agreement, and then on March 31, 2010, executed an amended and updated version of the original sale of assets agreement. Under the terms of the original sale of assets agreement the entire area associated with the Endora 66MS property prospecting right was to be transferred, along with an agreed upon portion of the entire area of Krone 104MS property prospecting right subject to an amendment to exclude certain areas inside the current De Beers Venetia

Mine fence line. Despite some delays, after due consideration to the proposed area of the Krone 104MS property in question for exclusion, De Beers subsequently agreed to transfer the entire area of Krone 104MS without any amendment or sub-division as part of the transaction. There were no other material changes to the agreement and the transaction was ultimately finalized on December 14, 2010, and on February 28, 2011, the acquisition of the Krone-Endora at Venetia project was closed.

Following the closing of the Krone-Endora at Venetia project acquisition, on March 23, 2011, the Company, in conjunction with its subsidiary DMI Minerals, entered into a long-term strategic alliance and $5.5M financing agreement with subsidiaries of New York based Tiffany & Co. Under the terms of the strategic agreement, Tiffany & Co. secured a first right of refusal to purchase up to 100% of the future production of rough diamonds from Krone-Endora at Venetia at fair market value prices to be negotiated and adjusted from time to time to reflect current market conditions. As part of the agreement, DMI Minerals retained the right to freely market all specials (rough diamonds 10.8 carats or larger in size), as well as all other diamond production not selected for purchase by Tiffany & Co. under the terms of their first right of refusal. To expedite the further advancement of the project, Tiffany and Co. Canada provided the Company with a second financing of $4M on November 16, 2012.

The development of extensive infrastructure began at the project in April of 2011, along with preparations for the start of an extended drilling program, a planned bulk sampling program, and trial mining exercises as recommended by the Initial Technical Report. The completion of extended drilling on 558 targets and the recommended programs undertaken were designed to be a continuation of the work previously completed by De Beers and aimed at:

- assisting the Company in its determination of the location and construction of infrastructure for the project,

- assisting the Company in its determination of how best to proceed with the further evaluation of areas of the project previously explored,

- assisting the Company in identifying additional areas of interest not yet accounted for in the Initial Technical Report for future exploration,

- allowing the Company to establish a current diamond price estimate for the project,

- advancing the recommended work programs to support the filing of an Updated Independent Technical Report (filed on April 28, 2015),

- supporting the Company's bulk sampling and trial mining exercises,

- supporting the application and issuance of a Mining Right from the South African Department of Mineral Resources (granted on September 11, 2014), and

- supporting the issuance of a Water Use License from the South African Department of Water Affairs (granted on April 11, 2016).

Collectively, all efforts are aimed at allowing the Company to advance the project and collect data to aid it in arriving at initial production decisions for the project. Extensive additional infrastructure development completed included:

- the clearing of 60km of temporary access roads to support the extended drilling program and the establishment of required infrastructure,

- the identification of areas to be targeted for additional bulk sampling and trial mining exercises, and the location for the construction of the project's plant sites,

- the removal of +/-4,000 truckloads of material for the establishment of a quarry in the area selected for future trial mining exercises,

- the clearing of ~2 hectares for the construction of the plant site, the construction of fresh water and settling dams, the completion of civil engineering work, and the construction of a 5m raised wall around the plant site,

- the construction of ~20km primary access roads and bridges to support the long-term access of supplies to the project,

- the installation of ~5km of high strength electrical security fencing, automated security gates, and security checkpoint facilities,

- extensive concrete work and infrastructure for the main treatment/processing plant, operational offices, and workshops,

- the installation of seven underground water pipelines totaling ~20km in length,

- the installation of a ~13km main powerline and backup diesel generators, and

- the design, development, installation and testing of the project's deposit specific in-field dry-screening and main treatment plants to support the stated objectives and continued advancement of the project.

Due to the nature of the deposit, and specifically its high percentage of sand content, extensive consideration was required and implemented in the development of the dry-screening and main treatment plants. A separate in-field dry-screening plant located near the quarry was developed to achieve the goal of dry-screening out fine materials to reduce operating costs, and to provide the additional benefit of reducing overall water consumption at the main treatment plant. The Company's dry screening plant includes a large modular in-field dry-screening system. The infrastructure includes a rotary trommel, large Dabmar Bivitec and resonance screening equipment, extensive conveyor structures, collection bins, and other supporting infrastructure designed to screen out -1.0mm fines material prior to the delivery of the remaining material for final processing at the main treatment plant. Recent expansion and refinement of the quarrying and dry-screening operations has been undertaken to provide for even greater efficiencies and volumes, and to further increase the targeted removal of fines material from 45% to 60% through the dry-screening process. The main treatment plant has also undergone significant expansion and refinement, as has the project's final recovery facilities.

In fiscal 2018, the ongoing testing and commissioning of these expanded quarrying and dry-screening operations and indicated enhancement initiatives provided an increase in overall dry-screening capacities and operational efficiencies; however, problems in the recovery of wastewater from the project's settling dams due to the increased volume of fines being liberated at the main treatment plant were evident when operating at high volume. This negatively impacted operations overall and the incidental recovery of diamonds during the fiscal year, as operations and processing were periodically slowed or halted completely to reduce volumes of material being pumped into the project's rehabilitation/settling dams. Extensive testing of both the project's water and deposit material were completed and based on the recommendations of Company consultants and industry experts, the Company elected to implement further refinements to the project's dry-screening plant to enhance the liberation and the removal of fines through added crushing and screening. The Company chose to significantly enhance its operational team in 2019 and 2020, and various other refinements continue to be evaluated and tested to allow the Company to continue to maximize processing volumes and efficiencies at the project. All efforts underway are designed to support the further advancement of the project and the recommendations of the Updated Technical Report and aid the Company in arriving at initial production decisions for the project.

The Company has placed significant focus and emphasis on the successful closing, financing, and advancement of the Krone-Endora at Venetia project over a period of several years and currently views this project as its most significant business opportunity in the short-term. Building upon the success of the Krone-Endora acquisition, the related Tiffany & Co. strategic alliance and financing, and the collective experience of the Company's management personnel, the Company also continues the process of identifying and evaluating both the full potential of the Krone-Endora at Venetia project, as well as other diamond mining opportunities with a view towards new acquisitions, development, and production opportunities.

DMI Diamonds South Africa (Pty) Limited ("DMI Diamonds")

DMI Diamonds is the Company's 100% owned South African subsidiary used as the Company's main corporate entity to support its South African operations. As part of the Company's ongoing efforts to identify, acquire, and develop production-based projects, DMI Diamonds continuously evaluates and provides production support and equipment to various potential and ongoing projects within South Africa.

MANAGEMENT AND CAPABILITIES

There were no changes to the Board of Directors. Mr. Dean H. Taylor remains a director and the Company's President and Chief Executive Officer, and Dr. Kurt Petersen remains the Company's Chief Operating Officer. The Company's Board of Directors consist of the Company's CEO, Mr. Dean Taylor (Chairman), the Company's CFO, Mr. Darren Vucurevich, world renowned kimberlite expert and professor Dr. Stephen E. Haggerty, and corporate executive Mr. Sheldon Nelson.

The Company has developed extensive relationships with several industry leaders and employs the services of many of the same professional consulting firms which support the ongoing projects of large mining companies worldwide. These relationships assist the Company in its ability to successfully and cost effectively evaluate, plan, and execute on potential projects. The Company has ongoing access to an established operational team of well-trained service providers and suppliers in South Africa.

SOUTH AFRICAN MINING CHARTER – BLACK ECONOMIC EMPOWERMENT (BEE)

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

On March 5, 2008, the Company announced a formal joint venture partnership with well-established South African BEE group Nozala. This partnership is currently reflected in the Diamcor South African subsidiary, DMI Minerals, which was formed to pursue diamond mining projects with near-term production potential within South Africa which fit within the Company's stated focus and strategy. Under the terms of the joint venture, which exceed the stated requirements of the BEE charter in South Africa, Diamcor retained a 70% direct ownership in the DMI Minerals subsidiary, with Nozala acquiring a 30% direct shareholder ownership interest. Operationally, expenses charged to the development of any projects held by the entity, and the profits generated, will be similarly proportional. The Company considers this joint venture to be a significant achievement because not only is Nozala a respected and established BEE group representing the interests of some estimated 500,000 rural women shareholders, but it is also a well-respected corporate entity in the South African business community. These attributes have the potential to enhance the Company's ability to achieve its stated growth objectives of securing additional projects within South Africa in a corporately responsible way.

The Company has gained considerable insight into the workings of the new BEE Charter, as well as the government expectations and requirements, through its previous operational history. The Company believes that well-organized BEE groups can provide value to the Company through their investment, professional affiliations, corporate knowledge, the management of BEE objectives and the assurance that a meaningful broad-based benefit is achieved by their involvement. The Company has chosen to align itself only with groups which demonstrate a proven track record and ability to achieve these government mandated objectives, which in turn will enhance the Company's ability to achieve its growth objectives by participating in the higher profile acquisitions where Corporate Social Responsibility (CSR) objectives are of paramount importance.

SELECT FINANCIAL DATA AND HIGHLIGHTS

December 31, 2022				
	Three months ended. December 31		Fiscal year ended. March 31	
	2022	2021	2022	2021
Revenues	$ 2,482,022	$ 1,315,393	$ 5,767,657	$ 1,512,265
Total Expenses	2,609,677	1,926,556	7,083,895	3,356,364
Net Income (Loss) for Period,	(386,619)	(939,916)	(2,328,827)	(3,437,854)
Net Income (Loss) per Share (Basic)	$nil	(0.01)	(0.03)	(0.05)
Cash Flow From (Used in) Operations	734,451	(559,991)	274,989	(1,410,939)
Cash and Cash Equivalents (End of Period)	1,196,119	596,319	376,339	257,133
Assets	9,219,645	8,074,273	9,002,867	9,149,651
Dividends	Nil	Nil	Nil	Nil

QUARTERLY RESULTS ANALYSIS

Revenue

The Company generated gross revenues of $2,482,022 from operations in the interim period ended December 31, 2022, as compared to $1,315,393 for the same period in the previous year. The overall average dollar per carat achieved on all rough diamonds sold during the period of $246.68 per carat continued to be above the world-wide average as reported by Statista on November 2, 2021.

The Company realized $7,592 from interest and other income ($7,691 – 2021) during the period.

Cost of Sales or Operating Expenses

Operating expenses were comprised primarily of labour, management, equipment, utilities, fuel, and other expenses incurred at the project, as well as expenses associated with the finalization of items aimed at increasing processing volumes and efficiencies. The most significant of these operating expenses continued to be attributable to heavy equipment and diesel fuel costs to support ongoing trial mining exercises. During the interim period ended December 31, 2022, the Company expended considerable effort on additional maintenance, the generation of alternative power from gen-sets, and shift management in an effort to minimize the effects of the increased national load-shedding in South Africa. This resulted in lower recoveries towards the later part of the interim period, resulting in a reduced stock on hand of rough diamonds at the end of the period. Combined, this resulted in an increase in operating expenses to $1,859,484, compared to $1,374,301 for the same period in the previous year.

General and Administrative Expenses

Total general and administrative expenses for the interim period ended December 31, 2022, increased to $750,193 as compared to $552,255 in the same period in the previous year, with a majority of this increase attributable to promotion and investor relations. Salaries and wages increased as a result of additional operational employees to $124,433 for the interim period ended December 31, 2022, compared to $113,119 for the same period in the previous year. Expenses associated with consulting fees increased slightly at $48,611 ($46,500 - 2021). Office costs decreased to $56,156, when compared to $80,289 for the same period in the previous year. Professional fees associated with ongoing operations were recorded at $34,092 for the period ($26,383 – 2021). Efforts during the period to increase Company awareness and liquidity resulted in promotion and investor relations expenses increasing to $162,439 during the period ($10,187 – 2021). Transfer agent and regulatory fees decreased to $12,388 ($14,240 - 2021), share based compensation was $nil ($nil - 2021), and travel increased to $87,557 ($47,720 – 2021) due to the noted promotion and investor relations efforts during the period. The Company and senior Management remained committed to managing resources carefully, and conserving cash, while continuing to advance efforts to minimize the effect of Eskom load-shedding and increase processing volumes and operational levels. The Company continues to place due consideration on the remaining uncertainties associated with the COVID-19 pandemic.

Net Earnings

The Company recorded a net loss before tax of $386,619 ($939,916 loss – 2021) for the interim period ended December 31, 2022.

The following table provides a summary of the Company's financial highlights for the past eight quarters:

	Dec-22	Sept-22	Jun-22	Mar-22	Dec-21	Sept-21	June-21	Mar-21
Gross Revenue	2,482,022	2,989,461	699,298	1,626,629	1,315,393	1,358,530	1,467,105	1,035,420
Total Expenses	2,609,677	1,630,611	1,404,346	1,254,239	1,926,556	1,551,482	2,351,618	1,282,920
Net (Loss) for Period	(386,619)	1,016,568	(914,953)	(18,136)	(939,916)	(525,876)	(844,899)	(654,470)
Net (Loss) per Share (Basic)	Nil	Nil	(0.01)	Nil	(0.01)	(0.01)	(0.01)	(0.01)

LIQUIDITY AND CAPITAL RESOURCES

The Company recorded cash flow from operating activities during the interim period ending December 31, 2022, of $734,451 compared to cash flow from operating activities of ($559,991) in the previous year.

Cash Position

As at December 31, 2022, the Company had:

- cash and cash equivalents of $1,196,119 ($596,319 – 2021)
- rough diamond inventory of $406,652 ($376,623 -2021)
- accounts receivable of $717,783 ($61,906 - 2021)
- prepaid expenses of $176,211 ($106,298 - 2021).

The Company believes it has adequate cash, or the potential to access additional capital if required, for the continued development, commissioning, bulk sampling, and advancement of the recommended work programs, and the potential to generate future revenues from the incidental recovery and sale of rough diamonds from the combined efforts underway at the project.

A portion of the cash on hand and available for use by the Company was held in its foreign bank accounts in South Africa and is being used for the continued advancement of the Krone-Endora at Venetia project and for general corporate purposes. The Company also follows certain procedures to aid in the recovery and re-investment of funds from its projects and inter-corporate shareholder loans.

Financing Activities

Recent financings by the Company were designed to support the Company's strategy of leveraging its well-established operational history to identify, acquire, and develop assets which demonstrate the potential for the near-term sustained production of rough diamonds. On March 23, 2011, shortly after the closing of the acquisition of Krone-Endora at Venetia project from De Beers, the Company entered a long-term strategic alliance with Tiffany & Co. to expedite the advancement of the project. Tiffany & Co., through its Canadian subsidiary, provided the Company with $5,500,000 in financing, which included a $3,500,000 Term Loan and a $2,000,000 Convertible Debenture. The Term Loan had a 5-year term and a fixed rate of interest of 7% per annum. The loan was non-amortizing for a 24-month period and no interest or principal was due until after this 24-month period, at which time interest and principal would be payable monthly in accordance with a 36-month amortization schedule. The Company retained the right to repay the Term Loan and any accrued and unpaid interest due at any time without notice or penalty. The Convertible Debenture had a term of 5 years and a fixed rate of interest of 7% per annum. Like the Term Loan, interest accrued but was not payable for the 24-month period from the date of issuance, after which time interest would become due and payable monthly. On April 8th, 2013, the Company announced that it had exercised its right to convert the principal and accrued interest into Company common shares. A total of $2,295,920 inclusive of principal and accrued interest was converted at the stipulated price of $0.75 per common share, resulting in the issuance of 3,061,227 Company common shares to Tiffany & Co. In April 2013, the Company commenced with repayments as per the original terms of the agreement. In December of 2014, the Company and Tiffany & Co. agreed to defer any further payments to January of 2016. At that time, a change to the interest rate associated with the facility to 9% was also agreed to by the parties. In January of 2016, the Company and Tiffany & Co. agreed to defer any further payments to July of 2016. In February 2017, the Company and Tiffany agreed to defer payments until June 2017 at which time the remaining balances associated with this loan were paid in full.

On November 16, 2012, the Company announced that it had secured an additional $4.0M in financing from Tiffany & Co. The $4,000,000 in financing was provided by Tiffany's subsidiary, Tiffany & Co. Canada, via a $2,400,000 term loan and a $1,600,000 convertible debt debenture. The Term Loan has a fixed rate of interest of 9% and secured by a promissory note which was non-amortizing until January 2015, after which time principal and interest would become payable monthly in accordance with a 36-month amortization schedule. The Company retained the right to repay the outstanding principal and any accrued and unpaid interest due under the Promissory Note at any time without notice or penalty. The Convertible Debenture had a fixed rate of interest of 9% per annum, and was non-amortizing until January 2015, following which time principal and interest would be payable monthly in accordance with a 36-month amortization schedule. The Company retained 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. Under the conversion rights of the Convertible Debenture, Tiffany & Co. Canada may convert the principal amount of $1,600,000, along with any accrued and unpaid interest due at that time, in whole or in part, into Class A Common Shares (the "Shares") of the Company at a conversion price of CAD $1.60 per Share. Early in 2014, the Company and Tiffany & Co. agreed to initially defer any payments on the $2,400,000 term loan and the $1,600,000 convertible debenture to January 2015. In December of 2014, the Company and Tiffany & Co. agreed to further defer any payments to January of 2016, with that date subsequently revised to defer any further payments to July of 2016. In February 2017, the Company and Tiffany agreed to defer payments until June 2017 at which time the outstanding payments were paid and scheduled payments recommenced. In September 2017, the Company and Tiffany & Co. verbally agreed to a temporary deferral of payments. The Company plans to resume payments once it is able to resume testing and commissioning exercises at increased volumes.

The Company completed a term loan financing on August 26th, 2019, which resulted in aggregate gross proceeds of CDN$1,188,000. Term loans under the financing were unsecured and carried an annual interest rate of 7% payable at maturity, and the Company issued a total of 1,425,600 bonus common shares in its authorized share capital, along with 712,800 share purchase warrants, to the lenders pursuant to Policy 5.1 of the TSX Venture Exchange Corporate Finance Manual. The principal and interest of the term loans was due and payable on the 12-month anniversary of the closing date of August 26th, 2019. Each share purchase warrant was exercisable to purchase an additional common share at a price of $0.16 per share for a period of 12 months from the date of issue. On September 12, 2020, all the share purchase warrants expired unexercised. Certain directors and employees of the Company, including two corporate subscribers, each of which is controlled by a different director, subscribed for an aggregate of $155,000 of the proceeds.

On September 29, 2020, the Company announced it intended to complete a convertible loan financing of up to CDN$3,500,000. The financing would consist of unsecured convertible promissory notes having a term of two years from the date of closing and bearing interest at the rate of 10% per annum (the "Notes"). During the first year, interest would accrue and be payable at the one-year anniversary of the Note. In the second year, interest would accrue and be payable semi-annually. No principal payments would be required until maturity. The principal amount of the Notes would be convertible at the election of the noteholder into common shares of the Company at the rate of CDN$0.07 per share in the first year and at the rate of CDN$0.10 per share in the second year. As provided in Policy 5.2 of the TSX Venture Exchange Corporate Finance Manual, interest would be convertible at the election of the noteholder into Common Shares of the Company at the Market Price as at the time such interest becomes due and payable. In addition, subject to the exceptions noted below, the Company proposed it would issue non-transferable share purchase warrants to eligible participating investors, with each share purchase warrant entitling the holder thereof to purchase one (1) Common Share of the Company at a price of CDN$0.15 for a period of two (2) years from the date of issuance (the "Warrants"). The number of Warrants issuable to the eligible participating investors would be equal to 20% of the number of Common Shares into which the principal amount of the investor's Note is convertible in the first year (Principal Amount ÷ CDN$0.07 x 0.2). The Company also announced that it anticipated that an aggregate of approximately CDN$900,000.00 of principal and accrued interest under the one-year term loans which matured on August 26, 2020 would be tendered into the financing and exchanged for Notes and Warrants, to the extent permitted in accordance with the policies of the TSX Venture Exchange. It was also noted that in accordance with such policies, no warrants would be issued in respect of any amount of the existing debt held by Non-Arm's Length Parties (as defined in the TSX Venture Exchange Corporate Finance Manual) that is tendered into the financing. Subsequent updates to this announced financing were dated October 20, 2020, and November 16, 2020.

On October 20, 2020, the Company announced that, pursuant to a Conditional Acceptance provided by the TSX Venture Exchange, the Company had closed an initial tranche of the convertible loan financing (the “Financing”) announced in its news release of September 29, 2020. The initial tranche included subscriptions from 5 investors for aggregate gross proceeds of $954,483. In addition to the Notes, the Company issued an aggregate of 2,727,140 Warrants to the participating investors, with the number of Warrants issued to each participating investor being equal to 20% of the number of Common Shares into which the principal amount of the investor’s Note is convertible in the first year (Principal Amount ÷ CDN$0.07 x 0.2).

On December 21, 2020, the Company announced the closing of a second and final tranche of the Financing described in its news release of September 29, 2020, for additional gross proceeds totalling CDN$2,001,708 resulting in total gross cash and debt proceeds from the Financing of CND$2,956,208. Of the total gross proceeds from the financing of CND$2,956,208.00, an amount of CDN$1,416,112.00 representing principal and accrued interest under the one-year term loans which matured on August 26, 2020, and other outstanding debts (the “Existing Debt”) were tendered into the Financing and exchanged for Notes and Warrants, to the extent permitted in accordance with the policies of the TSX Venture Exchange. In accordance with applicable TSX Venture Exchange policies, no Warrants were issued in respect of any amount of Existing Debt held by Non-Arm’s Length Parties (as defined in the TSX Venture Exchange Corporate Finance Manual) that was tendered into the Financing. In addition to the Notes, the Company has issued an aggregate total of 8,171,335 Warrants to the participating investors and agents, with the number of Warrants issued to each participating investor being equal to 20% of the number of Common Shares into which the principal amount of the investor’s Note is convertible in the first year (Principal Amount ÷ CDN$0.07 x 0.2). As part of the final closing the Company paid a finder an aggregate cash commission of $2,450.00 representing 7% of the gross proceeds introduced to the Company by the finder and issued an aggregate of 42,000 non-transferable finder’s warrants. Each finder’s warrant entitles the holder to purchase one share of the Company at an exercise price of CND$0.15 for a period of up to 24 months. The Company subsequently received approval on the financing from the TSX Venture Exchange on December 23, 2020.

On January 6, 2021, an investor in the convertible loan financing announced on December 21, 2020, converted the principal of their Note into 3,571,428 Common Shares of the Company as per the conversion terms of the Note.

On January 11, 2021, the Company announced that, pursuant to a Conditional Acceptance provided by the TSX Venture Exchange, the Company had closed a follow-on convertible loan financing round (the “Follow-on Financing”) on substantially the same terms as the earlier convertible loan financing as announced in its news release of December 21, 2020. The Company closed the Follow-on Financing for aggregate gross cash proceeds totalling CDN$419,980. In addition to the promissory notes (the “Notes”) under the Follow-on Financing, the Company issued an aggregate total of 1,199,998 non-transferable share purchase warrants to the participating investors, with each share purchase warrant entitling the holder thereof to purchase one (1) Common Share at a price of CDN$0.15 for a period of two (2) years from the respective dates of issuance (the “Warrants”). The number of Warrants issued to each participating investor is equal to 20% of the number of Common Shares into which the principal amount of the investor’s Note is convertible in the first year (Principal Amount ÷ CDN$0.07 x 0.2). The Company subsequently received approval on the financing from the TSX Venture Exchange on January 14, 2021.

On February 12, 2021, an investor in the convertible loan financing announced December 21, 2020, converted the principal of their Note into 500,000 Common Shares of the Company as per the conversion terms of the Note.

On June 4, 2021, the Company announced it intended to reprice 2,857,975 of the Company’s outstanding warrants expiring on June 20, 2021, and 1,755,157 of the Company’s outstanding warrants expiring on August 29, 2021. These warrants were issued pursuant to a Private Placement financing by the Company completed in 2 tranches on June 20, 2018, and August 29, 2018, respectively, each with an original exercise price of $0.60 (the "Warrants"). The Company announced it intended to amend these Warrants to have an exercise price of $0.30 per Warrant and to be extended for up to a year from the current applicable expiry date. As the amended exercise price would be below the Market Price for the originating Private Placement, in accordance with Section 3 of Policy 4.1 of the TSX Venture Exchange Corporate Finance Manual, the Warrants would also be amended to include an accelerated expiry clause such that the exercise period of the Warrants will be reduced to 30 days if, for any ten consecutive trading days during the unexpired term of the Warrant (the “Premium Trading Days”), the closing price of the Company’s shares is no less than $0.375. The repricing of the Warrants and extension of the expiry date of the Warrants was subject to TSX Venture Exchange approval and all applicable securities laws and on July 26, 2021, the Company received approval from the TSX Venture Exchange to the amended warrant terms.

On July 2, 2021, an employee exercised 70,000 options at a price of $0.11.

On August 10, 2021, a director exercised 275,000 options at a price of $0.11.

On October 21, 2021, the Company announced that further to the warrant amendments announced in the Company’s news releases dated June 4, 2021, and August 6, 2021, the required accelerated expiry provision in the amended warrant terms was triggered by virtue of the closing price of the Company’s shares having exceed $0.375 for 10 consecutive trading days on October 19, 2021. Accordingly, in keeping with TSX Venture Exchange policy, a reduced exercise period of 30 days began on October 21, 2021. As a result, any amended warrants not exercised by the investors would expire at 5:00 pm PST on November 20, 2021.

Subsequent to the announcement on October 21, 2021, 25 investors holding the amended warrants elected to exercise in total 4,129,560 warrants at a price of $0.30 prior to the expiry of November 20, 2021. 483,571 warrants expired unexercised.

On December 16, 2021, a consultant exercised 1,250,000 options at a price of $0.11.

During the year ended March 31, 2022, 20 investors in the convertible loan financings converted the principal of their Notes into 44,160,106 Common Shares of the Company as per the conversion terms of the Notes.

During the year ended March 31, 2022, 4 investors in the convertible loan financings elected to exercise in total 384,535 warrants at a price of $0.15.

During the year ended March 31, 2022, 12 investors in the convertible loan financings elected to apply accrued interest earned to exercise in total 668,629 warrants at a price of $0.15.

During the interim period ended December 31, 2022, 11 investors in the convertible loan financings elected to exercise a total of 6,624,759 warrants at a price of $0.15 prior to the applicable expiry dates.

During the interim period ended December 31, 2022, 42,000 finder’s warrants were exercised at a price of $0.15 prior to the applicable expiry date.

On Oct. 26, 2022, an employee exercised 100,000 options at a price of $0.11.

On December 7, 2022, a director exercised 230,000 options at a price of $0.11.

On December 7, 2022, an employee exercised 230,000 options at a price of $0.11.

Working Capital.

As of December 31, 2022, the Company had working capital of $505,543 as compared to negative working capital of $35,865 on December 31, 2021, with working capital being calculated based on current assets less current liabilities and the current portion of long term debt.

Future Capital Requirements.

The Company has incurred losses since its inception. However, given the Company's closing of the Krone-Endora at Venetia project acquisition, its successful recent financings, the successful advancement of the project, the continued work on the upgrades, expansion, and commissioning of the modular plants at the project, the initial sales of rough diamonds incidentally recovered from the ongoing commissioning and testing exercises, the successful granting of the required Mining Right by the South African Department of Mineral Resources, and the successful granting of a Water Use License by the South African Department of Water Affairs, the Company anticipates it has the potential ability to finance the recommended bulk sampling and large-scale trial mining operations underway which are designed to aid the Company in arriving at an initial production decision for the Krone-Endora at Venetia project. Its ability to continue as a going concern will depend on the results of its operations, its ability to become profitable through the continued sale of rough diamonds and / or its ability to raise additional capital.

There can be no assurance that the Company will be able to secure sufficient incidental recoveries, or sell rough diamonds, or 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.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

CONTRACTUAL OBLIGATIONS

The Company has a commitment to lease office space at a rate of $8,609 per month (March 31,2022 - $8,609). The minimum lease payments under these leases are $103,308 per year (March 31, 2021 - $43,308).

At lease commencement date, the Company recognizes a right-of-use asset and a lease liability on the statement of financial position. The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available. If the interest rate implicit in the lease is not readily available, the Company discounts using the Company's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments.

The Company applies the short-term lease exemption available for leases within a term of 12 months.

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company'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, judgements, 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. Information about significant areas of estimation uncertainty considered by Management in preparing the consolidated financial statements are described below.

Production start date

The Company assesses the stage of its mine under development to determine when the mine moves into the production phase, this being when the mine is substantially complete and ready for its intended use. The Company considers various relevant criteria to assess when the production phase is considered to have commenced. At this point, all related amounts are reclassified from 'Mines under construction' to 'Producing mines' under 'Property, plant and equipment'. Some of the criteria used to identify the production start date include, but are not limited to:

- Level of capital expenditure incurred compared with the original construction cost estimate.
- Ability to produce diamonds in saleable form; and,
- Ability to sustain ongoing production of diamonds.

When a mine development project moves into the production phase, the capitalization of certain mine development costs ceases and costs are either regarded as forming part of the cost of inventory or expensed, except for costs that qualify for capitalization relating to mining asset additions or improvements, or mineable reserve development. It is also at this point that depletion commences.

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 Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecasted 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 Company 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 Company operates could limit the ability of the Company to obtain tax deductions in future periods.

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 Company has diligently investigated rights of ownership of all 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.

Going concern

The Company has experienced lower than planned revenue combined with operating losses. Management has assessed and concluded that the going concern assumption is appropriate for a period of at least twelve months following the end of the reporting period. Management applied significant judgment in arriving at this conclusion including:

- The amount of total revenue to be generated to provide sufficient cash flow to continue to fund operations and other committed expenditures.
- Ability to raise capital through private placements.
- The timing of generating those related cash flows.
- The ability to utilize existing financing facilities to support ongoing operations; and,
- The assessment of potentially discretionary expenditures that could be delayed in order to manage cash flows.

Given the judgment involved, actual results may lead to a materially different outcome.

Determination of cash generating units (CGU)

The Company's assets are aggregated into CGUs for calculating impairment. CGUs are based on an assessment of the unit's ability to generate independent cash inflows. The determination of the Company's CGUs was based on management's judgment regarding shared infrastructure, geographical proximity and similar exposure to market risk and materiality. The Company has 1 CGU at December 31, 2022 (March 31, 2022 - 1 CGU).

Reserve and resource estimates

Diamond reserves are estimates of the number of diamonds (expressed in carats) that can be economically extracted from the Company's mining properties. The Company does not currently have any proven diamond reserves due to the nature and type of the resource. The Company 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 resource estimates may impact upon the carrying value of mine development cost, mine properties, property, plant and equipment, decommissioning liability, recognition of deferred tax assets, and depreciation charges.

Impairment of non-financial assets

When an impairment test is performed on an asset or a cash generating unit ("CGU"), management estimates the recoverable amount of the asset or CGU based on its fair value less costs of disposal ("FVLCD") or its value in use ("VIU"). Impairment assessments require the use of estimates and assumptions such as long-term commodity prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, closure and rehabilitation costs, exploration potential, reserves and operating performance. These assumptions have a significant impact on the results of impairment tests and on the impairment charge (if required) recorded in the consolidated statements of loss and comprehensive loss.

Decommissioning liability

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 estimated future obligations and in return, profit, or loss, and in the case of the decommissioning liability, property, plant and equipment balances.

Useful life of property, plant and equipment

Depreciation and amortization are calculated using a systematic and rational basis, which are based upon an estimate of each asset's useful life and residual value. The estimated useful life and residual value chosen are the Company's best estimate of such and are based on industry norms, historical experience, market conditions and other estimates that consider the period and distribution of future cash inflows.

Non-cash stock-based compensation

The Company measures the cost of non-cash stock-based compensation transactions with employees and warrants issued as part of an equity placement by reference to the fair value of the equity instruments. Estimating fair value for non-cash stock-based compensation transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, forfeiture rate, volatility, and dividend yield of the share option. The Company measures the cost of non-cash stock-based compensation transactions with consultants by reference to the fair value of the services to be performed.

Inventory

Diamonds are physically weighted and valued at the lower of cost or net realizable value. Net realizable value tests are performed at each reporting date. Net realizable value is the estimated future sales price of the product the Company expects to realize when the product is processed and sold, less estimated costs to complete production and bring the product to sale. A regular review is undertaken to determine the extent of any provision for obsolescence.

Provision for expected credit losses (ECLs) of accounts receivable.

The Company's accounts receivable is typically short-term in nature and the Company recognizes an amount equal to the lifetime already defined. The Company measures loss allowances based on historical experience and including forecasted economic conditions. The amount of ECLs is sensitive to changes in circumstances of forecast economic conditions.

Financial Instruments

Fair values

IFRS defines fair value as the price that would be received to dispose of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company classifies the fair value of the financial instruments according to the following hierarchy based on the number 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 – Fair values of financial assets and liabilities in level 2 are based on inputs other than level 1. 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 Company's financial instruments consist of cash and cash equivalents, restricted cash, accounts receivable, accounts payable, short-term debt, amounts due to Nozala Investments and long-term debt. The fair value of cash and cash equivalents and restricted cash, accounts receivable and accounts payable and short-term debt approximate their carrying values due to the short-term maturities of these items. The fair value of the Nozala Investments loan approximates the carrying value as the interest rate floats with prime. The fair value of the long-term debt approximates the carrying value as the interest rate is a market rate for similar instruments.

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

Financial risks

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

a) Credit risk

The Company is exposed to credit risk only with respect to uncertainties as to timing and collectability of accounts receivable, cash and cash equivalents and restricted cash. The Company mitigates credit risk through standard credit and reference checks. There are no material financial assets that the Company considers past due. The Company currently holds the majority of its cash and cash equivalents and restricted cash in large financial institutions in Canada and South Africa and does not expect any significant risk associated with those deposits. The accounts receivable includes sales taxes refundable due from the Government of South Africa and Canada of $12,910 (March 31, 2022 - $96,804) as well as trade receivables of $704,873 (March 31, 2022 - $393,693). The Company does not foresee any significant risk in the collection of these accounts receivable.

The trade accounts receivable aging amounts are as follows:

	December 31, 2022	**March 31, 2022**
0-30 days	$310,689	$ 393,693
31-90 days	47,021	-
120+ days	347,163	-
Total	**$ 704,873**	**$ 393,693**

The maximum exposure to credit risk for the Company as at the reporting date is the carrying value of cash and cash equivalents, restricted cash and trade receivables disclosed above.

b) Interest rate

The Company is not exposed to any material interest rate risk as the Company's long-term debt has a fixed rate of interest, except for the Nozala Investments loan and Caterpillar Financial (Note 4) which have a variable rate of interest of South African prime rate plus 3% and South African prime rate plus 2.5%, respectively. A 1% change in the South African prime rate would result in net loss increasing or decreasing by approximately $29,000 ($50,000 March 31, 2022).

c) Foreign currency risk

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

The Company's subsidiaries in South Africa operate using principally the United States 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 subsidiaries to the Company's reporting currency. The Company's monetary assets and liabilities denominated in South African Rand include:

	December 31, 2022	March 31, 2021
Cash and cash equivalents and restricted cash	$1,318,598	$934,949
Accounts receivable	704,873	481,761
Accounts payable	962,588	649,212
Long-term debt	2,633,672	3,415,538

A 5% change in the South African Rand would result in total net loss increasing or decreasing by approximately $61,000. ($25,000 March 31, 2022). Cash and cash equivalents include $13,602 held in USD.

d) Liquidity risk

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

The Company's current financial liabilities of $8,117,747 are payable within one year. The Company enters contractual obligations in the normal course of business operations. Management believes the Company's requirements for capital expenditures, working capital and ongoing commitments (including long-term debt) 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 Company's financial liabilities as at December 31, 2022 based on contractual undiscounted payments:

	Current	***Fiscal 2024***	***Thereafter***
Accounts payable	$1,216,822	$ -	$ -
Long-term debt	6,126,525	40,000	-
Short term debt	774,400	-	-
Due to Nozala investments	-	-	2,176,805
	$8,117,747	$40,000	$2,176,805

e) Commodity price risk

Commodity price risk is the risk that the fair value or future cash flows will fluctuate because of changes in commodity prices. Commodity prices for diamonds are impacted by not only the relationship between the Canadian, United States Dollar and South African Rand, but also world economic events that dictate the levels of supply and demand. The Company is exposed to the risk of declining prices for diamonds resulting in a corresponding reduction in projected cash flow. Reduced cash flow may result in lower levels of capital being available for field activity, thus compromising the Company's capacity to grow production. The Company did not have any fixed price commodity price contracts in place as at or during the interim period ended December 31, 2022, and the year ended March 31, 2022. The Company's operational results and financial condition are largely dependent on the commodity price received for its diamond production. Diamond prices have fluctuated widely in recent years due to global and regional factors including supply and demand fundamentals, inventory levels, economic and geopolitical factors. A 5% change in the price of diamonds would result in total net loss increasing or decreasing by approximately $308,000. ($290,000 March 31, 2022).

RISK FACTORS RELATING TO THE COMPANY'S BUSINESS

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

Capital Requirements

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

Revenues and Growth

There are no assurances that suitable additional projects will be secured or that rough diamonds will be recovered incidentally, or at levels sufficient to sustain the Company's operations. The economics and feasibility of any potential project can be affected by many factors which may be beyond the capacity of the Company to anticipate or control. Material processing revenues and production in general are also reliant on both the quality and amount of diamond bearing material both available and being processed and the Company cannot predict with any certainty the recovery levels from a given area being worked, thus affecting revenues. This is also true of any prospective project the Company may acquire related to various other methods of diamond production.

Nature of Mining

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

Nature of Joint Arrangement (Nozala)

On March 5, 2008, the Company announced a formal joint venture partnership with well-established South African BEE group Nozala Investments (Pty) Ltd. This partnership is reflected in Diamcor's wholly-owned South African subsidiaries, DMI Minerals South Africa (Pty) Ltd. which was initially formed to secure diamond mining projects in South Africa. Under the terms of the joint venture in DMI Minerals, Diamcor retains a 70% direct ownership in the subsidiary with Nozala holding a 30% direct shareholder ownership interest. Operationally, expenses charged to the development of projects held by the entities, and the revenues generated, will be similarly proportional. These joint arrangements are subject to the risks normally associated with the conduct of joint ventures and similar joint arrangements. These risks include the inability to exert influence over strategic decisions, the joint venture partner's ability to provide its proportionate share of funding, the development and operation of the projects, and mineral claims.

Diamond Prices and Demand for Diamonds

The profitability of Diamcor will be dependent upon the recovery and sale of rough diamonds, which is dependent in significant part upon the worldwide demand for, and price of, diamonds. Diamond prices fluctuate and are affected by numerous factors beyond the control of the Company, including but not limited to worldwide economic trends, particularly in the US, Japan, China and India, worldwide levels of diamond discovery and production and the level of demand for, and discretionary spending on, luxury goods such as diamonds and jewelry. Low or negative growth in the worldwide economy or the occurrence of terrorist activities or other events creating disruptions in economic growth could result in decreased demand for luxury goods such as diamonds, thereby negatively affecting the price of diamonds. Similarly, a substantial increase in the worldwide level of diamond production could also negatively affect the price of diamonds. In each case, such developments could materially adversely affect the Company's results of operations.

Currency Risk

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

Licenses and Permits / (Rights)

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

Regulatory and Environmental Risks

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

Reliance on Skilled Employees

Exploration and operational activities for any Company projects are dependent upon the efforts of certain key and skilled employees. The loss of these employees or the inability of the Company to attract and retain additional skilled employees may adversely affect the level of operations and the Company's ability to operate efficiently. Currently, there is significant competition for skilled workers in these operations. The loss of the services of any of the Company's key executive officers or key employees could harm its business. None of the Company's key executive officers or key employees currently has a contract that guarantees their continued employment with the Company. There can be no assurance that any of these persons will remain employed by the Company or that these persons will not participate in businesses that compete with it in the future.

Regional Power Supply

Power supply issues in South Africa have been highlighted by the media with regard to the inability of state-owned power supplier Eskom to deliver consistent electricity throughout South Africa. These growing issues have the potential to materially adversely affect the current operational requirements of the Company, and there can be no assurances that any new projects that the Company may acquire or operate will be able to secure the required electrical capacities needed to sustain uninterrupted supply and operations. To mitigate any disruptions and reduce the impact of ongoing load-shedding, the Company has recently upgraded its back-up generators, and is in discussions with several groups regarding the addition of alternative power sources to supplement the Eskom power supply. Standby power upgrades provide the added benefit of potentially reducing the project's carbon footprint.

Competition

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

Securities May Be Volatile and Subject to Wide Fluctuations

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

COVID-19 Global Pandemic

On March 11, 2020, the World Health Organization declared the novel coronavirus ("COVID-19") a global pandemic. Between March and December 2020, most governments across the jurisdictions in which the Company and many of its customers operate declared a state of emergency in response to the COVID-19 pandemic and concern remains over how governments will react in response to a "second wave" until a vaccine can be made widely available. Due to the ongoing uncertainty resulting from the global pandemic, the Company's operations could continue to be impacted in a number of ways including, but not limited to, a suspension or reduction of operations, an inability to ship or sell rough and/or polished diamonds during affected periods, supply chain issues and labour shortages. These possible impacts could result from government directives, the need to modify work practices to meet appropriate health and safety standards, a lack of demand for rough and/or polished diamonds, a lack of available liquidity to meet ongoing operational expenses and, due to or by other COVID-19 related impacts on the availability of labour or to the supply chain. As an emerging risk, the duration and full financial effect of the COVID-19 pandemic is unknown currently, as is the efficacy of government and central bank interventions in the jurisdictions in which the Company and its clients operate, the Company's business continuity plan and other mitigating measures. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on our business operations, including the duration and impact that it may have on our ability to ship and sell diamonds, on demand for rough and polished diamonds, on our suppliers, on our employees and on global financial markets, cannot be reasonably estimated at this time. Accordingly, estimates of the extent to which the COVID-19 pandemic may materially and adversely affect the Company’s operations, financial results and condition in future periods are also subject to significant uncertainty. The most significant sources of estimation uncertainty include estimated resources, valuation of mineral properties, the provision for deferred taxes and the valuation of decommissioning and site restoration provisions. Management is required to exercise judgment to ensure that disclosures relating to liquidity and the Company’s ability to continue as a going concern are appropriate. To this end, the Company manages liquidity risk by maintaining an adequate level of cash and cash equivalents to meet its short-term ongoing obligations and reviews its actual expenditures and forecast cash flows on a regular basis. Changes in demand for rough and/or polished diamonds and diamond prices, production levels and related costs, foreign exchange rates and other factors all impact the Company’s liquidity position. Uncertainty about judgments, estimates and assumptions made by management during the preparation of the financial statements related to potential impacts of the COVID-19 pandemic on revenue, expenses, assets, liabilities, and note disclosures could result in a material adjustment to the carrying value of the asset or liability affected.

RELATED PARTY TRANSACTIONS

During the interim period ended December 31, 2022, the Company paid or accrued to key management personnel and consultant’s compensation totaling $322,200, director’s fees of $54,000 and incentives of $Nil. As at December 31, 2022, the Company owed a total of $199,004 of payables and expenses (March 31, 2022 - $488,472) to directors of the Company and companies controlled by a director, amounts which are included in accounts payable.

The transactions were in the normal course of operations and are measured at fair value at initial recognition.

OUTSTANDING SHARE INFORMATION

As at February 15, 2023

Authorized number of shares:	Unlimited
Issued and outstanding:	128,502,937
Weighted average of shares outstanding:	128,502,937

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

The Company files a 52-109FV2 certification of interim filing duly executed by the Company’s current CEO and CFO as required by securities laws.

DISCLOSURE CONTROLS AND PROCEDURES

The Company has disclosure controls and procedures in place to provide reasonable assurance that any information required to be disclosed by the Company under securities legislation is recorded, processed, summarized, and reported within the applicable time periods and to ensure that required information is gathered and communicated to the Company’s management so that decisions can be made about timely disclosure of that information. The Company’s Chief Executive Officer and Chief Financial Officer evaluated the Company’s disclosure controls and procedures for the interim period ended December 31, 2022 and have concluded that the Company's disclosure controls and procedures to be adequate for the above purposes.

Including the Company's transition to IFRS, there have been no significant changes in the Company's disclosure controls, or in other factors that materially affected or are reasonably likely to affect, the Company's disclosure controls subsequent to the date the Company carried out its evaluation.

SUBSEQUENT EVENTS

On January 4, 2023, 44,956 warrants were exercised at a price of $0.15.

On January 6, 2023, an employee exercised 100,000 options at a price of $0.11.

On January 9, 2023, 153,334 warrants were exercised at a price of $0.15.

On January 11, 2023, 657,142 warrants were exercised at a price of $0.15.

OTHER

The Company operates offices in both Canada and South Africa and is listed on the Canadian TSX Venture Exchange trading under the symbol "DMI", and on the OTCQB in the USA trading under the symbol "DMIFF". Public company information is available on SEDAR at www.sedar.com or at the Company's website www.diamcormining.com.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

Forward-looking statements are subject to certain factors, including risks and uncertainties, which could cause actual results to differ materially from what we currently expect. These factors include, among other things, the uncertain nature of mining activities, risks associated with joint venture operations, risks associated with the remote locations of certain mine sites, risks associated with regulatory requirements, fluctuations in diamond prices and changes in world economic conditions and the risk of fluctuations in the foreign currency exchange rate.

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

The Qualified Person (as defined in National Instrument 43-101) for the technical information contained in this document is Mr. James P. Hawkins (B.Sc., P.Geo.), and Mr. Hawkins has reviewed this document and approved of its contents.