



# **Interim Condensed Consolidated Financial Statements**

**For the Period Ended  
December 31, 2023**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements. The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

**Diamcor Mining Inc.**  
**Consolidated Statements of Financial Position**

<b>As at:</b>	December 31	March 31
	2023	2023

**ASSETS**

**CURRENT**

Cash and cash equivalents	\$ 93,577	\$ 506,582
Accounts receivable (Note 10a)	60,652	308,504
Inventory (Note 2.3)	249,036	959,093
Prepays	141,667	10,630
	544,932	1,784,809

**NON CURRENT**

Restricted cash (Note 14)	564,240	596,478
Property, plant and equipment (Note 3)	4,207,511	5,639,402
<b>Total assets</b>	<b>\$ 5,316,683</b>	<b>\$ 8,020,689</b>

**LIABILITIES**

**CURRENT**

Accounts payable (Note 13)	\$ 951,898	\$ 825,175
Lease obligations (Note 12)	33,303	33,096
Short term debt (Note 4)	1,751,729	550,000
Current portion of long-term debt (Note 4)	6,237,409	6,110,216
	8,974,339	7,518,487

**NON CURRENT**

Decommissioning liability (Note 5)	601,576	621,081
Lease Liability (Note 12)	105,701	130,444
Due to Nozala Investments (Note 4)	2,271,355	2,152,182
<b>Total liabilities</b>	<b>11,952,971</b>	<b>10,422,194</b>

**SHAREHOLDERS' DEFICIT**

Share capital (Note 6)	41,804,658	41,802,857
Contributed surplus (Note 7)	13,935,774	13,902,727
Accumulated other comprehensive loss	(9,955,122)	(9,382,606)
Deficit	(49,113,849)	(45,508,425)
<b>Total equity</b>	(3,328,538)	814,553
Non-controlling interests (Note 15)	(3,307,749)	(3,216,058)
(Deficit) attributable to owners of the parent	(6,636,288)	(2,401,505)
<b>Total liabilities and shareholders' equity</b>	<b>\$ 5,316,683</b>	<b>\$ 8,020,689</b>

**GOING CONCERN** (Note 1)

**COMMITMENTS** (Note 12)

On behalf of the board

"Dean Taylor" Director

"Stephen Haggerty" Director

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

**Diamcor Mining Inc.**  
**Consolidated Statements of Loss and Comprehensive Loss**

	For the three months ended December 31, 2023	For the three months ended December 31, 2022	For the nine months ended December 31, 2023	For the nine months ended December 31, 2022
<b>SALES</b>	\$ 53,454	\$ 2,482,022	\$ 1,127,074	\$ 6,170,781
<b>COST OF GOODS SOLD</b>				
Operating expenses	\$ 378,013	\$ 1,859,484	2,310,566	3,617,089
<b>GROSS MARGIN</b>	\$ (324,559)	\$ 622,538	(1,183,492)	2,553,692
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>				
Accretion and depreciation (Notes 3 and 5)	128,435	204,894	501,431	575,219
Consulting fees	51,000	48,611	153,000	141,611
Insurance	20,533	19,623	62,046	61,619
Office	68,930	56,156	179,135	216,806
Bad Debt	-	-	2,106	-
Professional fees	(54,146)	34,092	112,823	96,530
Promotion and investor relations	73,933	162,439	247,044	314,073
Salaries and wages	103,477	124,433	315,816	344,759
Share based compensation (Notes 6 and 7)	15,752	-	33,747	-
Transfer agent and regulatory fees	10,022	12,388	29,379	36,023
Travel	41,862	87,557	247,487	240,905
	459,798	750,193	1,884,014	2,027,545
<b>INCOME (LOSS) FROM OPERATIONS</b>	\$ (784,357)	\$ (127,655)	(3,067,506)	526,147
<b>OTHER INCOME AND EXPENSES</b>				
Interest expense and bank charges	(332,763)	(331,345)	(1,083,851)	(995,602)
Interest and other income	12,418	7,592	37,429	31,335
Gain on sale of assets	53,473	-	53,473	-
Foreign exchange	-	64,789	-	149,115
	(266,872)	(258,964)	(992,949)	(815,152)
<b>NET INCOME (LOSS) FOR THE PERIOD</b>	\$ (1,051,229)	\$ (386,619)	\$ (4,060,455)	\$ (289,005)
<b>OTHER COMPREHENSIVE LOSS</b>				
<b>Items to be reclassified subsequently to profit or loss</b>				
Foreign currency translation loss	\$ 32,686	\$ 143,844	(209,176)	(463,759)
<b>TOTAL COMPREHENSIVE (LOSS) FOR THE PERIOD</b>	\$ (1,018,543)	\$ (242,775)	\$ (4,269,631)	\$ (752,764)
<b>Total net income (loss) attributable to:</b>				
Non-controlling interests (Note 15)	\$ (119,598)	\$ 145,079	\$ (455,031)	\$ 495,243
Equity holders of parent	(931,631)	(531,698)	(3,605,424)	(784,248)
	\$ (1,051,229)	\$ (386,619)	\$ (4,060,455)	\$ (289,005)
<b>Total comprehensive income (loss) attributable to:</b>				
Non-controlling interests	\$ (179,253)	\$ (182,081)	\$ (107,445)	\$ 1,048,828
Equity holders of parent	\$ (839,290)	\$ (60,694)	\$ (4,162,186)	\$ (1,801,592)
	\$ (1,018,543)	\$ (242,775)	\$ (4,269,631)	\$ (752,764)
<b>Net loss per share - basic and diluted (Note 6)</b>	\$ (0.01)	\$ -	\$ (0.03)	\$ (0.01)

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

**Diamcor Mining Inc.**  
**Consolidated Statements of Cash Flows**

	For the three months ended December 31, 2023	For the three months ended December 31, 2022	For the nine months ended December 31, 2023	For the nine months ended December 31, 2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net Income (loss) for the period	\$ (1,051,229)	\$ (386,619)	\$ (4,060,455)	\$ (289,005)
<b>Items not affecting cash</b>				
Accretion and depreciation (Notes 3, 5 and 12)	130,274	207,487	508,465	584,442
Share based compensation (Notes 6 and 7)	15,752	-	33,747	-
Bad debt	-	-	2,106	-
Accretion on Lease Liability	3,069	(23,054)	9,705	(23,054)
Exercise of warrants	-	110,596	-	110,596
Gain on sale of assets	(53,473)	-	(53,473)	-
Interest and fees on short and long-term debt	383,408	375,255	1,043,007	1,043,470
	479,030	670,284	1,543,557	1,715,454
<b>Changes in non-cash working capital</b>				
Accounts payable	(239,962)	(520,559)	387,821	(73,178)
Accounts receivable	112,985	20,463	224,949	(248,415)
Short term debt	-	439,236	-	-
Inventory	37,942	501,016	659,499	35,818
Prepays	(18,235)	10,630	(131,098)	(70,033)
Cash flow (used in) operating activities	(679,469)	734,451	(1,375,727)	1,070,641
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>				
Disposal (purchase) of property, plant and equipment (Note 3)	695,862	(60,163)	695,862	(67,691)
Cash flow from (used) in investing activities	695,862	(60,163)	695,862	(67,691)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Exercise of options	1,100	61,600	1,100	61,600
Issuance of share capital	-	872,920	-	872,920
Payment of Lease obligations	(11,414)	-	(34,241)	-
Issuance (repayment) of short term debt (Note 4)	-	(584,232)	800,000	55,192
Issuance (repayment) of long term debt (Note 4)	-	(263,252)	(263,793)	(896,618)
Cash flow (used in) from financing activities	(10,314)	87,036	503,066	93,094
<b>Effect of change in exchange rate for cash and cash equivalents</b>	30,559	(13,123)	(236,206)	(276,264)
<b>Increase in cash and cash equivalents</b>	36,638	748,201	(413,005)	819,780
Cash and cash equivalents - beginning of year	56,939	447,918	506,582	376,339
Cash and cash equivalents - end of period	\$ 93,577	\$ 1,196,119	\$ 93,577	\$ 1,196,119

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

**DIAMCOR MINING INC.**  
**Consolidated Statement of Changes in Shareholders' Deficit**

	Share Capital	Contributed Surplus	Warrants	Accumulated Other Comprehensive Loss	Deficit	Non-Controlling Interests	Total Shareholders' Deficit
Balance - March 31, 2022	\$ 40,311,899	\$ 13,893,004	\$ 316,250	\$ (7,912,164)	\$ (44,193,024)	\$ (4,642,054)	\$ (2,226,089)
Net income (loss) for the period	-	-	-	-	(1,315,401)	553,093	(762,308)
Exercise of warrants (Note 6 )	1,373,492	-	(261,661)	-	-	-	1,111,831
Expiry of warrants (Notes 6 and 7)	-	54,589	(54,589)	-	-	-	-
Exercise of options (Notes 6 and 7)	117,466	(44,866)	-	-	-	-	72,600
Translation of foreign subsidiaries	-	-	-	(1,470,442)	-	872,904	(597,539)
Balance - March 31, 2023	\$ 41,802,857	\$ 13,902,727	\$ -	\$ (9,382,606)	\$ (45,508,425)	\$ (3,216,058)	\$ (2,401,505)
Net income (loss) for the period	-	-	-	-	(3,605,424)	(455,031)	(4,060,455)
Issuance of options (Notes 6 and 7)	-	33,747	-	-	-	-	33,747
Exercise of options (Notes 6 and 7)	1,801	(700)	-	-	-	-	1,101
Translation of foreign subsidiaries	-	-	-	(572,515)	-	363,339	(209,176)
Balance - December 31 2023	\$ 41,804,658	\$ 13,935,774	\$ -	\$ (9,955,122)	\$ (49,113,849)	\$ (3,307,749)	\$ (6,636,288)
Balance - December 31 2022	\$ 41,578,969	\$ 13,865,729	\$ 121,571	\$ (8,929,510)	\$ (44,977,272)	\$ (3,593,225)	\$ (1,933,737)

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

# Diamcor Mining Inc.

## Notes to the Consolidated Financial Statements

For the nine months ended December 31, 2023, and the year ended March 31, 2023

---

### 1. Nature of Operations and Going Concern

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

These consolidated financial statements were authorized for issuance by the Board of Directors on February 29, 2024. The Company's registered office is 301-1665 Ellis Street, Kelowna, B.C. V1Y 2B3, Canada.

These condensed interim consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. These consolidated financial statements do not reflect the adjustments or reclassification of assets and liabilities, which would be necessary if the Company were unable to continue its operations.

During the period ended December 31, 2023, the Company incurred a net loss of \$4,060,455 (March 31, 2023, \$762,308) and cash flows used in operations of \$1,375,727 (March 31, 2023 – \$377,965) and as at December 31, 2023, the Company had an accumulated deficit of \$49,113,849 (March 31, 2023 - \$45,508,425) and working capital deficiency of \$8,429,407 (March 31, 2023 - \$5,733,678). These conditions indicate the existence of material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

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

The Directors have considered the: (i) base of investors and debt lenders historically available to the Company; (ii) global capital markets; (iii) sources of Company income; (iv) cash generation and (v) debt amortization levels and the continued deferral of debt payments. Considering the above, Management and Directors are satisfied that the Company has access to adequate resources to continue as a going concern for at least the next 12 months. Factors that may negatively affect the Company's 12-month operating plan include the following: global trade and tariff disputes, geo-political events and the impact on capital markets, and commodity prices.

The Company has experienced lower than planned revenue as well as operating losses. Management has applied significant judgment in arriving at this going concern conclusion including:

- The amount of new sales orders and total revenue to be generated to provide sufficient cash flow to continue to fund operations and other committed expenditures,
- The timing of generating those new sales and the timing of the related cash flow; 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.

### 2. Basis of Preparation and Statement of Compliance

The condensed interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") issued and outstanding as of December 31, 2023. The condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments. The condensed interim consolidated financial statements are presented in Canadian dollars, which is the parent's functional currency.

---

# Diamcor Mining Inc.

## Notes to the Consolidated Financial Statements

For the nine months ended December 31, 2023, and the year ended March 31, 2023

### 2.1. Basis of consolidation

The condensed interim consolidated financial statements comprise the financial statements of the Company as at December 31, 2023. Subsidiaries are fully consolidated. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-Company balances, transactions and unrealized gains and losses resulting from intra-Company transactions are eliminated in full. Where the ownership of a subsidiary is less than 100%, and therefore a non-controlling interest exists, any losses of that subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

Details of the Company's subsidiaries as at December 31, 2023 are as follows:

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

DMI Minerals South Africa (Pty) Ltd. is the only entity involved in the incidental recovery of rough diamond. The company is in the pre-production stage and is yet to reach full scale operations. DMI Diamonds South Africa (Pty) Ltd. was incorporated for the purpose of leasing mining and production equipment to DMI Minerals South Africa (Pty) Ltd.

### 2.2 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, judgments, 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 and judgments considered by Management in preparing the consolidated financial statements are described below.

#### Incremental borrowing rate and lease liabilities

The application of IFRS 16 requires the Company to make judgments and estimates that affect the measurement of right-of-use assets and lease liabilities. In determining the lease term, all facts and circumstances that create an economic incentive to exercise renewal options (or not exercise termination options) are considered. Assessing whether a contract includes a lease also requires judgment. Estimates are required to determine the appropriate discount rate used to measure lease liabilities. Right-of-use assets are measured at cost, comprised of the initial measurement of the corresponding lease liabilities, lease payments made at or before the commencement date and any initial direct costs. They are subsequently depreciated on a straight-line basis and reduced by impairment losses, if any. Right-of-use assets may also be adjusted to reflect the remeasurement of related lease liabilities. The right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the underlying asset or the end of the lease term.

#### 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.

# Diamcor Mining Inc.

## Notes to the Consolidated Financial Statements

For the nine months ended December 31, 2023, and the year ended March 31, 2023

---

### **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, requires 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.

### **Fair value of financial instruments**

The fair value of financial instruments is determined wherever possible based on observable market data. If not available, the Company uses third-party models, independent price publications, market exchanges, investment dealer quotes and valuation methodologies that utilize observable data. Actual values may significantly differ from these estimates.

### **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 of equity and debt;
- The timing of generating those related cash flows; 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, 2023 (March 31, 2023 - 1 CGU).

### **Reserve and resource estimates**

Diamond reserves are estimates of the amount of diamonds 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 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 is 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 consultants including 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 determines the amount of non-cash stock-based compensation transactions with consultants by reference to the fair value of the services to be performed.

***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.

**2.3 Summary of significant accounting policies*****Cash and cash equivalents***

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

***Inventory***

Rough diamonds are physically 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. At December 31, 2023, there was \$39,490 (March 31, 2023 \$573,408) in rough diamond inventory. Inventories of certain consumables as at December 31, 2023 were \$209,546. (March 31, 2023, \$385,685). Total diamond inventory recognized as an expense December 31, 2023, was \$2,310,566 (March 31, 2023, \$3,596,175).

***Mine development costs***

Exploration and evaluation activities involve the search for minerals, the determination of technical feasibility, and the assessment of commercial viability of an identified resource.

Exploration and evaluation costs incurred prior to obtaining licenses are expensed in the period in which they are incurred. Once the legal right to explore has been acquired, exploration and evaluation costs incurred are capitalized. Acquisition costs incurred in connection with the terms of option agreements are capitalized. All capitalized exploration and evaluation costs are recorded at acquisition cost and are monitored for indications of impairment. Where there are indications of a potential impairment, an assessment is performed for recoverability. Capitalized costs are charged to the consolidated statements of loss and comprehensive loss to the extent that they are not expected to be recovered.

**Notes to the Consolidated Financial Statements***For the nine months ended December 31, 2023, and the year ended March 31, 2023*

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets are tested for impairment and transferred to "Property, Plant and Equipment". There is no depreciation during the exploration and evaluation phase.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

**Property, plant and equipment**

Items of property, plant and equipment are stated at cost, less accumulated depreciation, and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning liability, and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. When a mine construction project moves into the production stage, the capitalization of certain mine construction costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalization relating to mining asset additions or improvements or mineable reserve development.

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

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

- Office equipment	15-20% declining balance
- Computers	15-45% declining balance
- Motor vehicles	4 year straight-line
- Plant and equipment	7 year straight-line
- Leasehold improvements	4 year straight-line

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

**Impairment of non-financial assets**

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

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

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

**Stripping costs**

Mining costs associated with stripping activities in an open pit mine are expensed unless the stripping activity can be shown to represent a betterment to the mineral property, in which case the stripping costs would be capitalized and included in deferred mineral property costs within mining assets. IFRIC 20, Stripping costs in the production phase of a surface mine (“IFRIC 20”), specifies the accounting for costs associated with “waste removal” (stripping) during the production phase of a surface mine. When the benefit from the stripping activity is realized in the current period, the stripping costs are accounted for as the cost of inventory. When the benefit is the improved access to ore in future periods and, if improved access to the ore body is probable, the component of the ore body can be accurately identified, and the cost associated with improving the access can be reliably measured, the costs are recognized as a mineral property asset. If these conditions are not met, the costs are expensed to the consolidated statements of loss and comprehensive loss as incurred. After initial recognition, the stripping activity asset is depreciated on a systematic basis (unit-of-production method) over the expected useful life of the identified component of the ore body that becomes more accessible because of the stripping activity.

**Major maintenance and repairs**

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets and overhaul costs. When an asset, or part of an asset that was separately depreciated, is replaced and it is probable that future economic benefits associated with the new asset will flow to the Company through an extended life, the expenditure is capitalized. The unamortized value of the existing asset or part of the existing asset that is being replaced is expensed. Where part of the existing asset was not separately considered as a component, the replacement value is used to estimate the carrying amount of the replaced asset, which is immediately written off. All other day-to-day maintenance costs are expensed as incurred.

**Leases**

A contract is a lease or contains a lease if it conveys the right to control the use of an asset for a period of time in exchange for consideration. To identify a lease, the Company (1) considers whether an explicit or implicit asset is specified in the contract and (2) determines whether the Company obtains substantially all the economic benefits from the use of the underlying asset by assessing numerous factors, including but not limited to substitution rights and the right to determine how and for what purpose the asset is used.

When assessing the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or to not exercise a termination option. This judgment is based on factors such as contract rates compared to market rates, economic reasons, significance of leasehold improvements, termination and relocation costs, installation of specialized assets, residual value guarantees, and any sublease term.

The Company does not recognize lease assets and lease liabilities for low-value assets or short-term leases with a term of 12 months or less. The lease payments are recognized in expenses over the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid. The Company elected to not separate non-lease components from lease components and to account for the non-lease and lease components as a single lease component. At the commencement date, a corresponding right-of-use asset is recognized at the amount of the lease liability, adjusted for lease incentives received, retirement costs and initial direct costs.

The lease liability is discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. The Company estimates the incremental borrowing rate based on the lease term, collateral assumptions, and the economic environment in which the lease is denominated.

The lease liability is subsequently measured at amortized cost using the effective interest method. The lease liability is remeasured when the expected lease payments change as a result of new assessments of contractual options and residual value guarantees.

***Decommissioning liability***

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

***Foreign currency translation***

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

The financial results of Company entities that have a functional currency different from the presentation currency are translated into the presentation currency. The functional currency of all the subsidiaries is the South African Rand. All assets and liabilities, including fair value adjustments are translated into the presentation currency at the rate of exchange ruling at the reporting date. Income and expenditure transactions of foreign operations are translated at the average rate of exchange for the year except for significant individual transactions which are translated at the rate of exchange in effect at the transaction date. Differences arising on translation from the reporting date are recognized in accumulated other comprehensive loss.

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

***IFRS 9 Financial Instruments ("IFRS 9")******Classification***

The Company classifies its financial assets and financial liabilities in the following measurement categories: (i) those to be measured subsequently at fair value through profit or loss ("FVTPL"); (ii) those to be measured subsequently at fair value through other comprehensive income ("FVOCI"); and (iii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains or losses are either recorded in the consolidated statements of loss and other comprehensive loss.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

***Measurement***

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in the consolidated statements of loss and comprehensive loss. Financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods.

---

# Diamcor Mining Inc.

## Notes to the Consolidated Financial Statements

*For the nine months ended December 31, 2023, and the year ended March 31, 2023*

Financial instrument	Classification under IFRS 9
<b>Financial asset:</b>	
Cash, restricted cash, and cash equivalents	FVTPL
Accounts receivable	Amortized cost
<b>Financial liabilities:</b>	
Accounts payable	Amortized cost
Long term debt	Amortized cost
Due to Nozala Investments	Amortized cost

### Impairment

IFRS 9 introduced a new model for the measurement of impairment of financial assets based on expected credit losses (“ECL”). The Company accounts receivable are subject to the ECL model under IFRS 9. For accounts receivable, the Company applies the simplified approach to providing for expected losses, which requires the use of the lifetime expected loss provision for all accounts receivable. In estimating the expected lifetime expected loss provision, the Company considers historical Company and industry default rates as well as credit ratings of major customers. As all the Company’s accounts receivables which the Company measures at amortized cost are short term (i.e., less than 12 months) and the Company’s credit rating and risk Management policies are in place, the change to a forward-looking ECL approach did not have a material impact on the amounts recognized in the consolidated financial statements.

### **Equity instruments**

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

### **Taxation**

#### **Income taxes**

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

#### **Current income tax**

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

#### **Deferred tax**

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

#### **Deferred tax liabilities:**

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

#### **Deferred tax assets:**

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

# Diamcor Mining Inc.

## Notes to the Consolidated Financial Statements

For the nine months ended December 31, 2023, and the year ended March 31, 2023

---

### **Non-controlling interest**

Non-controlling interest in the Company less than wholly owned subsidiaries are classified as a separate component of equity. On initial recognition, non-controlling interests are measured at their proportionate share of the acquisition date fair value of identifiable net assets of the related subsidiary acquired by the Company. Subsequent to the acquisition date, adjustments are made to the carrying amount of non-controlling interests for the non-controlling interests' share of the changes to the subsidiary's equity. Adjustments to recognize the non-controlling interests' share of changes to the subsidiary's equity are made even if this results in the non-controlling interest having a deficit balance.

### **Revenue recognition**

IFRS 15 (Revenue from Contracts with Customers) sets out a five-step model for revenue recognition. The core principle is that revenue should be recognized to depict the transfer of control of goods and services to customers in an amount that reflects the consideration that the Company expects to be entitled for those goods and services.

The Company principally generates revenue from the sale of diamonds (the "Product") pursuant to contractual arrangements with its customers. This revenue is recognized when control or title of the Product is transferred from the Company and collection is reasonably assured in accordance with specified contract terms. All revenue is generally earned at a point in time and is based on the consideration that the Company expects to receive for the transfer of the Product to the customer.

Revenue is measured based on the consideration specified in a contract with its customers. Payment terms with customers are generally 30 days from the date of the invoice. The Company does not have any sales contracts where the period between the transfer of the Product to the customer and payment by the customer exceeds one year. As a result, the Company does not adjust its revenue transactions for the time value of money.

All trade accounts receivable were generated from contracts with customers.

### **Share-based compensation**

The Company uses the fair value method of accounting for all share-based compensation, including options granted under the Company's incentive stock option plan. Compensation expense for options granted is determined based on the estimated fair values of the stock options at the time of grants and the fair value of stock options is determined on their grant date using a Black-Scholes valuation model, the cost of which is recognized over the vesting periods of the respective options. When option awards vest in instalments over the vesting period, each instalment is accounted for as a separate arrangement. Forfeitures are estimated throughout the vesting period based on experience and future expectations and adjusted upon actual option vesting.

Share-based compensation expense is recorded as a charge to operations with a corresponding credit to contributed surplus. Consideration paid for shares on the exercise of options is credited to share capital, amounts previously allocated to contributed surplus are also credited to share capital. If vested options expire, previously recognized compensation expense associated with such stock options is not reversed.

The Company has adopted the pro-rata basis method for the measurement of shares and warrants issued as private placement units. The pro-rata basis method requires that gross proceeds and related share issuance costs be allocated to the common shares and the warrants based on the relative fair value of the component. The fair value of the common share is based on the closing price on the closing date of the transaction and the fair value of the warrant is determined using the Black-Scholes Option Pricing Model. The fair value attributed to the warrant is recorded as warrant equity. If the warrant is exercised, the value attributed to the warrant is transferred to share capital. If the warrant expires unexercised, the value is reclassified to contributed surplus within equity. Warrants, issued as part of private placement units, that have their term of expiries extended, are not subsequently revalued. The Company may modify the terms of warrants originally granted. When modifications exist, the Company will maintain the original fair value of the warrant.

### **Loss per share**

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

Diluted loss per share is calculated by adjusting the loss and number of shares for the effects of dilutive options, warrants, convertible debentures and other dilutive potential units. The effects of anti-dilutive potential units are ignored in calculating diluted loss per share. All stock options and warrants are considered anti-dilutive when the Company is in a net loss position.

# Diamcor Mining Inc.

## Notes to the Consolidated Financial Statements

*For the nine months ended December 31, 2023, and the year ended March 31, 2023*

### 3. Property, Plant and Equipment

	<i>Property, Plant and Equipment</i>	<i>Motor Vehicles</i>	<i>Office Equipment</i>	<i>Computers</i>	<i>Right of Use Assets</i>	<i>Total</i>
<b>Cost</b>	\$	\$	\$	\$	\$	\$
<b>Balance, March 31, 2022</b>	<b>14,210,033</b>	<b>126,530</b>	<b>89,731</b>	<b>73,328</b>	-	<b>14,499,622</b>
Additions	22,239	42,424	5,920	1,790	189,053	261,426
Disposals	(18,237)	-	(23,355)	(2,162)	-	(43,754)
Decommissioning liability	(25,775)	-	-	-	-	(25,775)
Translation adjustments	(1,546,591)	(13,771)	(6,550)	(1,497)	-	(1,568,409)
<b>Balance, March 31, 2023</b>	<b>12,641,669</b>	<b>155,183</b>	<b>65,746</b>	<b>71,459</b>	<b>189,053</b>	<b>13,123,110</b>
Additions	-	-	-	-	-	-
Disposals	(1,124,570)	-	-	-	-	(1,124,570)
Decommissioning liability	(29,723)	-	-	-	-	(29,723)
Translation adjustments	(755,354)	(8,387)	(1,521)	(646)	-	(765,908)
<b>Balance, December 31, 2023</b>	<b>10,732,022</b>	<b>146,796</b>	<b>64,225</b>	<b>70,813</b>	<b>189,053</b>	<b>11,202,909</b>
<b>Accumulated Depreciation</b>						
<b>Balance, March 31, 2022</b>	<b>7,357,239</b>	<b>120,203</b>	<b>71,317</b>	<b>66,281</b>	-	<b>7,615,040</b>
Depreciation	700,326	3,434	1,873	907	31,509	738,049
Disposals	(17,098)	-	(16,328)	(1,086)	-	(34,512)
Translation adjustments	(816,200)	(13,158)	(4,664)	(847)	-	(834,869)
<b>Balance, March 31, 2023</b>	<b>7,224,267</b>	<b>110,479</b>	<b>52,198</b>	<b>65,255</b>	<b>31,509</b>	<b>7,483,708</b>
Depreciation	426,623	7,162	1,864	587	28,358	464,594
Disposals	(554,212)	-	-	-	-	(554,212)
Translation adjustments	(391,252)	(5,985)	(1,116)	(339)	-	(398,692)
<b>Balance, December 31, 2023</b>	<b>6,705,426</b>	<b>111,656</b>	<b>52,946</b>	<b>65,503</b>	<b>59,867</b>	<b>6,995,398</b>
<b>Net book value, March 31, 2023</b>	<b>5,417,402</b>	<b>44,704</b>	<b>13,548</b>	<b>6,204</b>	<b>157,544</b>	<b>5,639,402</b>
<b>Net book value, December 31, 2023</b>	<b>4,026,596</b>	<b>35,140</b>	<b>11,279</b>	<b>5,310</b>	<b>129,186</b>	<b>4,207,511</b>

The carrying amount for mines under construction of \$2,925,856 (March 31, 2023 - \$3,124,446) is included in Property, Plant and Equipment. This amount is not subject to depletion as of December 31, 2023.

### 4. Long-Term Debt, Short-Term Debt and Due to Nozala Investments

#### *Long-term debt*

Long-term debt consists of the following:

	<b>Maturity Date</b>	<b>December 31, 2023</b>	<b>March 31, 2023</b>
Term loan 2 (a) (c)	June 20, 2019	\$ 3,718,115	\$ 3,476,678
Convertible debenture 2 (b) (c)	June 20, 2019	2,479,294	2,318,500
Caterpillar Financial Services (d)	May and June, 2023	-	274,738
Canada Emergency Business Account (e)	December 31, 2023	40,000	40,000
Less: current portion due in one year		(6,237,409)	(6,110,216)
Long-term portion		\$ -	\$ -

- a) Term loan 2 was issued in November 2012, bears interest at an annual fixed rate of 9% and had a 5-year term with payments expected to start in January 2014. On February 4, 2014, December 31, 2014, and again in January 2016, the Company and Tiffany & Co. agreed to defer any payments on the \$2,400,000 term loan until July 2016. This loan is secured by a promissory note. Principal and interest was payable monthly at \$104,059 in accordance with a 36-month amortization schedule. The Company has the right to repay the outstanding principal and any accrued and unpaid interest under this loan at any time without notice or penalty. In February 2017, the Company and Tiffany & Co. agreed to a payment deferral until June 2017 at which time the outstanding payments were made, and scheduled payments recommenced. In September 2017, the Company and Tiffany & Co. informally agreed to suspend and accrue the ongoing payments to allow the Company to conserve operating capital. During the period ended December 31, 2023, the Company incurred \$241,137 of interest expense on this loan (\$296,087 – March 31, 2023).

# Diamcor Mining Inc.

## Notes to the Consolidated Financial Statements

*For the nine months ended December 31, 2023, and the year ended March 31, 2023*

- b) Convertible debenture 2 was issued in November 2012, bears interest at an annual fixed rate of 9% and had a 5-year term. On February 4, 2014, December 31, 2014, and again in January 2016 the Company and Tiffany & Co. agreed to defer any payments on the \$1,600,000 convertible debenture until July 2016. Principal and interest was payable monthly at \$69,372 commencing in July 2016 in accordance with a 36-month amortization schedule. The principal amount and accrued interest are convertible by the holder into common voting shares of the Company at \$1.60 per share. The outstanding amount of convertible debenture 2 is convertible into 1,296,885 Common Shares. The value attributed to the equity conversion option was \$nil. The Company has the right to repay the outstanding principal and any accrued and unpaid interest, without penalty, on not less than 30 days' notice and subject to the conversion rights contained in the convertible debenture. In February 2017, the Company and Tiffany & Co. agreed to a payment deferral until June 2017 at which time the outstanding payments were made, and scheduled payments recommenced. In September 2017, the Company and Tiffany & Co. informally agreed to suspend and accrue the ongoing payments to allow the Company to conserve operating capital. During the period ended December 31, 2023, the Company incurred \$160,794 of interest expense on this loan (\$197,435 – March 31, 2023).
- c) Term loan 2 and convertible debenture 2 are secured by a general security agreement which states the loans were secured by 100% of the general assets of the Company.
- d) Caterpillar loans were issued in February and March 2020, bear an interest of South African Prime plus 2.5% and had a 36-month term. Monthly payments are approximately \$100,000.
- e) Canada Emergency Business Account was issued April 17, 2020, and December 16, 2020, the loan bears no interest until December 31, 2023. Up to \$20,000 of the loan may be eligible for forgiveness, of the original \$60,000.

### **Short-term debt and accounts receivable factoring**

	December 31, 2023	March 31, 2023
Short term debt, beginning of the year	\$ 550,000	\$ 300,000
Interest and fees on short term debt and receivable factoring	401,729	469,208
Repayments	-	(345,000)
Accounts receivable factoring	900,000	4,242,080
Factoring repayments	(100,000)	(4,116,288)
Factoring advance payable, end of period	\$ 1,751,729	\$ 550,000

The Short-term debt carried a fixed fee of \$45,000. During the year ended March 31, 2023, the Company entered into a factoring agreement with a related party. Accounts receivable factoring was subject to a flat fee of 10% of the amount advanced, repayment generally occurs subsequent to a sale of diamonds. In April 2023 the Accounts receivable factoring fee was reduced to 5% of the amount advanced or outstanding encompassing service fees and interest, Title to the diamonds, responsibility for collection and foreign exchange fluctuations remains with the Company.

### **Due to Nozala Investments**

The amount due to Nozala Investments (a related party, which owns a 30% equity interest in DMI Minerals South Africa (Pty) Ltd.) of \$2,271,355 (March 31, 2023 - \$2,152,182) carries a floating interest rate (South African prime plus 3%), unsecured, currently has no set terms of repayment and is not expected to be repaid in the following fiscal year. The loan amount received is principally being used for the ongoing operations of DMI Minerals South Africa (Pty) Ltd., including the purchase of certain mineral rights and assets from De Beers Consolidated Mines Limited. The loan is denominated in South African Rand and no payments were made in the period ended December 31, 2023, or the year ended March 31, 2023. The loan is subordinated and ranks behind the claims of all external creditors of DMI Minerals South Africa (Pty) Ltd, until the fair value of its assets exceeds its liabilities. The Company recognized \$235,949 of interest for the period ended December 31, 2023, (\$256,001 March 31, 2023).



**Diamcor Mining Inc.**  
**Notes to the Consolidated Financial Statements**

*For the nine months ended December 31, 2023, and the year ended March 31, 2023*

**5. Decommissioning Liability**

The total decommissioning liability was based on the Company's estimated costs to reclaim and abandon the mines and facilities. The Company has estimated the costs related to the decommissioning liability based on the South African Department of Mineral Resources estimate of required decommissioning costs, adjusted for inflation. At December 31, 2023 the Company has estimated the net present value of the decommissioning obligation to be \$601,576 based on an undiscounted total future liability of \$1,114,469. The decommissioning liability was based on using a South African inflation rate of 5.50%. The long-term portion of the liability was discounted using a South African risk-free rate of 8.78%. For March 31, 2023, the Company has estimated the net present value of the decommissioning obligation to be \$621,081 based on an undiscounted total future liability of \$1,325,294. The decommissioning liability was based on using a South African inflation rate of 7.00% and a risk-free rate of 9.937%.

These costs are expected to be incurred in approximately 7 years.

The continuity of the decommissioning liability as at December 31, 2023:

	December 31, 2023	March 31, 2023
Balance, beginning of year	\$ 621,081	\$ 688,571
Change in estimate	(29,723)	(25,775)
Accretion recorded during the year	43,871	33,978
Translation adjustment	(33,653)	(75,693)
	<b>\$ 601,576</b>	<b>\$ 621,081</b>

**6. Share Capital**

	Number of shares	Amount
Authorized:		
Unlimited common voting shares, no par value		
Issued:		
Balance, March 31, 2022	120,320,746	\$ 40,311,899
Exercise of options (a)	660,000	117,466
Exercise of warrants (b)	7,522,191	1,373,492
Balance, March 31, 2023	128,502,937	\$ 41,802,857
Exercise of options (c)	10,000	1,801
Balance, December 31, 2023	128,512,937	\$ 41,804,658

The weighted average number of shares outstanding for the period was 128,512,937 (March 31, 2023 – 122,935,607). Loss per share is calculated as the net loss attributable to the equity holders of the parent divided by the weighted average of shares outstanding at the end of the year.

- a) 660,000 shares issued from the exercise of options at \$0.11
- b) 7,522,191 shares issued from the exercise of warrants at \$0.15
- c) 10,000 shares issued from the exercise of options at \$0.11

# Diamcor Mining Inc.

## Notes to the Consolidated Financial Statements

*For the nine months ended December 31, 2023, and the year ended March 31, 2023*

### Warrants

The following table summarizes the activity with respect to warrants issued, exercised, and expired during the year:

	December 31, 2023		March 31, 2023	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	-	-	8,318,169	\$ 0.15
Warrants expired	-	-	(795,978)	\$ 0.15
Warrants exercised (Note 6)	-	-	(7,522,191)	\$ 0.15
Outstanding, end of period	-	-	-	-
Exercisable, end of period	-	-	-	-

	December 31, 2023	March 31, 2023
Balance, beginning of year	\$ -	\$ 316,250
Warrants expired	-	(54,589)
Warrants exercised	-	(261,661)
Balance, end of period	\$ -	\$ -

There were nil warrants issued in the period ended December 31, 2023 (March 31, 2023 – nil).

### Stock options

The Company amended a formal stock option plan on May 19, 2022, and follows the TSX Venture Exchange (the “Exchange”) policy under which it is authorized to grant options to Directors, employees and consultants to acquire up to 17,945,236 of its issued and outstanding common shares. Under the policy, the exercise price of each option is equal to the market price of the Company’s stock, less applicable discounts permitted by the Exchange, as calculated on the date of grant. The options can be granted for a maximum term of 5 years.

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

	December 31, 2023		March 31, 2023	
	Number of options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	7,945,000	\$0.11	9,605,000	\$ 0.11
Options issued	600,000	\$0.13	-	-
Options exercised	(10,000)	\$0.11	(660,000)	\$ 0.11
Options cancelled	(350,000)	\$0.11	-	-
Outstanding, end of period	8,185,000	\$ 0.11	7,945,000	\$ 0.11
Exercisable, end of period	8,035,000	\$ 0.11	7,945,000	\$ 0.11

The following stock options were outstanding at December 31, 2023:

Number of options outstanding and exercisable	Exercise Price	Weighted average remaining life	Expiry date
5,685,000	\$0.11	0.81	October 21, 2024
1,300,000	\$0.11	0.84	November 4, 2024
300,000	\$0.15	0.09	February 1, 2024
300,000	\$0.11	2.36	May 12, 2026
300,000	\$0.15	2.46	June 15, 2026
300,000	\$0.11	2.84	November 1, 2026
Outstanding end of period	8,185,000		
Exercisable end of period	8,035,000		

**Diamcor Mining Inc.**  
**Notes to the Consolidated Financial Statements**

*For the nine months ended December 31, 2023, and the year ended March 31, 2023*

The following stock options were outstanding at March 31, 2023

Number of options outstanding and exercisable	Exercise Price	Weighted average remaining life	Expiry date
5,695,000	\$0.11	1.56	October 21, 2024
1,650,000	\$0.11	1.59	November 4, 2024
300,000	\$0.11	0.84	February 1, 2024
300,000	\$0.15	3.11	May 12, 2026
<hr/>			
Outstanding end of year 7,945,000			
<hr/>			
Exercisable end of year 7,945,000			

**Share-based compensation**

There were 600,000 options issued by the Company in the period ended December 31, 2023 (March 31, 2023 – nil). The option valuation in the period ended December 31, 2023, was calculated using the Black-Scholes pricing model with the following assumptions: zero dividend yield, expected volatility between 94 - 97% and risk-free rate between 4.08 - 4.39%. Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimated, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

**7. Contributed Surplus**

	\$
<b>Balance, March 31, 2022</b>	<b>13,893,004</b>
Expiry of warrants (note 6)	54,589
Exercise of options (note 6)	(44,866)
<b>Balance, March 31, 2023</b>	<b>13,902,727</b>
Issuance of options (note 6)	33,747
Exercise of options (note 6)	(700)
<b>Balance, December 31, 2023</b>	<b>13,935,774</b>

**8. Related Party Transactions**

In addition to the factoring transactions disclosed in Note 4, the Company paid or accrued the following to Directors, Officers, and to companies controlled by Directors of the Company:

	December 31, 2023	March 31, 2023
Salaries and consulting	\$ 326,700	\$431,100
Directors' fees	63,000	75,000

As at December 31, 2023, the Company owed \$414,654 of payables and expenses (March 31, 2023 - \$37,144) to Directors of the Company and companies controlled by a Director. These amounts are included in accounts payable.

Notes to the Consolidated Financial Statements

For the nine months ended December 31, 2023, and the year ended March 31, 2023

9. Segmented Information

The Company's primary business is the exploration and development of diamond properties in Africa so there is only one reportable operating segment, and all revenue is earned in the South African subsidiaries. The reportable segments are those operations whose operating results are reviewed by the chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance provided those operations pass certain quantitative thresholds. Operations whose revenues, earnings or losses, or assets exceed 10% of the total consolidated revenue, earnings or losses, or assets are reportable segments. To determine reportable segments, Management reviewed various factors, including geographical locations and managerial structure.

Details of identifiable assets by geographic segments are as follows:

	Total Assets	Property, Plant and Equipment	Cash and Equivalents and Restricted Cash	Other Assets
<b>December 31, 2023</b>				
Canada	\$ 287,169	\$ 134,275	\$ 33,749	\$ 119,145
South Africa	5,029,514	4,073,236	624,068	332,210
	\$ 5,316,683	\$ 4,207,511	\$ 657,817	\$ 451,355
<b>March 31, 2023</b>				
Canada	\$ 206,044	\$ 164,060	\$ 21,687	\$ 20,297
South Africa	7,814,645	5,475,342	1,081,373	1,257,930
	\$ 8,020,689	\$ 5,639,402	\$ 1,103,060	\$ 1,278,227

10. 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 \$49,711 (March 31, 2023 - \$9,667) as well as trade receivables of \$10,941 (March 31, 2023 - \$298,837). The Company does not foresee any significant risk in the collection of these accounts receivable. All trade receivables are sales tax due from a customer.

# Diamcor Mining Inc.

## Notes to the Consolidated Financial Statements

*For the nine months ended December 31, 2023, and the year ended March 31, 2023*

The trade accounts receivable aging amounts are as follows:

	December 31, 2023	March 31, 2023
0-30 days	\$49,711	\$ 298,837
31-90 days	10,941	-
120+ days	-	-
<b>Total</b>	<b>\$ 60,652</b>	<b>\$ 298,837</b>

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% percent change in the South African prime rate would result in net loss increasing or decreasing by approximately \$26,000. (\$37,000 March 31, 2023).

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, 2023	March 31, 2023
Cash and cash equivalents and restricted cash	\$624,068	\$1,081,373
Accounts receivable	53,004	298,837
Accounts payable	333,308	606,335
Long-term debt	2,271,355	2,426,920

A 5% change in the South African Rand would result in total net loss increasing or decreasing by approximately \$150,000. (\$308,000 March 31, 2023). Cash and cash equivalents include \$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 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 \$8,974,339 are payable within one year. The Company enters contractual obligations in the normal course of business operations.

The table below summarizes the maturity profile of the Company's financial liabilities as at December 31, 2023 based on contractual undiscounted payments:

	<b>Current</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>Thereafter</b>
Accounts payable	\$951,898	-	-	-	\$ -
Long-term debt	6,237,409	-	-	-	-
Short-term debt	1,751,729	-	-	-	-
Lease Liability	46,430	46,985	46,985	19,577	-
Due to Nozala investments	-	-	-	-	2,271,355
	<b>\$8,987,466</b>	<b>46,985</b>	<b>46,985</b>	<b>19,577</b>	<b>\$2,271,355</b>

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

# Diamcor Mining Inc.

## Notes to the Consolidated Financial Statements

*For the nine months ended December 31, 2023, and the year ended March 31, 2023*

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 period ended December 31, 2023; and for the year ended March 31, 2023. 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 \$56,000 for the period ended December 31, 2023. (\$360,000 March 31, 2023).

### 11. Capital Management

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

The Company manages the following as capital:

	December 31, 2023	March 31, 2023
Working capital (a)	\$ (2,191,998)	\$ 376,538
Long-term debt (b)	\$ 8,508,764	\$ 8,262,398
Shareholders' (deficit) equity	\$ (6,636,288)	\$ (2,401,505)

- a) Working capital is calculated based on current assets less current liabilities excluding the current portion of Long term debt.  
b) Includes the current portion of Long-term debt.

### 12. Lease Obligations

Lease obligations consist of the following components as at December 31, 2023.

	December 31, 2023	March 31, 2023
Lease obligations – beginning of year	\$ 163,540	\$ -
Additions	-	189,053
Lease payments	(34,241)	(38,046)
Interest	9,705	12,533
Lease obligations – end of year	\$ 139,004	\$ 163,540
Current portion	(33,303)	(33,096)
Lease obligations non-current	\$ 105,701	\$ 130,444

The Company entered into a lease agreement for office space in June 2022. The Company recorded a right of use asset and lease liability of \$189,053 using an incremental borrowing rate of 9%.

#### Maturity analysis – contractual undiscounted cash flows

Current	\$ 46,430
One to 5 years	113,546
Total undiscounted lease obligations	\$ 159,976
Unrecognized imputed interest	(20,972)
Total lease obligations	\$ 139,004

**Diamcor Mining Inc.**  
**Notes to the Consolidated Financial Statements**

*For the nine months ended December 31, 2023, and the year ended March 31, 2023*

**13. Accounts Payable**

Trade and other payables consist of the following components:

	December 31, 2023	March 31, 2023
Trade payables	\$860,680	\$ 574,982
Taxes	91,218	250,193
Salary and benefits	-	-
	<b>\$951,898</b>	<b>\$ 825,175</b>

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

**14. Restricted Cash**

These amounts are encumbered by a guarantee by Standard Bank of South Africa Limited for certain rehabilitation obligations and electrical guarantees. The encumbered amount as at December 30, 2023 was \$564,240 (March 31, 2023 - \$596,478).

**15. Non-Controlling Interests (NCI)**

Set out below is summarized financial information for the Company's subsidiary that has non-controlling interests that are material to the Company. The amounts disclosed for the subsidiary are before inter-company eliminations:

**DMI Minerals South Africa (Pty) Ltd.**

	December 31, 2023	March 31, 2023
<b>Summarized Statement of Financial Position</b>		
Current assets	\$ 846,601	\$ 1,733,928
Current liabilities	24,555,042	25,460,960
<b>Current net assets</b>	<b>(23,708,441)</b>	<b>(23,727,032)</b>
Non-current assets	3,319,681	4,145,818
Non-current liabilities	2,271,355	2,773,263
<b>Non-current net assets</b>	<b>1,048,326</b>	<b>1,372,555</b>
<b>Net liabilities</b>	<b>(22,660,115)</b>	<b>(22,354,477)</b>
<b>Summarized Statement of Comprehensive Income (Loss)</b>		
Sales	1,127,074	7,210,772
<b>Income (Loss) for the period</b>	<b>1,516,769</b>	<b>1,843,643</b>
Total comprehensive income (loss)	1,516,769	1,843,643
Income (Loss) allocated to NCI	455,031	553,093
<b>Summarized Statement of Cash-Flows</b>		
Cash-flows from operating activities	(718,504)	1,986,817
Cash-flows from investing activities	37,838	(24,570)
Cash-flows from financing activities	235,950	(1,592,962)
<b>Net increase in cash and cash equivalents</b>	<b>\$ (444,716)</b>	<b>\$ 369,285</b>

**16. Subsequent Events**

On February 1, 2024 300,000 options expired that had a strike price of \$0.15