

Diamcor Mining Inc.

DMI.TSX-V

Shares Issued: 12.2 Million*

52-Week H.-L.: \$0.45 - \$0.13

Price January 13, 2010: \$0.40

Near term diamond producer

Diamond mining in the Canadian north is still a relatively new activity. I still remember the excitement surrounding the original discovery by **Chuck Fipke's Diamet** which resulted in Canada's first diamond mine – **Ekati**. While exciting – those efforts cost many, many millions of dollars in diamond drilling exploration to discover in the Canadian north, and hundreds of millions more to develop them. This results in hundreds of millions of shares being issued which dilutes shareholder's equity.

Not so is the case of near producer **Diamcor Mining Inc.**, which is why I bring it to your attention at this time. The **Kelowna** based developer with an established operational history and operational team in South Africa, is in the final stages of acquiring a production ready property from **De Beers**. **The Krone-Endora** property sits right next to **De Beers'** largest diamond producer – the **Venetia Mine** in **South Africa** (annual production estimated at 9 Million carats per year). And the resource is already known. The 43-101 report published July 30, 2009 by **Diamcor** on **Krone-Endora** provides an initial estimate of *54 Million tonnes of material containing 1.3 Million carats of diamonds*, with 85% expected to be gem quality. So the company enters 2010 not needing to spend millions of dollars on exploration and with less than 13 Million shares (*there will be approximately 16 Million more shares issued with a financing at \$0.30 currently underway – still this is reasonably low considering the exploration is behind them).

Alluvial/Eluvial material

An interesting aspect of the **Krone-Endora** property is the unique nature of the deposit. It has been identified as an



“eluvial” shift of 1,000 vertical meters of material off the top of **Venetia** to lower grounds. Therefore – it is neither a deep, expensive to mine kimberlite pipe – nor an inconsistent alluvial resource moved long distances from its source and known to be inconsistent. It is an “eluvial” deposit which is assumed to have occurred in a one-time event, followed by the erosion of additional materials over a period of millions of years from the gigantic **Venetia** deposit next door. So it has two advantages – it is near surface, amenable to strip mining and therefore inexpensive to develop and mine, and it should also be a relatively consistent grade unlike alluvial deposits which are moved much further from their sources. As a result – once again **Diamcor** isn't looking at raising several hundred million dollars to construct this operation, but more in the order of \$3.0 - \$5.0 Million. So when production commences – expected Q-2 of 2010 – we are only looking at less than

30 Million shares issued and outstanding in this Company.

Production & Cash Flow estimates

The company is targeting initial production levels which quickly grow to 7,000-10,000 carats per month within the first year, and at their targeted 10,000 carats per month, have over a ten year mine life. Free cash flow is estimated to come it at \$3.5 Million in year one rising to \$6.0+ Million per year after that. Based on 30 Million shares this works out to EPS of \$0.20 and at 15 times EPS – a share price of \$3.00. Any changes in shares issued or grade mined, etc., will of course change these rough estimates, as would the recoveries of any very large diamonds which are not planned for in the revenue calculations. The company has also stated in their literature that with this initial production based acquisition / project now set to proceed, they are also continuing to advance other ongoing discussions on additional efforts aimed

at acquiring additional larger production based projects which could also change these initial overall production and revenue assumptions. The Company's stated goal is to reach a near-term production target of 30,000 – 35,000 carats per month within 24-36 months.

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