



Mining the Ultimate Contrarian Commodity

A Boom is Underway in the Commodity World and One Company is Positioned to Take Full Advantage of a very Special Situation

The venerable commodity plays copper, gold, and oil continue to climb higher.

Gold prices are up more than 60% from their lows. Oil prices have more than doubled. And copper has risen nearly 130% in the last year and a half.

It's an exciting time for investors focused on commodities. However, there could be an even greater opportunity forming in a commodity that was hit harder in the credit crunch of 2008 and hasn't rebounded nearly as strong as the mainstream commodities...yet.

That's why *Bottom Line Report* urges you to look at what we are calling the "ultimate contrarian commodity."

Demand for it is rebounding faster than oil. China's appetite for it is growing faster than its consumption of gold, and supply, which is dominated by a powerful global monopoly, is lagging significantly behind demand.

Best of all, almost no one is paying attention, and one company, **Diamcor Mining Inc. (TSX-V: DMI)**, has positioned itself to take advantage of the entire situation.

Demand is Forever

The diamond mining industry was hit exceptionally hard during the credit crunch.

From August to December 2008 retail diamond sales had fallen 20% and diamond prices fell 30%. De Beers, the world's foremost diamond miner had reported sales of less than \$7 billion per year.

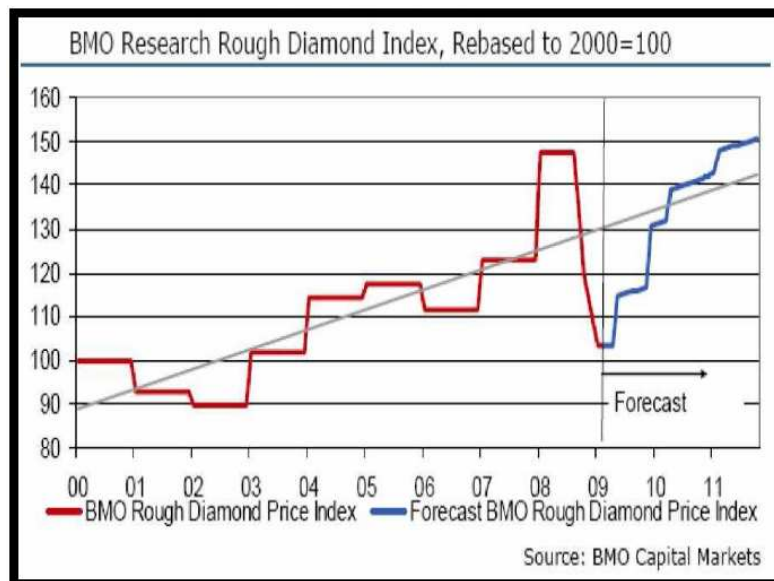
Things got so bad for the diamond industry; the Russian government was buying diamonds out of the market to help keep prices propped up.

All the effort, however, looked to have little impact in preventing further price declines. In early 2009 the *New York Times* reported a diamond industry analyst expected "demand for diamonds to decline by at least 60 percent [in 2009], leading to a further price drop of about 25 percent."

It was a tough time to be a diamond miner. And the future looked even worse.

Jump ahead to today and the industry has made a complete 180-degree turn. The global economic recovery is gaining momentum and diamond demand is rebounding quickly.

Recent research from Bank of Montreal (BMO) shows diamond demand is springing back quickly:



As you can see, diamond demand is surging back. It's nearly back to pre-credit crunch levels, and in a few months, many industry experts believe diamonds will be more in demand worldwide than they were in 2008.

Supply is Lagging Way Behind

But here's the thing, the diamond mining industry is still recovering from years of under-development and lack of exploration results.

Consider this – no new kimberlite (diamond hosting rock) deposits have been found in years. There have been tens of millions of dollars pumped into diamond exploration, but it has not paid off.

It gets even more interesting. Of the known kimberlite deposits, most are controlled by major diamond miners that either halted development during the credit crunch, or just put them on the back burner and kept them there.

In addition to that, opening up a diamond mine isn't just like turning on a switch. It normally takes five to seven years to put a kimberlite deposit into production, and thus, even now that the diamond demand is surging, it's going to take years for new supplies to come online.

That's where Diamcor Mining has strategically inserted itself to reap significant rewards from the entire situation.

The Near-Term Solution

First and foremost, Diamcor is NOT some wildcatting diamond exploration outfit that's either going to hit it big or go broke (if you've followed diamond exploration over the last decade, you know the latter is much more common).

Diamcor is a near-term diamond producer. It has uniquely positioned itself as one of very few companies that can help fill the widening supply/demand imbalance in the diamond market in the near future.

Using their past production history, Diamcor has initially enhanced its production based strategic position through its recently announced acquisition of the Krone-Endora project from De Beers, which is now in the final stages of closing. You see, De Beers is a giant diamond mining company, and it makes no sense for their company to develop small diamond projects. It must focus its efforts on the big opportunities.

That leaves the industry's low-hanging fruit, like the Krone-Endora Project, to be capitalized on by a company like Diamcor.

Krone-Endora: Near-Term Production

In May 2008 Diamcor announced it had entered into an agreement with De Beers to acquire the Krone-Endora project for a mere \$2 million, and by December of 2008 the definitive agreements were signed. Diamcor would acquire a 70% controlling interest in conjunction with the well established Black Economic Empowerment group, Nozala Investments, who would control a

30% stake in the project. Nozala is a 100% women owned group, representing the interests of some 500,000 rural South African Women.

The Krone-Endora project was targeted given its potential to be a near-term production diamond project with some staggering economics. It's located immediately adjacent to De Beers Venetia Diamond mine in the northern Limpopo province of South Africa. The Venetia mine is the third largest diamond mine in the world, accounting for an estimated 50% of South Africa's diamond production with production peaks reported at +/- 9.0 million carats per year.

Krone-Endora is not a big kimberlite deposit that's going to take another five to seven years to develop though, but a project that has the potential to be producing diamonds in a matter of months. Previous work completed on the project by De Beers included several drilling programs, bulk sampling, and their own internal mineral resource estimate report. This information provided Diamcor with a significant due diligence base from which to work, and for the completion of an initial independent NI43-101 report, which was filed by Diamcor in July of 2009. The previous work completed by De Beers, and the subsequent NI43-101 report, identified that a significant portion of the deposits which occur on Krone-Endora are proposed to be directly related to Venetia in that they are the result of a rare "Eluvial" occurrence, or "direct shift" of an estimated 1,000m or 1.0 vertical km of the material from the higher grounds of the Venetia kimberlite pipes. While the reference to "Eluvial" and "Alluvial" deposit types sound similar, an "Eluvial" deposit indicating a direct shift of material should not be confused with the traditionally higher risk "alluvial" deposit which is formed by ancient rivers flowing over kimberlites and then depositing diamonds miles downstream at a later point.

The project's production potential can be exploited quickly given the diamond-bearing deposit occurs in a layer averaging only 15 meters from surface to bedrock, and thus recovery can be done via low-cost near surface strip-mining operation.

While the economics and benefits of such a project may not be suitable for a company as large as De Beers, they definitely work for Diamcor.

The NI43-101 compliant report filed by Diamcor on the current areas of interest to date at Krone-Endora reported an initial inferred estimate of 1.3 million carats and 54.0 million tonnes of diamondiferous gravel. The Company plans to further refine these assumptions as additional data becomes available during the initial trial mining and planned additional drilling, particularly with respect to the total diamond resource and diamond valuations.

However, Diamcor is a first stage diamond miner. It doesn't have an army of high-salaried master gem cutters and polishers. It simply recovers and sells its diamond production to wholesale buyers who do all the buffing and cutting. At what the Company estimates are conservative rough pricing levels, it expects the market value of each run-of-mine carat produced to average about \$100 per carat.

But the real exciting thing about Krone-Endora is the potential economics. After analyzing the currently reported average grades, and the potential quantity of diamonds in the project, the Company is targeting an ability to generate an average of \$8+ worth of diamonds per tonne of diamondiferous gravel processed with a cost target of under \$4 per tonne. That's in line with the Company's past ability to produce diamonds at a 50% margin, as was the case at the Company's successfully completed So Ver project.

On top of that, Krone-Endora has not been fully explored yet. Based on additional surface exploration work, the Company believes there's the potential to double the current diamond estimates of the project. Whether Diamcor is able to expand its resource or not, it's still targeting the processing of an estimated 1 million plus carats of diamonds with potential revenues which are significant given the Company's size and current market cap.

Additional reserves, or any added increase in rough diamond prices (which is all but inevitable given the supply/demand imbalance), along with the potential for large diamond recoveries, all are factors which could serve the Company well.

You can get a full idea of Diamcor's unique strategy and an up close look at the project by watching the company's video presentation [here](#) (it's only about 7 minutes).

An Investor's Best Friend

Clearly, Diamcor has a lot going for it. But the real value in Diamcor can be seen in its deep undervaluation.

At last report, Diamcor has 20.1 million shares outstanding (27 million fully-diluted) and at a market price of approximately \$0.36 cents per share, an estimated market cap of just over \$7.2 million (\$9.7 million fully-diluted).

The company is currently in the final stages of completing a financing arrangement to fully fund the current targets of project, which is expected to result in the issuance of approximately 6.66 million additional shares.

Even after the financing is completed, Diamcor will have a market value of *less than* \$10.0 million.

That's still very cheap for a company with the potential to generate millions in gross profit based only on current assumptions.

They're Doing it Again

The key thing about Diamcor is that they're not a one-trick pony. The company's management team has successfully produced diamonds before.

Diamcor used to run the So Ver diamond tailings project in South Africa. The project ran on a 24 hour / 7 days a week basis until reserves were no longer suitable.

So Ver was a success and now the Diamcor team is doing it again. And if you take a look at the management team, it doesn't take long to see they're certainly capable of it:

Mr. Dean H. Taylor - Chairman / Director / Chief Executive Officer - is a successful entrepreneur and executive with a wealth of acquisition and operational experience. A firm believer in establishing a sound corporate structure and then attaining growth through acquisitions and the implementation of sound operational management, Mr. Taylor has utilized this experience to create the existing opportunities associated with Diamcor.

Beginning late in 2005, Mr. Taylor began ensuring the Company's corporate structure was attractive prior to leading Diamcor's established operational team towards achieving growth through the pending acquisition of the Krone-Endora project from DeBeers, and preparation for future planned acquisitions.

Mr. Taylor is also the founder and CEO of Okanagan Valley Business Consulting Ltd., a private consulting firm which provides executive level consulting services to clients in both the private and public sector.

Mr. Taylor has been the founder of several successful private businesses, and held various executive level positions with public companies in both Canada and the United States where he led those entities through both growth related acquisitions and operational project management initiatives over the past fifteen years.

Mr. Dean Del Frari - Managing Director of Operations - South Africa - has been with Diamcor since May of 2002, and is the Company's Managing Director of Operations for South Africa. Mr. Del Frari is responsible for management of the Company's South African projects, as well as overseeing other corporate responsibilities with regards to various Company initiatives worldwide.

Originally educated at the University of Alberta and specializing in Marketing and International Business, Mr. Del Frari has also studied Geology, Mining, Metallurgical and Petroleum Engineering. He has advanced training in rough diamond grading from the HODTS in Johannesburg, and holds a Graduate Gemologist Diploma from the Gemological Institute of America.

Mr. Del Frari holds a Masters of Business Administration (MBA) from the University of Liverpool, is a licensed commercial helicopter pilot and has extensive operational field experience in various production based diamond related projects in South Africa. Since 2002 the focus of his activities has been on mining and the marketing of rough

diamonds in South Africa and the ongoing review, evaluation and due diligence associated with the Company's current growth objectives.

Dr. Stephen E. Haggerty – Director - is a distinguished research professor and has been recognized as one of the world's leading diamond experts. His extensive knowledge and involvement over four decades in the diamond industry greatly compliments the Company's current growing management team, and enhances their ability to achieve the ongoing acquisition and growth objectives they have set for the Company.

Dr. Haggerty graduated from the Royal School of Mines in Economic Geology in 1964 and received his PhD from the University of London in 1968. This was followed by a three-year post-doctoral Carnegie Fellowship at the Geophysical Laboratory in Washington, D.C., followed by a lengthy tenure at the University of Massachusetts. His most recent post has been Distinguished Research Professor at Florida International University in Miami, Florida, USA.

Dr. Haggerty's extensive research has revolved around the Fe-Ti-O system, and has ranged from studies of lunar samples and meteorites, to diamonds and the evolution of the middle upper mantle. He was a Principal Investigator for 10 years in the U.S. Apollo and Soviet Luna sample return programs, and served on the Lunar Sample Analysis Planning Team. His various and ongoing research projects are vast, as are his past and ongoing field projects in west and southern Africa along with extensions to Brazil, Australia, Syria, Siberia, and China.

Dr. Haggerty's ties to South Africa are very strong as he was born in the Witwatersrand Basin of South Africa which is located some 50 km from the bushveld complex and the famous Premier Diamond Mine. He is also the long time land-owner of the property on which yet another famous mine resides, that being the famous Jagersfontein mine, which is located in South Africa's Free State some 110 km south-west of Bloemfontein.

Mr. Sheldon B. Nelson – Director - is based in New York City and has served as President, Chief Executive Officer and Chairman of the Board of MDU Communications International, Inc., a United States publicly traded corporation since its start-up inception in 1998. MDU is a leading provider of communication services to the residential multi-dwelling unit marketplace and under Mr. Nelson's direction MDU has become a leader in its industry, attracted and closed various significant equity placements, established a growth-based credit facility, and merged with and/or acquired the operating assets of various other companies.

Prior to joining MDU, Mr. Nelson was President of 4-12 Electronics Corporation, a large Canadian based provider of products and services to the cable and satellite television industries. He is a 1983 graduate of Gonzaga University in Spokane, Washington where he graduated from the School of Business Administration, Magna Cum Laude, and was the recipient of the School of Business Administrations' Award of Excellence.

Darren Vucurevich B. Mgt. CMA – Director - was appointed to, and has been a member of, the Diamcor Board of Directors since July of 2005. A graduate of the University of Lethbridge in 1992, Mr. Vucurevich followed with his Certified Management Accountant designation in 1995. Since becoming a part of the Diamcor Board in 2005, Mr. Vucurevich has worked closely with the current Management to ensure that all elements of the Company's international operations, accounting, banking, and reporting are continually advancing and developing to meet the requirements associated with its planned growth. Mr. Vucurevich currently operates a successful public accounting practice, and has also owned and managing various other successful companies.

Mr. Jim Hawkins B.Sc., P.Geoph. - **Exploration Manager** - has been Exploration Manager at Diamcor since May 2007, and prior to that acted as a consultant to the Company since 2005. Mr. Hawkins graduated from the University of Western Ontario where he received a degree in Geophysics in 1977, after which he has been involved in mining exploration worldwide for over 25 years, including a stint as Manager of Special Projects for Diamet Minerals (Ekati Diamond Mine / Northern Canada) prior to its sale to BHP Diamonds in 2000. He is a Member of the Association of Professional Engineers, Geologists, and Geophysicists of Alberta ("APEGGA"), registered as a Professional Geophysicist, and as such acts as the Company's "Qualified Person" for all Exchange related Company documents and reports.

It takes a lot of knowledge and experience to produce diamonds and Diamcor has both of them in spades.

The Bottom Line

In the end Diamcor has all the attributes the Bottom Line Report focuses on.

It has a top-quality project, is well-positioned in an industry which is experiencing strong growth, and is run by a management team that has proven it can develop a successful mining project.

Also, it has plenty of upside potential. The Company's valuation is very cheap relative to potential earnings. It has done extensive preliminary work aimed at acquiring more production-based projects, and potential cash flows to develop them in a non-dilutive way. And it's in the diamond industry, which is shaping up to face some significant supply gaps in the near-term. As a production focused entity, Diamcor is well-positioned to take advantage of its plans to provide additional supply in the near-term.

The big commodities like oil, gold, and copper may be grabbing all the headlines and investors attention right now, but diamonds may be outpacing them all in the months and years ahead.

Follow Diamcor Mining's development at <http://www.diamcormining.com/>.