DIAMCOR MINING INC.

CONSOLIDATED FINANCIAL STATEMENTS

September 30 , 2010

(unaudited - see notice to reader)

Notice to Reader

The accompanying interim consolidated statements for Diamcor Mining Inc. have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. The most significant of these accounting principles have been set out in the March 31, 2010 audited financial statements. Only changes in accounting information have been disclosed in these interim financial statements. These statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented.

DIAMCOR MINING INC.
CONSOLIDATED BALANCE SHEETS

	September 30 2010 unaudited	March 31 2010 Audited
ASSETS		
CURRENT		
Cash and cash equivalents	$ 2,283,035	$ 1,894,319
Accounts receivable (Note 18)	91,451	211,447
	2,374,486	2,105,766
REHABILITATION TRUST FUND (Note 3)	39,561	37,248
DEPOSITS AND PREPAIDS (Note 7)	240,747	207,750
PROPERTY, PLANT AND EQUIPMENT (Note 4)	57,907	68,957
	$ 2,712,701	$ 2,419,721
LIABILITIES		
CURRENT		
Accounts payable	$ 122,678	$ 204,983
Asset retirement obligation (Note 8)	321,402	316,651
Current portion of long term debt (Note 6)	3,094	2,975
Deferred income (Note 18)	238,908	242,988
Share capital purchase deposits	-	188,967
short term debt (Note 5)	-	385,530
Taxes payable	22,087	18,230
	708,169	1,360,324
LONG TERM DEBT (Note 6)	2,201	3,779
DUE TO NOZALA INVESTMENTS (Note 6)	100,869	94,971
	811,239	1,459,074
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	9,445,625	8,738,841
Contributed surplus (Note 10)	2,700,474	2,004,473
Warrants (Note 9)	2,348,055	1,530,867
Deficit	(12,592,692)	(11,313,534)
	1,901,462	960,647
	$ 2,712,701	$ 2,419,721

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)

COMMITMENTS (Note 17)

SUBSEQUENT EVENTS (Note 19)

On behalf of the board

"Dean Taylor" Director

"Sheldon Nelson" Director

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

DIAMCOR MINING INC.
CONSOLIDATED STATEMENTS OF LOSS, COMPREHENSIVE LOSS, AND DEFICIT

	For the Three Months Ended September 30, 2010	For the Three Months Ended September 30, 2009	For the Six Months Ended September 30, 2010	For the Six Months Ended September 30, 2009
SALES	$ -	$ -	$ -	$ -
COST OF SALES	-	13,466	-	16,506
GROSS LOSS	-	(13,466)	-	(16,506)
EXPENSES				
Accretion and amortization	7,948	8,577	15,798	17,084
Consulting fees	47,696	50,808	108,996	56,116
Insurance	3,315	3,344	8,667	6,274
Interest and bank charges	1,430	581	45,415	1,819
Office	17,578	8,416	42,516	19,290
Professional fees	57,649	89,384	94,124	129,745
Promotion and investor relations	7,614	3,465	62,980	6,168
Salaries and wages	119,833	61,657	240,070	120,518
Stock based compensation	-	-	696,000	-
Transfer agent and regulatory fees	4,521	6,836	23,043	8,785
Travel	16,696	19,190	42,964	25,404
	284,280	252,258	1,380,573	391,203
LOSS FROM OPERATIONS	$ (284,280)	$ (265,724)	$ (1,380,573)	$ (407,709)
OTHER INCOME AND EXPENSES				
Interest and other Income	2,001	-	2,630	-
Gain on sale of assets	-	195,681	-	195,681
Gain on sale of scrap	-	4,247	-	5,463
Foreign exchange gain	100,757	12,250	98,785	86,604
	102,758	212,178	101,415	287,748
NET LOSS AND COMPREHENSIVE LOSS	$ (181,522)	$ (53,546)	$ (1,279,158)	$ (119,961)
Deficit, beginning of period	(12,411,170)	(10,261,586)	(11,313,534)	(10,195,171)
Deficit, end of period	$ (12,592,692)	$ (10,315,132)	$ (12,592,692)	$ (10,315,132)
Loss per share - basic and diluted (Note 9)	$ (0.05)	$ (0.01)	$ (0.01)	$ (0.01)

DIAMCOR MINING INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Three Months Ended September 30, 2010	For the Three Months Ended September 30, 2009	For the Six Months Ended September 30, 2010	For the Six Months Ended September 30, 2009
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss	$ (181,522)	$ (53,546)	$ (1,279,158)	$ (119,961)
Items not affecting cash				
Accretion and amortization	7,951	10,884	15,801	17,085
Gain on sale of assets	-	(195,681)	-	(195,681)
Stock based compensation	-	-	696,000	-
Foreign exchange (gain) loss	(13,111)	2,589	(21,089)	(30,798)
	(5,160)	(182,208)	690,712	(209,394)
	(186,682)	(235,754)	(588,446)	(329,355)
Changes in non-cash working capital				
Accounts payable	(67,571)	(85,561)	(82,305)	(31,795)
Accounts receivable	6,063	5,315	119,996	7,048
Taxes payable	18,230	-	-	-
Prepaids	(20,097)	-	(20,097)	-
	(63,375)	(80,246)	17,594	(24,747)
Cash flow used by operating activities	(250,057)	(316,000)	(570,852)	(354,102)
CASH FLOWS FROM INVESTING ACTIVITIES				
Disposal of property, plant and equipment	-	281,401	-	281,401
Cash flow from (used by) investing activities	-	281,401	-	281,401
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance (repayment) of long term debt	(737)	(6,833)	(1,459)	96,161
Issuance (repayment) of short term debt	-	-	(385,530)	-
Share capital purchase deposits	-	-	-	-
Proceeds from issuance of share capital (net of issuance cost of $127,575)	-	-	1,335,005	-
Cash flow from financing activities	(737)	(6,833)	948,016	96,161
Effect of change in exchange rate for cash	10,924	(17,089)	11,552	(4,055)
Increase (Decrease) in cash and cash equivalents	(239,870)	(58,521)	388,716	19,405
Cash and cash equivalents - beginning of year	2,522,905	137,956	1,894,319	60,030
Cash and cash equivalents - end of period	$ 2,283,035	$ 79,435	$ 2,283,035	$ 79,435

SUPPLEMENTARY CASH FLOW INFORMATION (Note 16)

DIAMCOR MINING INC.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital	Contributed Surplus	Warrants	Deficit	Total Shareholders' Equity
Balance - March 31 2009	7,560,947	1,436,107	1,064,200	(10,195,171)	(133,917)
Issued during fiscal 2010:					
Short term loan bonus shares	80,000				80,000
Exercise of warrants	242,809		(53,463)		189,346
Expiry of warrants		568,367	(568,367)		-
Issuance of warrants			989,722		989,722
Private Placement	1,162,400				1,162,400
Broker warrants	(98,775)		98,775		-
Share issuance costs	(208,540)				(208,540)
Loss for the year				(1,118,363)	(1,118,363)
Balance - March 31 2010	8,738,841	2,004,474	1,530,867	(11,313,534)	960,647
issued during fiscal 2011					
Issuance of warrants	(743,196)		743,196		-
Private placement	1,651,547				1,651,547
Broker warrants	(73,992)		73,992		-
Share issuance costs	(127,575)				(127,575)
Option grant		696,000			696,000
loss for the period				(1,279,158)	(1,279,158)
Balance - September 30 2010	9,445,625	2,700,474	2,348,055	(12,592,692)	1,901,462

1. NATURE OF OPERATIONS AND GOING CONCERN

Diamcor Mining Inc. (the "Company") was incorporated under the Company Act of British Columbia. Its principal business activity is the production of diamonds in South Africa through its subsidiaries So Ver Mine (Pty) Ltd ("So Ver"), DMI Minerals South Africa (Pty) Ltd, DMI Diamonds South Africa (Pty) Ltd (formally Blue Dust 25 (Pty) Ltd) and Jagersfontein Diamond Mining Company (Pty) Ltd.

These consolidated financial statements have been prepared on a going-concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for the next fiscal year. The Company has incurred losses since inception and expects to incur further losses in the development of its business. The Company's ability to continue as a going concern depends upon its ability to develop profitable operations and to continue to raise adequate financing to meet its obligations and repay its liabilities arising from normal operations as they fall due. Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, or other business and financial transactions to continue the Company's operations and exploration programs. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate such financing.

There can be no assurance that the Company will be able to continue to raise funds in which case the Company may be unable to meet its obligations. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the balance sheet. These financial statements do not reflect the adjustments or reclassifications of assets and liabilities which would become necessary if the Company were unable to continue its operations.

	September 30, 2010	March 31, 2010
Deficit	$ (12,592,692)	$ (11,313,534)
Working capital	$ 1,663,317	$ 745,442

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) using the following significant accounting policies:

Principles of consolidation

These consolidated financial statements include the accounts of the Company, its 70% owned subsidiary DMI Minerals South Africa (Pty) Ltd, its 85% owned subsidiary, So Ver Mine (Pty) Ltd, and its 100% owned subsidiaries DMI Diamonds South Africa (Pty) Ltd and Jagersfontain Diamond Mining Company (Pty) Ltd. All significant inter-company balances and transactions have been eliminated. The non-controlling interest has not been adjusted for due to the deficits in So Ver Mine (Pty) Ltd and DMI Minerals South Africa (Pty) Ltd.

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less. As at September 30, 2010 and March 31 2010, there were no short-term investments included in cash and cash equivalents.

2. SIGNIFICANT ACCOUNTING POLICIES (continued from previous page)

Property, plant and equipment

Property, plant and equipment are recorded at cost and are amortized over the estimated useful lives of the individual assets at the following annual rates:

Office equipment	20 - 45% declining balance
Other equipment	15% declining balance
Leasehold Improvements	5 year straight-line

Long-lived assets

Management tests the recoverability of long-lived assets whenever events or changes in circumstances indicate that carrying amounts may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's carrying amount. An impairment loss is measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value. Once an impairment loss is recognized, the adjusted carrying amount becomes the new cost basis. Management estimates future cash flows in order to test the recoverability of a long-lived asset and includes only the future cash flows that are directly associated with, and that are expected to arise as a direct result of, its use and eventual disposition.

Mineral properties

The Company records its interests in mineral properties and areas of geological interest at cost. All direct and indirect costs relating to the acquisition of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or where management has determined there to be impairment. These costs will be amortized on the basis of units produced in relation to the proven reserves available on the related property following commencement of production. Mineral properties which are sold before the property reaches the production stage will have all revenues from the sale of the property credited against the cost of the property. Properties which have reached the production stage will have a gain or loss calculated based on the portion of that property sold. The recorded cost of mineral property interests is based on cash paid and the assigned value of share consideration costs incurred. The recorded amount may not reflect recoverable value as this will be dependent on the development program, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

Cost of maintaining mineral properties

The Company does not accrue the estimated future costs of maintaining its mineral properties in good standing.

Revenue recognition

Sales are recognized upon delivery of products (primarily rough diamonds) and customer acceptance. Sales are shown net of sales taxes and trade discounts. The Company had no sales during the period ended September 30, 2010 or the year ended March 31 2010.

Foreign currency translation

The Company's subsidiaries are integrated foreign operations and are translated into Canadian dollar equivalents using the temporal method. Monetary items are translated at the exchange rate in effect at the balance sheet date; non-monetary items are translated at historical exchange rates. Income and expense items are translated at the average exchange rate for the period. Exchange gains or losses arising on translation of foreign currency items are included in operating results.

2. SIGNIFICANT ACCOUNTING POLICIES (continued from previous page)

Stock-based compensation

The Company uses the fair value method of accounting for all stock-based compensation, including options granted under the Company's incentive stock option plan. Compensation expense for options granted is determined based on the estimated fair values of the stock options at the time of grant, the cost of which is recognized over the vesting periods of the respective options. Stock-based compensation expense is recorded as a charge to operations with a corresponding credit to contributed surplus. Consideration paid for shares on the exercise of options is credited to share capital. In the event that vested options expire, previously recognized compensation expense associated with such stock options is not reversed. In the event that unvested options are cancelled, previously recognized compensation expense associated with such stock options is reversed.

Future income taxes

Future income taxes are calculated using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs. To the extent that the Company does not consider it to be more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Loss per share

The losses per share figures are calculated using the weighted monthly average number of shares outstanding during the respective year. The calculation of diluted earnings per share under the Treasury Stock Method considers the potential exercise of outstanding share purchase options and warrants to the extent each option, warrant or contingent issuance was dilutive.

Asset retirement obligation

The Company recognizes the fair value of its asset retirement obligation ("ARO") in the period in which it is incurred and when a reasonable estimate of fair value can be made. The fair value of the estimated ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount is amortized at a reasonable rate based on the useful life of property and equipment. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. Revision to the estimated timing of cash flows or to the original estimated undiscounted cost would also result in an increase or decrease to the ARO. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded. Any difference between the actual costs incurred upon settlement of the ARO and recorded liability is recognized as a gain or loss in the Company's earnings in the period in which the settlement occurs.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. The amounts recorded for depreciation of property, plant and equipment, assessment of impairment of long-lived assets and mineral properties and the provisions for asset retirement obligation are based on estimates. Future income taxes are calculated using tax rates based on the estimated timing of the reversal of temporary differences between accounting and tax values of certain assets and liabilities and are subject to a valuation allowance. By their nature, these estimates are subject to measurement uncertainty and the impact on the financial statements of future periods could be material if actual results differ from these estimates. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known.

2. SIGNIFICANT ACCOUNTING POLICIES (continued from previous page)

Financial Instruments

In accordance with CICA accounting standards 3855, 3862 and 3863 all financial instruments, including embedded derivatives, must initially be recognized at fair value on the balance sheet and classified into the following categories: financial assets and financial liabilities held for trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities. Subsequent measurements of the financial instruments are based on their classification. Unrealized gains and losses on held for trading financial instruments are recognized in earnings. Unrealized gains and losses on available-for-sale financial assets are recognized in other comprehensive income and are transferred to income when the instrument is settled. The other categories of financial instruments are recognized at amortized cost using the effective interest rate method. Investment transactions are made on the trade date and any transaction costs with respect to financial instruments are expensed in the period incurred.

The Company's financial instruments are listed as follows, according to their classification

a) Cash and cash equivalents are classified as held-for-trading and is measured at fair value;
b) Accounts receivable are classified as loans and receivables and are measured at amortized cost; and
c) Accounts payable, long-term debts and due to Nozala Investments are classified as other financial liabilities and are measured at amortized cost.

Transaction costs that are directly attributable to the acquisition or issue of financial instruments that are classified as other than held-for-trading, which are expensed as incurred, are included in the initial carrying value of such instruments and amortized using the effective interest method.

Comprehensive income

The components of other comprehensive income included unrealized gains and losses on financial assets classified as available-for-sale, foreign currency translation on self-sustaining foreign operations and the effective portion of cash flow hedges, if any. There were no such components to be recognized in comprehensive income for the years ended March 31, 2010 and 2009. As the Company has no items of other comprehensive income or loss, the net earnings or loss for the periods are equivalent to comprehensive income.

Adoption of new accounting policies

In 2009, the Company adopted the following new standards and abstracts:

In February 2008, the AcSB issued amended Section 1000 – "Financial Statement Concepts", which clarifies the criteria for recognizing assets, intangible assets and internally developed assets. The standard is effective for fiscal years beginning on or after February 1, 2008. The adoption of this standard had no material effect on the financial statements of the Company.

Section 1506 – "Accounting Changes". Under this section, voluntary changes in accounting policy are permitted only if they result in financial statements that provide more reliable and relevant information to the reader. Changes in accounting policy must be applied retrospectively, while changes in accounting estimates are to be applied prospectively. The revised section also outlines additional disclosure required when accounting changes are applied, including the justification for the change, a complete description of the policy, the primary source of GAAP and the detailed effect on the financial statement line items. There was no impact on the Company's financial statements resulting from the adoption of the revised standard.

Amendments to Section 3862 – "Financial Instruments – Disclosures". The amendments require improved and consistent disclosures about fair value measurements of financial instruments and liquidity risk. The amendments apply to annual financial statements relating to fiscal years ending after September 30, 2009. In the first fiscal year of application, an entity need not provide comparative information for the disclosures required by the amendment. (See note 14).

EIC-173 – "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities" which clarifies that an entity must consider its own risk and the credit risk of the counterparty when measuring the fair value of derivative instruments. EIC-173 had no impact on the Company's financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued from previous page)

Recent Accounting Pronouncements Not Yet Adopted

a) International Financial Reporting Standards ("IFRS")
The Canadian Accounting Standards Board has now confirmed that the use of International Financial Reporting Standards ("IFRS") will be required in 2011 for publicly accountable, profit oriented enterprises. IFRS will replace current Canadian GAAP followed by the Company. The Company will be required to begin reporting under IFRS effective April 1, 2011 and will be required to provide information for IFRS for the comparative period in 2010. Under IFRS, there is significantly more disclosure required, specifically for quarterly reporting. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policies which must be addressed. The Company is currently evaluating the impact of adopting IFRS and plans to identify changes and develop IFRS accounting policies in fiscal 2011.

b) Business combinations – Section 1582
CICA Handbook Section 1582, "Business Combinations". Under the new section, the term "business" will be more broadly defined than in the existing standard. Most assets acquired and liabilities assumed will be measured at fair value, any interest in an acquiree owned prior to obtaining control will be re-measured at fair value at the acquisition date , a bargain purchase option will result in recognition of a gain, and acquisition costs must be expensed. It is the Canadian equivalent to International Financial Reporting Standard IFRS 3, Business Combinations. This standard is effective for the Company for its interim and annual financial statements beginning on January 1, 2011.There will be no impact on the financial statements upon adoption of this standard unless the Company enters into a business combination in the future, which at such time, the Company will determine the impact of the adoption. .

c) Consolidated financial statements 1601/1602
CICA Handbook Sections 1601, "Consolidated Financial Statements" and 1602, "Non-controlling interests" – Section 1601 carries forward the requirements of Section 1600, "Consolidated Financial Statements", other than those relating to non-controlling interests which would be covered in Section 1602. Under Section 1602, any non-controlling interest will be recognized as a separate component of shareholders' equity and net income will be calculated without deducting non-controlling interest and instead net income is allocated between the controlling and non-controlling interests. The adoption of these standards should not have a material impact on the Company's financial statements.

3. REHABILITATION TRUST FUND

	September 30, 2010	March 31, 2010
Deposit at Department of Mineral Resources in South Africa for Rehabilitation Costs	$ 39,561	$ 37,248

4. PROPERTY, PLANT AND EQUIPMENT

	September 30 2010			March 31 2010		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Property, plant and equipment	146,235	88,328	57,907	146,235	77,278	68,957

During fiscal 2010, assets relating to the So Ver operations with a cost of $397,609 and a net book value of $62,640 were sold for proceeds of $279,000.

5. SHORT TERM DEBT

In December 2009, the Company completed a $400,000 short term loan financing with a portion of the amount being financed through related parties which consist of a company owned by a director and employees of the Company. The loans are unsecured; bear interest at the rate of 10% per annum and mature on June 2, 2010. In partial consideration for the loans, the Company agreed to issue to the lenders as a bonus, an aggregate of 400,000 common shares. For accounting purposes, the debt has a liability and equity component, which are separately presented in the financial statements as short term debt and share capital. The face value of the debt has been allocated to the liability and equity components proportionately based on their respective fair values. The fair value of the equity component was determined using the TSX venture exchange approved method as outlined in TSX Corporate Finance Manual. The proceeds of $400,000 have been allocated $320,000 to loans payable and $80,000 to share capital. The company recorded $7,000 in interest expense and $27,692 in accretion expense for the three month period ending June 30, 2010. On June 2, 2010 the loan was repaid as per the terms of the loan agreement.

6. LONG TERM DEBT

	September 30, 2010	March 31, 2010
Leasehold improvement loan payable in monthly installments of $283 including interest at 8.00%, unsecured, due May 2012,	$5,295	$6,754
Less current portion	(2,201)	(2,975)
Total	$3,094	$3,779

Principal payments on long-term debt in each of the next five fiscal years are estimated as follows:

2010-2011	2,975
2011-2012	3,218
2012-2013	561

The amount due to Nozala Investments of $100,869 currently has no set terms of repayment and is not expected to be repaid in the current 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.

7. MINERAL PROPERTIES

Title to mineral properties

Title to mining properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mining properties. The Company has diligently investigated rights of ownership of all of the mineral concessions in which it has an interest and, to the best of its knowledge, all agreements relating to such ownership rights are in good standing. However, this should not be construed as a guarantee to title. The concessions may be subject to prior claims, agreements or transfers and rights of ownership may be affected by undetected defects. No new rights were obtained in the six month period ended September 30, 2010 or in the year ended March 31, 2010.

During fiscal 2009 the Company entered into a purchase agreement with De Beers Consolidated Mines Limited (DBCM) for the purchase of certain mineral rights and assets. The agreement is subject to the satisfaction of certain conditions of closing including regulatory and TSX Venture Exchange final approval and is expected to close in fiscal 2011. The estimated purchase price is $1,750,000. A deposit of $220,650 was paid to DBCM in the year ended March 31, 2010 as part of the purchase conditions.

8. ASSET RETIREMENT OBLIGATION

The total asset retirement obligation was based on the Company's estimated costs to reclaim and abandon the mines and facilities. The Company has estimated the asset retirement obligations to be $321,402 ($316,651 at March 31, 2010). Upon the completion of the sale of So Ver Mine (Pty) Ltd the Asset Retirement Obligation will be eliminated.

As disclosed in Note 3, an amount equivalent to $39,561 ($37,248 at March 31 2010) has been deposited with the Department of Mineral Resources in South Africa in respect of rehabilitation costs.

9. SHARE CAPITAL

Authorized:

Unlimited common voting shares, no par value

	Number of Shares	Amount
Issued:		
Balance, March 31, 2009	11,838,107	$ 7,560,947
Issued during fiscal 2010:		
Bonus shares issued (Note 5)	400,000	80,000
Private placement (a)	7,173,739	1,162,400
Exercise of warrants (b)	701,282	242,809
Share issuance costs	-	(307,315)
Balance, March 31, 2010	20,113,128	$ 8,738,841
Issued during fiscal 2011:		
Private placement (c)	5,505,155	908,351
Share issuance costs	-	(201,567)
Balance, September 30, 2010	25,618,283	$ 9,445,625

Included in issued capital stock are 1,668 common shares held in escrow as required by the regulatory authorities. The weighted average number of shares outstanding for the period was 24,603,366 (13,000,200 in fiscal year 2010).

(a) On February 8, 2010, the Company completed a non-brokered private placement financing of $2,152,122 (gross proceeds less share issuance costs of $208,540 resulting in net cash proceeds of $1,942,581.) The private placement consisted of the sale of 7,173,739 units at a price of $0.30 per unit. Each unit consisted of one common share and one half one common share purchase warrant. Each full warrant will entitle the holder thereof to acquire one additional common share at an exercise price of $0.50 for a period of two years following the closing date. In addition 474,281 warrants granted to brokers will entitle the holder thereof to acquire one additional common share at an exercise price of $0.50 for a period of one year following the closing date. The warrant valuation of $1,088,496 includes a value of $98,775 for the broker warrants which was charged to share issuance costs. The warrant valuation was calculated using the Black-Scholes pricing model with the following assumptions: zero dividend yield, expected volatility 190% and risk free rate of 0.62%

(b) 701,282 warrants exercised at a price of $0.27

(c) On May 4, 2010, the Company completed a non-brokered private placement financing of $1,651,547 (gross proceeds less share issuance costs of $127,575 resulting in net cash proceeds of $1,523,972.) The private placement consisted of the sale of 5,505,155 units at a price of $0.30 per unit. Each unit consisted of one common share and one half of one common share purchase warrant. Each full warrant will entitle the holder thereof to acquire one additional common share at an exercise price of $0.50 for a period of two years following the closing date. In addition 369,962 warrants granted to brokers will entitle the holder thereof to acquire one additional common share at an exercise price of $0.50 for a period of one year following the closing date. The warrant valuation of $817,188 includes a value of $73,992 for the broker warrants which was charged to share issuance costs. The warrant valuation was calculated using the Black-Scholes pricing model with the following assumptions: zero dividend yield, expected volatility 192% and risk free rate of 1.02%

9. SHARE CAPITAL (continued from previous page)

Warrants

The following table summarizes the activity with respect to warrants granted and exercised during the year.

	September 30, 2010		March 31, 2010	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	6,182,401	$ 0.50	6,065,836	$ 0.43
Warrants Granted	3,122,541	0.50	4,061,151	0.50
Warrants Expired	-	-	(3,243,304)	0.27
Warrants Exercised	-	-	(701,282)	0.27
Outstanding, end of year	9,304,942	$ 0.50	6,182,401	$ 0.50
Exercisable, end of period	9,304,942	$ 0.50	6,182,401	$ 0.50

The following warrants were outstanding at September 30, 2010:

2,121,250	$ 0.50	January 7, 2011
474,281	$0.50	March 3, 2011
369,962	$0.50	May 4, 2011
3,586,870	$0.50	March 3, 2012
2,752,579	$0.50	May 7, 2012

9. SHARE CAPITAL (continued from previous page)

Warrants (continued)

	September 30, 2010	March 31, 2010
Balance, beginning of year	$ 1,530,867	$ 1,064,200
Exercise of warrants	-	(53,463)
Expiry of warrants	-	(568,366)
Issuance of warrants	743,196	989,721
Broker warrants	73,992	98,775
Balance, end of period	$ 2,348,055	$ 1,530,867

Stock options

The Company adopted a formal stock option plan in November 20, 2009 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 20% of its issued and outstanding common stock. Under the policy, the exercise price of each option equals the market price of the Company's stock, less applicable discounts permitted by the Exchange, as calculated on the date of grant. The options can be granted for a maximum term of 5 years.

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

	September 30 2010		March 31 2010	
	Number of options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	767,500	$ 0.56	767,500	$0 .56
Options issued	2,900,000	0.30	-	-
Outstanding, end of year	3,667,500	$ 0.35	767,500	$ 0.56
Exercisable, end of period	3,667,500	$ 0.35	767,500	$ 0.56

9. SHARE CAPITAL (continued from previous page)

The following stock options were outstanding at September 30, 2010:

Number of options outstanding and exercisable	Exercise Price	Weighted average remaining life	Expiry date
90,000	$ 1.20	0.5	April 6, 2011
115,000	$ 0.36	1.5	March 1, 2012
182,500	$ 0.50	2.00	September 17, 2012
380,000	$ 0.50	2.5	March 17, 2013
2,900,000	$0.30	4.75	June 2 , 2015

Stock-based compensation

The Company has recognized $696,000 in stock based compensation for the period ended September 30, 2010 (nil in fiscal year 2010).

There were 2,900,000 stock options issued in the period ended September 30, 2010. The option valuation was calculated using the Black-Scholes pricing model with the following assumptions: zero dividend yield, expected volatility 191% and risk free rate of 1.01%. There were no stock options granted in the year ended March 31, 2010. 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.

10. CONTRIBUTED SURPLUS

	September 30, 2010	March 31, 2010
Balance, beginning of year	$ 2,004,473	$ 1,436,107
Expiry of warrants	-	568,367
Issuance of options	696,000	-
Balance	$ 2,700,474	$ 2,004,474

11. RELATED PARTY TRANSACTIONS

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

	September 30, 2010	March 31, 2010
Salaries and consulting	$ 249,002	$ 369,563
Directors fees	36,000	72,000
Performance bonuses	-	132,000
Interest on short term loans	350	4,261

These transactions were in the normal course of operations and were measured at the exchange amounts, which is the amount of consideration established and agreed to by the related parties. As at September 30, 2010, the Company owed $78,000 ($152,661 at March 31 2010) to directors of the Company and its subsidiaries, companies controlled by a director, an individual related to a director and to former directors. The fair value of amounts due to or from related parties cannot be determined as there are no specific terms of repayment and no interest is charged.

Additional related party transactions are disclosed in Note 5 to these consolidated financial statements.

12. INCOME TAXES

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

	March 31, 2010	March 31, 2009
Net loss for year before taxes	$ (1,106,840)	$ (1,068,685)
Computed taxes recovered at statutory rates (28.95%)	$ (320,507)	$ (309,913)
Stock based compensation	-	32,990
Other non-taxable items	3,801	34,138
Change in rates	341,245	219,389
Change in valuation allowance	(61,134)	(62,127)
Other (FX on Consolidation)	(18,066)	(3,704)
Expired losses	66,184	89,227
Income tax (recovery)	$ 11,523	$ -

12. INCOME TAXES (continued from previous page)

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

	March 31, 2010	March 31, 2009
Property, plant and equipment	$ 48,617	$ 62,338
Mineral property expenditures	7,384	11,586
Non-capital losses carry forward	1,255,832	1,279,705
Asset retirement obligations	79,162	98,500
	1,390,995	1,452,129
Less: valuation allowance	(1,390,995)	(1,452,129)
	$ -	$ -

The Company had the following estimated tax pool balances at March 31, 2010:

	2010	2009
Canadian Exploration Expense	$ 4,605	$ 4,605
Canadian Development Expense	15,462	22,089
Undepreciated Capital Cost	211,447	173,421
Non-capital loss carry-forward	$ 5,175,900	$ 4,060,804

12. INCOME TAXES (continued from previous page)

The Company has available for deduction against future taxable income non-capital losses of approximately $5,175,900 at March 31, 2010 ($4,060,804 in 2009) which includes losses in its foreign subsidiaries of $473,507 ($287,552 in 2009). These losses, if not utilized, will expire commencing 2009 (see table). Subject to certain restrictions, the Company also has resource expenditures available to reduce taxable income in future years. Future tax benefits which may arise as a result of these non-capital losses and resource deductions have not been recognized in these financial statements due to the uncertainty of their ability to be realized.

In assessing the ability of future tax assets to be realized, management considers whether it is more likely than not that some portion or all of the future tax assets will not be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of future tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of the future tax asset considered realizable could change materially in the near term based on future taxable income during the carry forward period. A valuation allowance has been provided against all net future tax assets, as realization of such net assets is uncertain.

Canadian Tax loss expiry schedule

2011 - $677,142
2015 - $524,480
2016 - $365,690
2026 - $209,910
2027 - $319,507
2028 - $605,857
2029 - $801,813
2030 - $991,005

13. SEGMENTED INFORMATION

Details of identifiable assets by geographic segments are as follows:

	Total Assets	Property, Plant and Equipment	Cash and Equivalents	Other Assets
September 30, 2010				
Canada	$ 2,322,528	$ 31,617	$ 253,572	$ 104,985
South Africa	390,173	26,290	2,029,463	266,774
	$ 2,712,701	$ 57,907	$ 2,283,035	$ 371,759
March 31, 2010				
Canada	$ 1,952,121	$ 38,121	$ 1,707,027	$ 206,974
South Africa	467,600	30,836	187,292	249,471
	$ 2,419,721	$ 68,957	$ 1,894,319	$ 456,445

13. SEGMENTED INFORMATION (continued from previous page)

Details of losses from operations by geographic segments are as follows:

	Canada	South Africa	Total
Amortization and accretion	(6,504)	(9,295)	(15,799)
Other items	(1,140,902)	(122,457)	(1,263,359)
Loss for the period ended September 30, 2010	$ (1,147,406)	$ (131,752)	$(1,279,158)
Operating costs	-	(20,418)	(20,418)
Amortization and accretion	(69,445)	(18,333)	(87,778)
Taxation	-	(11,523)	(11,523)
Other Items	(1,025,705)	27,061	(998,644)
Loss for year ended March 31, 2010	$ (1,095,150)	$ (23,213)	$ (1,118,363)

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by management, in deciding how to allocate resources and in assessing performance. All of the Company's operations are within the mining sector. Due to the geographic and political diversity, the Company's mining operations are decentralized whereby mining managers are responsible for business results and regional corporate offices provide support to the mining programs in addressing local and regional issues. The Company's operations are therefore segmented on a geographical basis. The Company's mining properties are all located in South Africa.

14. FINANCIAL INSTRUMENTS

Fair values

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Company classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument
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- Level 1 – inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets.
- Level 2 – 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 date.

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and amounts due to related parties and short term debt. The fair value of these financial instruments approximates their carrying values due to the short term maturities of these items, except for the amounts due to related parties which are disclosed in Note 11.

14. FINANCIAL INSTRUMENTS (continued from previous page)

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 receivables. The Company mitigates credit risk through standard credit and reference checks. There are no material financial assets that the Corporation considers past due.

b) Interest rate
The Company is not exposed to any material interest rate risk as the Company's short term debt has a fixed rate of interest.

c) Foreign Current 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 US Dollar and the South African Rand and as such may be negatively affected by fluctuations in foreign exchange rates when translating from the currency of measurement of the Company's subsidiary to the Company's reporting currency. The Company's monetary assets and liabilities denominated in South African Rand include cash at bank in the amount of $2,029,463 ($187,293 March 31, 2010), accounts receivable in the amount of $6,563 ($4,473 March 31, 2010), the rehabilitation trust fund in the amount of $39,561 ($37,248 March 31, 2010), accounts payable in the amount of $27,911 ($32,399 March 31, 2010) accrued and taxes payable in the amount of 22,807 ($18,230 March 31, 2010). A one cent change in the Southern African Rand would result in Net Income (Loss) changing by approximately $5,000.

d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they fall due. The company manages this risk through management of its cash flow from operations and its capital structure. Based on senior management's and the Board of Director's 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 $708,169 are payable within one year. The Company enters into contractual obligations in the normal course of business operations. Management believes the Company's requirements for capital expenditures, working capital and ongoing commitments (including long-term debt and lease obligations) can be financed from existing cash, cash flow provided by operating activities, existing bank loans and by acquiring new project loans.

15. CAPITAL MANAGEMENT

The Company's objectives when managing capital are: (i) to maintain a strong capital structure, which optimizes the cost of capital at acceptable risk; and (ii) to maintain investor, creditor and market confidence in order to sustain the future development of the business. The Company manages its capital structure and makes adjustments to it in light of 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:

	September 30, 2010	March 31, 2010
Working capital	$ 1,663,317	$ 745,442
Long-term debt	103,070	98,971
Shareholders' equity	1,901,462	960,647

16. SUPPLEMENTARY CASH FLOW INFORMATION

	September 30, 2010	March 31, 2010
Interest paid	$ 34,934	$ 3,600

Cash and cash equivalents are comprised of cash held with various financial institutions.

17. COMMITMENTS

The Company has a commitment to lease office space at a rate of $2,827 per month. The lease expires in May, 2012. The minimum lease payments under this lease are $33,930 per year.

18. SALE OF PROPERTY

During fiscal 2010 the Company entered into agreements to sell its 15% stake in So Ver Mine (Pty) Ltd for Rand 600,000 (approximately $88,000). As of the balance sheet date this amount has not been received and is included in accounts receivable.

In addition the Company entered in an agreement to sell its remaining 85% share of So Ver Mine (Pty) Ltd for Rand 956,250 (approximately $140,000). In addition, the purchasers have agreed to repay to the Company certain taxes paid by So Ver Mine (Pty) Ltd approximating $21,000. $9,984 of this amount is included in accounts receivable.

Due to certain covenants of the sales not being met at the balance sheet date, $238,908 has been recorded as deferred income.

19. SUBSEQUENT EVENTS

On October 13 2010 the company announce that the TSX Venture Exchange (the "Exchange") has now accepted for filing documentation in connection with the original Sale of Assets Agreement dated December 22, 2008, and the subsequently amended Sale of Assets Agreement dated March 25, 2010 (together the "Agreements"), each agreement being between De Beers Consolidated Mines Limited ("De Beers") and DMI Minerals South Africa (Pty) Limited ("DMI Minerals"). DMI Minerals is a 70%-owned subsidiary of Diamcor Mining Inc. (the "Company").