DIAMCOR MINING INC.

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2007

To the Shareholders of Diamcor Mining Inc.:

We have audited the consolidated balance sheets of Diamcor Mining Inc. as at March 31, 2007 and 2006 and the consolidated statements of income (loss), deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP

Medicine Hat, Alberta

July 20, 2007

Chartered Accountants

To the Shareholders of Diamcor Mining Inc.:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with the Audit Committee. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Board is also responsible for recommending the appointment of the Company's external auditors.

Meyers Norris Penny LLP, an independent firm of Chartered Accountants, is appointed by the shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

July 20, 2007

"Wayne Wolf"	*"Dean Taylor"*
Chief Executive Officer	**Senior Officer**

DIAMCOR MINING INC.
CONSOLIDATED BALANCE SHEETS

		MARCH 31 2007		*March 31* 2006
ASSETS				
CURRENT				
Cash	**$**	**396,461**	$	144,699
Accounts receivable		**32,946**		28,357
Inventory		**-**		66,334
Prepaid expenses		**1,002**		456
		430,409		239,846
REHABILITATION TRUST FUND *(Note 3)*		**42,513**		50,291
PROPERTY, PLANT AND EQUIPMENT *(Note 4)*		**172,140**		339,665
MINERAL PROPERTIES (*Note 5*)		**-**		172,748
FUTURE INCOME TAXES *(Note 10)*		**-**		1,728
	$	**645,062**	$	804,278

On behalf of the board:

"Dean Taylor" Director

"Wayne Wolf" Director

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

DIAMCOR MINING INC.

CONSOLIDATED BALANCE SHEETS

		MARCH 31 2007		*March 31* 2006
LIABILITIES				
CURRENT				
Accounts payable	**$**	**120,379**	$	336,423
Taxes payable		**22,575**		22,988
		142,954		359,411
DUE TO RELATED PARTIES *(Note 9)*		-		111,337
FUTURE TAXES *(Note 10)*		**22,885**		-
ASSET RETIREMENT OBLIGATION *(Note 6)*		**289,782**		240,662
		455,621		711,410
SHAREHOLDERS' EQUITY				
Share capital *(Note 7)*		**6,774,973**		5,978,333
Contributed surplus *(Note 8)*		**1,275,907**		1,008,387
Deficit		**(7,861,439)**		(6,893,852)
		189,441		92,868
	$	**645,062**	$	804,278

NATURE OF OPERATIONS AND GOING CONCERN *(Note 1)*

COMMITMENTS *(Note 17)*

SUBSEQUENT EVENTS *(Note 18)*

On behalf of the board:

"Dean Taylor" Director

"Wayne Wolf" Director

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

DIAMCOR MINING INC.
CONSOLIDATED STATEMENTS OF INCOME (LOSS)

	For the Year Ended March 31 2007	For the Year Ended March 31 2006
SALES	**$ 750,401**	$ 1,893,104
COST OF SALES	**710,757**	1,357,337
GROSS PROFIT	**39,644**	535,767
EXPENSES		
Accretion, amortization and depletion	**362,189**	274,736
Bank charges and interest	**1,834**	2,945
Consulting fees	**244,796**	131,748
Insurance	**9,137**	41,794
Management fees	**114,678**	112,521
Office	**47,986**	78,385
Professional fees	**54,218**	63,787
Promotion and investor relations	**18,974**	29,727
Salaries and wages	**4,880**	74,473
Stock based compensation	**283,900**	-
Transfer agent and regulatory fees	**22,627**	13,675
Travel	**41,378**	69,334
	1,206,597	893,125
LOSS FROM OPERATIONS	**$ (1,166,953)**	$ (357,358)
OTHER INCOME AND EXPENSES		
Interest and other	**13,010**	17,893
Gain on disposal of property, plant and equipment	**107,048**	-
Foreign exchange gain	**19,239**	126,833
Debt settlement gains (Note 11)	**108,128**	668,110
	247,425	812,836
(Loss) income before income tax	**(919,528)**	455,478
Provision for income tax		
Current	**23,051**	31,956
Future (recovery)	**25,008**	(1,728)
	48,059	30,228
Net (loss) income	**$ (967,587)**	$ 425,250

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

DIAMCOR MINING INC.
CONSOLIDATED STATEMENTS OF DEFICIT

		For the Year Ended March 31 2007		For the Year Ended March 31 2006
Deficit – Beginning of year	**$**	**(6,893,852)**	$	(7,437,306)
Correction of error (Note 14)		**-**		118,204
Deficit – Beginning of year as restated		**(6,893,852)**		(7,319,102)
Net (loss) income		**(967,587)**		425,250
Deficit – End of Year	**$**	**(7,861,439)**	$	(6,893,852)
(Loss) earnings per share – basic	**$**	**(0.28)**	**$**	**0.14**

Fully diluted (loss) earnings per share are not disclosed as the results are anti-dilutive. Basic earnings per share for the year ended March 31, 2006 have been restated to reflect the reverse share split as disclosed in Note 7 to these consolidated financial statements.

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

DIAMCOR MINING INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Year Ended March 31 2007	For the Year Ended March 31 2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) income	**$ (967,587)**	$ 425,250
Items not affecting cash:		
Accretion, amortization and depletion	**362,189**	274,736
Stock based compensation	**283,900**	-
Forgiveness of accounts payable	**-**	160,431
Future income tax	**25,008**	(1,728)
Foreign exchange	**(19,239)**	(126,833)
Gain on disposal of property, plant and equipment	**(107,048)**	-
Debt settlement gains	**(108,128)**	(668,110)
	(530,905)	63,746
Changes in non-cash working capital items:		
Accounts receivable	**(4,059)**	5,869
Inventory	**76,621**	1,821
Accounts payable	**33,246**	102,089
Taxes payable	**(413)**	43,311
Prepaid expenses	**(546)**	10,185
	104,849	163,275
Cash flow (used by) from operating activities	**(426,056)**	227,021
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal of property, plant and equipment	**142,645**	-
Purchase of property, plant and equipment	**(1,498)**	(15,016)
Cash flow from (used by) investing activities	**141,147**	(15,016)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances to related parties	**(36,081)**	(118,537)
Issuance (purchase) of share capital	**553,760**	(85,000)
Repayment of long term debt	**-**	(65,000)
Cash flow from (used by) financing activities	**517,679**	(268,537)
Effect of change in exchange rates on cash	**18,992**	-
Increase (decrease) in cash flow	**251,762**	(56,532)
Cash, beginning of year	**144,699**	201,231
Cash, end of year	**$ 396,461**	$ 144,699

SUPPLEMENTARY CASH FLOW INFORMATION *(note 16)*
SIGNIFICANT NON CASH TRANSACTIONS ARE DISCLOSED IN NOTES 7, 9 and 11

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

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"), Ongoza Mining and Exploration (Pty) Ltd. and BlueDust 25 (Pty) Ltd.

On April 8th 2005, the Company reached a final settlement agreement with the minority shareholder wherein both parties agreed to resolve all claims among themselves in exchange for the Company paying $85,000 to the minority shareholder for the remaining shares in the So Ver, assignment of So Ver indebtedness to the minority shareholder and $65,000 to relinquish all other claims by the minority shareholder against the Company, So Ver and various other parties. As a result of this transaction the Company obtained 100% of So Ver. The following summarizes the accounting gain which was recognized in the statements of income (loss) for the year ended March 31, 2006 as a result of this settlement:

Long-term debt	$603,110
Settlement payment	(65,000)
Debt settlement gain (Note 11)	$538,110

On February 8th 2007, the Company completed a non-brokered private placement financing of $500,000. The private placement consisted of the subscription for 2,777,778 units at a price of $0.18 per unit. Each unit will consist of one common share and one common share purchase warrant. Each warrant will entitle the holder thereof to acquire one additional common share at an exercise price of $0.27 for a period of two years following the closing date.

On February 27th 2007, the Company reached a share for debt settlement with various creditors of the Company to convert $226,499 of accounts payable for 1,258,329 shares of the Company. As a result of the settlement the Company recorded $108,128 of debt settlement gains in the statements of income (loss) for the year ended March 31, 2007.

During the year ended March 31, 2007 the Company ceased its production activities at So Ver and accordingly recorded the remaining depletion in respect of its mineral rights on properties in South Africa. The Company is currently seeking additional financing through a private placement (see Note 18) which will allow the Company to continue to operate and expand its mining activities to other mineral properties in South Africa.

These consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and the ability of the Company to continue as a going concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, or other business and financial transactions which would assure continuation of 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 sheets.

	March 31 2007	March 31 2006
Deficit	$ (7,861,439)	$ (6,893,852)
Working capital (deficiency)	$ 287,455	$ (119,565)

2. SIGNIFICANT ACCOUNTING POLICIES

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

Principles of consolidation

These consolidated financial statements include the accounts of the Company, its 74% owned subsidiary Ongoza Mining & Exploration (Pty) Ltd. (formerly Zelpy 1623 (Pty) Ltd.), BlueDust 25 (Pty) Ltd. and So Ver Mine (Pty) Ltd. All significant inter-company balances and transactions have been eliminated. The non-controlling interest has not been adjusted for due to the deficit in Ongoza Mining & Exploration (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.

Inventory

Inventory, which includes rough diamond consumables, are stated at the lower of cost, cost of production or estimated net realizable value. Cost is determined according to the first in first out method. Net realizable value is the estimated selling price in the ordinary course of business less completion and selling expenses.

Property, plant and equipment

Property, plant and equipment are recorded at cost and are amortized either using the straight-line method over the estimated useful lives of the individual assets (Property, plant and equipment) or on a declining basis (Office equipment) at the following annual rates:

Office equipment	12.5%
Property, plant and equipment	15.0%

Long-lived assets

Management tests the recoverability of long-lived assets whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. 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. An impairment loss recognized by the Company is not reversed if the fair value subsequently increases. Management estimates future cash flows in order to test the recoverability of a long-lived assets held by the Company including 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 an 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 that 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued from previous page)

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 cut diamonds) and customer acceptance. Sales are shown net of sales taxes and trade discounts.

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.

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 or 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.

Earnings (loss) per share

The earnings (loss) per share figures are calculated using the weighted monthly average number of shares outstanding during the respective years. The calculation of diluted earnings per share figures 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. Fully diluted earnings per share are not disclosed where the effect of options and warrants is anti-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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued from previous page)

Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 inventory, depreciation of property and equipment, assessment of impairment of long-lived assets and the provisions for asset retirement obligation are based on estimates. 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.

Recent Accounting Pronouncements

In January 2005, the Canadian Institute of Chartered Accountants issued new recommendations for the recognition and measurement of financial instruments, and amendments to the existing presentation and disclosure standards, effective for interim and annual financial statements with fiscal years beginning on or after October 1, 2006. Section 3855 Financial Instruments – Recognition and Measurement establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. Section 3861 Financial Instruments – Disclosure and Presentation discusses the presentation and disclosure of these items. The application of hedge accounting is covered in Section 3865 Hedges. Section 1530 Comprehensive Income establishes standards for reporting and displaying certain gains and losses, such as unrealized gains and losses related to hedges or other derivative instruments, outside of net income, in a statement of comprehensive income. Section 3251 Equity establishes standards for the presentation of equity and changes in equity, including changes arising from those items recorded in comprehensive income. There have also been numerous consequential amendments made to other Sections.

In December 2006, the Canadian Institute of Chartered Accountants issued Section 3862 Financial Instruments – Disclosures and Section 3863 Financial Instruments – Presentation to replace Section 3861 Financial Instruments – Disclosure and Presentation. These new Sections are effective for interim and annual financial statements with fiscal years beginning on or after October 1, 2007, but may be adopted in place of Section 3861, before that date.

The Company does not expect any material changes as a result of the adoption of these new standards.

3. REHABILITATION TRUST FUND

	March 31 2007	March 31 2006
Deposit at Department of Minerals and Energy in South Africa for Rehabilitation Costs	$ 42,513	$ 50,291

4. PROPERTY, PLANT AND EQUIPMENT

	March 31 2007			March 31 2006		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Property, plant and equipment	468,158	296,018	172,140	589,961	250,296	339,665
	$468,158	$296,018	$172,140	$589,961	$250,296	$339,665

As disclosed in Note 1, during the year ended March 31, 2007, the Company ceased operations at So Ver and accordingly fully amortized the balance of the amounts capitalized to plant, property and equipment in respect of the asset retirement obligation. These properties are encumbered with a bond in favor of ABSA bank of South Africa to an amount of $23,309 for the purpose of ABSA providing guarantees to the electricity supplier.

5. 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.

	March 31 2007	March 31 2006
Balance, beginning of year	$ 172,748	$ 345,497
Amortization	172,748	172,749
Balance, end of year	$ -	$ 172,748

As discussed in Note 1, on April 8th 2005, the Company obtained 100% ownership of the So Ver tailings re-treatment diamond mine located in the Kimberley area of South Africa. In addition, during the year ended March 31, 2007, the Company ceased operations at So Ver and accordingly fully depleted its existing mineral rights with respect to this area.

6. ASSET RETIREMENT OBLIGATION

The total future asset retirement obligation was estimated based on the Company's net ownership interest in all mines and facilities, estimated costs to reclaim and abandon the mines and facilities and estimate timing of the costs to be incurred in future periods. The Company has estimated the net present value of its total asset retirement obligation to be $171,299 beginning in 2004 based on a future liability of $301,901. The majority of these costs are expected to be incurred on 2008. The Company's credit adjusted risk free rate of 12.0% and an inflation rate of 3.0% were used to calculate the net present value of the asset retirement obligation.

In accordance with the accounting policies of the Company the asset retirement obligation is adjusted first for any changes in the timing of the obligation and secondly for any changes in the estimated cash flows required to settle the obligation. Due to the cessation of its operations at So Ver (see Note 1) the Company revised its estimate of the timing of the obligation and increased the accretion in the current year. In accordance with the recommendations of Section 3110 – Asset Retirement Obligations any upward revision due to revisions in the amount of undiscounted estimated cash flows are discounted using the current credit-adjusted risk-free rate. This change is accounted for as a change in estimate in accordance with the standard and accordingly the increase in accretion is recognized prospectively.

As disclosed in Note 3, an amount equivalent to $42,515 ($ 50,291 in 2006) has been deposited with the Department of Minerals and Energy in South Africa in respect of rehabilitation costs expected to be incurred by the Company.

The following table reconciles the Company's total asset retirement obligation:

	March 31 2007	March 31 2006
Balance, beginning of year	$ 240,662	$ 214,877
Accretion	28,892	25,785
Change in estimate (Note 15)	20,228	-
Balance, end of year	$ 289,782	$ 240,662

7. SHARE CAPITAL

On November 27, 2006 the Company completed a reverse split of 1 share for 10. Accordingly, the number of shares disclosed for the prior years presented in the table below and the number of shares included in the prior year transactions described in the annotations referenced in (a) to (d) respectively have been restated for comparative purposes.

Authorized:		
Unlimited common voting shares, no par value		
	Number of Shares restated	Amount
Issued:		
Balance, March 31, 2005	2,848,781	$ 5,977,333
Issued during 2006:		
Purchase of minority share interest (a)	-	(85,000)
Exercise of warrants (b)	10,000	10,000
Settlement of Debt (c) (d)	75,500	75,500
Balance, March 31 2006	2,934,281	5,978,333
Issued during 2007:		
Private placement (f)	2,777,778	500,000
Settlement of Debt (e)	1,258,329	226,500
Exercise of warrants (b)	20,000	20,000
Exercise of options (b)	23,400	50,140
Balance, March 31, 2007	7,013,788	$ 6,774,973

Included in issued capital stock are 1,668 common shares held in escrow as required by the regulatory authorities.

(a) As part of the settlement agreement with the minority shareholder, 50,000 shares were purchased at the market rate of $1.70 per share. These shares will remain in treasury until they are cancelled or resold.

(b) Warrants and options that were exercised by a director of the Company.

(c) 22,000 shares for settlement of previous years accounting fees.

(d) 53,500 shares for settlement of consulting fees.

(e) 1,258,329 shares for settlement of $63,974 for payables to directors, $6,974 for settlement of legal fees and $155,552 for consulting fees to a related party

(f) Completed on February 8, 2007 as further disclosed in Note 1 to these consolidated financial statements.

7. SHARE CAPITAL (continued from previous page)

Warrants

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

	March 31 2007		March 31 2006	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants (restated)	Weighted Average Exercise Price
Outstanding, beginning of year	371,000	$ 1.09	322,500	$ 1.06
Warrants Granted	3,680,698	$ 0.27	53,500	-
Warrants Expired	297,500		5,000	$1.00
Warrants Exercised	20,000	$ 1.00	-	-
Outstanding, end of year	3,734,198	$ 0.28	371,000	$ 1.09
Warrants exercisable, end of year	3,734,198	$ 0.28	371,000	$ 1.09

The following warrants were outstanding at March 31, 2007:

Number of Shares	Exercise Price	Expiry Date
53,500	$1.30	August 4, 2007
2,777,778	$0.27	February 8, 2009
902,920	$0.27	February 27, 2009

7. SHARE CAPITAL (continued from previous page)

Stock options

The Company adopted a formal stock option plan in December 2003 and follows the TSX Venture Exchange (the "Exchange") policy under which it is authorized to grant options to directors and employees to acquire up to 10% 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. The activity for the prior year has been restated for the reverse share split as described above.

	March 31 2007		March 31 2006	
	Number of Options	Weighted Average Exercise Price	Number of Options (restated)	Weighted Average Exercise Price
Outstanding, beginning of year	189,865	$ 1.40	189,865	$ 1.40
Options Granted	470,000	$ 0.52	-	-
Options Exercised	23,400	$ 1.40	-	-
Outstanding, end of year	636,465	$ 0.77	189,865	$ 1.40
Options exercisable, end of year	636,465	$ 0.77	189,865	$ 1.40

The following stock options were outstanding at March 31, 2007:

Number of options outstanding and exercisable	Exercise Price	Weighted average remaining life	Expiry date
100,186	$ 1.50	.13	May 21, 2007
11,647	$ 1.40	.18	June 12, 2007
54,632	$ 1.40	.28	July 18, 2007
90,000	$ 1.20	4.0	April 6, 2011
380,000	$ 0.36	5.0	March 1, 2012

7. SHARE CAPITAL (continued from previous page)

Stock-based compensation

The Company has recognized $283,900 in stock based compensation in the current fiscal year (nil in 2006).

The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of stock options granted during the year:

	March 31 2007	March 31 2006
Risk-free interest rate	3.99%	3.20%
Expected life of options	5 years	5 years
Annualized volatility	219%	127%
Dividend	0%	0%

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.

8. CONTRIBUTED SURPLUS

	March 31 2007	March 31 2006
Balance, beginning of year	$ 1,008,387	$ 1,008,387
Stock-based compensation	283,900	-
Exercise of options	(16,380)	-
Balance, end of year	$ 1,275,907	$ 1,008,387

9. 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:

	March 31 2007	March 31 2006
Salaries and consulting	$ 228,398	$ 70,233
Office	$ 17,185	$ 17,200

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 March 31, 2007, the Company owed $63,153 ($111,337 in 2006) 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. A portion of the related party amount owing was settled during 2006 and 2007 was forgiven to the Company resulting in a debt settlement gain of $108,128 ($130,000 in 2006) (Note 11).

Additional related party transactions are disclosed in Note 7 to these consolidated financial statements.

10. INCOME TAXES

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

	March 31 2007	March 31 2006
Net income (loss) for year before taxes	$ (919,528)	$ 455,478
Computed taxes paid (recovered) at statutory rates	$ (312,056)	$ 155,409
Difference in foreign tax rates	27	(1,470)
Non-taxable items	120,620	94,971
Under (over) provision previous years	(221)	9,933
Change in valuation allowance *	239,689	(228,615)
Income tax	$ 48,059	$ 30,228

* including changes in accumulated losses in the foreign subsidiaries

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

	March 31 2007	March 31 2006
Property, plant and equipment	$(22,885)	$ 1,927
Mineral property expenditures	15,959	23,186
Non-capital losses carry forward	915,279	763,499
	908,353	788,612
Less: valuation allowance	(931,238)	(786,884)
	$ (22,885)	$ 1,728

The above analysis does not include accumulated losses in the foreign subsidiaries.

10. INCOME TAXES (continued from previous page)

The Company had the following estimated tax pool balances at March 31, 2007:

	2007	2006
Canadian Exploration Expense	$ 4,605	$ 4,605
Canadian Development Expense	45,080	64,400
Undepreciated Capital Cost	3,495	3,174
Non-capital loss carry-forward	$ 2,848,422	$ 2,636,334

The Company has available for deduction against future taxable income non-capital losses of approximately $2,848,422 at March 31, 2007 ($2,636,334 in 2006). These losses, if not utilized, will expire commencing 2008. 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.

11. DEBT SETTLEMENT GAINS

	March 31 2007	March 31 2006
Settlement of debt from minority share purchase (Note 1)	$ -	$ 538,110
Settlement of accounts payable	63,000	-
Cash gifted to Company from related party (Note 9)	-	130,000
Settlement of payables to related party	45,128	-
	$ 108,128	$ 668,110

12. SEGMENTED INFORMATION

Details of identifiable assets by geographic segments are as follows:

	Total Assets	Property, Plant and Equipment	Mineral Properties	Cash and Equivalents	Other Assets
March 31, 2007					
Canada	$ 332,139	$ 3,102	$ -	$ 315,914	$ 13,123
South Africa	312,923	169,038	-	80,547	63,338
	$ 645,062	$ 172,140	$ -	$ 396,461	$ 76,461
March 31, 2006					
Canada	$ 61,753	$ 3,359	$ -	$ 50,521	$ 7,873
South Africa	742,525	336,306	172,748	94,178	139,293
	$ 804,278	$ 339,665	$ 172,748	$ 144,699	$ 147,166

Details of earnings (loss) from operations by geographic segments are as follows:

	Canada	South Africa	Total
Sales	-	$ 750,401	$ 750,401
Operating costs	-	(710,757)	(710,757)
Amortization	(1,754)	(360,435)	(362,189)
Other items	(582,954)	(14,029)	(596,983)
Provision for income tax	-	(48,059)	(48,059)
Loss for period ended March 31, 2007	$ (584,708)	$ (382,879)	$ (967,587)
Earnings for period ended March 31, 2006	$ 228,936	$ 196,314	$ 425,250

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.

13. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts receivable, accounts payable and amounts due to related parties. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. 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 9.

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. 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 operates 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.

14. CORRECTION OF ERROR

During 2006, the Company determined that the 2005 financial statements were erroneously missing an asset retirement obligation. The error was corrected retroactively and the 2005 financial statements were restated.

The changes for the asset retirement obligation correction decreased the deficit by $118,204 in 2006, decreased by $168,634 in 2005, increased property, plant and equipment by $109,631 in 2006, increased by $137,039 in 2005, increased the provision for asset retirement obligation by $214,877 in 2006, increased by $191,854 in 2005 and decreased the old provision for future site restoration by $223,450 in 2006, decreased by $223,450 in 2005. The impact of this change on the deficit for the period ending March 31, 2006 was $50,431.

15. CHANGE IN ESTIMATE

During the year ended March 31, 2006, the useful life of the property, plant and equipment located at So Ver, was revised and calculated based on the expected remaining life of the mine being 2 years. In the current year, due to the cessation of the operations at So Ver the estimates for the carrying value of property, plant and equipment, mineral rights and the asset retirement obligation have been revised as further discussed in Notes 4, 5 and 6 to these consolidated financial statements. These changes have been applied prospectively to the consolidated financial statements in accordance with the relevant standards. The effects of the changes in estimates has been to increase accretion, amortization and depletion by a total amount of $194,306. In addition the balance sheet totals for the following were also affected: accumulated amortization of property, plant and equipment increased by an amount of $87,704, depletion of mineral properties increased by an amount of $86,374 and the accretion of the asset retirement obligation increased by an amount of $20,228.

16. SUPPLEMENTARY CASH FLOW INFORMATION

	2007	2006
Interest paid	**$ -**	$ 2,977
Income taxes paid (recovered)	$ 19,813	$(4,737)

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

17. COMMITMENTS

The Company has a commitment to lease office space at a rate of $2,765 per month. The lease expires in May, 2012. The minimum lease payments under this lease is $33,180 per year.

18. SUBSEQUENT EVENTS

Subsequent to the year end the Company announced its intention to complete a non-brokered private placement financing of up to $750,000.00. The private placement will consist of the sale of up to 1,500,000 units at a price of $0.50 per unit. Each unit will consist of one common share and one common share purchase warrant. Each warrant will entitle the holder thereof to acquire one additional common share at an exercise price of $0.75 for a period of two years following the closing date. The private placement is expected to close on or before August 15, 2007.

On June 27, 2007 41,667 warrants were exercised for 41,667 Shares totaling $11,250.

In addition, on the dates noted the following stock options expired subsequent to the year end:

On May 21, 2007 100,186 options expired unexercised at price of $1.50

On June 12, 2007 11,647 options expired unexercised at a price of $1.40

On July 18, 2007 54,632 options expired unexercised at a price of $1.40