DIAMCOR MINING INC

Management Discussion & Analysis

For the Interim Period Ended June 30, 2020

DIAMCOR MINING INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE INTERIM PERIOD ENDED JUNE 30, 2020

Management's discussion and analysis ("MD&A") focuses on significant factors and the operating results and financial position of Diamcor Mining Inc. ("Diamcor" or the "Company") and its subsidiaries. To better understand the MD&A, it should be read in conjunction with the interim unaudited consolidated financial statements and notes thereto for the three-month interim period ended June 30, 2020, and the MD&A and unaudited consolidated financial statements for the three-month interim period ended June 30, 2019. The effective date of this MD&A is October 14, 2020.

The unaudited consolidated financial statements for the interim period ended June 30, 2020 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Unless otherwise specified, all financial information is presented in Canadian dollars.

Some of the statements in this MD&A are forward-looking statements that are subject to risk factors set out in the cautionary notes contained herein.

Additional information about the Company and its business activities is available on SEDAR at www.sedar.com and on the Company's website at www.diamcormining.com.

CORPORATE HIGHLIGHTS

- ▽ **Listed on TSX-V Exchange (symbol DMI), OTCQB (symbol DMIFF).**
- ▽ **Supplier of rough diamonds to world market – Established industry relationships - Experienced management team.**
- ▽ **Long-Term strategic alliance & financing with world famous Tiffany & Co. – Tiffany is significant shareholder of Company.**
- ▽ **Development of Krone-Endora at Venetia project acquired from De Beers - Late-stage opportunity – History of proven cash flow – Significant growth potential.**
- ▽ **Targeted increases in Trial Mining processing volumes underway - Exercises aimed at supporting / determination of initial production decision.**
- ▽ **One of the few companies with potential to supply rough diamonds at a time when demands are expected to quickly exceed supply due to declining output from existing sources and a lack of new discoveries.**
- ▽ **Significant enhancement of operational team and refinement of processing plant completed in 2019 – delivery of new company owned heavy equipment fleet in early 2020 – Ability to increase processing volumes moving forward**

PROJECT HIGHLIGHTS

- **Krone-Endora at Venetia project acquired from De Beers in a competitive process to achieve mandate of supporting junior mining and women in mining.**

- **Project co-located with De Beers flagship +/- $4.0B Venetia Diamond Mine – Project covers an area of 5,888 hectares - Deposits the result of the direct shift and erosion of ~1,000 vertical meters from the Venetia kimberlite pipes.**

- **Extensive drilling array completed on 558 targets to supplement previous work completed by DeBeers, with additional targets in the surrounding area planned to determine the full potential of deposits in surrounding areas.**

- **Extensive infrastructure in-place - 20km of roads - Deposit specific plants with targeted throughput of ~500 TPH - 20km of underground water pipelines - 13km main power line - Backup power systems - Worker housing - New CAT operational equipment - various other infrastructure items ready to support Project and long-term Growth.**

- **Low-cost surface mining operation - Maximum depth of 15M - No blasting or underground operations - High percentage of gem or near gem quality - Large diamond potential.**

- **Ongoing trial mining exercises to June 30, 2020 have resulted in the incidental recovery and sale of 154,204 carats of rough diamonds generating revenue of (USD) $25,709,670 - resulting (USD) $166.72 average dollar per carat – Current average lower than historical results due to the lower value of rough diamonds recovered from tailings retreatment exercises in 2019**

- **Potential for significant revenues from large diamond recoveries - Largest individual rough diamond recovered to date - 91.7 carats.**

- **30-year mining right secured for initial area targeted (657.71 of 5,888 hectares) - Water Use License in-place - Transition to large-scale trial mining now in process – Significant growth potential into surrounding areas**

INTRODUCTION

Diamcor Mining Inc. ("Diamcor" or the "Company") is a junior mining and exploration company incorporated in the Province of British Columbia under the Business Corporations Act (BC) with an established operational history of supplying rough diamonds to the world market. The Company pursues diamond related properties in South Africa and other diamond producing countries. Diamcor is currently developing and advancing its Krone-Endora at Venetia project in South Africa. The Company's common shares trade on the TSX Venture Exchange under the symbol "V.DMI", and on the OTCQB tier in the United States under the symbol "DMIFF".

Diamcor's principal business is the identification, acquisition, exploration, evaluation, operation, and development of unique diamond-based resource properties. The Company acquired the Krone-Endora at Venetia project from De Beers, has established a long-term strategic alliance and secured financing from world famous luxury retailer Tiffany & Co. The Company's strategy is to be a producer and supplier of quality rough diamonds to reputable diamond purchasing entities serving the global diamond market.

CORE BUSINESS AND STRATEGY

Diamcor has an established operating history in South Africa, key strategic relationships within the diamond industry in South Africa, Canada, China, Brazil and the United States, extensive knowledge of various diamond mining opportunities, and is currently developing the Krone-Endora at Venetia project it acquired from De Beers. The Company's strategy is to identify, evaluate, acquire, and develop various types of diamond related properties, and other mining projects, with a specific focus on opportunities which demonstrate the potential to generate near-term and sustained rough diamond production and/or positive cash flow while minimizing shareholder dilution.

The Company advanced this strategy by acquiring the Krone-Endora at Venetia project from De Beers Consolidated Mines Limited on February 28, 2011. The Krone-Endora at Venetia project consisted of the prospecting rights over the farms Krone 104MS and Endora 66MS, which represent a combined surface area of approximately 5,888 hectares directly adjacent to De Beer's flagship Venetia Diamond Mine in South Africa. The deposits which occur on the properties of Krone and Endora had been identified by De Beers as both, an upper "colluvial" deposit, as well as a lower / basal "alluvial" deposit, both of which are proposed to have originated from the higher grounds of the adjacent Venetia kimberlites, with the full extent to which these deposits occur over the entire area of the project yet to be determined. De Beers also previously completed exploration efforts on an initial area of interest comprised of approximately 310 hectares of the properties, the results of which were reported in an initial Independent National Instrument 43-101 Technical Report (the "Initial Technical Report") which was filed by the Company on July 30, 2009 in conjunction with the acquisition. Based on the initial work completed to that date, the Initial Technical Report provided an inferred resource estimate of 54,258,600 tonnes of diamond bearing gravels, and 1.3 million carats of diamonds for the 310 hectare area of interest in that report. The Initial Technical Report also noted that based on the previous work programs and evaluation completed to date by De Beers and the Company, an estimated 1,000m, or 1 vertical km, of material has shifted and eroded off of the kimberlites of Venetia onto the lower surrounding areas including those of Krone and Endora, but the full extent to which this material may be present on the Krone and Endora properties currently is unknown. The Company's near-term efforts are focused on the key areas of interest defined by the previous work and estimates outlined in the Initial Technical Report, and specifically those within the defined K1 area of the project, the procurement and installation of infrastructure and equipment required to support the further advancement of the project, subsequent trial mining and bulk sampling to better define the location and extent of the materials on both the Krone and Endora properties, and the completion of work required to support the filing of an updated Independent National Instrument 43-101 Technical Report (the "Updated Technical Report") on April 28, 2015. The combined efforts, bulk sampling, and trial mining work most recently undertaken and underway are aimed at allowing the Company to secure data to aid it in arriving at initial production decisions for the project in the near-term.

In addition to the advancement of the Krone-Endora at Venetia project, the Company continues to review and pursue mining opportunities in South Africa and other known diamond mining regions. The Company believes its strategy will ultimately allow it to take advantage of a potential long-term projected trend of declining world-wide production of rough diamonds due to the aging of current diamond mines, and the lack of recent new discoveries. The Company also believes this scenario presents the potential for increasing rough diamond prices of higher quality natural rough diamonds from conflict free sources, an opinion which many industry experts believe will ultimately develop in the coming years. These forecasted rough diamond price increases are a function of; not only the projected material shortfalls in future diamond production, but also the potential continued increase in customer demand from developing markets such as China and India, and the restoration of demand in historically strong markets such as the United States. It is widely accepted and documented that many existing larger diamond mines are approaching the later stages of their expected life of mine, and current rough diamond production levels are expected to remain consistent at best, or potentially be reduced in the near future. These dynamics, coupled with the fact that few, if any, new large diamond mines have been identified or developed which demonstrate an ability to meet these projected future increasing demands, along with the fact that long lead times of +/-10 years are typically associated with bringing any large new diamond mine into production. Combined, these elements present a compelling opportunity for companies with the ability to provide rough diamond production in the coming years, and the Company believes it is well positioned to exploit this opportunity.

As part of the implementation of the Company's strategy, it focuses on projects which demonstrate the near-term potential for production and growth, with management classifying all projects into three distinct diamond project categories. The Krone-Endora at Venetia project has been identified as a higher-grade alluvial deposit (material deposited by ephemeral streams) which is covered by a lower-grade colluvial deposit (direct shift of material through the action of gravity and rain wash), the nature of which is described in further detail below.

The three basic diamond project categories as defined by the Company when reviewing potential projects are - Primary Kimberlite Projects, Alluvial and Colluvial Projects, and Tailings Re-Treatment Projects. These project categories are briefly explained as follows:

Primary Kimberlite Projects - The Company defines primary kimberlite projects as any diamond project which involves the exploration for, or open-pit / underground mining of, any new or existing kimberlite source, these areas being the primary source from which rough diamonds originate. The Company's initial involvement in such projects may occur should the Company acquire projects and then discover new kimberlite bodies of interest on those properties during its ongoing geological evaluation of a project. While currently not a primary focus of the Company, the Company does have the ability to perform initial exploration efforts to define the potential significance of such a find, after which it is anticipated any additional efforts would be considered as warranted.

Alluvial and Colluvial Projects - The Company defines both alluvial and colluvial projects as the exploration for, and mining of, near surface diamond bearing gravels. While the terms alluvial and colluvial sound similar, the two deposit types are distinctly different. Alluvial gravel deposits occur as a result of the pre-historic erosion of the top surface areas of primary kimberlite sources by ancient rivers which previously ran over them. The alluvial gravels, and any diamonds contained in these gravels which are eroded from the kimberlite tops, are typically transported downstream, sometimes hundreds of miles away from the source, before finally settling in areas where these ancient rivers slowed, turned, and/or formed deposit areas. In these situations, the deposited / settled alluvial gravels and associated diamonds are typically found under varying layers of surface structure along graduating terraces in the various key settling areas over which these paleo-rivers once ran. Diamond bearing alluvial gravels typically produce gem quality stones as a direct result of the manner and distance by which they have been transported by the paleo-rivers from their originating sources since the washing or rolling effect of transporting the diamonds, sometimes great distances, tends to destroy the smaller lower quality stones during the process while polishing, rounding, and depositing the larger better-quality stones into the various settlement areas. Unlike the capital-intensive methods of recovering diamonds from a deep hard rock primary kimberlite source, the alluvial gravel recovery process is done via a simple strip mining and earth moving process using heavy equipment with no requirement for any underground work or associated infrastructure. Exploration of potential alluvial properties to locate diamond bearing gravels also involves less capital-intensive methods allowing alluvial projects to be advanced towards production in a relatively short period of time.

Colluvial projects are similar in nature to alluvial projects with respect to production requirements, but significantly rarer and more unique due to the fact that deposits occur immediately adjacent to, or near, a known primary source and are created in a different manner. In the typical alluvial deposits described above, constant flowing pre-historic paleo-rivers slowly eroded away the gravel deposits and diamonds from the source and then transported them downstream to various collection or settlement points, and as noted, sometimes hundreds of miles away from the source. In contrast to this constant erosion process, colluvial deposits are primarily the result of a gravitational movement, or shift, of material in conjunction with the subsequent erosion or weathering which forms the resulting accumulation or deposit directly adjacent to, or near, the primary source. Due to the fact that these deposits have not moved any significant distance, colluvial deposits also tend to more closely mirror the characteristics of the primary source, with due consideration to the fact they are not as uniform in nature. These characteristics can provide for a more definitive understanding of the deposit in general, especially in circumstances where the primary source of origin is well understood. Colluvial deposits would also be expected to retain the same potential for larger diamonds to exist as an alluvial deposit but typically include the added benefit that the smaller diamonds are also retained, as opposed to being destroyed, due to the short-duration of the event causing the deposit, and the short distance the deposit has travelled from the originating source. As noted above, the Krone-Endora at Venetia project acquired from De Beers by the Company has been identified as a proposed higher-grade lower/basal alluvial deposit which is covered by a lower-grade upper colluvium deposit. The project is located directly adjacent to the identified source of the deposits, that being De Beer's flagship Venetia Mine. Venetia is one of the world's most significant diamond mines, and the richest diamond deposit in South Africa. Previously published yearly production level highs from open pit operations at Venetia were approximately 9.0 million carats per year, with independent references noting a high percentage of diamonds recovered as being classified as gem, or near-gem, quality. The decision to transition to underground operations at Venetia was made by De Beers and is now underway, at an estimated additional cost of (US)$2.1B. These efforts are expected to extend the mine's life significantly, however overall yearly production levels is expected to be significantly lower than historical highs, which is typical of any diamond mines transitioning to underground operations.

Tailings Re-Treatment Projects - South Africa, and a select few other countries, have a long and extensive history of large kimberlite diamond mines dating back over 100 years. The age of these mines presents an opportunity for newer and more modern processing and recovery methods to be implemented to reprocess vast stockpiles of previously processed tailings materials. The ability to use newer and more efficient processing plants and methods to re-process stockpiled kimberlite tailings from these mines to recover diamonds missed due to inefficient processing can present a significant opportunity in certain cases. These large above-ground tailings stockpiles can be quantified, graded, and valued to produce reasonably reliable modeling of processing costs and expected revenues.

KEY PERFORMANCE DRIVERS AND RECENT EVENTS

The primary performance drivers for the Company are the; identification and acquisition of projects which demonstrate potential for near-term diamond production and future growth, with suitable costs and diamond yields, the successful transition of these projects into full scale production, the dynamics of current and future rough diamond market prices for various reasons including the recent events associated with COVID-19, and the establishment of strategic relationships with reputable purchasing entities of rough diamonds serving global markets.

In recent history, the onset of the global financial crisis in 2008 and 2009 had a profound effect on the world economy including the diamond market. At that time, analysts, industry experts, and trade publications reported a softening of diamond prices and short-term demand. Despite this decline in the rough diamond market at that time, industry experts anticipated increasing demand from the emerging markets of China, India, and the Middle East. As of mid-2010 rough diamond prices began to recover and were approaching the previous historical all-time highs experienced prior to the global financial crisis. This trend of steadily increasing rough diamond prices largely continued, and by the mid 2011 industry sources were reporting rough diamond prices above the 2008 pre-crisis highs. Starting at the end of 2018, rough prices for certain categories of goods began to again fall under pressure again, a trend which continued through to the end of 2019. The events of early 2020 associated with the global crisis of COVID-19 had a significant impact on a majority of businesses throughout the world and the rough diamond industry. As a response to this global crisis, on March 26, 2020 the Government of South Africa mandated a COVID-19 lockdown, and operations were required to shut-down completely three (3) days afterwards. The South African lockdown was widely accepted as one of the most comprehensive and restrictive in the world and while originally proposed to be for a duration of 21 days, was subsequently extended several times. By July of 2020, certain provisions of the lockdown with regards to exporting of rough diamonds were somewhat relaxed, and limited rough diamond tender and sales were resumed in Antwerp, albeit with significantly lower quantities of rough diamonds being offered. As of October 2020, various trade publications and reports from various tender facilities indicated prices appeared to be recovering in various categories, and overall supplies of rough diamonds being offered remained lower than normal. On September 21, 2020 the Government of South Africa announced that the lockdown had been reduced to Level-1, the lowest level of restrictions, allowing operations to resume at Krone-Endora at Venetia moving forward. Due consideration must be given for the ongoing dynamic nature of COVID-19 as governments continue to monitor the situation, which may result in a change to restrictions for all businesses at any time. Despite the various price fluctuations over the years, and the most recent declines in certain categories due to COVID-19, the overall potential for increasing rough diamond prices over the long-term remains logical for the same looming supply/demand reasons set forth above. Continued reductions in overall rough diamond production from major suppliers such as De Beers and Alrosa are also expected to continue in the near-term due to COVID-19, which presents a potential opportunity for companies with the ability to supply rough diamonds as overall supplies are expected to remain lower than usual for the balance of 2020. Readers are cautioned that any significant and sustained decrease in the market prices for rough diamonds could have a material adverse effect on the Company's performance and results from operations**.**

As of June 30, 2020, the Company's principal assets were the following: (i) a 70% majority interest in DMI Minerals South Africa (Pty) Ltd., which the Company used to acquire the Krone-Endora at Venetia project from De Beers Consolidated Mines Limited, (ii) a 100% interest in DMI Diamonds South Arica (Pty) Ltd., which serves as the Company's main corporate entity to support its South African projects, operations, initial exploration efforts, and the evaluation of all future projects. Below are brief descriptions of each of these assets.

DMI Minerals South Africa (Pty) Limited – The Company owns a 70% majority interest in DMI Minerals South Africa (Pty) Ltd. ("DMI Minerals") with the remaining 30% interest held by the Company's South African Black Economic Empowerment partner Nozala Investments (Pty) Ltd. ("Nozala"). The subsidiary was formed for the acquisition of projects which demonstrate the potential for both near-term production capabilities and suitable life of mine scenarios. On May 26, 2008, DMI Minerals received confirmation from De Beers that its proposal to acquire the Krone-Endora at Venetia project had been approved as the successful bid pending finalization of a definitive sale of assets agreement. On December 22, 2008, the parties to the transaction completed and executed a definitive sale of assets agreement, and then subsequently on March 31, 2010, executed an amended and updated version of the original sale of assets agreement. Under the terms of the original sale of assets agreement the entire area associated with the Endora 66MS property prospecting right was to be transferred, along with an agreed upon portion of the entire area of Krone 104MS property prospecting right subject to an amendment to exclude certain areas inside the current De Beers Venetia Mine fence line. Despite the delays incurred by this, after due consideration to the proposed area of the Krone 104MS property in question for exclusion, De Beers subsequently agreed to transfer the entire area of Krone 104MS without any amendment or sub-division as part of the transaction. There were no other material changes to the agreement. This amendment allowed the Company to review additional areas of interest between those areas previously identified in the Initial Technical Report and the proposed source of the deposit's origin, that being the kimberlite pipes of De Beers Venetia mine. The transaction was ultimately finalized on December 14, 2010, and on February 28, 2011 the acquisition of the Krone-Endora at Venetia project was closed.

Following the closing of the Krone-Endora at Venetia project acquisition, on March 23, 2011, the Company in conjunction with its subsidiary DMI Minerals entered into a long-term strategic alliance and $5.5M financing agreement with subsidiaries of New York based Tiffany & Co. Under the terms of the strategic agreement, Tiffany & Co. secured a first right of refusal to purchase up to 100% of the future production of rough diamonds from Krone-Endora at Venetia at fair market value prices to be negotiated and adjusted from time to time to reflect current market conditions. As part of the agreement, DMI Minerals retained the right to freely market all specials (rough diamonds 10.8 carats or larger in size), as well as all other diamond production not selected for purchase by Tiffany & Co. under the terms of their first right of refusal. To expedite the further advancement of the project, Tiffany and Co. Canada provided the Company with a second financing of $4M on November 16, 2012.

The development of extensive infrastructure began at the project in April of 2011, along with preparations for the start of an extended drilling program, a planned bulk sampling program, and trial mining exercises as recommended by the Initial Technical Report. The completion of extended drilling on 558 targets and the recommended programs undertaken were designed to be a continuation of the work previously completed by De Beers and aimed at:

- assisting the Company in its determination of the location and construction of infrastructure for the project.
- assisting the Company in its determination of how best to proceed with the further evaluation of areas of the project previously explored.
- assisting the Company in identifying additional areas of interest not yet accounted for in the Initial Technical Report for future exploration.
- allow the Company to establish a current diamond price estimate for the project.
- advance the recommended work programs to support the filing of an Updated Independent Technical Report (filed on April 28, 2015).
- support the Company's bulk sampling and trial mining exercises.
- support the application and issuance of a Mining Right from the South African Department of Mineral Resources (granted on September 11, 2014).
- support the issuance of a Water Use License from the South African Department of Water Affairs (granted on April 11, 2016).

Collectively, all efforts to date are aimed at allowing the Company to collect data and aid it in arriving at initial production decisions for the project.

Extensive infrastructure development including the design, development, and construction of two large modular processing plants have also since been completed to support the long-term development of the project.

Efforts to date have included:

- the clearing of 60km of temporary access roads to support the extended drilling program and the establishment of required infrastructure.
- the identification of areas to be potentially targeted for additional bulk sampling and trial mining exercises, and the location for the construction of the project's plant sites.
- the removal of +/-4,000 truckloads of material for the establishment of a quarry in the area selected for future trial mining exercises.
- the clearing of ~2 hectares for the construction of the plant site, the construction of fresh water and settling dams, the completion of civil engineering work, and the construction of a 5m raised wall around the plant site.
- the construction of ~20km primary access roads and bridges to support the long-term needs of the project.
- the installation of ~5km of high strength electrical security fencing, automated security gates, and security checkpoint facilities.
- extensive concrete work and infrastructure for the main treatment/processing plant, operational offices, and workshops.
- the installation of seven water pipelines totaling ~20km in length.
- the installation of a ~13km main powerline and backup diesel generators.
- design, development, installation and testing of the project's deposit specific in-field dry-screening and main treatment plants to support the stated objectives and continued advancement of the project

Due to the nature of the deposit, and specifically its high percentage of sand content, extensive consideration was required and implemented in the development of the dry-screening and main treatment plants. A separate in-field dry-screening plant located near the quarry was developed to achieve the goal of dry-screening out fine materials to reduce operating costs, and to provide the additional benefit of reducing overall water consumption at the main treatment plant. The Company's dry screening plant includes a large modular in-field dry-screening system. The infrastructure includes a rotary trommel, large Dabmar Bivitec and resonance screening equipment, extensive conveyor structures, collection bins, and other supporting infrastructure designed to screen out -1.0mm fines material prior to the delivery of the remaining material for final processing at the main treatment plant. Recent expansion and refinement of the quarrying and dry-screening operations has been undertaken to provide for even greater efficiencies, volumes, and further increase in the targeted removal of fines material from 45% to 60% through the dry-screening process. The main treatment plant has also undergone significant expansion and refinement, as has the project's final recovery facilities.

In fiscal 2018, the ongoing testing and commissioning of these expanded quarrying and dry-screening operations indicated enhancement initiatives provided an increase in overall dry-screening capacities and operational efficiencies, however, problems in the recovery of wastewater from the project's settling dams due to the increased volume of fines being liberated at the main treatment plant were evident when operating at high volume. This negatively impacted operations overall and the incidental recovery of diamonds during the fiscal year, as operations and processing were periodically slowed or halted completely to reduce volumes of material being pumped into the project's rehabilitation/settling dams. Extensive testing of both the project's water and deposit material were completed, and based on the recommendations of Company consultants and industry experts, the Company elected to implement further refinements to the project's dry-screening plant to enhance the liberation and the removal of fines through added crushing and screening. While the efforts undertaken in 2018 and 2019 largely corrected this issue, the Company chose to significantly enhance its operational team in 2019 and 2020, and various other refinements continue to be evaluated and tested to allow the Company to continue to maximize processing volumes and efficiencies at the project. All efforts underway are designed to support the further advancement of the project and the recommendations of the Updated Technical Report and aid the Company in arriving at initial production decisions for the project.

The Company has placed significant focus and emphasis on the successful closing, financing, and advancement of the Krone-Endora at Venetia project over a period of several years and currently views this project as its most significant business opportunity in the short-term. Building upon the success of the Krone-Endora acquisition, the related Tiffany & Co. strategic alliance and financing, and the further leveraging of the Company's new management's experience, the Company also continues the process of identifying and evaluating both the full potential of the Krone-Endora at Venetia project, as well as other diamond mining opportunities with a view towards new acquisitions, development, and production opportunities.

DMI Diamonds South Africa (Pty) Limited ("DMI Diamonds") – Is the Company's 100% owned South African subsidiary which is used as the Company's main corporate entity to support its South African projects and operations. As part of the Company's ongoing efforts to identify, acquire, and develop production-based projects, DMI Diamonds continuously evaluates and provides production support and equipment to various potential and ongoing projects within South Africa.

MANAGEMENT AND CAPABILITIES

In October of 2019, after a long period of consulting to the project, the Company announced the appointment of Dr. Kurt Petersen as Chief Operating Officer. With over 20 years of experience in the diamond industry, Dr. Petersen has extensive knowledge and experience in the areas of process modelling and simulation. He has worked with and consulted to some of the diamond industry's leading companies and is highly regarded and experienced in the design of diamond plants, as well as the optimization of recovery performance and operational processes. The addition of Dr. Petersen, along with several other operational managers appointed by him, is aimed at enhancing operational volumes, efficiencies, and reducing costs for the long-term at the project, and to support additional efforts with regard to the determination of the greater potential of the deposits in the surrounding areas moving forward. There were no changes to the Board of Directors. Mr. Dean H. Taylor remains a Director and the Company's President and Chief Executive Officer. The Company's Board of Directors consist of the Company's CEO, Mr. Dean Taylor (Chairman), the Company's CFO, Mr. Darren Vucurevich, world renowned kimberlite expert and professor Dr. Stephen E. Haggerty, and corporate executive Mr. Sheldon Nelson.

The Company has developed extensive relationships with several industry leaders and employs the services of many of the same professional consulting firms which support the ongoing projects of large mining companies worldwide. These relationships assist the Company in its ability to successfully and cost effectively evaluate, plan, and execute on potential projects. The Company has ongoing access to an established operational team of well-trained service providers and suppliers in South Africa.

SOUTH AFRICAN MINING CHARTER – BLACK ECONOMIC EMPOWERMENT (BEE)

In October 2002, with the support of all mining houses and labor unions concerned, the Broad-Based Socio-Economic Empowerment ("BEE") Charter was introduced by South African Cabinet. This Charter called for certain ownership and management goals in the mining industry for the benefit of historically disadvantaged South Africans within five years. These objectives have been set with the goal of providing equitable access to the nation's vast mineral resources for all South Africans. Many of these historically disadvantaged people are well-qualified, skilled workers already in the field and provide a wealth of opportunity for junior companies such as Diamcor. The advent of a new democratic constitution in South Africa has resulted in significant changes and restructuring of what was once referred to as the "big six" mining houses which traditionally controlled mining production and mineral rights within the region. New legislation has seen the phasing out of this past oligarchy and a shift of focus towards the government accommodating small mining companies and creating various opportunities for junior operations to prosper and grow when affiliated with successful Black Empowerment Partners.

On March 5, 2008, the Company announced a formal joint venture partnership with well-established South African BEE group Nozala. This partnership is currently reflected in the Diamcor South African subsidiary, DMI Minerals, which was formed to pursue diamond mining projects with near-term production potential within South Africa which fit within the Company's stated focus and strategy. Under the terms of the joint venture, which exceed the stated requirements of the BEE charter in South Africa, Diamcor retained a 70% direct ownership in the DMI Minerals subsidiary, with Nozala acquiring a 30% direct shareholder ownership interest. Operationally, expenses charged to the development of any projects held by the entity, and the profits generated, will be similarly proportional. The Company considers this joint venture to be a significant achievement because not only is Nozala a respected and established BEE group representing the interests of some estimated 500,000 rural women shareholders, but it is also a well-respected corporate entity in the South African business community. These attributes have the potential to enhance the Company's ability to achieve its stated growth objectives of securing additional projects within South Africa in a corporately responsible way.

The Company has gained considerable insight into the workings of the new BEE Charter, as well as the government expectations and requirements, through its previous operational history. The Company believes that well-organized BEE groups can provide value to the Company through their investment, professional affiliations, corporate knowledge, the management of BEE objectives and the assurance that a meaningful broad-based benefit is achieved by their involvement. The Company has chosen to align itself only with groups which demonstrate a proven track record and ability to achieve these government mandated objectives, which in turn will enhance the Company's ability to achieve its growth objectives by participating in the higher profile acquisitions where Corporate Social Responsibility (CSR) objectives are of paramount importance.

SELECTED QUARTERLY FINANCIAL INFORMATION

The quarterly financial results are presented in IFRS, and all figures include the results of operations in South Africa.

March 31, 2021 Fiscal Year

	Fourth Quarter March 31, 2021	Third Quarter December 31, 2020	Second Quarter September 30, 2020	First Quarter June 30, 2020
Gross Revenue	$	$	$	$ Nil
Total Expenses				750,235
Net (Loss) for Period				()
Net (Loss) per Share (Basic)				(0.01)
Cash Flow (Used in) Operations				28,711
Cash and Cash Equivalents (End of Period)				28,242
Assets				8,356,837
Dividends				Nil

March 31, 2020 Fiscal Year

	Fourth Quarter March 31, 2020	Third Quarter December 31, 2020	Second Quarter September 30, 2019	First Quarter June 30, 2019
Gross Revenue	$ 211,214	$ 1,867,873	$ 730,692	$ 1,154,005
Total Expenses	1,400,681	3,137,402	389,935	2,752,490
Net Income (Loss) for Period	(1,078,330)	(1,257,649)	350,676	(1,585,160)
Net (Loss) per Share (Basic)	(0.01)	(0.02)	Nil	(0.02)
Cash Flow (Used in) Operations	(417,704)	376,515	(1,023,752)	(160,406)
Cash and Cash Equivalents (End of Period)	32,087	453,815	77,066	228,919
Assets	9,019,048	7,892,572	8,205,815	8,359,638
Dividends	Nil	Nil	Nil	Nil

March 31, 2019 Fiscal Year				
	Fourth Quarter March 31, 2019	Third Quarter December 31, 2018	Second Quarter September 30, 2018	First Quarter June 30, 2018
Gross Revenue	$ 1,031,037	$ 1,847,403	$ 1,041,470	$ 193,606
Total Expenses	2,187,466	2,723,051	1,470,758	1,684,759
Net (Loss) for Period	(1,094,889)	(861,883)	(417,368)	(1,479,140)
Net (Loss) per Share (Basic)	(0.01)	(0.01)	(0.01)	(0.02)
Cash Flow (Used in) Operations	(624,922)	(717,190)	(745,019)	59,644
Cash and Cash Equivalents (End of Period)	139,080	229,258	569,466	442,076
Assets	8,702,487	9,547,857	9,660,571	9,314,024
Dividends	Nil	Nil	Nil	Nil

During the quarter ended June 30, 2020, the Group (as defined below) continued to advance the Krone-Endora at Venetia project to aid the Company in arriving at initial production decisions.

QUARTERLY RESULTS ANALYSIS

As of June 30, 2020, the Company held assets of $8,356,837 which included cash and cash equivalents of $28,242, accounts receivable of $121,119 from the sale of rough diamonds, value added tax, and other receivables, diamond inventory of $308,068, and prepaid expenses of $49,946. The Company held restricted cash of $613,927 associated with a guarantee for certain rehabilitation obligations and electrical guarantees. The net book value of property, plant and equipment assets was $7,235,535.

As of June 30, 2020, the Company's total liabilities were $11,624,529. Accounts payable related to facility expansion and upgrades underway at Krone-Endora, trade, tax, accrued salaries and benefits payable were $928,062. The current portion of debt from the Tiffany & Co. term loan and convertible debenture and payments due to Caterpillar Financial Services in the next 12 months is $6,780,682. The Company had an estimated deferred tax liability of $314,689. The decommissioning liability associated with the Krone-Endora at Venetia project is $382,358, and $1,641,080 was recorded as due to the Company's BEE partner in conjunction with loan amounts, which have no set terms of repayment and are being used by DMI Minerals South Africa (Pty) Ltd.

The Company operates in one market segment for the mining and sale of rough diamonds to the world market. The Company's financial instruments consist of cash and cash equivalents, restricted cash, receivables and accounts payables and accrued liabilities. Unless otherwise noted, and with due consideration for the current COVID-19 global crisis, management believes the Company is not exposed to any significant interest, currency or credit risks arising from these instruments. The Company's financial statements are consolidated and shown in Canadian dollars as required and conversions from foreign exchange are noted. The majority of the Company's operational facilities are situated in South Africa and the Company follows standard South African policy with respect to both the investment and removal of funds into projects and operations within South Africa.

Revenue

The Company had no revenue in quarter one as a result of COVID-19's impact on the global diamond supply chain and lockdown restrictions imposed by the government of South Africa.

The Company realized $5,747 from interest and other income and a nil gain/loss for foreign exchange, as compared to realizing $12,495 from interest and other income, and a gain of $830 for foreign exchange for the same period in the prior fiscal year. The Company realized additional revenues from the incidental recoveries and the sale of rough diamonds subsequent to the interim period in July 2020.

Cost of Sales or Operating Expenses

Operating expenses are comprised primarily of labor, management, contracted labor and equipment, utilities, fuel, and other expenses incurred at the project. Typically, the most significant of these operating expenses is attributable to heavy equipment and diesel fuel costs associated with the trial mining operations. During the interim period ended June 30, 2020, operations ceased due to the Government of South Africa imposed lockdown, and thus the Company realized much lower operating expenses of $139,087, as compared to $1,781,352 incurred in the prior fiscal year when quarrying and mining operations were ongoin

General and Administrative Expenses

Total general and administrative expenses for the interim period ended June 30, 2020 were $611,148, a decrease when compared to $971,138 incurred during the interim period ended June 30, 2019. Accretion and depreciation expenses decreased to $170,667 from $235,206, consulting fees decreased significantly to $23,546 from $126,500 as a result of the COVID-19 lockdown, while insurance costs increased slightly to $25,763 from $20,932. Interest and bank charges increased to $275,010 from $149,441, which are mainly attributable to the remaining portion of the Tiffany & Co. debt, as well as a term loan, and the new Company owned equipment fleet. Office expenses were decreased to $18,759 from $30,641, while professional fees decreased to $75,645 as compared to $88,019 due to reduced activity at the Project due to the impact of COVID-19. Investor relations expenses increased slightly to $18,208 compared to $15,190 realized during the prior fiscal year. Salaries and wages decreased to $51 from $285,906 as a result of the South African government imposed lockdown during the quarter. Expenses for transfer agent and regulatory fees decreased to $1,307 from $6,899. Travel expenses decreased to $2,192 as compared to $12,404 in the prior fiscal year.

The Company remains committed to managing its resources carefully and conserving cash, and is placing due consideration on the current uncertainties associated with the ongoing COVID-19 pandemic..

Net Earnings

The Company generated Nil income during the interim period ending June 30, 2020 as a result of having to halt operations due to COVID-19. The Company had $139,087 in operating expenses and realized a net loss from operating activities of $139,087. The Company incurred $611,148 in general and administrative expenses, earned $5,747 in interest and other income, realized $Nil for foreign exchange, which resulted in net loss before tax of $744,488 for the interim period ended June 30, 2020, as compared to a net loss of $1,585,160 for the same period in the prior fiscal year. The Company recorded a foreign currency translation exchange loss of $59,263 compared to a loss of $236,185 for the same period in the prior fiscal year.

The following table provides a summary of the Company's financial operations:

	Three Month Interim Period ended June 30,					
	2020		2019		2018	
Total Revenue	$	Nil	$	1,154,005	$	193,606
Net Income (Loss) Before Tax	$	(744,488)	$	(1,585,160)	$	(1,479,140)
Basic and Diluted Earnings (Loss) Per Common Share	$	(0.01)	$	(0.02)	$	(0.02)
Total Assets	$	8,356,837	$	8,359,638	$	9,314,024
Total Long-Term Liabilities	$	2,378,127	$	2,657,311	$	2,327,614
Cash Dividend	$	Nil	$	Nil	$	Nil

LIQUIDITY AND CAPITAL RESOURCES

The Company recorded a net loss of $744,488 in the interim period ended June 30, 2020 as compared to a net loss of $1,585,160 for the interim period ended June 30, 2019. The Company recorded positive cash flow from operating activities of $28,711 compared to negative cash flow from operating activities of $160,406 for the same period last year. As of June 30, 2020, the Company had an accumulated deficit of $39,335,038.

Cash Position. As at June 30, 2020, the Company had cash and cash equivalents of $28,242 ($228,919 June 30, 2019), rough diamond inventory of $308,068 ($241,635 June 30, 2019), accounts receivable of $121,119 ($327,503 June 30, 2019), and prepaid expenses of $49,946 ($53,341 June 30, 2019). The Company believes it has adequate cash, or the potential to access additional capital if required, for the continued development, commissioning, bulk sampling, and advancement of the recommended work programs, and the potential to generate future revenues from the incidental recovery and sale of rough diamonds from the combined efforts underway at the project.

A portion of the cash on hand and available for use by the Company at June 30, 2020 was held in its foreign bank accounts in South Africa and is being used for the continued advancement of the Krone-Endora at Venetia project and for general corporate purposes. The Company also follows certain procedures to aid in the recovery and re-investment of funds from its projects and inter-corporate shareholder loans.

Financing Activities. Recent financings by the Company were designed to support the Company's strategy of leveraging its well-established operational history to identify, acquire, and develop assets which demonstrate the potential for the near-term sustained production of rough diamonds.

On March 23, 2011, shortly after the closing of the acquisition of Krone-Endora at Venetia project from De Beers, the Company entered into a long-term strategic alliance with Tiffany & Co. to expedite the advancement of the project. Tiffany & Co., through its Canadian subsidiary, provided the Company with $5,500,000 in financing, which included a $3,500,000 Term Loan and a $2,000,000 Convertible Debenture. The Term Loan had a 5-year term and a fixed rate of interest of 7% per annum. The loan was non-amortizing for a 24-month period and no interest or principal was due until after this 24-month period, at which time interest and principal would be payable monthly in accordance with a 36-month amortization schedule. The Company retained the right to repay the Term Loan and any accrued and unpaid interest due at any time without notice or penalty. The Convertible Debenture had a term of 5 years and a fixed rate of interest of 7% per annum. Like the Term Loan, interest accrued but was not payable for the 24-month period from the date of issuance, after which time interest would become due and payable monthly. On April 8th, 2013, the Company announced that it had exercised its right to convert the principal and accrued interest into Company common shares. A total of $2,295,920 inclusive of principal and accrued interest was converted at the stipulated price of $0.75 per common share, resulting in the issuance of 3,061,227 Company common shares to Tiffany & Co. In April 2013, the Company commenced with repayments as per the original terms of the agreement. In December of 2014, the Company and Tiffany & Co. agreed to defer any further payments to January of 2016. At that time, a change to the interest rate associated with the facility to 9% was also agreed to by the parties. In January of 2016, the Company and Tiffany & Co. agreed to defer any further payments to July of 2016. In February 2017, the Company and Tiffany agreed to defer payments until June 2017 at which time the remaining balances associated with this loan were paid in full.

On November 16, 2012, the Company announced that it had secured an additional $4.0M in financing from Tiffany & Co. The $4,000,000 in financing was provided by Tiffany's subsidiary, Tiffany & Co. Canada, via a $2,400,000 term loan and a $1,600,000 convertible debt debenture. The Term Loan has a fixed rate of interest of 9% and secured by a promissory note which was non-amortizing until January 2015, after which time principal and interest would become payable monthly in accordance with a 36-month amortization schedule. The Company retained the right to repay the outstanding principal and any accrued and unpaid interest due under the Promissory Note at any time without notice or penalty. The Convertible Debenture had a fixed rate of interest of 9% per annum, and was non-amortizing until January 2015, following which time principal and interest would be payable monthly in accordance with a 36-month amortization schedule. The Company retained the right to repay the outstanding principal and any accrued and unpaid interest, without penalty, on not less than 30-days' notice and subject to the conversion rights contained in the Convertible Debenture. Under the conversion rights of the Convertible Debenture, Tiffany & Co. Canada may convert the principal amount of $1,600,000, along with any accrued and unpaid interest due at that time, in whole or in part, into Class A Common Shares (the "Shares") of the Company at a conversion price of CAD $1.60 per Share. Early in 2014, the Company and Tiffany & Co. agreed to initially defer any payments on the $2,400,000 term loan and the $1,600,000 convertible debenture to January 2015. In December of 2014, the Company and Tiffany & Co. agreed to further defer any payments to January of 2016, with that date subsequently revised to defer any further payments to July of 2016. In February 2017, the Company and Tiffany agreed to defer payments until June 2017 at which time the outstanding payments were paid and scheduled payments recommenced. In September 2017, the Company and Tiffany & Co. verbally agreed to a temporary deferral of payments. The Company plans to resume payments once it is able to resume testing and commissioning exercises at increased volumes.

The Company completed a non-brokered private placement financing of 4,956,909 units at a price of $0.85 per unit on June 9, 2017, resulting in gross proceeds of $4,213,373. Each unit consisted of one common share and one-half of one common share purchase warrant with each whole warrant being exercisable to purchase an additional common share at an exercise price of $1.20, expiring June 9, 2020. In conjunction with the closing of the financing the Company paid aggregate cash commissions and legal fees of $90,885 to agents, which represented 6% of the gross proceeds received from subscriptions introduced to the Company by the agents. In addition, the Company issued an aggregate of 106,923 non-transferable share purchase warrants to agents, representing 6% of the number of units sold to subscribers introduced to the Company by agents. Each warrant issued to the agents entitled the holder to purchase one share of the Company at an exercise price of $1.20 until June 9, 2020. The shares and warrants issued were subject to a hold period ending on October 10, 2017.

The Company completed the first tranche of a non-brokered private placement financing of 5,715,950 units at a price of $0.35 per unit on June 20, 2018, resulting in gross proceeds of $2,000,583. Each unit consisted of one common share and one-half of one common share purchase warrant with each whole warrant being exercisable to purchase an additional common share at an exercise price of $0.60, expiring June 20, 2021. In conjunction with the closing of the financing the Company paid aggregate cash commissions and finder's fees of $1,814 to agents, which represented 6% of the gross proceeds received from subscriptions introduced to the Company by the agents. In addition, the Company issued an aggregate of 5,194 non-transferable share purchase warrants to agents, representing 6% of the number of units sold to subscribers introduced to the Company by agents. Each warrant issued to the agents entitled the holder to purchase one share of the Company at an exercise price of $0.60 until June 20, 2021. The shares and warrants issued were subject to a hold period ending on October 21, 2018.

The Company completed the second tranche of a non-brokered private placement financing of 3,510,315 units at a price of $0.35 per unit on August 29, 2018, resulting in gross proceeds of $1,228,610. Each unit consisted of one common share and one-half of one common share purchase warrant with each whole warrant being exercisable to purchase an additional common share at an exercise price of $0.60, expiring August 29, 2021. In conjunction with the closing of the financing the Company paid aggregate cash commissions and finder's fees of $6,510 to agents, which represented 6% of the gross proceeds received from subscriptions introduced to the Company by the agents. In addition, the Company issued an aggregate of 18,600 non-transferable share purchase warrants to agents, representing 6% of the number of units sold to subscribers introduced to the Company by agents. Each warrant issued to the agents entitled the holder to purchase one share of the Company at an exercise price of $0.60 until August 29, 2021. The shares and warrants issued were subject to a hold period ending on December 30, 2018.

The Company completed a term loan financing on August 26th, 2019 which resulted in aggregate gross proceeds of CDN$1,188,000. Term loans under the financing are unsecured, carry an annual interest rate of 7% payable at maturity, and the Company issued a total of 1,425,600 bonus common shares in its authorized share capital, along with 712,800 share purchase warrants, to the lenders pursuant to Policy 5.1 of the TSX Venture Exchange Corporate Finance Manual. The principal and interest of the Term Loan is due and payable on the 12-month anniversary of the closing date of August 26th, 2019. Each share purchase warrant is exercisable to purchase an additional common share at a price of $0.16 per share for a period of 12 months from the date of issue. Certain directors and employees of the Company, including two corporate subscribers, each of which is controlled by a different director, subscribed for an aggregate of $155,000 of the proceeds.

As of June 30, 2020, the Company had 65,311,488 common shares issued and outstanding and has authorized capital of an unlimited number of shares.

Working Capital. As of June 30, 2020, the Company had negative working capital of $8,739,027 as compared to negative working capital of $5,747,845 on June 30, 2019. Working capital is calculated based on current assets less current liabilities.

Future Capital Requirements. The Company has incurred losses since its inception. However, given the Company's closing of the Krone-Endora at Venetia project acquisition, its successful recent financings, the successful advancement of the project, the continued work on the upgrades, expansion, and commissioning of the modular plants at the project, the initial sales of rough diamonds incidentally recovered from the ongoing commissioning and testing exercises, the successful granting of the required Mining Right by the South African Department of Mineral Resources, and the successful granting of a Water Use License by the South African Department of Water Affairs, the Company anticipates it has the potential ability to finance the recommended bulk sampling and large-scale trial mining operations underway which are designed to aid the Company in arriving at an initial production decision for the Krone-Endora at Venetia project. Its ability to continue as a going concern will depend on the results of its operations, its ability to become profitable through the continued sale of rough diamonds and / or its ability to raise additional capital.

There can be no assurance that the Company will be able to secure sufficient incidental recoveries, or sell rough diamonds, or 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.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

CONTRACTUAL OBLIGATIONS

The Company has a commitment to lease office space at a rate of $3,609 per month. The minimum lease payments under this lease are $43,308 per year.

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates, judgements, and assumptions are continuously evaluated and are based on Management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Information about significant areas of estimation uncertainty considered by Management in preparing the consolidated financial statements are described below.

Production start date

The Company assesses the stage of its mine under development to determine when the mine moves into the production phase, this being when the mine is substantially complete and ready for its intended use. The Company considers various relevant criteria to assess when the production phase is considered to have commenced. At this point, all related amounts are reclassified from 'Mines under construction' to 'Producing mines' under 'Property, plant and equipment'. Some of the criteria used to identify the production start date include, but are not limited to:

- Level of capital expenditure incurred compared with the original construction cost estimate;
- Ability to produce diamonds in saleable form; and,
- Ability to sustain ongoing production of diamonds.

When a mine development project moves into the production phase, the capitalization of certain mine development costs ceases and costs are either regarded as forming part of the cost of inventory or expensed, except for costs that qualify for capitalization relating to mining asset additions or improvements, or mineable reserve development. It is also at this point that depletion commences.

Recovery of deferred tax assets

Judgment is required in determining whether deferred tax assets are recognized on the consolidated statement of financial position. Deferred tax assets, including those arising from un-utilized tax losses, require Management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

Mining property

Title to mining properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mining properties. The Company has diligently investigated rights of ownership of all the mineral concessions in which it has an interest and, to the best of its knowledge, all agreements relating to such ownership rights are in good standing. However, this should not be construed as a guarantee to title. The concessions may be subject to prior claims, agreements or transfers and rights of ownership may be affected by undetected defects.

Going concern

The Company has experienced lower than planned revenue combined with operating losses. Management has assessed and concluded that the going concern assumption is appropriate for a period of at least twelve months following the end of the reporting period. Management applied significant judgment in arriving at this conclusion including:

- The amount of total revenue to be generated to provide sufficient cash flow to continue to fund operations and other committed expenditures.
- Ability to raise capital through private placements.
- The timing of generating those related cash flows.
- The ability to utilize existing financing facilities to support ongoing operations; and,
- The assessment of potentially discretionary expenditures that could be delayed in order to manage cash flows.

Given the judgment involved, actual results may lead to a materially different outcome.

Determination of cash generating units (CGU)

The Company’s assets are aggregated into CGUs for calculating impairment. CGUs are based on an assessment of the unit’s ability to generate independent cash inflows. The determination of the Company’s CGUs was based on management’s judgment regarding shared infrastructure, geographical proximity and similar exposure to market risk and materiality. The Company has 1 CGU at June 30, 2020 (March 31, 2019 - 1 CGU).

Reserve and resource estimates

Diamond reserves are estimates of the amount of diamonds that can be economically extracted from the Company’s mining properties. The Company does not currently have any proven diamond reserves due to the nature and type of the resource. The Company has assigned inferred resources to the project based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgments to interpret the data. The estimation of resources is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade of the ore body. Changes in the resource estimates may impact upon the carrying value of mine development cost, mine properties, property, plant and equipment, decommissioning liability, recognition of deferred tax assets, and depreciation charges.

Impairment of non-financial assets

When an impairment test is performed on an asset or a cash generating unit (“CGU”), management estimates the recoverable amount of the asset or CGU based on its fair value less costs of disposal (“FVLCD”) or its value in use (“VIU”). Impairment assessments require the use of estimates and assumptions such as long-term commodity prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, closure and rehabilitation costs, exploration potential, reserves and operating performance. These assumptions have a significant impact on the results of impairment tests and on the impairment charge (if required) recorded in the consolidated statements of loss and comprehensive loss.

Decommissioning liability

In the determination of provisions, Management is required to make a significant number of estimates and assumptions with respect to activities that will occur in the future including the ultimate amounts and timing of settlements, inflation factors, risk-free discount rates, and expected changes in legal, regulatory, environmental and political environments. A change in any one of the assumptions could impact estimated future obligations and in return, profit or loss, and in the case of the decommissioning liability, property, plant and equipment balances.

Useful life of property, plant and equipment

Depreciation and amortization are calculated using a systematic and rational basis, which are based upon an estimate of each asset's useful life and residual value. The estimated useful life and residual value chosen are the Company' best estimate of such and are based on industry norms, historical experience, market conditions and other estimates that consider the period and distribution of future cash inflows.

Non-cash stock-based compensation

The Company measures the cost of non-cash stock-based compensation transactions with employees and warrants issued as part of an equity placement by reference to the fair value of the equity instruments. Estimating fair value for non-cash stock-based compensation transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, forfeiture rate, volatility and dividend yield of the share option. The Company measures the cost of non-cash stock-based compensation transactions with consultants by reference to the fair value of the services to be performed.

Financial Instruments

Fair values

IFRS defines fair value as the price that would be received to dispose of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

- Level 1 – Inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets.
- Level 2 – Fair values of financial assets and liabilities in level 2 are based on inputs other than level 1. Inputs to the valuation methodology included quoted prices for identical assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- Level 3 – Inputs to the valuation methodology are not based on observable market data.

The Company's financial instruments consist of cash and cash equivalents, restricted cash, accounts receivable, accounts payable, short term debt, amounts due to Nozala Investments and long-term debt. The fair value of cash and cash equivalents and restricted cash, accounts receivable and accounts payable and short-term debt approximate their carrying values due to the short-term maturities of these items. The fair value of the Nozala Investments loan approximates the carrying value as the interest rate floats with prime. The fair value of the long-term debt approximates the carrying value as the interest rate is a market rate for similar instruments.

The Company's cash and cash equivalents and restricted cash have been assessed on the fair value hierarchy described above and are classified as Level 1.

Financial risks

The Company's activities result in exposure to a variety of financial risks, including risks related to credit, market risk (currency fluctuation and interest rates) and liquidity risk.

a) Credit risk

The Company is exposed to credit risk only with respect to uncertainties as to timing and collectability of accounts receivable, cash and cash equivalents and restricted cash. The Company mitigates credit risk through standard credit and reference checks. There are no material financial assets that the Company considers past due. The Company currently holds the majority of its cash and cash equivalents and restricted cash in large financial institutions in Canada and South Africa and does not expect any significant risk associated with those deposits. The accounts receivable includes sales taxes refundable due from the Government of South Africa and Canada $120,699 (March 31, 2020 - $463,417) as well as trade receivables of $419 (March 31, 2020 - $50,331). The Company does not foresee any significant risk in the collection of these accounts receivable.

The trade accounts receivable aging amounts are as follows:

	June 30, 2020	March 31, 2020
0-30 days	$419	$ 50,331
31-90 days	-	-
120+ days	-	-
Total	**$ 419**	**$ 50,331**

The maximum exposure to credit risk for the Company as at the reporting date is the carrying value of cash and cash equivalents, restricted cash and trade receivables disclosed above.

b) Interest rate

The Company is not exposed to any material interest rate risk as the Company's long-term debt has a fixed rate of interest, except for the Nozala Investments loan and Caterpillar Financial which have a variable rate of interest of South African prime rate plus 3% and South African prime rate plus 2.5%. A 1% change in the South African prime rate would result in increase or decrease of net loss by approximately $14,000.

c) Foreign currency risk

The Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

The Company's subsidiaries in South Africa operate using principally the United States Dollar and the South African Rand and as such may be negatively affected by fluctuations in foreign exchange rates when translating from the currency of measurement of the Company's subsidiaries to the Company's reporting currency. The Company's monetary assets and liabilities denominated in South African Rand include:

	June 30, 2020	March 31, 2020
Cash and cash equivalents and restricted cash	$634,934	$641,170
Accounts receivable	118,237	507,911
Accounts payable	634,572	785,975
Long-term debt	3,884,784	3,817,905

A 5% change in the South African Rand would result in total net loss increasing or decreasing by approximately $26,000.

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 Directors' review of ongoing operations, the Company may revise timing of capital expenditures, bank loans, including project specific loans, or issue equity or a combination thereof.

The Company's current financial liabilities of $9,246,402 are payable within one year. The Company enters 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) can be financed from existing cash, issuing equity, cash flow provided by operating activities, existing bank loans and by acquiring new project loans.

The table below summarizes the maturity profile of the Company's financial liabilities as at June 30, 2020 based on contractual undiscounted payments:

	Current	***2021***	***2022***	***2023***	***2024***	***Thereafter***
Accounts payable	$928,062	$ -	$ -	$ -	$ -	$ -
Long-term debt	6,820,682		-	-	-	-
Short term debt	1,537,658	-	-	-		
Due to Nozala investments	-	-	-	-	-	1,641,080
	$9,286,402		-	-	-	$ 1,641,080

Commodity price risk is the risk that the fair value or future cash flows will fluctuate because of changes in commodity prices. Commodity prices for diamonds are impacted by not only the relationship between the Canadian, United States Dollar and South African Rand, but also world economic events that dictate the levels of supply and demand. The Company is exposed to the risk of declining prices for diamonds resulting in a corresponding reduction in projected cash flow. Reduced cash flow may result in lower levels of capital being available for field activity, thus compromising the Company's capacity to grow production. The Company did not have any fixed price commodity price contracts in place as at or during the interim period ended June 30, 2020 and the year ended March 31, 2020. The Company's operational results and financial condition are largely dependent on the commodity price received for its diamond production. Diamond prices have fluctuated widely in recent years due to global and regional factors including supply and demand fundamentals, inventory levels, economic and geopolitical factors. A 5% change in the price of diamonds would result in total net loss increasing or decreasing by approximately $ nil.

RISK FACTORS RELATING TO THE COMPANY'S BUSINESS

The Company faces a number of risks and uncertainties that could cause actual results or events to differ materially from those contained in any forward-looking statement. Additional risks and uncertainties not presently known to the Company or that are currently deemed to be immaterial may also impair the Company's business operations. Factors that could cause or contribute to such differences include, but are not limited to, the following:

Capital Requirements

There is no assurance that the Company will continue to be able to access the capital markets for the required funding necessary to maintain exploration properties, nor to complete any future acquisitions, or any future exploration programs. The Company may require additional capital to finance expansion or growth at levels greater than its current business plan. Insufficient capital may require the Company to delay or scale back its proposed acquisition and/or development activities.

Revenues and Growth

There are no assurances that suitable additional projects will be secured or that rough diamonds will be recovered incidentally, or at levels sufficient to sustain the Company's operations. The economics and feasibility of any potential project can be affected by many factors which may be beyond the capacity of the Company to anticipate or control. Material processing revenues and production in general are also reliant on both the quality and amount of diamond bearing material both available and being processed and the Company cannot predict with any certainty the recovery levels from a given area being worked, thus affecting revenues. This is also true of any prospective project the Company may acquire related to various other methods of diamond production.

Nature of Mining

The operation of any diamond mining project is subject to risks inherent in the mining industry, including variations in grade and other geological differences, unexpected problems associated with weather and required water, power, surface conditions, processing problems, mechanical equipment performance, accidents, labor disputes, risks relating to the physical security of the diamonds, force majeure risks and natural disasters. Such risks could result in personal injury or fatality, damage to or destruction of mining properties, processing facilities or equipment, environmental damage, delays or reductions in mining production, monetary losses, and possible legal liability.

Nature of Joint Arrangement (Nozala)

On March 5, 2008, the Company announced a formal joint venture partnership with well-established South African BEE group Nozala Investments (Pty) Ltd. This partnership is reflected in Diamcor's wholly-owned South African subsidiaries, DMI Minerals South Africa (Pty) Ltd. which was initially formed to secure diamond mining projects in South Africa. Under the terms of the joint venture in DMI Minerals, Diamcor retains a 70% direct ownership in the subsidiary with Nozala holding a 30% direct shareholder ownership interest. Operationally, expenses charged to the development of projects held by the entities, and the revenues generated, will be similarly proportional. These joint arrangements are subject to the risks normally associated with the conduct of joint ventures and similar joint arrangements. These risks include the inability to exert influence over strategic decisions, the joint venture partner's ability to provide its proportionate share of funding, the development and operation of the projects, and mineral claims.

Diamond Prices and Demand for Diamonds

The profitability of Diamcor will be dependent upon the recovery and sale of rough diamonds, which is dependent in significant part upon the worldwide demand for, and price of, diamonds. Diamond prices fluctuate and are affected by numerous factors beyond the control of the Company, including but not limited to worldwide economic trends, particularly in the US, Japan, China and India, worldwide levels of diamond discovery and production and the level of demand for, and discretionary spending on, luxury goods such as diamonds and jewelry. Low or negative growth in the worldwide economy or the occurrence of terrorist activities or other events creating disruptions in economic growth could result in decreased demand for luxury goods such as diamonds, thereby negatively affecting the price of diamonds. Similarly, a substantial increase in the worldwide level of diamond production could also negatively affect the price of diamonds. In each case, such developments could materially adversely affect the Company's results of operations.

Currency Risk

Currency fluctuations may affect the Company's financial performance. Diamonds are sold throughout the world based principally on the US dollar price. The Company reports its financial results in Canadian dollars and a majority of its costs and expenses are incurred in either Canadian dollars or the South African Rand. The Company's South African subsidiaries 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 appreciation of the Canadian dollar against the US dollar, and the depreciation of such other currencies against the US or Canadian dollar, therefore, may increase expenses and the amount of the Company's liabilities relative to revenue.

Licenses and Permits / (Rights)

There are inherent risks involved in operating in foreign countries, including stringent environmental and permitting / rights issues. The mineral rights at the Krone-Endora at Venetia project, pending acquisitions, and future exploration on certain properties requires licenses and permits from the South African government. There can be no guarantee that the Company will be able to renew these licenses or obtain or maintain all other necessary licenses and permits that may be required to maintain operations or to further explore and develop certain 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.

Regulatory and Environmental Risks

The operation of mines and exploration activities are subject to various laws and regulations governing the protection of the environment, exploration, development, production, taxes, labor standards, occupational health, waste disposal, mine safety, manufacturing safety, power and water, and other matters. New laws and regulations, amendments to existing laws and regulations, or more stringent implementation or changes in enforcement policies under existing laws and regulations could have a material adverse impact on the Company by increasing costs and/or impairing the operations at the project. Mining and manufacturing are subject to potential risks and liabilities associated with pollution of the environment and the disposal of waste products occurring as a result of mining and manufacturing operations. To the extent that the Company is subject to uninsured environmental liabilities, the payment of such liabilities could have a material adverse effect on the Company.

Reliance on Skilled Employees

Exploration and operational activities for any Company projects are dependent upon the efforts of certain key and skilled employees. The loss of these employees or the inability of the Company to attract and retain additional skilled employees may adversely affect the level of operations and the Company's ability to operate efficiently. Currently, there is significant competition for skilled workers in these operations. The loss of the services of any of the Company's key executive officers or key employees could harm its business. None of the Company's key executive officers or key employees currently has a contract that guarantees their continued employment with the Company. There can be no assurance that any of these persons will remain employed by the Company or that these persons will not participate in businesses that compete with it in the future.

Regional Power Supply

Potential power supply issues in South Africa have been highlighted by the media in the past years with regards to the inability of state-owned power supplier *Eskom* to deliver consistent electricity requirements to many of the larger mines in South Africa. While these issues are not presently expected to affect any of the current operational requirements of the Company, there can be no assurances that any new projects that the Company may acquire or operate will be able to secure the required electrical capacities needed to sustain uninterrupted supply and operations.

Competition

Within the minerals industry sector, including the diamond tailings re-treatment sector, diamond exploration sector, and various other related methods of diamond mining and production, Diamcor competes with other companies possessing greater financial and technical resources than it may have access to. Even with its current facility, and the promise of any other exploration or diamond producing project, or property, there can be no assurances that the Company will continue to be able to complete or execute its desired programs on its proposed schedules, nor within the cost estimates assumed. If the Company is unable to successfully compete in the diamond market, then its results of operations will be adversely affected.

Securities May Be Volatile and Subject to Wide Fluctuations

The market price of the Company's securities may be volatile and subject to wide fluctuations. If the Company's revenues do not grow, or grow more slowly than it requires, or if operating or capital expenditures exceed its expectations and cannot be adjusted accordingly, or if some other event adversely affects the Company, the market price of the Company's securities could decline. If securities analysts alter their financial estimates of the Company's financial condition it could affect the price of the Company's securities. Some other factors that could affect the market price of the Company's securities include announcements of new explorations, technological innovations and competitive developments. In addition, if the market for stocks in the Company's industry or the stock market in general experiences a loss in investor confidence or otherwise fails, the market price of the Company's securities could fall for reasons unrelated to its business, results of operations and financial condition. The market price of the Company's stock also might decline in reaction to conditions, trends or events that affect other companies in the market even if these conditions, trends or events do not directly affect the Company. In the past, companies that have experienced volatility in the market price of their stock have been the subject of securities class action litigation. If the Company were to become the subject of securities class action litigation, it could result in substantial costs and a diversion of management's attention and resources.

COVID-19 Global Pandemic

On March 11, 2020, the World Health Organization declared the novel coronavirus ("COVID-19") a global pandemic. Between March and September 2020, most governments across the jurisdictions in which The Group and many of its customers operate declared a state of emergency in response to the COVID-19 pandemic and concern remains over how governments will react in response to a “second wave” until a vaccine can be made widely available. Due to the ongoing uncertainty resulting from the global pandemic, The Company’s’ operations could continue to be impacted in a number of ways including, but not limited to: a suspension of operations, an inability to ship or sell rough and/or polished diamonds during this period. These possible impacts could result from government directives, the need to modify work practices to meet appropriate health and safety standards, a lack of demand for rough and/or polished diamonds, a lack of available liquidity to meet ongoing operational expenses and, due to or by other COVID-19 related impacts on the availability of labour or to the supply chain. As an emerging risk, the duration and full financial effect of the COVID-19 pandemic is unknown at this time, as is the efficacy of government and central bank interventions in the jurisdictions in which the company and its clients operate, the Company’s business continuity plan and other mitigating measures. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on our business operations, including the duration and impact that it may have on our ability to ship and sell diamonds, on demand for rough and polished diamonds, on our suppliers, on our employees and on global financial markets, cannot be reasonably estimated at this time. Accordingly, estimates of the extent to which the COVID-19 pandemic may materially and adversely affect the Company’s operations, financial results and condition in future periods are also subject to significant uncertainty. The most significant sources of estimation uncertainty include estimated resources, valuation of mineral properties, the provision for deferred taxes and the valuation of decommissioning and site restoration provisions. Management is required to exercise judgment to ensure that disclosures relating to liquidity and the Company’s ability to continue as a going concern are appropriate. To this end, the Company manages liquidity risk by one or more of the following strategies; maintaining an adequate level of cash and cash equivalents, securing new sources of financing, or refinancing existing financing facilities, to meet its short-term ongoing obligations and reviews its actual expenditures and forecast cash flows on a regular basis. The negative impact of Covid-19 may adversely impact one or more of the above liquidity risk mitigation strategies. Changes in demand for rough and/or polished diamonds and diamond prices, production levels and related costs, foreign exchange rates and other factors all impact the Company’s liquidity position. Uncertainty about judgments, estimates and assumptions made by management during the preparation of the financial statements related to potential impacts of the COVID-19 outbreak on revenue, expenses, assets, liabilities, and note disclosures could result in a material adjustment to the carrying value of the asset or liability affected.

RELATED PARTY TRANSACTIONS

During the interim period ended June 30, 2020, the Company paid or accrued to key management personnel and consultant’s compensation totaling $Nil, Directors fees of $22,000 and incentives of $Nil. As at June 30, 2020, the Company owed a total of $122,473 (March 31, 2020 - $103,720) to Directors of the Company and companies controlled by a Director amounts are included in accounts payable.

The transactions were in the normal course of operations and are measured at fair value at initial recognition.

OUTSTANDING SHARE INFORMATION

As at October 14, 2020

Authorized

Issued and outstanding shares	65,311,488
Weighted average outstanding shares	64,668,799

NATIONAL INSTRUMENT 52-109 ON CERTIFICATION OF ANNUAL AND INTERIM FILINGS

The Company files a 52-109FV2 certification of interim filing duly executed by the Company’s current CEO and CFO as required by securities laws.

DISCLOSURE CONTROLS AND PROCEDURES

The Company has disclosure controls and procedures in place to provide reasonable assurance that any information required to be disclosed by the Company under securities legislation is recorded, processed, summarized and reported within the applicable time periods and to ensure that required information is gathered and communicated to the Company's management so that decisions can be made about timely disclosure of that information. The Company's Chief Executive Officer and Chief Financial Officer evaluated the Company's disclosure controls and procedures for the interim period ended June 30, 2020 and have concluded that the Company's disclosure controls and procedures to be adequate for the above purposes.

Including the Company's transition to IFRS, there have been no significant changes in the Company's disclosure controls, or in other factors that materially affected or are reasonably likely to affect, the Company's disclosure controls subsequent to the date the Company carried out its evaluation.

SUBSEQUENT EVENTS

On July 29, 2020 the Company announced an update regarding the filing status of its audited annual financial statements, the accompanying management discussion and analysis and the related CEO and CFO certifications for the fiscal year ended March 31, 2020. Due to the significant delays and disruptions for auditors and the Company caused by the novel coronavirus (COVID-19) pandemic, the Company followed the British Columbia Securities Commission Blanket Order 51-517 – *Temporary Exemption from Certain Corporate Finance Requirements with Deadlines during the Period from June 2 to August 31, 2020* which provided the Company with an additional 45-day period to complete the Annual Filings. The Company noted it would be filing the Annual Filings after July 29, 2020, the required deadline under National Instrument 51-102 – *Continuous Disclosure Obligations* ("NI 51-102"). The Company also noted it would issue a news release on the updated status of the Annual Filings by close of business of August 28, 2020 and (subject to developments with COVID-19) complete the Annual Filings by September 12, 2020. As required by the noted Blanket Order, the Company's management and other insiders were subject to a trading blackout reflecting the principles contained in section 9 of National Policy 11-207 – *Failure-to-file Cease Trade Orders and Revocations in Multiple Jurisdictions* until the Annual Filings are completed.

On July 29, 2020 the Company announced it had completed the tender and sale of 2,427 carats of rough diamonds, which were largely recovered from the tailings retreatment exercises, generating gross revenues of USD $271,263, which resulted in an average price of USD $111.87 per carat.

On September 9, 2020 the Company announced a further update on it's annual filing, and noted that due to ongoing delays in South Africa, the Company would be unable to file its audited financial statements and corresponding management's discussion and analysis for the year ended March 31, 2020 on or before the previously revised/prescribed filing deadline of September 14, 2020 as required by National Instrument 51-102 – *Continuous Disclosure Obligations* and British Columbia Securities Commission Blanket Order 51-517 – *Temporary Exemption from Certain Corporate Finance Requirements with Deadlines during the Period from June 2 to August 31, 2020*. The Company noted that its mining operations were located in South Africa which had been documented as being an area which has imposed some of the strictest COVID-19 related lock down and quarantine measures worldwide. The reasons for the delay in filing was noted to include: the inability to complete the South African portion of the Company's annual audit in normal time frames as a result of ongoing travel and work restrictions, the Canadian auditors inability to complete their audit due to reliance on the finalization of audit work in South Africa, and the requirement for Canadian auditors to obtain information from South Africa by alternative methods. Some of the requested supporting documentation is not in the control or direction of the Company and consequently the Company was unable to fulfill the auditor's request prior to the filing deadline for the Financial Disclosure. The Company noted it was working to provide the additional documentation to its auditors and to complete the audit of the financial statements for the year ended March 31, 2020, and anticipated it would be in a position to file its Financial Disclosure before October 15, 2020. The Company confirmed that it would comply with the alternative information guidelines included in National Policy 12-203 – *Management Cease Trade Orders*, for so long as it remains in default of a specified requirement.

On September 21, 2020 the Government of South Africa announced that it had reduced the previously imposed lockdown to Level-1, the lowest level before the elimination of the lockdown to pre-COVID levels. With this, operations at the Company's Krone-Endora at Venetia project would be allowed to resume at the Company's discretion.

On September 29, 2020 the Company announced it intended to complete a convertible loan financing of up to CDN$3,500,000. The financing would consist of unsecured convertible promissory notes having a term of two years from the date of closing and bear interest at the rate of 10% per annum. During the first year, interest would accrue and be payable at the one year anniversary of the Note. In the second year, interest would accrue and be payable semi-annually. No principal payments would be required until maturity. The principal amount of the notes would be convertible at the election of the noteholder into common shares of the Company at the rate of CDN$0.07 per share in the first year and at the rate of CDN$0.10 per share in the second year. As provided in Policy 5.2 of the TSX Venture Exchange Corporate Finance Policy Manual, interest would be convertible at the election of the noteholder into Common Shares of the Company at the Market Price as at the time of conversion of the interest. In addition, subject to the exceptions noted below, the Company proposed it would issue non-transferable share purchase warrants to eligible participating investors, with each share purchase warrant entitling the holder thereof to purchase one (1) Common Share of the Company at a price of CDN$0.15 for a period of two (2) years from the date of issuance (the "Warrants"). The number of Warrants issuable to the eligible participating investors would be equal to 20% of the number of Common Shares into which the principal amount of the investor's Note is convertible in the first year (Principal Amount ÷ CDN$0.07 x 0.2). The Company also announced at that time, that it anticipated that an aggregate of approximately CDN$900,000.00 of principal and accrued interest under the one year term loans which matured on August 26, 2020 would be tendered into the Financing and exchanged for Notes and Warrants, to the extent permitted in accordance with the policies of the TSX Venture Exchange. It was also noted that in accordance with such policies, no warrants would be issued in respect of any amount of the existing debt held by Non-Arm's Length Parties (as defined in the TSX Venture Exchange Corporate Finance Policy Manual) that is tendered into the Financing.

OTHER

The Company operates offices in both Canada and South Africa and is listed on the Canadian TSX Venture Exchange trading under the symbol "DMI", and on the OTCQB in the USA trading under the symbol "DMIFF". Public company information is available on SEDAR at www.sedar.com or at the Company's website www.diamcormining.com.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements included in this MD&A may constitute forward-looking statements within the meaning of securities laws. In some cases, forward-looking statements can be identified by the use of terms such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "possible", "continue" or other similar expressions concerning matters that are not historical facts. Forward-looking statements may relate to management's future outlook and anticipated events or results, and may include statements or information regarding projected capital expenditure requirements, estimated productions, plans, timelines and targets for construction, joint venture relationships, the closing of anticipated acquisitions, mining, development, production and exploration activities, future mining and processing, the number and timing of expected rough diamond sales, projected sales growth, expected gross margin and expense trends, expected diamond prices and expectations concerning the diamond industry.

Forward-looking statements are based on certain factors and assumptions regarding, among other things, mining, production, construction and exploration activities, world economic conditions, the level of world-wide diamond production, and the receipt of necessary regulatory permits. With respect to statements concerning sales growth, Diamcor has assumed that current world economic conditions will not materially change or deteriorate. While

Diamcor considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

Forward-looking statements are subject to certain factors, including risks and uncertainties, which could cause actual results to differ materially from what we currently expect. These factors include, among other things, the uncertain nature of mining activities, risks associated with joint venture operations, risks associated with the remote locations of certain mine sites, risks associated with regulatory requirements, fluctuations in diamond prices and changes in world economic conditions and the risk of fluctuations in the foreign currency exchange rate. Please see page 22 of this MD&A for a discussion of these and other risks and uncertainties involved in Diamcor's operations.

You should not place undue importance on forward-looking statements and should not rely upon this information as of any other date. While Diamcor may elect to, it is under no obligation and does not undertake to update this information at any particular time, except as required by law.

The Qualified Person (as defined in National Instrument 43-101) for the technical information contained in this document is Mr. James P. Hawkins (B.Sc., P.Geo.), and Mr. Hawkins has reviewed this document and approved of its contents.