Interim Condensed Consolidated Financial Statements

For the Period Ended June 30, 2021

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements. The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Diamcor Mining Inc.
Consolidated Statements of Financial Position

As at:	June 30 2021 unaudited	March 31 2021 audited
ASSETS		
CURRENT		
Cash and cash equivalents	$ 280,753	$ 257,133
Accounts receivable (Note 10a)	112,223	186,233
Inventory (Note 2.3)	532,472	756,774
Prepaids	94,758	-
	1,020,206	1,200,140
NON CURRENT		
Restricted cash (Note 14)	678,716	666,509
Property, plant and equipment (Note 3)	7,174,082	7,283,002
Total assets	$ 8,873,004	$ 9,149,651
LIABILITIES		
CURRENT		
Accounts payable (Note 13)	$ 1,168,461	$ 636,097
Short term debt (Note 4)	36,122	147,870
Current portion of long-term debt (Note 4)	5,709,968	5,821,954
	6,914,551	6,605,921
NON CURRENT		
Deferred tax liablity	164,451	161,494
Decommissioning liability (Note 5)	607,504	578,008
Long-term debt (Note 4)	3,907,166	4,169,192
Due to Nozala Investments (Note 4)	2,004,913	1,920,443
Total liabilities	13,598,585	13,435,058
SHAREHOLDERS' DEFICIT		
Share capital (Note 6)	34,963,660	34,569,889
Contributed surplus (Note 7)	14,613,879	14,669,188
Warrants (Note 6)	766,290	766,846
Accumulated other comprehensive loss	(7,721,819)	(7,936,547)
Deficit	(42,659,928)	(41,775,112)
Total equity	(37,918)	294,264
Non-controlling interests (Note 16)	(4,687,663)	(4,579,671)
(Deficit) attributable to owners of the parent	(4,725,581)	(4,285,407)
Total liabilities and shareholders' equity	$ 8,873,004	$ 9,149,651

GOING CONCERN (Note 1)

COMMITMENTS (Note 12)

SUBSEQUENT EVENTS (Note 16)

On behalf of the board

"Dean Taylor" Director

"Sheldon Nelson" Director

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

Diamcor Mining Inc.

Consolidated Statements of (Loss) and Comprehensive (Loss)

		For the three months ended June 30 2021		For the three months ended June 30 2020
SALES	$	1,467,105	$	-
COST OF GOODS SOLD				
Operating expenses	$	1,131,670	$	139,087
Depreciation (Note 3)		249,061		159,196
		1,380,731		298,283
GROSS MARGIN		86,374		(298,283)
GENERAL AND ADMINISTRATIVE EXPENSES				
Accretion and depreciation (Note 3, and 5)		12,852		11,471
Consulting fees		89,250		23,546
Insurance		25,437		25,763
Office		78,792		18,809
Professional fees		58,336		75,645
Promotion and investor relations		62,280		18,208
Salaries and wages		252,750		-
Share based compensation		20,715		-
Transfer agent and regulatory fees		1,841		1,307
Travel		24,855		2,192
		627,108		176,941
(LOSS) FROM OPERATIONS		(540,734)		(475,224)
OTHER INCOME AND EXPENSES				
Interest and other income		6,397		5,747
Miscellanous income		30,257		-
Interest expense and bank charges		(343,779)		(275,010)
Foreign exchange		2,960		-
		(304,165)		(269,263)
NET (LOSS) FOR THE PERIOD	$	(844,899)	$	(744,487)
OTHER COMPREHENSIVE INCOME (LOSS)				
Items to be reclassified subsequently to profit or loss				
Foreign currency translation income (loss)		66,819		(59,263)
TOTAL COMPREHENSIVE (LOSS) FOR THE PERIOD	$	(778,080)	$	(803,750)
Total net (loss) attributable to:				
Non-controlling interests (Note 15)	$	39,917	$	(91,644)
Equity holders of parent		(884,816)		(652,843)
	$	(844,899)	$	(744,487)
Total comprehensive (loss) attributable to:				
Non-controlling interests	$	(107,992)	$	7,434
Equity holders of parent		(670,088)		(811,184)
	$	(778,080)	$	(803,750)
Net (loss) per share - basic and diluted (Note 6)	$	(0.01)	$	(0.01)

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

Diamcor Mining Inc.

Consolidated Statements of Cash Flows

	For the three months ended June 30 2021	For the three months ended June 30 2020
CASH FLOWS (USED IN) OPERATING ACTIVITIES		
Net (loss) for the period	$ (844,899)	$ (744,487)
Items not affecting cash		
Accretion and depreciation (Note 3 and 5)	261,913	170,667
Share based compensation (Note 6)	20,715	-
Interest on short and long-term debt	339,164	313,111
	621,792	483,778
Changes in non-cash working capital		
Accounts payable	297,630	(87,587)
Accounts receivable	91,103	389,861
Inventory	238,848	-
Prepaids	(95,031)	(12,853)
Cash flow from operating activities	309,443	28,712
CASH FLOWS USED IN INVESTING ACTIVITIES		
Cash flow used in investing activities	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of short term debt (Note 4)	(112,930)	-
Repayment of long term debt (Note 4)	(335,641)	-
Cash flow generated by financing activities	(448,571)	-
Effect of change in exchange rate for cash and cash equivalents	162,748	(32,556)
(Decrease) increase in cash and cash equivalents	23,620	(3,844)
Cash and cash equivalents - beginning of year	257,133	32,087
Cash and cash equivalents - end of period	$ 280,753	$ 28,243

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

DIAMCOR MINING INC.

Consolidated Statement of Changes in Shareholders' Deficit

	Share Capital	Contributed Surplus	Warrants	Accumulated Other Comprehensive Loss	Deficit	Non-Controlling Interests	Total Shareholders' Deficit
Balance - March 31, 2020	$ 34,195,377	$ 13,390,142	$ 958,759	$ (8,616,525)	$ (38,682,194)	$ (3,709,501)	$ (2,463,942)
Convertible debt (Note 6 and 7)	240,105	862,726	-	-	-	-	1,102,831
Exercise of convertible debenture	134,407	(134,407)	-	-	-	-	-
Issuance of warrants (Note 6)	-	-	341,591	-	-	-	341,591.00
Issuance of options (Note 7)	-	17,223	-	-	-	-	17,223
Expiry of warrants (Note 6)	-	533,504	(533,504)		-	-	-
Net (loss) for the period	-	-	-	-	(3,092,918)	(344,936)	(3,437,854)
Translation of foreign subsidiaries	-	-	-	679,978	-	(525,234)	154,744
Balance - March 31, 2021	$ 34,569,889	$ 14,669,188	$ 766,846	$ (7,936,547)	$ (41,775,112)	$ (4,579,671)	$ (4,285,407)
Convertible debt (Note 6)	317,191	-	-	-	-	-	317,191
Exercise of convertible debenture	76,580	(76,580)	-	-	-	-	-
Issuance of options (Note 7)	-	20,715	-	-	-	-	20,715
Expiry of warrants (Note 6)	-	556	(556)		-	-	-
Net income (loss) for the period	-	-	-	-	(884,816)	39,917	(844,899)
Translation of foreign subsidiaries	-	-	-	214,728	-	(147,909)	66,819
Balance - June 30, 2021	$ 34,963,660	$ 14,613,879	$ 766,290	$ (7,721,819)	$ (42,659,928)	$ (4,687,663)	$ (4,725,581)
Balance - June 30, 2020	$ 34,195,377	$ 13,907,085	$ 441,816	$ (8,774,863)	$ (39,335,037)	$ (3,702,070)	$ (3,267,692)

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

1. Nature of Operations and Going Concern

Diamcor Mining Inc. (the "Company") was incorporated under the Company Act of British Columbia, now the Business Corporations Act (British Columbia). Its principal business activity is the identification, acquisition, exploration, evaluation, operation, and advancement of unique diamond-based resource properties with a specific focus on the mining segment of the diamond industry through its subsidiaries, DMI Minerals South Africa (Pty) Ltd. and DMI Diamonds South Africa (Pty) Ltd. together with the Company, (the "Group").

These consolidated financial statements were authorized for issuance by the Board of Directors on August 30, 2021. The Company's registered office is 301-1665 Ellis Street, Kelowna, B.C. V1Y 2B3, Canada.

These Interim condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. These Interim condensed consolidated financial statements do not reflect the adjustments or reclassification of assets and liabilities, which would be necessary if the Company were unable to continue its operations.

Management routinely plans future activities including forecasting future cash flows for its internal use. Management has reviewed their plan with the Directors and has collectively formed a judgment that the Company has adequate resources to continue as a going concern for the foreseeable future, which Management and the Directors have defined as being at least the next 12 months. In arriving at this judgment, Management has prepared the cash flow projections of the Company, which incorporates a detailed cash flow modeling through the current fiscal year. Directors have reviewed this information provided by Management and have considered the information in relation to the financing uncertainties in the current economic climate and the financial resources available to the Company. The expected cash flows have been modeled based on anticipated revenue streams with debt funding programmed into the model and reducing over time. Sensitivities have been applied to this model in relation to revenues not achieving anticipated levels. Key assumptions used in the future cash flow amounts are selling price and rough diamonds sold in the period and the assumption that the Company will move to full scale operations after completion of trial mining and bulk sampling.

The Directors have considered the: (i) base of investors and debt lenders historically available to the Company; (ii) global capital markets; (iii) sources of Company income; (iv) cash generation and (v) debt amortization levels and the continued deferral of debt payments. Considering the above, Management and Directors are satisfied that the Company has access to adequate resources to continue as a going concern for at least the next 12 months. Factors that may negatively affect the Company's 12-month operating plan includes the following: global trade and tariff disputes, geo-political events and the impact on capital markets, and commodity prices.

The Company has experienced lower than planned revenue as well as operating losses. Management has applied significant judgment in arriving at this going concern conclusion including:

- The amount of new sales orders and total revenue to be generated to provide sufficient cash flow to continue to fund operations and other committed expenditures,
- The timing of generating those new sales and the timing of the related cash flow; 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.

2. Basis of Preparation and Statement of Compliance

The Interim condensed consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") issued and outstanding as of June 30, 2021. The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments, warrants and stock-based compensation which have been measured at fair value. The consolidated financial statements are presented in Canadian dollars, which is the parent's functional currency.

2. Basis of Preparation and Statement of Compliance (continued)

2.1. Basis of consolidation

The Interim condensed consolidated financial statements comprise the financial statements of the Company as at June 30, 2021. Subsidiaries are fully consolidated. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-Company balances, transactions and unrealized gains and losses resulting from intra-Company transactions are eliminated in full. Where the ownership of a subsidiary is less than 100%, and therefore a non-controlling interest exists, any losses of that subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

Details of the Company's subsidiaries as at June 30, 2021 are as follows:

Name	Place of Incorporation	Interest	Operations	Functional Currency
DMI Diamonds South Africa (Pty) Ltd.	South Africa	100%	Active	South African Rand
DMI Minerals South Africa (Pty) Ltd.	South Africa	70%	Active	South African Rand

DMI Minerals South Africa (Pty) Ltd. is the only entity involved in the incidental recovery of rough diamonds as a result of ongoing commissioning and testing operations. DMI Diamonds South Africa (Pty) Ltd. was incorporated for the purpose of leasing mining and production equipment to DMI Minerals South Africa (Pty) Ltd.

2.2 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, judgments, 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 and judgments 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, requires 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.

2. Basis of Preparation and Statement of Compliance (continued)

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 of equity and debt;
- The timing of generating those related cash flows; 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, 2021 (March 31, 2021 - 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 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.

2. Basis of Preparation and Statement of Compliance (continued)

Useful life of property, plant, and equipment

Depreciation is 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 consultants including 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 determines the amount of non-cash stock-based compensation transactions with consultants by reference to the fair value of the services to be performed.

Provision for expected credit losses (ECLs) of accounts receivable

The Company's accounts receivable is typically short-term in nature and the Company recognizes an amount equal to the lifetime already defined. The Company measures loss allowances based on historical experience and including forecasted economic conditions. The amount of ECLs is sensitive to changes in circumstances of forecast economic conditions.

COVID-19 Global pandemic

On March 11, 2020, the World Health Organization declared the novel coronavirus ("COVID-19") a global pandemic. Between March 2020 and March 2021, 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 "third or fourth wave" until, vaccines 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, or an inability to ship and/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 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 maintaining an adequate level of cash and cash equivalents to meet its short-term ongoing obligations and reviews its actual expenditures and forecast cash flows on a regular basis. 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 consolidated 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.

2. Basis of Preparation and Statement of Compliance (continued)

2.3 Summary of significant accounting policies

Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of financial position comprise cash at banks and at hand and short-term deposits with an original maturity of three months or less.

Inventory

Rough diamonds are physically weighted and valued at the lower of cost or net realizable value. Net realizable value tests are performed at each reporting date. Net realizable value is the estimated future sales price of the product the company expects to realise when the product is processed and sold, less estimated costs to complete production and bring the product to sale. A regular review is undertaken to determine the extent of any provision for obsolescence. At June 30, 2021, there was $532,472 (March 31, 2021 $756,774) in rough diamond inventory.

Mine development costs

Exploration and evaluation activities involve the search for minerals, the determination of technical feasibility, and the assessment of commercial viability of an identified resource.

Exploration and evaluation costs incurred prior to obtaining licenses are expensed in the period in which they are incurred. Once the legal right to explore has been acquired, exploration and evaluation costs incurred are capitalized. Acquisition costs incurred in connection with the terms of option agreements are capitalized. All capitalized exploration and evaluation costs are recorded at acquisition cost and are monitored for indications of impairment. Where there are indications of a potential impairment, an assessment is performed for recoverability. Capitalized costs are charged to the consolidated statements of loss and comprehensive loss to the extent that they are not expected to be recovered.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets are tested for impairment and transferred to “Property, Plant and Equipment”. There is no depreciation during the exploration and evaluation phase.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Property, plant and equipment

Items of property, plant and equipment are stated at cost, less accumulated depreciation, and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning liability, and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. When a mine construction project moves into the production stage, the capitalization of certain mine construction costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalization relating to mining asset additions or improvements or mineable reserve development.

Accumulated mine development costs will be depleted on a unit-of-production basis over the economically recoverable reserves of the mine, except in the case of assets whose useful life is shorter than the life of the mine, in which case the straight-line method is applied based on the life of the asset. Rights and concessions are depleted on the unit-of-production basis over the total reserves of the relevant area. The unit-of-production rate for the depletion of mine development costs considers expenditures incurred to date, together with sanctioned future development expenditures.

Other plant and equipment such as mobile mine equipment is generally depreciated over their estimated useful lives as follows:

- Office equipment	15-20% declining balance
- Computers	15-45% declining balance
- Motor vehicles	4 year straight-line
- Plant and equipment	7 year straight-line
- Leasehold improvements	4 year straight-line

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in income or expense when the asset is derecognized. The asset’s residual values, useful lives and methods of depreciation are reviewed at each reporting period and adjusted prospectively, if appropriate.

2. Basis of Preparation and Statement of Compliance (continued)

Impairment of non-financial assets

The carrying amounts of financial assets are reviewed for impairment whenever facts and circumstances suggest that the carrying amounts may not be recoverable. If there are indicators of impairment, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. The recoverable amount of an asset is determined as the higher of its fair value less costs of disposal and its value in use. An impairment loss exists if the asset's carrying amount exceeds the recoverable amount and is recorded as an expense immediately. Where the asset does not generate cash inflows that are independent from other assets, the recoverable amount of the CGU to which the asset belongs is determined.

Value in use is determined as the present value of the future cash flows expected to be derived from an asset or CGU. The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For mining assets, fair value less costs of disposal are often estimated using a discounted cash flow approach as a fair value from an active market or when a binding sale agreement is not readily available. Estimated future cash flows are calculated using estimated future prices, mineral reserves and resources, operating and capital costs. All assumptions used are those that an independent market participant would consider appropriate.

Tangible assets that have been impaired in prior periods are tested for possible reversal of impairment whenever events or changes in circumstances indicate that the impairment has reversed. If the impairment has reversed, the carrying amount of the asset is increased to its recoverable amount but not beyond the carrying amount that would have been determined had no impairment loss been recognized for the asset in the prior periods. A reversal of an impairment loss is recognized in the consolidated statements of loss and comprehensive loss immediately.

Stripping costs

Mining costs associated with stripping activities in an open pit mine are expensed unless the stripping activity can be shown to represent a betterment to the mineral property, in which case the stripping costs would be capitalized and included in deferred mineral property costs within mining assets. IFRIC 20, Stripping costs in the production phase of a surface mine ("IFRIC 20"), specifies the accounting for costs associated with "waste removal (stripping) during the production phase of a" surface mine. When the benefit from the stripping activity is realized in the current period, the stripping costs are accounted for as the cost of inventory. When the benefit is the improved access to ore in future periods and, if improved access to the ore body is probable, the component of the ore body can be accurately identified, and the cost associated with improving the access can be reliably measured, the costs are recognized as a mineral property asset. If these conditions are not met, the costs are expensed to the consolidated statements of loss and comprehensive loss as incurred. After initial recognition, the stripping activity asset is depreciated on a systematic basis (unit-of-production method) over the expected useful life of the identified component of the ore body that becomes more accessible because of the stripping activity.

Major maintenance and repairs

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets and overhaul costs. When an asset, or part of an asset that was separately depreciated, is replaced and it is probable that future economic benefits associated with the new asset will flow to the Company through an extended life, the expenditure is capitalized. The unamortized value of the existing asset or part of the existing asset that is being replaced is expensed. Where part of the existing asset was not separately considered as a component, the replacement value is used to estimate the carrying amount of the replaced asset, which is immediately written off. All other day-to-day maintenance costs are expensed as incurred.

Operating leases

As required, the Company adopted IFRS 16 as of April 1, 2019. IFRS 16, "Leases" ("IFRS 16"), replaces existing standards and interpretations on lease recognition. On January 13, 2016, the IASB published a new standard, IFRS 16, which brings most leases for lessees onto the balance sheet under a single model, eliminating the distinction between operating and finance leases. Under the new standard, a lessee recognizes a right-of-use ("ROU") asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The liability accrues interest.
The Company completed an assessment of the impact of IFRS 16. The Company doesn't currently hold agreements that fall under IFRS 16, therefore adoption of the above-mentioned standard did not have impact on the consolidated financial statements.

2. Basis of Preparation and Statement of Compliance (continued)

Decommissioning liability

The Company assesses its decommissioning liability each reporting period. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, and cost. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognized in the consolidated statements of financial position by either increasing or decreasing the rehabilitation liability and rehabilitation asset if the initial estimate was originally recognized as part of an asset measured in accordance with IAS 16 *Property, Plant and Equipment* ("IAS 16"). Any reduction in the rehabilitation liability and therefore any deduction from the rehabilitation asset may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to profit or loss. If the change in estimate results in an increase in the rehabilitation liability and therefore an addition to the carrying value of the asset, the Company is required to consider whether this is an indication of impairment of the asset as a whole and test for impairment in accordance with IAS 36 *Impairment of Assets ("IAS 36")*.

Foreign currency translation

The consolidated financial statements are presented in Canadian dollars, which is the parents' functional currency. Transactions in foreign currencies are initially recorded in the functional currency, at the respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange ruling at the reporting date. All differences are taken to consolidated statements of (loss) and comprehensive (loss). Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

The financial results of Company entities that have a functional currency different from the presentation currency are translated into the presentation currency. The functional currency of all the subsidiaries is the South African Rand. All assets and liabilities, including fair value adjustments are translated into the presentation currency at the rate of exchange ruling at the reporting date. Income and expenditure transactions of foreign operations are translated at the average rate of exchange for the year except for significant individual transactions which are translated at the rate of exchange in effect at the transaction date. Differences arising on translation from the reporting date are recognized in accumulated other comprehensive loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains or losses arising from such a monetary item are considered to form part of the net investment in a foreign operation and are recognized in accumulated other comprehensive loss. On disposal of part or all of the operations, the proportionate share of the related cumulative gains or losses previously recognized in other comprehensive loss is allocated to the consolidated statements of loss and comprehensive loss.

IFRS 9 Financial Instruments ("IFRS 9")

Classification

The Company classifies its financial assets and financial liabilities in the following measurement categories: (i) those to be measured subsequently at fair value through profit or loss ("FVTPL"); (ii) those to be measured subsequently at fair value through other comprehensive income ("FVOCI"); and (iii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains or losses are either recorded in the consolidated statements of loss and other comprehensive loss.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in the consolidated statements of loss and comprehensive loss. Financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2. Basis of Preparation and Statement of Compliance (continued)

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit or loss or other comprehensive income (irrevocable election at the time of recognition). For financial liabilities measured subsequently at FVTPL, changes in fair value due to credit risk are recorded in other comprehensive income.

Financial instrument	Classification under IFRS 9
Financial asset:	
Cash, restricted cash, and cash equivalents	FVTPL
Accounts receivable	Amortized cost
Financial liabilities:	
Accounts payable	Amortized cost
Long term debt	Amortized cost
Due to Nozala Investments	Amortized cost

Impairment

IFRS 9 introduced a new model for the measurement of impairment of financial assets based on expected credit losses (“ECL”). The Company accounts receivable are subject to the ECL model under IFRS 9. For accounts receivable, the Company applies the simplified approach to providing for expected losses, which requires the use of the lifetime expected loss provision for all accounts receivable. In estimating the expected lifetime expected loss provision, the Company considers historical Company and industry default rates as well as credit ratings of major customers. As all the Company’s accounts receivables which the Company measures at amortized cost are short term (i.e., less than 12 months) and the Company’s credit rating and risk management policies are in place, the change to a forward-looking ECL approach did not have a material impact on the amounts recognized in the consolidated financial statements.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Taxation

Income taxes

Income tax expense comprises current income tax and deferred tax. Income tax is recognized in the consolidated statements of loss and comprehensive loss, except to the extent it relates to items recognized in other comprehensive loss or directly in equity.

Current income tax

Current income tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current income tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated statements of financial position. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period, and which are expected to apply when the related deferred tax asset is realized, or the deferred tax liability is settled.

2. Basis of Preparation and Statement of Compliance (continued)

Deferred tax liabilities:

- are generally recognized for all taxable temporary differences;
- are recognized for taxable temporary differences arising on investments in subsidiaries except where the reversal of the temporary difference can be controlled, and it is probable that the difference will not reverse in the foreseeable future; and,
- are not recognized on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets:

- are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized; and,
- are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Non-controlling interest

Non-controlling interest in the Company less than wholly owned subsidiaries are classified as a separate component of equity. On initial recognition, non-controlling interests are measured at their proportionate share of the acquisition date fair value of identifiable net assets of the related subsidiary acquired by the Company. Subsequent to the acquisition date, adjustments are made to the carrying amount of non-controlling interests for the non-controlling interests' share of the changes to the subsidiary's equity. Adjustments to recognize the non-controlling interests' share of changes to the subsidiary's equity are made even if this results in the non-controlling interest having a deficit balance.

Revenue recognition

IFRS 15 sets out a five-step model for revenue recognition. The core principle is that revenue should be recognized to depict the transfer of control of goods and services to customers in an amount that reflects the consideration that the Company expects to be entitled for those goods and services.

The Company principally generates revenue from the sale of diamonds (the "Product") pursuant to contractual arrangements with its customers. This revenue is recognized when control or title of the Product is transferred from the Company and collection is reasonably assured in accordance with specified contract terms. All revenue is generally earned at a point in time and is based on the consideration that the Company expects to receive for the transfer of the Product to the customer.

Revenue is measured based on the consideration specified in a contract with its customers. Payment terms with customers are generally 30 days from the date of the invoice. The Company does not have any sales contracts where the period between the transfer of the Product to the customer and payment by the customer exceeds one year. As a result, the Company does not adjust its revenue transactions for the time value of money.

All trade accounts receivable were generated from contracts with customers.

Share-based compensation

The Company uses the fair value method of accounting for all share-based compensation, including options granted under the Company's incentive stock option plan. Compensation expense for options granted is determined based on the estimated fair values of the stock options at the time of grants and the fair value of stock options is determined on their grant date using a Black-Scholes valuation model, the cost of which is recognized over the vesting periods of the respective options. When option awards vest in instalments over the vesting period, each instalment is accounted for as a separate arrangement. Forfeitures are estimated throughout the vesting period based on experience and future expectations and adjusted upon actual option vesting.

Share-based compensation expense is recorded as a charge to operations with a corresponding credit to contributed surplus. Consideration paid for shares on the exercise of options is credited to share capital, amounts previously allocated to contributed surplus are also credited to share capital. If vested options expire, previously recognized compensation expense associated with such stock options is not reversed.

2. Basis of Preparation and Statement of Compliance (continued)

The Company has adopted the pro-rata basis method for the measurement of shares and warrants issued as private placement units. The pro-rata basis method requires that gross proceeds and related share issuance costs be allocated to the common shares and the warrants based on the relative fair value of the component. The fair value of the common share is based on the closing price on the closing date of the transaction and the fair value of the warrant is determined using the Black-Scholes Option Pricing Model. The fair value attributed to the warrant is recorded as warrant equity. If the warrant is exercised, the value attributed to the warrant is transferred to share capital. If the warrant expires unexercised, the value is reclassified to contributed surplus within equity. Warrants, issued as part of private placement units, that have their term of expiries extended, are not subsequently revalued. The Company may modify the terms of warrants originally granted. When modifications exist, the Company will maintain the original fair value of the warrant.

Loss per share

Basic loss per share is calculated by dividing the loss attributable to ordinary equity holders after adjusting for non-controlling interests (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period. The denominator (number of units) is calculated by adjusting the shares in issue at the beginning of the period by the number of shares bought back or issued during the period, multiplied by a time-weighting factor.

Diluted loss per share is calculated by adjusting the loss and number of shares for the effects of dilutive options, warrants, convertible debentures and other dilutive potential units. The effects of anti-dilutive potential units are ignored in calculating diluted loss per share. All stock options and warrants are considered anti-dilutive when the Company is in a net loss position.

3. Property, Plant and Equipment

	Property,Plant and Equipment	*Motor Vehicles*	*Office Equipment*	*Computers*	*Leaseholds*	***Total***
Cost	$	$	$	$	$	$
Balance, March 31, 2020	**12,704,324**	**117,699**	**85,312**	**72,482**	**33,090**	**13,012,907**
Additions	136,260	-	-	-	-	136,260
Decommissioning liability	-	-	393	-	-	393
Translation adjustments	895,707	8,298	3,781	915	-	908,701
Balance, March 31, 2021	**13,736,291**	**125,997**	**89,486**	**73,397**	**33,090**	**14,058,261**
Decommissioning liability	7,859	-	-	-	-	7,859
Translation adjustments	251,569	2,308	1,059	254	-	255,190
Balance, June 30, 2021	**13,995,719**	**128,305**	**90,545**	**73,651**	**33,090**	**14,321,310**
Accumulated Depreciation						
Balance, March 31, 2020	**5,241,419**	**111,814**	**62,819**	**62,585**	**33,090**	**5,511,727**
Depreciation	835,452	-	3,096	1,985	-	840,533
Translation adjustments	412,221	7,883	2,435	460	-	422,999
Balance, March 31, 2021	**6,489,092**	**119,697**	**68,350**	**65,030**	**33,090**	**6,775,259**
Depreciation	249,061	-	876	894	-	250,831
Translation adjustments	118,128	2,192	689	129	-	121,138
Balance, June 30, 2021	**6,856,281**	**121,889**	**69,915**	**66,053**	**33,090**	**7,147,228**
Net book value, March 31, 2021	**7,247,199**	**6,300**	**21,136**	**8,367**	**-**	**7,283,002**
Net book value, June 30, 2021	**7,139,438**	**6,416**	**20,630**	**7,598**	**-**	**7,174,082**

$3,526,974 (March 31, 2021 - $3,455,825) is included in the carrying amount of Property, Plant and Equipment for mines under construction. This amount is not subject to depletion as of June 30, 2021.

As a result of negative cash-flow from operations, the Company tested its CGU for impairment at June 30, 2021. The recoverable amount of the CGU was based on their estimated value in use using a pre-tax discount rate of 15%. The estimated cash flows were based on 4-year cash-flow forecast. As of June 30, 2021, the property, plant, and equipment were not impaired.

4. Long-Term Debt, Short-Term Debt and Due to Nozala Investments

Long-term debt

Long-term debt consists of the following:

	Maturity Date		June 30, 2021		March 31, 2021
Term loan 2 (a) (c)	June 20, 2019	$	2,975,313	$	2,910,017
Convertible debenture 2 (b) (c)	June 20, 2019		1,983,982		1,940,442
Caterpillar Financial Services (d)	May and June, 2023		2,049,187		2,341,937
Convertible debt (1) (f)	October 21, 2022		801,352		871,491
Convertible debt (2) (f)	December 21, 2022		1,408,301		1,519,880
Convertible debt (3) (f)	January 11, 2023		358,999		367,379
Canada Emergency Business Account (e)	December 31, 2022		40,000		40,000
Less: current portion due in one year			(5,709,968)		(5,821,954)
Long-term portion		$	3,907,166	$	4,169,192

a) Term loan 2 was issued in November 2012, bears interest at an annual fixed rate of 9% and had a 5-year term with payments expected to start in January 2014. On February 4, 2014, December 31, 2014, and again in January 2016, the Company and Tiffany & Co. agreed to defer any payments on the $2,400,000 term loan until July 2016. This loan is secured by a promissory note. Principal and interest was payable monthly at $104,059 in accordance with a 36-month amortization schedule. The Company has the right to repay the outstanding principal and any accrued and unpaid interest under this loan at any time without notice or penalty. In February 2017, the Company and Tiffany & Co. agreed to a payment deferral until June 2017 at which time the outstanding payments were made, and scheduled payments recommenced. In September 2017, the Company and Tiffany & Co. informally agreed to suspend and accrue the ongoing payments to allow the Company to conserve operating capital in the short-term. The recommencement of payments is targeted by the Company for calendar 2022. During the period ended June 30, 2021, the Company incurred $65,296 of interest expense on this loan ($247,807 – March 31, 2021).

b) Convertible debenture 2 was issued in November 2012, bears interest at an annual fixed rate of 9% and had a 5-year term. On February 4, 2014, December 1, 2014, and again in January 2016 the Company and Tiffany & Co. agreed to defer any payments on the $1,600,000 convertible debenture until July 2016. The Company was required to make blended monthly payments of $69,372 commencing in July 2016. The principal amount and accrued interest are convertible by the holder into common voting shares of the Company at $1.60 per share. The value attributed to the equity conversion option was $nil. The Company has 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. In February 2017, the Company and Tiffany & Co. agreed to a payment deferral until June 2017 at which time the outstanding payments were made, and scheduled payments recommenced. In September 2017, the Company and Tiffany & Co. informally agreed to suspend and accrue the ongoing payments to allow the Company to conserve operating capital in the short-term. The recommencement of payments is targeted by the Company for calendar 2022. During the period ended June 30, 2021, the Company incurred $43,540 of interest expense on this loan. ($165,241 – March 31, 2021)

c) Term loan 2 and convertible debenture 2 are secured by a general security agreement which states the loans are secured by 100% of the general assets of the Company.

d) Caterpillar loans were issued in February and March 2020, bear an interest of South African Prime plus 2.5% and had a 36-month term. As a result of COVID-19 the payments and terms were suspended, payments resumed in January 2021 with interest only payments in January and February 2021. Blended payments resumed in March 2021.

e) Canada Emergency Business Account was issued April 17, 2020, and December 16, 2020, The loan bears no interest until December 31, 2022. Up to 25% of the loan may be eligible for forgiveness.

f) The Company closed $3,376,171 in three tranches of a private placement of 10% convertible notes during the year ended March 31, 2021. As these debt instruments are compound financial instruments the gross proceeds were allocated between their liability and equity components on initial recognition using the residual method. Management has determined that the convertible notes meet the fixed for fixed criteria under IAS 32, "Financial instruments".

4. Long-Term Debt, Short-Term Debt and Due to Nozala Investments (continued)

Each of the convertible promissory notes have a term of two (2) years from the closing date and bears interest at the rate of 10% per annum. During the first year, interest will accrue and be payable at the one-year anniversary of the note. In the second year, interest will accrue and be payable semi-annually. No principal payments will be required until maturity. The principal amount of the notes will be convertible at the election of the noteholder into Common Shares of the Company at the rate of $0.07 per share in the first year and at the rate of $0.10 per share in the second year. Accrued and unpaid interest will be convertible at the election of the noteholder into Common Shares of the Company at the market price as of the date such accrued interest becomes payable.

In addition, the Company has issued 9,371,333 non-transferable share purchase warrants to the participating investors, with each share purchase warrant entitling the holder thereof to purchase one (1) Common Share at a price of $0.15 for a period of two (2) years from the date of issuance.

Tranche 1 was closed on October 21, 2020, for gross proceeds of $954,483 which resulted in the issuance of 2,727,136 share purchase warrants. Management calculated the fair value of the liability component as $800,272 using a discount rate of 20% with the residual amount of $154,228, net of deferred tax of $41,642 being allocated as $89,929 to warrants and $22,658 to the conversion feature, which has been recorded as contributed surplus.

Tranche 2 closed on December 21, 2020, for gross proceeds of $2,001,708. As part of tranche 2, a total of $1,416,112 of principal and accrued interest related to the short-term debt which matured on June 20, 2019, were converted into convertible notes and $375,062 of accounts payable were converted into convertible notes. A total of 5,444,197 share purchase warrants were issued. The extinguishment of the old debt and recognition of the new debt resulted in a loss of $806,081 which was calculated as the difference between the fair values of the existing debt and new debt and equity components issued. The fair value of the liability component was calculated as $1,678,271 using a discount rate of 20%. The warrant fair value of $220,596 was calculated based on a Black-Scholes pricing model with the following assumptions: zero dividend yield, expected volatility of 121% and a risk-free rate of 0.2%. The conversion feature fair value of $908,920 was calculated using Crank-Nicolson scheme. Income tax impact from warrants and conversion feature was $15,581 and $71,746.

Tranche 3 closed on January 11, 2021, for gross proceeds of $419,980 which resulted in the issuance of 1,200,0000 share purchase warrants. Management calculated the fair value of the liability component as $352,136 using a discount rate of 20% with the residual amount of $67,863, net of deferred tax of $18,323, being allocated as $46,647 to warrants and $2,893 to the conversion feature, which has been recorded in contributed surplus.

	Liability component	Warrant	Contributed surplus	Total
Balance, beginning of year	$ 2,758,750	$ 341,591	$ 728,318	$ 3,828,659
Accretion	127,093	-	-	127,093
Converted to common shares	(317,191)	-	(76,580)	(393,771)
Balance, end of period	$ 2,568,652	$ 341,591	$ 651,738	$ 3,561,981

4. Long-Term Debt, Short-Term Debt and Due to Nozala Investments (continued)

Short-term debt

The short-term debt of $36,122 carries a fixed interest rate of 7% and has no fixed maturity date.

	June 30, 2021	March 31, 2021
Short term debt, beginning of the year	$ 147,870	$ 1,482,494
Interest on short term debt	1,182	87,380
Accretion on short term debt	-	55,156
Paid	(112,930)	(61,048)
Conversion to long term convertible note	-	(1,416,112)
Short term debt, end of period	$ 36,122	$ 147,870

Due to Nozala Investments

The amount due to Nozala Investments (a related party, which owns a 30% equity interest in DMI Minerals South Africa (Pty) Ltd.) of $2,004,913 (March 31, 2021 - $1,920,443) carries a floating interest rate (South African prime plus 3%), unsecured, currently has no set terms of repayment and is not expected to be repaid in the following fiscal year. The loan amount received is principally being used for the ongoing operations of DMI Minerals South Africa (Pty) Ltd., including the purchase of certain mineral rights and assets from De Beers Consolidated Mines Limited. The loan is denominated in South African Rand and no payments were made in the period ended June 30, 2021, or the year ended March 31, 2021. The loan is subordinated and ranks behind the claims of all external creditors of DMI Minerals South Africa (Pty) Ltd, until the fair value of its assets exceeds its liabilities.

5. Decommissioning Liability

The total decommissioning liability was based on the Company's estimated costs to reclaim and abandon the mines and facilities. The Company has estimated the costs related to the decommissioning liability based on the South African Department of Mineral Resources estimate of required decommissioning costs, adjusted for inflation. The Company has estimated the net present value of the decommissioning obligation to be $607,504 based on an undiscounted total future liability of $735,809. The decommissioning liability was based on using a South African inflation rate of 5.00%. The long-term portion of the liability was discounted using a South African risk-free rate of 5.25%. For March 31, 2021, the Company has estimated the net present value of the decommissioning obligation to be $578,008 based on an undiscounted total future liability of $718,258. The decommissioning liability was based on using a South African inflation rate of 3.10%.

These costs are expected to be incurred in approximately 3 years.

The continuity of the decommissioning liability as at June 30, 2021:

		June 30, 2021		**March 31, 2021**
Balance, beginning of year	$	578,008	$	375,481
Change in estimate		7,859		136,260
Accretion recorded during the year		11,083		37,859
Translation adjustment		10,554		28,408
	$	**607,504**	**$**	**578,008**

6. Share Capital

	Number of shares	Amount
Authorized:		
Unlimited common voting shares, no par value		
Issued:		
Balance, March 31, 2020	65,311,488	$ 34,195,377
Convertible note (a)	4,071,428	240,105
Exercise of convertible notes (Note 4)	-	134,407
Balance, March 31, 2021	69,382,916	$ 34,569,889
Convertible note (b)	3,908,840	317,191
Exercise of convertible notes (Note 4)	-	76,580
Balance, June 30, 2021	73,291,756	$ 34,963,660

The weighted average number of shares outstanding for the period was 70,795,840 (March 31, 2021 – 66,197,789). Loss per share is calculated as the net loss attributable to the equity holders of the parent divided by the weighted average of shares outstanding at the end of the year.

a) 4,071,428 shares were issued at a price of $0.07 from the exercise of convertible debt (Note 4)

b) 3,908,840 shares were issued at a price of $0.07 from the exercise of convertible debt (Note 4)

Warrants

The following table summarizes the activity with respect to warrants issued, exercised, and expired during the year:

	June 30, 2021		March 31, 2021	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	14,008,259	$ 0.30	7,935,104	$ 0.75
Warrants expired	5,194	$ 0.60	(3,298,178)	$ 0.98
Warrants issued	-	-	9,371,333	$ 0.15
Outstanding, end of period	14,003,065	$ 0.24	14,008,259	$ 0.30
Exercisable, end of period	14,003,065	$ 0.24	14,008,259	$ 0.30

	June 30, 2021	March 31, 20210
Balance, beginning of year	$ 766,846	$ 958,759
Warrants expired	(556)	(533,504)
Warrants issued (Note 4)	-	341,591
Balance, end of period	$ 766,290	$ 766,846

There were nil warrants issued in the period ended June 30, 2021. (March 31, 2021 – 9,371,333). The warrant valuation for March 31, 2021, was calculated using the Black-Scholes pricing model with the following assumptions: zero dividend yield, expected volatility of 75% and 112% and risk-free rate of 0.19% to 0.23%. Warrant pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimated, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's warrants. The warrants issued in the year ended March 31, 2021, are exercisable for a period of two years from the date of issue.

The Company may modify the terms of warrants originally granted. When modifications exist, the Company will maintain the original fair value of the warrant.

6. Share Capital (continued)

The following warrants were outstanding at June 30, 2021:

Number of warrants outstanding and exercisable	Exercise Price	Weighted average remaining life	Expiry date
2,857,975	$ 0.30	0.97	June 20, 2022
1,755,157	$ 0.60	1.16	August 29, 2022
18,600	$ 0.60	0.16	August 29,2021
2,727,143	$ 0.15	1.31	October 21, 2022
5,444,192	$ 0.15	1.48	December 21, 2022
1,199,998	$ 0.15	1.53	January 11, 2023
14,003,065	$ 0.24		

Stock options

The Company amended a formal stock option plan on December 18, 2018 and follows the TSX Venture Exchange (the "Exchange") policy under which it is authorized to grant options to Directors, employees and consultants to acquire up to 12,777,177 of its issued and outstanding common shares. Under the policy, the exercise price of each option is equal to the market price of the Company's stock, less applicable discounts permitted by the Exchange, as calculated on the date of grant. The options can be granted for a maximum term of 5 years.

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

	June 30, 2021		**March 31, 2021**	
	Number of options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	9,900,000	$ 0.11	12,750,000	$ 0.31
Options expired	-	-	(3,150,000)	$0.92
Options issued	300,000	0.11	300,000	$ 0.15
Outstanding, end of period	10,200,000	$ 0.11	9,900,000	$ 0.11
Exercisable, end of period	9,975,000	$ 0.11	9,600,000	$ 0.11

The following stock options were outstanding at June 30, 2021:

Number of options outstanding and exercisable	Exercise Price	Weighted average remaining life	Expiry date
6,500,000	$0.11	3.31	October 21, 2024
3,100,000	$0.11	3.55	November 4, 2024
300,000	$0.15	2.84	February 1, 2024
300,000	$0.11	4.87	May12, 2026
Outstanding end of period 10,200,000			
Exercisable end of period 9,975,000			

The following stock options were outstanding at March 31, 2021:

Number of options outstanding and exercisable	Exercise Price	Weighted average remaining life	Expiry date
6,500,000	$0.11	3.31	October 21, 2024
3,100,000	$0.11	3.55	November 4, 2024
300,000	$0.15	2.84	February 1, 2024
Outstanding end of year 9,900,000			
Exercisable end of year 9,600,000			

6. Share Capital (continued)

Share-based compensation

There were 300,000 options issued by the Company in the period ended June 30, 2021 (March 31, 2021 – 300,000). The option valuation in the period ended June 30, 2021, was calculated using the Black-Scholes pricing model with the following assumptions: zero dividend yield, expected volatility of 93% and risk-free rate of 0.79%. The option valuation in the year ended March 31, 2021, was calculated using the Black-Scholes pricing model with the following assumptions: zero dividend yield, expected volatility 191% and risk-free rate of 0.14%. Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimated, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

7. Contributed Surplus

	$
Balance, March 31, 2020	**13,390,142**
Expiry of warrants (note 6)	533,504
Issuance of options (note 6)	17,223
Exercise of convertible note (Note 4)	(134,407)
Conversion option (Note 4)	862,726
Balance, March 31, 2021	**14,669,188**
Expiry of warrants (note 6)	556
Issuance of options (note 6)	20,715
Exercise of convertible note (Note 4)	(76,580)
Balance, June 30, 2021	**14,613,879**

8. Related Party Transactions

The Company paid or accrued the following to Directors, Officers, and to companies controlled by Directors of the Company:

	June 30, 2021	**March 31, 2021**
Salaries and consulting	$ 268,500	$336,450
Directors' fees	18,000	76,000

As at June 30, 2021, the Company owed $340,870 of payables and expenses (March 31, 2021 - $82,781) to Directors of the Company and companies controlled by a Director, amounts are included in accounts payable.

Segmented Information

The Company's primary business is the exploration and development of diamond properties in Africa so there is only one reportable operating segment. The reportable segments are those operations whose operating results are reviewed by the chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance provided those operations pass certain quantitative thresholds. Operations whose revenues, earnings or losses, or assets exceed 10% of the total consolidated revenue, earnings or losses, or assets are reportable segments. To determine reportable segments, management reviewed various factors, including geographical locations and managerial structure.

9. Segmented Information (continued)

Details of identifiable assets by geographic segments are as follows:

	Total Assets	Property, Plant and Equipment	Cash and Equivalents and Restricted Cash	Other Assets
June 30, 2021				
Canada	$ 19,943	$ 1,767	$ 12,815	$ 5,361
South Africa	8,853,061	7,172,315	946,654	734,092
	$ 8,873,004	$ 7,174,082	$ 959,469	$ 739,453
March 31, 2021				
Canada	$ 22,582	$ 2,723	$ 14,991	$ 4,868
South Africa	9,127,069	7,280,279	908,651	938,139
	$ 9,149,651	$ 7,283,002	923,642	$ 913,007

10. 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 number 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 of $39,606 (March 31, 2021 - $134,244) as well as trade receivables of $72,617 (March 31, 2021 - $51,989). The Company does not foresee any significant risk in the collection of these accounts receivable.

10. Financial Instruments (continued)

The trade accounts receivable aging amounts are as follows:

	June 30, 2021	March 31, 2021
0-30 days	$72,617	$ 51,989
31-90 days	-	-
120+ days	-	-
Total	**$ 72,617**	**$ 51,989**

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 (Note 4) which have a variable rate of interest of South African prime rate plus 3% and South African prime rate plus 2.5%, respectively, A one (1%) percent change in the South African prime rate would result in net loss increasing or decreasing by approximately $15,000.

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, 2021	March 31, 2021
Cash and cash equivalents and restricted cash	$946,654	$908,651
Accounts receivable	184,687	181,366
Accounts payable	582,413	369,780
Long-term debt	4,054,100	4,262,380

A 5% change in the South African Rand would result in total net loss increasing or decreasing by approximately $7,000.

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 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 $6,914,551 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 and debt, cash flow provided by operating activities, and by acquiring new project loans.

The table below summarizes the maturity profile of the Company's financial liabilities as at June 30, 2021 based on contractual undiscounted payments:

	Current	*Fiscal 2023*	*Fiscal 2024*	*Thereafter*
Accounts payable	$1,168,461	$ -	$ -	$ -
Long-term debt	5,709,968	3,656,133	251,033	-
Short term debt	36,122	-	-	-
Due to Nozala investments	-	-	-	2,004,913
	$6,914,551	$ 3,656,133	$ 251,033	$2,004,913

10. Financial Instruments (continued)

e) Commodity price risk

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 period ended June 30, 2021, and the year ended March 31, 2021. 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 $73,000 for the period ended June 30, 2021.

11. Capital Management

The Company's objectives when managing capital are: (i) to maintain a strong capital structure, which optimizes the cost of capital at acceptable risk; and (ii) to maintain investor, creditor, and market confidence to sustain the future development of the business. The Company manages its capital structure and adjusts it considering changes in economic conditions and the risk characteristics of its underlying assets. The Company, from time-to-time, may adjust capital spending, issue new common shares, issue new debt or repay existing debt. The Company's capital is not subject to any restrictions.

The Company manages the following as capital:

		June 30, 2021		March 31, 2021
Working capital (a)	$	(184,377)	$	416,173
Long-term debt (b)	$	11,622,047	$	11,911,589
Shareholders' (deficit) equity	$	(7,725,581)	$	(4,285,407)

a) Working capital is calculated based on current assets less current liabilities excluding the current portion of Long term debt.
b) Includes the current portion of Long-term debt

12. Commitments

The Company has a commitment to month-to-month lease office space at a rate of $3,609 per month (March 31, 2021 - $3,609). The minimum lease payments under this lease are $43,308 per year (March 31, 2021 - $43,308).

13. Accounts Payable

Trade and other payables consist of the following components:

	June 30, 2021	March 31, 2021
Trade payables	$1,101,056	$ 560,863
Taxes	57,838	75,234
Salary and benefits	9,567	-
	$1,168,461	**$ 636,097**

Trade payables are non-interest bearing and are normally settled on 30-day terms.

14. Restricted Cash

These amounts are encumbered by a guarantee by Standard Bank of South Africa Limited for certain rehabilitation obligations and electrical guarantees. The encumbered amount as at June 30, 2021 was $678,716 (March 31, 2021 - $666,509).

15. Non-Controlling Interests (NCI)

Set out below is summarized financial information for the Company's subsidiary that has non-controlling interests that are material to the Company. The amounts disclosed for the subsidiary are before inter-company eliminations:

DMI Minerals South Africa (Pty) Ltd.

	June 30, 2021	March 31,2021
Summarized Statement of Financial Position		
Current assets	$ 1,452,345	$ 1,073,093
Current liabilities	30,823,704	30,215,743
Current net assets	(29,371,359)	(29,142,650)
Non-current assets	4,116,446	4,741,248
Non-current liabilities	2,004,913	2,498,451
Non-current net assets	2,111,533	2,242,797
Net liabilities	(27,259,826)	(26,899,853)
Summarized Statement of Comprehensive Income (Loss)		
Sales	1,467,105	1,512,265
Income (Loss) for the period	133,058	(1,149,788)
Total comprehensive (loss)	133,058	(1,149,788)
(Loss) allocated to NCI	39,917	(344,936)
Summarized Statement of Cash-Flows		
Cash-flows from operating activities	(29,179)	(849,466)
Cash-flows from investing activities	32,936	(374)
Cash-flows from financing activities	11,801	966,509
Net increase in cash and cash equivalents	$ 15,558	$ 116,669

16. Subsequent Events

Subsequent to the interim period ended June 30, 2021, two investors in the convertible debt financing converted the principal into 1,650,485 common shares of the Company as per the conversion terms.

On July 2, 2021, an employee exercised 70,000 options at a price of $0.11

On August 10, 2021, a director exercised 275,000 options at a price of $0.11