

DIAMCOR MINING INC.

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2003

AUDITORS' REPORT

To the Shareholders of
Diamcor Mining Inc.

We have audited the consolidated balance sheets of Diamcor Mining Inc. as at March 31, 2003 and 2002 and the consolidated statements of operations and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles. As required by the Company Act of British Columbia, we report that, in our opinion, these principles have been applied on a consistent basis.

"DAVIDSON & COMPANY"

Vancouver, Canada

Chartered Accountants

August 26, 2003

A Member of *SC INTERNATIONAL*

DIAMCOR MINING INC.
CONSOLIDATED BALANCE SHEETS
AS AT MARCH 31

	2003	2002
ASSETS		
Current		
Cash	\$ 50,625	\$ 18,517
Receivables	52,609	11,343
Income tax receivable	19,445	-
Inventory	7,096	-
Prepaid expenses	1,365	-
Due from related parties	<u>-</u>	<u>1,335</u>
	131,140	31,195
Property, plant, and equipment (Note 4)	258,855	-
Rehabilitation costs (Note 5)	148,248	-
Mineral properties (Note 6)	806,169	-
Deferred exploration costs (Note 7)	18,850	-
Investment and advances (Note 8)	<u>-</u>	<u>100</u>
	<u>\$ 1,363,262</u>	<u>\$ 31,295</u>

LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)

Current		
Accounts payable and accrued liabilities	\$ 406,388	\$ 62,627
Due to related parties (Note 11)	128,404	-
Loans payable (Note 9)	<u>587,857</u>	<u>-</u>
	<u>1,122,649</u>	<u>62,627</u>
Shareholders' equity (deficiency)		
Capital stock (Note 10)	5,258,638	5,185,954
Contributed surplus (Note 10)	892,992	-
Deficit	<u>(5,911,017)</u>	<u>(5,217,286)</u>
	<u>240,613</u>	<u>(31,332)</u>
	<u>\$ 1,363,262</u>	<u>\$ 31,295</u>

Nature and continuance of operations (Note 1)

Contingencies and legal matters (Note 15)

Subsequent events (Note 18)

On behalf of the Board:

“Wayne Wolf”

Director

“Barry Conduit”

Director

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

DIAMCOR MINING INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
YEAR ENDED MARCH 31

	2003	2002
EXPENSES		
Amortization	\$ 540	\$ 3,802
Consulting	61,542	62,000
Insurance	4,000	-
Foreign exchange loss	10,922	-
Management fees	74,989	30,000
Office, rent and miscellaneous	28,105	34,385
Professional fees	124,169	46,595
Promotion and investor relations	55,880	78,737
South African project expenses (Note 12)	248,695	33,231
Transfer agent and regulatory fees	29,377	12,803
Travel and accommodation	23,656	31,176
Wages and benefits	21,298	-
Web-site development	4,945	5,444
Loss before other items	<u>(688,118)</u>	<u>(338,173)</u>
OTHER ITEMS		
Write-off of capital assets (Note 4)	-	(8,871)
Write-off of mineral properties (Note 6)	(5,000)	(36,785)
Write off of deferred exploration costs (Note 7)	(613)	-
Write-off of investments and advances (Note 8)	-	(1,527,020)
	<u>(5,613)</u>	<u>(1,572,676)</u>
Loss for the year	(693,731)	(1,910,849)
Deficit, beginning of year	<u>(5,217,286)</u>	<u>(3,306,437)</u>
Deficit, end of year	<u>\$ (5,911,017)</u>	<u>\$ (5,217,286)</u>
Basic and diluted loss per common share	<u>\$ (0.04)</u>	<u>\$ (0.13)</u>
Weighted average number of common shares outstanding	<u>18,684,491</u>	<u>14,594,818</u>

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

DIAMCOR MINING INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEAR ENDED MARCH 31

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	\$ (693,731)	\$ (1,910,849)
Items not affecting cash:		
Amortization	540	3,802
Write-off of capital assets	-	8,871
Write-off of mineral properties	5,000	36,785
Write-off of deferred explorations costs	613	-
Write-off of investments and advances	-	1,527,020
Changes in non-cash working capital items:		
(Increase) decrease in receivables	8,938	(3,785)
Increase in prepaid expenses	(1,365)	-
Increase in accounts payable and accrued liabilities	<u>30,747</u>	<u>45,780</u>
Net cash used in operating activities	<u>(649,258)</u>	<u>(292,376)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of capital stock	965,676	403,000
Increase (decrease) to related parties	129,739	(55,117)
Loans payable	<u>10,922</u>	<u>-</u>
Net cash provided by financing activities	<u>1,106,337</u>	<u>347,883</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment and advances	(400,000)	(37,020)
Capital assets	(3,913)	-
Mineral properties	(24,473)	-
Cash acquired on acquisition of subsidiary	<u>3,415</u>	<u>-</u>
Net cash used in investing activities	<u>(424,971)</u>	<u>(37,020)</u>
Change in cash for the year	32,108	18,487
Cash, beginning of year	<u>18,517</u>	<u>30</u>
Cash, end of year	<u>\$ 50,625</u>	<u>\$ 18,517</u>

Supplemental disclosure with respect to cash flows (Note 14)

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

DIAMCOR MINING INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2003

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company is incorporated under the Company Act of British Columbia. Its principal business activities include the production of diamonds in South Africa and the exploration of gold in Canada.

During the current year, the Company exercised its option to increase its percentage of ownership in So Ver Mine (Pty.) Ltd. ("So Ver") to 53.33%. The Company was required by February 15, 2003 to provide notice of its intention to exercise the next option to purchase the additional interest of 46.67% to give the Company a total of 100% ownership of So Ver. It did not execute this option due to evidence the Company received that the minority shareholder was fraudulently selling higher grade diamonds which belonged to So Ver in another private company. In order to protect its interest, the Company issued a claim against the minority shareholder in the South African High Court. The court ruled in favor of the Company and ordered the minority shareholder to provide to the Company all information concerning So Ver's mine operations and issued a search warrant authorizing the confiscation of all diamonds and mine operating data relating to the So Ver mine located in the minority shareholder's personal residence and office, as well as the mine site. The court further ordered that a board of directors chaired by an independent third party continue to operate the mine and that the minority shareholder not be permitted to enter the mine site or to deal with any of So Ver's assets.

The Company has to date launched legal proceedings against the minority shareholder, all of which are described in contingencies and legal matters (Note 15). The Company intends to obtain 100% of So Ver once all legal proceedings have been concluded and will continue to operate the mine and expand its mining activities to other mineral properties in South Africa.

The Company is considered to be in the exploration stage with respect to its interests in mineral properties in Canada. The recoverability of the amounts comprising mineral properties and related deferred costs are dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their exploration and development and upon future profitable production.

These consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and the ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, or other business and financial transactions which would assure continuation of the Company's operations and exploration programs. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate such financing.

There can be no assurance that the Company will be able to continue to raise funds in which case the Company may be unable to meet its obligations. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the balance sheets.

	2003	2002
Deficit	\$ (5,911,017)	\$ (5,217,286)
Working capital (deficiency)	(991,509)	(31,432)

2. SIGNIFICANT ACCOUNTING POLICIES

Use of estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from these estimates.

Principles of consolidation

These consolidated financial statements include the accounts of the Company, its wholly-owned subsidiary Zelpy 1623 (Proprietary) Limited and its 53.33% investment in So Ver. All significant inter-company balances and transactions have been eliminated.

Property, plant and equipment

Property, plant and equipment are recorded at cost and are amortized either using the straight-line method over the estimated useful lives of the individual assets or on a declining basis.

Mineral properties

The Company records its interests in mineral properties and areas of geological interest at cost. All direct and indirect costs relating to the acquisition of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or where management has determined there to be an impairment. These costs will be amortized on the basis of units produced in relation to the proven reserves available on the related property following commencement of production. Mineral properties which are sold before that property reaches the production stage will have all revenues from the sale of the property credited against the cost of the property. Properties which have reached the production stage will have a gain or loss calculated based on the portion of that property sold.

The recorded cost of mineral property interests is based on cash paid and the assigned value of share consideration costs incurred. The recorded amount may not reflect recoverable value as this will be dependant on the development program, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

Deferred exploration and development costs

The Company defers all exploration and development expenses relating to mineral properties and areas of geological interest until the properties to which they relate are placed into production, sold or where management has determined there to be an impairment. These costs will be amortized over the proven reserves available on the related property following commencement of production.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Values

The amounts shown for mineral properties and deferred exploration costs represent costs to date, and do not necessarily represent present or future values.

Cost of maintaining mineral properties

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

Environmental protection and rehabilitation costs

Liabilities related to environmental protection and rehabilitation costs are accrued based on the Company's assessment of current environmental and regulatory requirements. These costs are amortized over the expected remaining life of the mining operations.

Investments

Investment in shares of associated companies, over which the Company has significant influence, are accounted for by the equity method, whereby the investment is initially recorded at cost and adjusted to recognize the Company's share of earnings or loss in the investment. Other long-term investments are carried at cost. If it is determined that the value of the investment is permanently impaired, it is written down to its estimated net realizable value.

Foreign currency translation

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

Stock-based compensation

The Company grants options in accordance with the policies of the TSX Venture Exchange ("TSX-V" or "Exchange"). Effective April 1, 2002, the Company adopted the new CICA Handbook Section 3870 "Stock-Based Compensation and Other Stock-Based Payments", which recommends the fair value-based methodology for measuring compensation costs. The new section also permits, and the Company has adopted, the use of the intrinsic value-based method, which recognizes compensation cost for awards to employees only when the market price exceeds the exercise price at date of grant, and requires pro-forma disclosure of earnings and earnings per share as if the fair value method had been adopted.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Future income taxes

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

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. For the years presented, this proved to be anti-dilutive.

Basic and diluted loss per common share is calculated using the weighted-average number of common shares outstanding during the year.

Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

3. BUSINESS COMBINATION

The Company entered into a share purchase agreement on November 8, 2000, which was amended on April 16, 2002, to purchase a 100% interest in So Ver. The Company paid \$100 to acquire its initial interest of 20%.

In September 2002, the Company exercised its first option to increase its percentage of ownership in So Ver from 20% to 53.33%. In accordance with the share purchase agreement the Company paid \$400,000 and received 33.33% of So Ver's issued and outstanding shares and an assumption of 53.33% of the minority shareholder's loan balance. The minority shareholder lent back \$250,000 as a development loan to So Ver. In order for the Company to purchase the remaining 46.67% of So Ver's issued and outstanding shares, it had until February 15, 2003 to pay an additional \$800,000. As outlined in Note 1, the Company did not exercise this option. The Company did not have access to the accounting records and the mine operations until late March 2003, when the South African high court ruled in favor of the Company granting them such access and barring the minority shareholder from entering into the mine site or dealing with any of So Ver's assets. Therefore, the date of acquisition for So Ver is March 31, 2003.

The Company has to date launched several legal proceedings against the minority shareholder, all of which are described in Note 15. The Company intends to obtain 100% of the So Ver mine once all legal proceedings have been concluded.

DIAMCOR MINING INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2003

3. BUSINESS COMBINATION (cont'd...)

So Ver, a privately held South African company, owns the So Ver diamond mine and the rights to the So Ver tailings re-treatment diamond mine, located in the Kimberly area of South Africa. The acquisition has been accounted for using the purchase method. The amount paid to date of \$400,100 was allocated as follows:

Cash	\$ 3,415
Receivables	50,204
Income tax receivable	19,445
Inventory	7,096
Rehabilitation costs	148,248
Capital assets	255,482
Mineral property	806,159
Accounts payable and accrued liabilities	(313,014)
Loans payable	<u>(576,935)</u>
	<u>\$ 400,100</u>

4. PROPERTY, PLANT AND EQUIPMENT

	2003			2002		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Office equipment	\$ 3,913	\$ 540	\$ 3,373	\$ -	\$ -	\$ -
Property, plant and equipment	<u>255,482</u>	<u>-</u>	<u>255,482</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 259,395</u>	<u>\$ 540</u>	<u>\$ 258,855</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

During fiscal 2002, the Company's analysis of its office equipment determined there to be an impairment in value. As a result, the Company incurred a write-down of its office equipment in the amount of \$8,871.

5. REHABILITATION COSTS

	2003	2002
Rehabilitation costs	\$ 148,248	\$ -
Accumulated amortization	<u>-</u>	<u>-</u>
	<u>\$ 148,248</u>	<u>\$ -</u>

DIAMCOR MINING INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2003

6. MINERAL PROPERTIES

Title to mineral properties

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

	Balance March 31, 2002	Additions	Write-offs	Balance March 31, 2003
So Ver Tailings Re-treatment Diamond Mine	\$ -	\$ 806,159	\$ -	\$ 806,159
Merry Widow Property	-	10	-	10
Sobel & Dixie Property	-	5,000	(5,000)	-
	\$ -	\$ 811,169	\$ (5,000)	\$ 806,169

	Balance March 31, 2001	Additions	Write-off	Balance March 31, 2002
BIRCH Mineral Claims	\$ 36,785	-	(36,785)	-

So Ver Tailings Re-treatment Diamond Mine

As outlined in note 3, the Company purchased a 53.33% interest in the So Ver diamond mine and the rights to the So Ver tailings re-treatment diamond mine, located in the Kimberly area of South Africa. The So Ver tailings re-treatment mine is currently operating.

Merry Widow Property

During the year, the Company staked a mineral claim near the Merry Widow mineral claims, located in the Nanaimo Mining division, of British Columbia.

DIAMCOR MINING INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2003

6. MINERAL PROPERTIES (cont'd...)

Sobel & Dixie Property

During the year, the Company entered into a letter of intent to purchase a 50% interest in the Sobel and Dixie mineral claims located in the Red Lake mining district of Ontario. Over several years, the Company was required to make payments totaling \$62,500 (\$5,000 paid) and to issue a total of 200,000 common shares of Company. Subsequent to the year-end the Company terminated its interest in the mineral claims and all related costs were written-off to operations this year.

BIRCH Mineral Claims

The Company previously acquired a 100% interest in the BIRCH mineral claims, paying \$10,000 and issuing 100,000 shares at an agreed price of \$0.25 per share (\$25,000).

During the previous year, the Company abandoned the mineral claims and all related costs were written-off to operations.

7. DEFERRED EXPLORATION COSTS

	Merry Widow Property	Sobel & Dixie Property	2003	2002
Balance, beginning of year	\$ -	\$ -	\$ -	\$ -
Consulting	15,659	-	15,659	-
Miscellaneous	319	613	932	-
Staking	2,000	-	2,000	-
Travel	872	-	872	-
	18,850	613	19,463	-
Write-off	-	(613)	(613)	-
	\$ 18,850	\$ -	\$ 18,850	\$ -

DIAMCOR MINING INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2003

8. INVESTMENT AND ADVANCES

	2003	2002
Diamco Mining (PTY) Ltd., South Africa		
Shares issued – 2,500,000 at \$0.40 per share (deemed)	\$ -	\$ 1,000,000
Cash investment	-	60,000
Cash advances	-	460,000
Write-off	-	(1,520,000)
	<u>-</u>	<u>-</u>
So Ver, South Africa	<u>-</u>	<u>100</u>
Northwest Diamond (PTY), South Africa		
Advances	-	7,020
Write-off	-	(7,020)
	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 100</u>

Diamco Mining (PTY) Ltd. (“Diamco”), South Africa

The Company acquired an initial 18% interest in Diamco by the issuance of 2,500,000 shares (500,000 free trading shares and 2,000,000 earn-out escrow shares). Diamco held an 18% interest in another South African company which held the Lena/Schuller Diamond Mine, located in Gauteng Province of South Africa.

The Company held an option to acquire an additional 82% interest for 10,000,000 Rand (approximately \$2,000,000 as at March 31, 2001). To March 31, 2002, the Company paid 250,000 Rand (approximately \$60,000) on account of this option interest. The remaining balance of 9,750,000 Rand (approximately \$1,940,000 as at March 31, 2001) was due on April 1, 2002. During fiscal 2002, the Company decided not to continue with the acquisition of this investment and wrote-off all of its investments and advances.

So Ver Mine (PTY) Ltd., South Africa

As outlined in Note 3, the Company increased its ownership interest in So Ver to 53.33%.

DIAMCOR MINING INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2003

8. INVESTMENT AND ADVANCES (cont'd...)

Northwest Diamond (PTY) ("Northwest"), May District, South Africa

The Company entered into a letter agreement with Northwest to purchase a 30% interest in Northwest over an eight month period. Northwest held the Peiserton Mine, located in the May District of South Africa. The Company agreed to pay US\$675,000 for its 30% interest.

During fiscal 2002, the Company advanced \$7,020 to fund exploration expenses of the Peiserton Mine, however it decided not to continue with the acquisition of this investment. Accordingly, the advance was written-off to operations.

9. LOANS PAYABLE

	2003	2002
Development loan	\$ 250,000	\$ -
Second loan	135,866	-
Retained loan	<u>201,991</u>	<u>-</u>
	<u>\$ 587,857</u>	<u>\$ -</u>

All the loans are repayable to the minority shareholder of So Ver. The loans are secured by a notarial bond on the moveable assets of So Ver. The loans have been determined on the basis of a legal opinion received on the share purchase agreement, dated November 8, 2000 and amended April 16, 2002, between the Company and the minority shareholder of So Ver. This agreement now forms part of a legal action between the two parties and it is possible that the loan balances may change depending on the outcome of the legal action, as outlined in Note 15.

Development loan

The development loan occurred after the Company exercised its first option to purchase an additional 33.33% of So Ver. In accordance with the terms of the share purchase agreement, the minority shareholder lent back to So Ver \$250,000 as a development loan. The loan bears no interest and was to be repaid when the Company exercised its second option payment. However, this second option payment has been delayed due to the legal proceedings between the two parties.

Second loan

The second loan is part of the original minority shareholder's loan that will be assumed by the Company after it has exercised its second option payment. The loan does not bear interest.

Retained loan

The retained loan bears no interest and has no fixed date of repayment.

The fair value of the loans payable cannot be determined as there are no specific terms of repayment.

DIAMCOR MINING INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2003

10. CAPITAL STOCK

	Number of Shares	Amount
Authorized		
96,700,751 common voting shares, no par value		
Issued		
Balance, March 31, 2001	13,782,559	\$ 4,782,954
Private placements	2,000,000	200,000
Exercise of warrants	431,250	132,975
Exercise of stock options	<u>218,827</u>	<u>70,025</u>
Balance, March 31, 2002	16,432,636	5,185,954
Private placements	7,136,362	800,000
Finder's fee on private placements	66,666	-
Exercise of warrants	600,000	78,000
Exercise of options	674,436	87,676
Shares returned and cancelled	<u>(3,499,249)</u>	<u>(892,992)</u>
Balance, March 31, 2003	21,410,851	\$ 5,258,638

Included in issued capital stock are 16,667 common shares held in escrow as required by the regulatory authorities. During the year, 3,499,249 escrow shares were returned to the Company and cancelled. These escrow shares were comprised of 1,000,000 escrow shares issued for a value of \$10,000 pursuant to an option agreement to purchase a diamond mine in 1997, which was terminated; 299,249 principal escrow shares that were issued for cash of \$2,992 in 1997 and as outlined in Note 8, 2,000,000 escrow shares and 200,000 free trading shares originally issued for a value of \$880,000 as part of the acquisition of Diamco.

Warrants

The following warrants were outstanding at March 31, 2003:

Number of Shares	Exercise Price	Expiry Date
600,000	\$ 0.12	December 1, 2003
800,000	0.15	March 25, 2004
1,000,000	0.12	July 11, 2004
3,636,363	0.14	July 11, 2004
666,666	0.20	October 1, 2004
833,333	0.16	February 12, 2005
1,000,000	0.13	March 6, 2005

DIAMCOR MINING INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2003

10. CAPITAL STOCK (cont'd...)

Stock options

The Company does not have a formal stock option plan in place but follows the TSX Venture Exchange policy under which it is authorized to grant options to directors and employees to acquire up to 10% of its issued and outstanding common stock. Under the policies, the exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 5 years.

	2003		2002	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	1,543,263	\$ 0.24	1,087,654	\$ 0.76
Repriced	(992,479)	0.53	(1,087,654)	0.76
Options granted	3,196,822	0.27	1,762,090	0.25
Options exercised	(674,436)	0.13	(218,827)	0.32
Options cancelled/expired	(1,113,827)	0.28	-	-
Outstanding, end of year	1,959,343	\$ 0.15	1,543,263	\$ 0.24
Options exercisable, end of year	1,959,343	\$ 0.15	1,543,263	\$ 0.24
Weighted average fair value of options granted		\$ 0.22		

The following stock options were outstanding at March 31, 2003:

Number of Shares	Exercise Price	Expiry Date
1,101,864	\$ 0.15	May 21, 2004
250,467	0.14	June 12, 2007
607,012	0.14	July 18, 2007

Stock-based compensation

Had the compensation costs for stock options granted during the year been determined based on the fair value of the stock options at the grant date using the Black-Scholes option pricing model, additional compensation expense would have been recorded in the statement of operations for the year, with pro-forma results as presented below. Under the transitional provisions of Section 3870, comparative figures are not required.

DIAMCOR MINING INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2003

10. CAPITAL STOCK (cont'd...)

Stock-based compensation (cont'd...)

Loss as reported	\$ (693,731)
Compensation expense under Section 3870	<u>(695,226)</u>
Pro-forma loss	<u>\$ (1,388,957)</u>
Pro-forma basis and diluted loss per share	<u>\$ (0.07)</u>

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

Risk-free interest rate	3.61% - 4.21%
Expected life of options	2 years
Annualized volatility	135% - 175%
Dividend	<u>0%</u>

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.

Contributed surplus

	2003	2002
Balance, beginning of year	\$ -	\$ -
Shares returned and cancelled	<u>892,992</u>	<u>-</u>
Balance, end of year	<u>\$ 892,992</u>	<u>\$ -</u>

11. RELATED PARTY TRANSACTIONS

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

	2003	2002
Management fees	\$ 74,989	\$ 30,000
Automobile allowance	4,537	2,400
Office, rent and miscellaneous	<u>30,976</u>	<u>24,000</u>

DIAMCOR MINING INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2003

11. RELATED PARTY TRANSACTIONS (cont'd...)

- b) Paid or accrued legal fees of \$15,395 (2002 - \$Nil) to a law firm, of which a director of the Company is the sole partner.
- c) Paid or accrued wages of \$17,640 (2002 - \$Nil) to the corporate secretary of the Company.
- d) Paid or accrued wages of \$49,500 (2002 - \$Nil) to an employee related to a director of the Company.

These transactions were in the normal course of operations and were measured at the exchange amounts, which is the amount of consideration established and agreed to by the related parties.

As at March 31, 2003, the Company owed \$128,404 (2002 - \$Nil) to directors, companies controlled by a director and to former directors. The Company was owed \$Nil (2002 - \$1,335) from former directors of the Company. The fair value of amounts due to or from related parties cannot be determined as there are no specific terms of repayment.

12. SOUTH AFRICAN PROJECT EXPENSES

The South African project expenses were comprised of the following:

	2003	2002
Consulting fees	\$ 46,500	\$ -
Legal	69,638	-
Travel and accommodation	83,057	33,231
Wages	<u>49,500</u>	<u>-</u>
	<u>\$ 248,695</u>	<u>\$ 33,231</u>

13. INCOME TAXES

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

	2003	2002
Loss for the year	\$ (693,731)	\$ (1,910,849)
Computed taxes recovered at statutory rates	\$ (260,843)	\$ (756,696)
Non-taxable items	203	624,286
Unrecognized benefits of non-capital losses	<u>260,640</u>	<u>132,410</u>
Income tax recovery	<u>\$ -</u>	<u>\$ -</u>

DIAMCOR MINING INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2003

13. INCOME TAXES (cont'd...)

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

	2003	2002
Capital assets	\$ 5,800	\$ 5,900
Mineral property expenditures	38,400	38,300
Share issuance costs	3,000	-
Non-capital losses carryforward	<u>739,000</u>	<u>516,200</u>
	786,200	560,400
Less: valuation allowance	<u>(786,200)</u>	<u>(560,400)</u>
	\$ -	\$ -

The Company has available for deduction against future taxable income non-capital losses of approximately \$1,949,000. These losses, if not utilized, will expire commencing in 2004. Subject to certain restrictions, the Company also has resource expenditures available to reduce taxable income in future years. Future tax benefits which may arise as a result of these non-capital losses and resource deductions have not been recognized in these financial statements due to the uncertainty of their realization.

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2003	2002
Cash paid for income taxes	\$ -	\$ -
Cash paid for interest	-	-

Significant non-cash transaction for the year ended March 31, 2003 consisted of the Company issuing 66,666 common shares for a value of \$10,000 as a finder's fee for a private placement.

There were no significant non-cash transactions for the year ended March 31, 2002.

15. CONTINGENCIES AND LEGAL MATTERS

The following contingent liabilities and legal matters were outstanding at March 31, 2003:

- a) As outlined in Notes 1 and 3, the Company issued a claim against the minority shareholder in the South African High Court. The Court ruled in favour of the Company, whereby the Company was able to receive all information concerning the So Ver mine operations and pursuant to a search warrant on the minority shareholder's residence, obtained further documentation relating to the mining operations of So Ver. A full analysis of the information seized has yet to be completed.
- b) The Company has filed a legal claim in South Africa against the minority shareholder of So Ver in which the Company has:

DIAMCOR MINING INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2003

15. CONTINGENCIES AND LEGAL MATTERS (cont'd...)

- i) Alleged the minority shareholder failed to recognize the Company's rights normally associated with the rights of the majority shareholder in accordance with South African common law.
- ii) Petitioned the minority shareholder to make repayment of some 9,000,000R (approximately \$1,670,000) in respect of diamonds misappropriated from So Ver.
- c) The Company is responsible to make contributions to the rehabilitation fund in the amount of \$168,046 to be held by the Department of Minerals and Energy in South Africa. This amount relates to 2001 in which the minority shareholder is responsible to pay pursuant to the share purchase agreement, dated November 8, 2000.
- d) The Company intends to challenge the notarial bond on the moveable assets of So Ver issued by the minority shareholder. Legal counsel in South Africa is of the opinion that the directors' resolutions authorizing the notarial bond are fraudulent.
- e) The Company has other claims against the minority shareholder. The ultimate disposition of these claims will not have a material adverse affect on the Company's financial statements.

16. SEGMENTED INFORMATION

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

Details of identifiable assets by geographic segments are as follows:

	Total Assets	Capital Assets	Mineral Properties	Other Assets
March 31, 2003				
Canada	\$ 73,213	\$ 3,373	\$ 18,860	\$ 50,980
South Africa	<u>1,290,049</u>	<u>255,482</u>	<u>806,159</u>	<u>228,408</u>
	<u>\$ 1,363,262</u>	<u>\$ 258,855</u>	<u>\$ 825,019</u>	<u>\$ 279,388</u>
March 31, 2002				
Canada	\$ 31,195	\$ -	\$ -	\$ 31,195
South Africa	<u>100</u>	<u>-</u>	<u>-</u>	<u>100</u>
	<u>\$ 31,295</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,295</u>

DIAMCOR MINING INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2003

16. SEGMENTED INFORMATION (cont'd...)

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

	Canada	South Africa	Total
Loss for year ended March 31, 2003	\$ (693,731)	\$ -	\$ (693,731)
Loss for year ended March 31, 2002	\$ (383,829)	\$ (1,527,020)	\$ (1,910,849)

17. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables, income tax receivable, amounts due from related parties, accounts payable and accrued liabilities, due to related parties and loans payable. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, except for the loans payable which have no specific terms of repayment or interest rate.

The Company is exposed to credit risk only with respect to uncertainties as to timing and collectibility of receivables. The Company mitigates credit risk through standard credit and reference checks. The Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

18. SUBSEQUENT EVENTS

The following events occurred subsequent to March 31, 2003:

- a) The Company issued 1,250,000 units at \$0.10 per unit to a company controlled by a director of the Company. Each unit consists of one common share and one non-transferable share purchase warrant to purchase one additional common share for \$0.10 per share until June 10, 2005.
- b) Subject to regulatory approval, the Company intends to issue 1,996,958 common shares and 50,000 units to settle debt of \$204,695. Each unit will consist of one common share and one non-transferable share purchase warrant to purchase one additional common share for \$0.10 per share for a period of two years.