

DIAMCOR MINING INC.

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2004

AUDITORS' REPORT

To the Shareholders of Diamcor Mining Inc.

We have audited the consolidated balance sheet of Diamcor Mining Inc. as at March 31, 2004 and the consolidated statements of loss and deficit and cash flows for the year 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 audit.

We conducted our audit 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, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the British Columbia Company Act, we report that, in our opinion, these principles have been applied on a consistent basis.

The financial statements as at March 31, 2003 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated August 26, 2003.

/s/ "Lancaster & David"

CHARTERED ACCOUNTANTS

Vancouver, BC
June 23, 2004

DIAMCOR MINING INC.
CONSOLIDATED BALANCE SHEETS
AS AT MARCH 31

	2004	2003
ASSETS		
Current		
Cash and cash equivalents (Note 13)	\$ 78,580	\$ 50,625
Receivables	23,261	2,405
Taxes recoverable	28,694	19,445
Inventory	47,875	7,096
Prepaid expenses	<u>8,100</u>	<u>1,365</u>
	<u>186,510</u>	<u>80,936</u>
Rehabilitation Trust Fund (Note 4)	111,891	50,204
Rehabilitation costs (Note 5)	74,124	148,248
Property, plant, and equipment (Note 6)	221,797	258,855
Mineral properties (Note 7)	575,828	806,169
Deferred exploration costs (Note 8)	<u>-</u>	<u>18,850</u>
	<u>\$ 1,170,150</u>	<u>\$ 1,363,262</u>
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current		
Accounts payable and accrued liabilities	\$ 457,806	\$ 406,388
Loans payable (Note 9)	627,077	587,857
Due to related parties (Note 11)	<u>387,043</u>	<u>128,404</u>
	<u>1,471,926</u>	<u>1,122,649</u>
Liability to issue shares	<u>13,000</u>	<u>-</u>
Shareholders' equity (deficiency)		
Capital stock (Note 10)	5,632,133	5,258,638
Contributed surplus (Note 10)	941,728	892,992
Deficit	<u>(6,888,637)</u>	<u>(5,911,017)</u>
	<u>(314,776)</u>	<u>240,613</u>
	<u>\$ 1,170,150</u>	<u>\$ 1,363,262</u>

Nature and continuance of operations (Note 1)
Contingencies and legal matters (Note 14)
Subsequent events (Note 17)

On behalf of the Board:

/s/ "Wayne Wolf"
Wayne Wolf, Director

/s/ "Barry Conduit"
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

	2004	2003
INCOME		
Sales	\$ 1,121,548	\$ -
Cost of sales	<u>803,851</u>	<u>-</u>
	<u>317,697</u>	<u>-</u>
EXPENSES		
Amortization	351,224	540
Bad debts	4,711	-
Bank charges and interest	6,562	1,439
Consulting	139,251	108,042
Insurance	16,275	4,000
Foreign exchange loss	61,369	10,922
Management fees	143,818	74,989
Office, rent and miscellaneous	104,509	26,666
Professional fees	229,362	193,807
Promotion and investor relations	3,892	55,880
Stock-based compensation	48,736	-
Transfer agent and regulatory fees	18,348	29,377
Travel and accommodation	90,028	106,713
Wages and benefits	107,737	70,798
Web-site development	<u>3,430</u>	<u>4,945</u>
	<u>1,329,252</u>	<u>688,118</u>
Loss before other items	<u>(1,011,555)</u>	<u>(688,118)</u>
OTHER ITEMS		
Gain on extinguishment of debt	52,795	-
Write-off of mineral properties (Note 7)	(10)	(5,000)
Write off of deferred exploration costs (Note 8)	<u>(18,850)</u>	<u>(613)</u>
	<u>33,935</u>	<u>(5,613)</u>
Loss for the year	(977,620)	(693,731)
Deficit, beginning of year	<u>(5,911,017)</u>	<u>(5,217,286)</u>
Deficit, end of year	\$ (6,888,637)	\$ (5,911,017)
Basic and diluted loss per common share		
	\$ (0.04)	\$ (0.04)
Weighted average number of common shares outstanding		
	22,779,505	18,684,491

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

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

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	\$ (977,620)	\$ (693,731)
Items not affecting cash:		
Amortization	351,224	540
Bad debts	4,711	-
Write-off of mineral properties	10	5,000
Write-off of deferred explorations costs	18,850	613
Gain on extinguishment of debt	(52,795)	-
Stock-based compensation	48,736	-
Foreign exchange loss	61,369	10,922
Changes in non-cash working capital items:		
(Increase) decrease in receivables	(25,567)	8,938
(Increase) in taxes recoverable	(9,249)	-
(Increase) in prepaid expenses	(6,735)	(1,365)
(Increase) in inventory	(40,779)	-
Increase in accounts payable and accrued liabilities	23,441	30,747
Increase in due to related parties	<u>516,129</u>	<u>129,739</u>
Net cash used in operating activities	<u>(88,275)</u>	<u>(638,336)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Liability to issue shares	13,000	-
Issuance of capital stock	<u>168,800</u>	<u>965,676</u>
Net cash provided by financing activities	<u>181,800</u>	<u>965,676</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment and advances	-	(400,000)
Additions to rehabilitation trust fund	(55,859)	-
Property, plant and equipment	(9,711)	(3,913)
Mineral properties	-	(24,473)
Cash acquired on acquisition of subsidiary	<u>-</u>	<u>3,415</u>
Net cash used in investing activities	<u>(65,570)</u>	<u>(424,971)</u>
Change in cash and cash equivalents for the year	27,955	32,108
Cash and cash equivalents, beginning of year	<u>50,625</u>	<u>18,517</u>
Cash and cash equivalents, end of year	<u>\$ 78,580</u>	<u>\$ 50,625</u>

Supplemental disclosure with respect to cash flows (Note 13)

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

DIAMCOR MINING INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2004

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 2003, 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 allegedly 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. On the Company's application, the court 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 14).

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.

	2004	2003
Deficit	\$ (6,888,637)	\$ (5,911,017)
Working capital (deficiency)	(1,285,416)	(1,041,713)

2. SIGNIFICANT ACCOUNTING POLICIES

Estimates, assumptions and measurement uncertainty

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. By their nature, these estimates are subject to measurement uncertainty and the effect on the consolidated financial statements of changes in such estimates in future periods could be significant.

Principles of consolidation

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

Inventory

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

Property, plant and equipment

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

Plant, Machinery and Equipment	15%
Earth Moving Equipment	25%
Mobile Cranes	15%
Trucks and Tractors	25%
Motor Vehicles	20%
Furniture Fittings and Office equipment	12.5%
Workshop equipment and tools	15%

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.

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

Mineral properties (continued)

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.

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.

Revenue recognition

Sales are recognised upon delivery of products and customer acceptance or the performance of services. Sales are shown net of sales taxes and trade discounts.

Foreign currency translation

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

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

Stock-based compensation

The Company grants stock options under a fixed stock option plan in accordance with the TSX Venture Exchange policies (Note 10). Any consideration paid by directors and employees on exercise of stock options is credited to capital stock. Effective January 1, 2004 the Company prospectively adopted the amended recommendations of the Canadian Institute of Chartered Accountants with respect to Section 3870 "Stock-Based Compensation and Other Stock-Based Payments". The amended recommendations require the expensing of all stock-based compensation awards. Previously, the Company had followed the recommendations which encouraged, but did not require, the use of a fair value based method to account for stock-based compensation to employees. The adoption of this amended accounting policy has no cumulative effect on the prior period financial statements. Refer to Note 10.

Future income taxes

Future income taxes are calculated using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it to be more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess. Refer to Note 12.

Loss per share

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

Comparative figures

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

DIAMCOR MINING INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2004

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 ordered the minority shareholder to grant the Company 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 was March 31, 2003.

The Company has to date launched several legal proceedings against the minority shareholder, all of which are described in Note 14.

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. REHABILITATION TRUST FUND

	2004	2003
Deposit at Department of Minerals and Energy in South Africa for Rehabilitation Costs	\$ 55,859	\$ -
Amount advanced to So Ver Rehabilitation Trust in respect of insurance policy premiums	<u>56,032</u>	<u>50,204</u>
	<u>\$ 111,891</u>	<u>\$ 50,204</u>

DIAMCOR MINING INC.
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MARCH 31, 2004

5. REHABILITATION COSTS

	2004		2003	
Rehabilitation costs	\$	148,248	\$	148,248
Accumulated amortization		<u>(74,124)</u>		<u>-</u>
	\$	74,124	\$	148,248

6. PROPERTY, PLANT AND EQUIPMENT

	2004			2003		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Office equipment	\$ 3,913	\$ 1,619	\$ 2,294	\$ 3,913	\$ 540	\$ 3,373
Property, plant and equipment	<u>265,193</u>	<u>45,690</u>	<u>219,503</u>	<u>255,482</u>	<u>-</u>	<u>255,482</u>
	\$ 269,106	\$ 47,309	\$ 221,797	\$ 259,395	\$ 540	\$ 258,855

7. MINERAL PROPERTIES

Title to mineral properties

Title to mining properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous 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, 2003	Additions	Amortization	Write-offs	Balance March 31, 2004
So Ver Tailings					
Re-treatment Diamond Mine	\$ 806,159	\$ -	\$ 230,331	\$ -	\$ 575,828
Merry Widow Property	<u>10</u>	<u>-</u>	<u>-</u>	<u>(10)</u>	<u>-</u>
	\$ 806,169	\$ -	\$ 230,331	\$ (10)	\$ 575,828

DIAMCOR MINING INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2004

7. MINERAL PROPERTIES (Cont'd)

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 fiscal 2003, the Company staked a mineral claim located in the Nanaimo Mining Division, British Columbia. During fiscal 2004, the Company allowed the claim to expire and accordingly all related costs of \$18,860 were written off to operations.

Sobel & Dixie Property

During fiscal 2003, 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. The Company terminated its interest in the mineral claims and all related costs of \$5,000 were written-off to operations during fiscal 2003.

8. DEFERRED EXPLORATION COSTS

	Merry Widow Property		2004	2003
Balance, beginning of year	\$	18,850	\$ 18,850	\$ 18,850
Write-off		(18,850)	(18,850)	-
Balance, end of year	\$	-	\$ -	\$ 18,850

DIAMCOR MINING INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2004

9. LOANS PAYABLE

	2004	2003
Development loan	\$ 250,000	\$ 250,000
Second loan	151,638	135,866
Retained loan	<u>225,439</u>	<u>201,991</u>
	<u>\$ 627,077</u>	<u>\$ 587,857</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 14.

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 adjudicated by the court to have no fixed repayment date.

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 and has no fixed date for repayment.

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.
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10. CAPITAL STOCK

	Number of Shares	Amount
Authorized		
96,700,751 common voting shares, no par value		
Issued		
Balance, March 31, 2002	16,432,636	\$ 5,185,954
Issued during the year:		
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
Issued during the year:		
Private placements	1,250,000	125,000
Exercise of warrants	365,000	43,800
Settlement of debt	<u>2,046,958</u>	<u>204,695</u>
Balance, March 31, 2004	<u>25,072,809</u>	<u>\$ 5,632,133</u>

Included in issued capital stock are 16,667 common shares held in escrow as required by the regulatory authorities. During fiscal 2003, 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, 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 Mining (Pty) Ltd.

DIAMCOR MINING INC.
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10. CAPITAL STOCK (cont'd...)

Warrants

The following warrants were outstanding at March 31, 2004:

Number of Shares	Exercise Price	Expiry Date
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
900,000	0.13	March 6, 2005
1,250,000	0.10	May 29, 2005
50,000	0.10	February 24, 2006

Stock options

The Company adopted a formal stock option plan in December 2003 and follows the TSX Venture Exchange (the "Exchange") policy under which it is authorized to grant options to directors and employees to acquire up to 10% of its issued and outstanding common stock. Under the policy, the exercise price of each option equals the market price of the Company's stock, less applicable discounts permitted by the Exchange, as calculated on the date of grant. The options can be granted for a maximum term of 5 years.

	2004		2003	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	1,959,343	\$ 0.15	1,543,263	\$ 0.24
Repriced/Redated	-	-	(992,479)	0.53
Options granted	547,937	0.11	3,196,822	0.27
Options exercised	-	-	(674,436)	0.13
Options cancelled/expired	-	-	(1,113,827)	0.28
Outstanding, end of year	2,507,280	\$ 0.14	1,959,343	\$ 0.15
Options exercisable, end of year	2,507,280	\$ 0.14	1,959,343	\$ 0.15
Weighted average fair value of options granted		\$ 0.08		\$ 0.22

DIAMCOR MINING INC.
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10. CAPITAL STOCK (cont'd...)

The following stock options were outstanding at March 31, 2004:

Number of Shares – outstanding and exercisable	Exercise Price	Weighted average remaining life	Expiry Date
1,101,864	\$0.15	3.14	May 21, 2004 (see Note 17)
250,467	0.14	3.20	June 12, 2007
607,012	0.14	3.30	July 18, 2007
547,937	0.11	4.99	March 26, 2009

Stock-based compensation

The Company has recognized to date stock based compensation in the amount of \$48,736, which has been charged to operations in the current fiscal year (2003 -- \$NIL).

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

	<u>2004</u>
Risk-free interest rate	2.84%
Expected life of options	2 years
Annualized volatility	168%
Dividend	0%

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimated, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

Contributed surplus

	2004	2003
Balance, beginning of year	\$ 892,992	\$ -
Stock-based compensation	48,736	-
Shares returned and cancelled	-	892,992
Balance, end of year	\$ 941,728	\$ 892,992

DIAMCOR MINING INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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:

	2004	2003
Management fees	\$ 75,000	\$ 74,989
Automobile allowance	4,799	4,537
Office, rent and miscellaneous	15,059	30,976

- b) The Company paid or accrued legal fees of \$6,606 (2003 - \$15,395) to a law firm, of which a director of the Company is the sole partner.
- c) The Company paid or accrued consulting fees of \$120,000 (2003 - \$46,500) to a director of the Company's subsidiaries, and \$76,000 to a relative of a director of the Company (2003 - \$49,500).

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, 2004, the Company owed \$387,043 (2003 - \$128,404) to directors of the Company and its subsidiaries, companies controlled by a director, an individual related to a director and to former directors. The fair value of amounts due to or from related parties cannot be determined as there are no specific terms of repayment.

12. INCOME TAXES

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

	2004	2003
Loss for the year	\$ (977,620)	\$ (693,731)
Computed taxes recovered at statutory rates	\$ (416,467)	\$ (260,843)
Difference in foreign tax rates	37,778	-
Non-taxable items	155,926	203
Deductible items	(852)	-
Unrecognized benefits of non-capital losses	223,615	260,640
Income tax recovery	\$ -	\$ -

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

	2004	2003
Property, plant and equipment	\$ (82,000)	\$ 5,800
Mineral property expenditures	150,000	38,400
Share issuance costs	3,000	3,000
Rehabilitation costs	68,000	-
Non-capital losses carryforward	1,132,000	739,000
	1,271,000	786,200
Less: valuation allowance	(1,271,000)	(786,200)
	\$ -	\$ -

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

The Company has available for deduction against future taxable income non-capital losses of approximately \$2,478,000. These losses, if not utilized, will expire between 2005 and 2011. The Company also incurred losses for South African income tax purposes of approximately R1,349,000 (approximately \$254,111) which can be carried forward indefinitely to reduce taxable income in future years. 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 realizability.

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

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2004	2003
SUPPLEMENTAL CASH INFORMATION:		
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	-	-
	\$ -	\$ -
CASH & CASH EQUIVALENTS ARE COMPRISED OF:		
Cash on hand	\$ 30,895	\$ 50,625
Restricted cash – funds in trust	47,685	-
	\$ 78,580	\$ 50,625

Significant non-cash transaction for the year ended March 31, 2004 consisted of the Company:

- a) issuing 1,996,958 shares for debt totalling \$199,696; and
- b) issuing 50,000 units for debt totalling \$5,000.

Significant non-cash transaction for the year ended March 31, 2003 consisted of the Company:

- a) issuing 66,666 common shares for a value of \$10,000 as a finder's fee for a private placement; and
- b) Receiving and cancelling 3,299,049 escrow shares and 200,000 free trading shares for a value of \$892,992 as outlined in Note 10.

14. CONTINGENCIES AND LEGAL MATTERS

The following contingent liabilities and legal matters were outstanding at March 31, 2004:

- a) As outlined in Notes 1 and 3, the Company issued a claim against the minority shareholder in the South African High Court. On the Company's application, the Court ordered the minority shareholder to provide the Company 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:
 - 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 R9,000,000 (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.
- f) An amount of R268,938 (approximately \$56,000) (2003 - R285,087 (approximately \$53,000)) of the minority shareholder's loan account was released in favour of the Company. This release is contingent on the outcome of the legal action referred to above and in Notes 1, 3 and 9.
- g) During the fiscal year, the minority shareholder of So Ver commenced a legal action against the Company in the British Columbia Supreme Court alleging that he has suffered damages due to the Company's wrongful actions which constitute defamation, abuse of process and breach of contract. The Company's position is that the minority shareholder's claims have no basis and that, in any event, British Columbia is not the proper jurisdiction for the case as the matters relate to the existing South African legal actions. The Company commenced an application, to be heard on September 30, 2004, seeking an order that the court decline jurisdiction to hear the matter and dismiss the claims.
- h) Subsequent to the fiscal year, the High Court of South Africa dismissed the minority shareholder's application to liquidate the assets of So Ver in order to pay outstanding amounts allegedly due to him.

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15. 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	Property, plant and equipment	Mineral Properties	Other Assets
March 31, 2004				
Canada	\$ 79,834	\$ 2,294	\$ -	\$ 77,540
South Africa	<u>1,090,316</u>	<u>219,503</u>	<u>575,828</u>	<u>294,985</u>
	<u>\$ 1,170,150</u>	<u>\$ 221,797</u>	<u>\$ 575,828</u>	<u>\$ 372,525</u>
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>

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

	Canada	South Africa	Total
Sales	\$ -	\$ 1,121,548	\$ 1,121,548
Operating costs	-	(803,851)	(803,851)
Amortization	(1,079)	(350,145)	(351,224)
Other items	<u>(590,512)</u>	<u>(353,581)</u>	<u>(944,093)</u>
Loss for year ended March 31, 2004	<u>\$ (591,591)</u>	<u>\$ (386,029)</u>	<u>\$ (977,620)</u>
Loss for year ended March 31, 2003	<u>\$ (693,731)</u>	<u>\$ -</u>	<u>\$ (693,731)</u>

16. 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.

17. SUBSEQUENT EVENTS

The following events occurred subsequent to March 31, 2004:

- a) The Company issued 1,775,000 units at \$0.10 per unit to two companies controlled by a director of the Company, and another related party. Each unit consists of one common share and one non-transferable share purchase warrant to purchase one additional common share for \$0.11 per share until June 1, 2006.
- b) The Company amended the expiry date of 1,101,864 options from May 21, 2004 to May 21, 2007.
- c) The Company, through its subsidiary, Ongoza Mining & Exploration (PTY) Ltd. ("Ongoza"), entered into an option agreement to prospect for diamonds and precious stones on a South African property, together with the option to purchase the mineral and surface rights to the property in consideration for R3,000,000 (approximately \$623,000). If the option is exercised, the Company is required to pay R1,250,000 (approximately \$260,000) to the owners upon the transfer of the deed and to pay the balance within 12 months from the transfer date.
- d) The Company, through its subsidiary Ongoza, entered into an agreement with Pholo Mining (PTY) Ltd. ("Pholo") in which the Company sold a 26% interest in the shareholdings of Ongoza in consideration for R26 (approximately \$5). The Company agreed to finance any exploration programs undertaken on any diamond projects up to Bank Feasibility Stage, as defined under the agreement. Pholo also has an option to acquire an additional 14% interest in Ongoza for a term of four years.