British Columbia
Securities Commission

QUARTERLY AND YEAR END REPORT
BC FORM 51-901F (previously Form 61)

INCORPORATED AS PART OF: X Schedule A

____ Schedules B & C

ISSUER DETAILS

NAME OF ISSUER	FOR THE QUARTER ENDED	DATE OF REPORT YY/MM/DD
Diamcor Mining Inc.	SEPTEMBER 30, 2004	04/11/26

ISSUER ADDRESS				
#100 – 346 Lawrence Avenue				
CITY	PROVINCE	POSTAL CODE	ISSUER FAX NO.	ISSUER TELEPHONE NO.
Kelowna	BC	V1Y 6L4	(250) 862-3214	(250) 862-3212

CONTACT NAME	CONTACT POSITION	CONTACT TELEPHONE NO.
Andrew Adamson	Controller	(250) 862-3212

CONTACT EMAIL ADDRESS	WEB SITE ADDRESS
aadamson@diamcormining.com	www.diamcormining.com

CERTIFICATE

The three schedules required to complete this Report are attached and the disclosure contained therein has been approved by the Board of Directors. A copy of the Report will be provided to any shareholder who requests it.

DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED YY/MM/DD
/s/ "Wayne Wolf"	**Wayne Wolf**	04/11/26
DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED YY/MM/DD
/s/ "Barry Conduit"	**Barry Conduit**	04/11/26

DIAMCOR MINING INC.

UNAUDITED

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2004

PREPARED BY MANAGEMENT

Unaudited Interim Financial Statements

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited consolidated financial statements for the period ended September 30, 2004.

DIAMCOR MINING INC.
CONSOLIDATED BALANCE SHEETS (Unaudited)
AS AT SEPTEMBER 30

	September 30 2004	March 31, 2004
ASSETS		
Current		
Cash and cash equivalents (Note 12)	$ 174,423	$ 111,960
Receivables	28,564	23,261
Taxes recoverable	15,845	28,694
Inventory	156,192	47,875
Prepaid expenses	2,025	8,100
	377,049	219,890
Rehabilitation Trust Fund (Note 4)	105,156	111,891
Rehabilitation costs (Note 5)	37,062	74,124
Property, plant, and equipment (Note 6)	316,037	221,797
Mineral properties (Note 7)	460,662	575,828
	$ 1,295,966	$ 1,203,530
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current		
Accounts payable and accrued liabilities	$ 400,948	$ 457,806
Loans payable (Note 8)	604,382	627,077
Due to related parties (Note 10)	376,682	387,043
	1382,012	1,471,926
Deferred Tax Liability	28,465	-
Liability to issue shares	47,562	13,000
Shareholders' equity (deficiency)		
Capital stock (Note 9)	5,822,633	5,632,133
Contributed surplus (Note 9)	1,035,071	941,728
Deficit	(7,019,777)	(6,855,257)
	(162,073)	(281,396)
	$ 1,295,966	$ 1,203,530

Nature and continuance of operations (Note 1)
Contingencies and legal matters (Note 13)

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
(Unaudited – See Notice to Reader)

	Six Month Period Ended September 30, 2004	Six Month Period Ended September 30, 2003	Three Month Period Ended September 30, 2004	Three Month Period Ended September 30, 2003
SALES	$ 1,152,919	$ 564,575	$ 375,725	$ 316,587
COST OF SALES	586,395	427,614	221,152	220,650
	566,524	136,961	154,573	95,937
EXPENSES				
Amortization	181,098	175,177	92,632	88,426
Bank charges and interest	2,503	3,501	1,610	3,501
Consulting	68,420	71,988	34,420	27,377
Insurance	7,850	6,000	3,597	3,000
Foreign exchange loss/(gain)	(29,145)	20,224	(45,952)	57,173
Management fees	62,573	78,180	30,292	59,430
Office, rent and miscellaneous	54,662	51,342	22,908	34,755
Professional fees	172,883	96,400	155,715	78,961
Promotion and investor relations	2,271	578	2,133	578
Stock Based Compensation	93,343	-	-	-
Transfer agent and regulatory fees	13,292	6,774	4,864	3,905
Travel and accommodation	21,856	67,611	16,716	36,193
Wages and benefits	43,164	67,652	20,433	37,652
Web-site development	2,233	1,020	1,633	427
	697,003	646,447	341,001	431,378
Loss before other items	(130,479)	(509,486)	(186,428)	(335,441)
OTHER ITEMS				
Other income	-	3,783	-	3,783
Write-off of receivables	-	(4,404)	-	(64)
Gain on extinguishment of debt	-	49,346	-	49,346
	-	48,725	-	53,065
Loss for the period before Tax	(130,479)	(460,761)	(186,428)	(282,376)
Provision for Taxation	(34,041)	-	(2,097)	-
	(164,520)	(460,761)	(188,525)	(282,376)
Deficit, beginning of period	(6,855,257)	(5,911,017)	(6,831,252)	(6,089,402)
Deficit, end of period	$ (7,005,107)	$ (6,371,778)	$ (7,019,777)	$ (6,371,778)
Basic and diluted loss per common share	$ (0.0)	$ (0.02)	$ (0.0)	$ (0.01)
Weighted average number of common shares outstanding	26,350,144	22,257,846	26,350,144	22,257,846

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

DIAMCOR MINING INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited – See Notice to Reader)

	Six Month Period Ended September 30, 2004	Six Month Period Ended September 30, 2003	Three Month Period Ended September 30, 2004	Three Month Period Ended September 30, 2003
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the period	$ (164,520)	$ (460,761)	$ (188,525)	$ (282,376)
Items not affecting cash:				
Amortization	181,098	175,177	92,632	88,426
Write-off of receivables	-	4,404	-	64
Foreign exchange loss	(17,087)	9,643	(26,335)	50,991
Gain on extinguishment of debt	-	(49,346)	-	(49,346)
Deferred Income Taxes	28,465	-	14,860	-
Stock Based Compensation	93,343	-	-	-
Changes in non-cash working capital items:				
(Increase) decrease in receivables	(5,302)	(6,688)	355,066	80,993
(Increase) in income tax receivable	12,850	(846)	(4,392)	(1,421)
(Increase) in inventory	(108,318)	(47,448)	(97,236)	(54,343)
(Increase) decrease in prepaid expenses	6,075	(1,267)	3,038	1,903
Increase (decrease) in accounts payable and accrued liabilities	(56,858)	74,242	(7,456)	(24,649)
Net cash from operating activities	(30,254)	(302,890)	141,652	(189,758)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of capital stock	190,500	125,000	-	-
Increase (decrease) in amount due to related parties	(10,361)	169,235	56,435	216,484
Liability to Issue Shares	34,562	-	-	-
Net cash provided by financing activities	214,701	294,235	56,435	216,484
CASH FLOWS FROM INVESTING ACTIVITIES				
Property, plant and equipment	121,984	(2,196)	102,197	(2,196)
Net cash used in investing activities	121,984	(2,196)	102,197	(2,196)
Change in cash for the period	62,463	(10,851)	95,890	24,530
Cash, beginning of period	111,960	50,625	78,533	15,244
Cash, end of period	$ 174,423	$ 39,774	$ 174,423	$ 39,774

Supplemental disclosure with respect to cash flows (Note 12)

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

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.

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 has subsequently awarded the Company sole control over the operations of the So Ver Mine.

The Company has to date launched legal proceedings against the minority shareholder, all of which are described in contingencies and legal matters (Note 13).

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.

	September 30 2004	March 31 2004
Deficit	$ (7,019,777)	$ (6,855,257)
Working capital (deficiency)	(1,004,963)	(1,252,036)

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 subsidiaries, Ongoza Mining & Exploration (Pty) Ltd. (formerly Zelpy 1623 (Proprietary) Limited) and Bluedust 25 (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 9). 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 9.

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 11.

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.

3. BUSINESS COMBINATION AND SUBSIDIARY ACTIVITIES

a) 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 baring 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 13.

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 Kimberley 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	(576,935)
	$ 400,100

In June 2004, $155,255 of the loan was repaid.

b) SUBSIDIARY ACTIVITIES

The Company's 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.

Additionally, the Company's 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.

The company's subsidiary Bluedust 25 (Proprietary) Limited, was acquired on July 23, 2004 and is presently inactive.

4. REHABILITATION TRUST FUND

	September 30 2004	March 31 2004
Deposit at Department of Minerals and Energy in South Africa for Rehabilitation Costs	$ 52,497	$ 55,859
Amount advanced to So Ver Rehabilitation Trust in respect of insurance policy premiums	52,659	56,032
	$ 105,156	$ 111,891

5. REHABILITATION COSTS

	September 30 2004	March 31 2004
Rehabilitation costs	$ 148,248	$ 148,248
Accumulated amortization	(111,186)	(74,124)
	$ 37,062	$ 74,124

6. PROPERTY, PLANT AND EQUIPMENT

	September 30 2004			March 31 2004		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Office equipment	$ 4,587	$ 2,157	$ 2,430	$ 3,913	$ 1,619	$ 2,294
Property, plant and equipment	387,925	74,318	313,607	265,193	45,690	219,503
	$ 392,512	$ 76,475	$ 316,037	$ 269,106	$ 47,309	$ 221,797

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.

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 Kimberley area of South Africa. The So Ver tailings re-treatment mine is currently operating.

Title to mineral properties

	Balance March 31, 2004	Amortization	Balance September 30,2004
So Ver Tailings: Re-treatment Diamond Mine	$ 575,828	$ 115,166	$ 460,662

8. LOANS PAYABLE

	September 30 2004	March 31 2004
Development loan	$ 250,000	$ 250,000
Second loan	142,512	151,638
Retained loan	211,870	225,439
	$ 604,382	$ 627,077

All the loans are repayable to the minority shareholder of So Ver. The loans are secured by a notorial 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 13.

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.

9. CAPITAL STOCK

	Number of Shares	Amount
Authorized		
96,700,751 common voting shares, no par value		
Issued		
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	2,046,958	204,695
Balance, March 31, 2004	25,072,809	$ 5,632,133
Issued during the period:		
Private placements	1,775,000	177,500
Exercise of warrants	100,000	13,000
Balance, September 30, 2004	26,947,809	$ 5,822,633

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.

Warrants

The following warrants were outstanding at September 30, 2004:

Number of Shares	Exercise Price	Expiry Date
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

1,775,000	0.11	June 1, 2006
5,474,999		

9. CAPITAL STOCK (cont'd…)

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.

	September 30 2004		March 31 2004	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	2,507,280	$ 0.14	1,959,343	$ 0.15
Repriced/Redated	1,101,864	0.11	-	-
Options Granted			547,937	0.11
Outstanding, end of period	2,507,280	$ 0.14	2,507,280	$ 0.14
Options exercisable, end of period	2,507,280	$ 0.14	2,507,280	$ 0.14
Weighted average fair value of options granted				$ 0.11

The following stock options were outstanding at September 30, 2004:

Number of Shares – outstanding and exercisable	Exercise Price	Weighted average remaining life	Expiry Date
1,101,864	$0.15	2.64	May 21, 2007
250,467	0.14	2.70	June 12, 2007
607,012	0.14	2.80	July 18, 2007
547,937	0.11	4.46	March 26, 2009

9. CAPITAL STOCK (cont'd…)

Stock-based compensation

The Company has recognized to date stock based compensation in the amount of $93,343, 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:

	2004
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

	September 30 2004	March 31 2004
Balance, beginning of year	$ 941,728	$ 892,992
Stock-based compensation	93,343	$ 48,736
Balance, end of period	$ 1,035,071	$ 941,728

10. 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	$ 37,500	$ 78,180
Automobile allowance	2,250	2,250
Office, rent and miscellaneous	8,591	24,597

b) The Company paid or accrued legal fees of $NIL (2003 - $6,606) to a law firm, of which a former director of the Company is the sole partner.

c) The Company paid or accrued consulting fees of $60,000 (2003 - $60,000) to a director of the Company's subsidiaries.

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 September 30, 2004, the Company owed $376,682 (March 31, 2004 - $387,043) 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.

11. INCOME TAXES

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

	September 30 2004	September 30 2003
Loss for the year	$ (164,520)	$ (460,761)
Computed taxes recovered at statutory rates	$ (70,086)	$ (173,246)
Difference in foreign tax rates	77,148	66,405
Non-taxable items	39,764	203
Deductible items	(852)	(376)
Unrecognized benefits of non-capital losses	(64,639)	107,014
Income tax recovery	$ -	$ -

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

	September 30 2004	March 31 2004
Property, plant and equipment	$ (100,000)	$ (82,000)
Mineral property expenditures	199,000	150,000
Share issuance costs	3,000	3,000
Rehabilitation costs	70,000	68,000
Non-capital losses carry forward	846,000	1,132,000
	1,018,000	1,271,000
Less: valuation allowance	(1,018,000)	(1,271,000)
	$ -	$ -

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 1,348,000 (approximately $263,240) 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.

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	September 30 2004	March 31 2004
SUPPLEMENTAL CASH INFORMATION:		
Cash paid for interest	$ -	$ -
Cash paid for income taxes	-	-
	$ -	$ -
CASH & CASH EQUIVALENTS ARE COMPRISED OF:		
Net Bank Balance	$ 94,195	$ 30,895
Restricted cash – funds in trust	80,228	81,065
	$ 174,423	$ 111,960

There were no significant non-cash transactions for the period ended September 30, 2004 or 2003.

13. CONTINGENCIES AND LEGAL MATTERS

The following contingent liabilities and legal matters were outstanding at September 30, 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.

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 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.

e) During 2004, 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 8.

13. CONTINGENCIES AND LEGAL MATTERS (Cont'd…)

f) During 2004, 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 minority shareholder has discontinued this legal action.

g) During the period, 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.

14. 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
September 30, 2004				
Canada	$ 98,164	$ 2,430	$ -	$ 95,734
South Africa	1,197,801	313,607	460,662	423,531
	$ 1,295,965	$ 316,037	$ 460,662	$ 519,265
March 31, 2004				
Canada	$ 79,834	$ 2,294	$ -	$ 77,540
South Africa	1,090,316	219,503	575,828	294,985
	$ 1,170,150	$ 221,797	$ 575,828	$ 372,525

14. SEGMENTED INFORMATION (Cont'd…)

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

	Canada	South Africa	Total
Sales	$ -	$1,152,919	$1,152,919
Operating costs	-	(586,395)	(586,395)
Amortization	(538)	(180,560)	(181,098)
Other items	(388,510)	(127,395)	(515,905)
Provision for Income Tax	-	(34,041)	(34,041)
Profit (Loss) for period ended September 30, 2004	$ (389,048)	$ 224,528	$ (164,520)
Profit (Loss) for period ended September 30, 2003	$ (212,656)	$ (119,039)	$ (331,695)

15. 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.