

**DIAMCOR MINING INC.  
QUARTERLY REPORT  
FORM 51-901F**

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INCORPORATED AS PART OF: \_\_\_\_\_ Schedule A  
\_\_\_\_\_ X \_\_\_\_\_ Schedules B & C

FOR QUARTER ENDED: June 30, 2003

DATE OF REPORT: November 18, 2003

ISSUER DETAILS:

NAME OF ISSUER: DIAMCOR MINING INC.

ISSUER'S ADDRESS #100 – 346 Lawrence Avenue  
Kelowna, BC V1Y 6L4

ISSUER'S TELEPHONE NUMBER: (250) 862-3212

ISSUER'S FACSIMILE NUMBER: (250) 862-3214

CONTACT PERSON: Warren Felsterman

CONTACT'S POSITION: Controller

CONTACT EMAIL ADDRESS: warren@diamcormining.com

WEB SITE ADDRESS: [www.diamcormining.com](http://www.diamcormining.com)

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**CERTIFICATE**

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

*“Wayne Wolf”* November 18, 2003  
\_\_\_\_\_  
Director Date Signed

*“Barry Conduit”* November 18, 2003  
\_\_\_\_\_  
Director Date Signed

**DIAMCOR MINING INC.**  
**QUARTERLY REPORT – FORM 51-90F**  
**for PERIOD ENDED JUNE 30, 2003**  
(Prepared by Management)

Schedule B: Supplementary Information

1. See June 30, 2003 financial statements.

Promotion and Investor Relations during the year:

- investor relations services	\$0
- printing/news releases	<u>234.00</u>
	<u><u>\$234.00</u></u>

2. Aggregate of expenditures made to non-arms length parties during the year:

- South African consulting fees	\$30,000.00
- management & consulting fees	14,406.00
- office, rent and secretarial services	10,662.00
- automobile allowance	1,125.00
- legal fees	<u>3,405.00</u>
	<u><u>\$59,598.00</u></u>

3. A) Securities issued during the year:

Date	Type	Number	Price	Total \$	Consideration
May 29, 2003	Private placement	<u>1,250,000</u>	\$0.10	<u>\$1,250,000</u>	Cash
		<u><u>1,250,000</u></u>		<u><u>\$1,250,000</u></u>	

No finder's fees or other commissions were paid.

B) No options granted during the period, year-to-date.

4. A) Share Capital – Authorized – 96,700,751 common shares without par value  
Issued – 22,660,851 common shares

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B) Options outstanding:

<u>Date</u>	<u>Number</u>	<u>Name</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
May 21, 2002	791,864	W. Wolf	\$0.15	May 21, 2004
May 21, 2002	200,000	B. Conduit	\$0.15	May 21, 2004
May 21, 2002	110,000	D. Del Frari	\$0.15	May 21, 2004
June 12, 2002 <sup>(1)</sup>	134,000	B. Conduit	\$0.31	June 12, 2007
June 12, 2002 <sup>(1)</sup>	66,467	D. Del Frari	\$0.31	June 12, 2007
June 12, 2002 <sup>(1)</sup>	50,000	C. Maddaford	\$0.31	June 12, 2007
July 18, 2002 <sup>(1)</sup>	255,308	W. Wolf	\$0.61	July 18, 2007
July 18, 2002 <sup>(1)</sup>	291,006	D. Del Frari	\$0.61	July 18, 2007
July 18, 2002 <sup>(1)</sup>	<u>60,698</u>	S. Holland	\$0.61	July 18, 2007
	<u>1,959,343</u>			

<sup>(1)</sup> Subject to shareholder approval, the TSX-V has approved re-pricing these options at \$0.14.

Warrants outstanding:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
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
<u>1,250,000</u>	\$0.10	May 29, 2005
<u>9,786,362</u>		

C) Escrow shares outstanding:

“Old” principal’s escrow shares 16,667

5. Directors and Officers:

Wayne Wolf – President and Director  
Barry Conduit – Director  
Greg Yanke – Director  
Corrie Maddaford - Secretary

## **SCHEDULE C OF FORM 51-901F**

### **MANAGEMENT DISCUSSION**

June 30, 2003

#### **NATURE OF BUSINESS AND LIQUIDITY**

Diamcor Mining Inc.'s principal business is the acquisition, exploration and development of resource properties. The Company's principal asset is a 53.33% interest in So Ver Mine (Pty.) Ltd., a private South Africa company that owns a diamond tailings processing operation near the town of Kimberley. Due to a court order relating to the property (see "So Ver Mine" below), Diamcor will have limited access to funds from its So Ver operations until Diamcor's lawsuit is settled.

At June 30, 2003, Diamcor held assets of \$1,322,368 including cash of \$15,244, capital assets from the So Ver Mine recorded at \$247,694 and mineral property assets recorded at \$748,586. Liabilities totalled \$1,133,417 including \$505,279 in accounts payable and accrued liabilities and long-term loans of \$587,857.

#### **RESULTS OF OPERATIONS**

Diamcor incurred a net loss of \$187,585 for the quarter ended June 30, 2003 as compared to a loss of \$163,945 for the comparative period in 2002.

Administrative expenses increased from \$163,945 (at June 30, 2002) to \$224,269 (June 30, 2003) due to picking-up So Ver Mine project administrative expenses and professional fees. During the period, Diamcor spent a total of \$79,852 on South African project expenses, \$8,305 on professional fees, \$18,750 on management fees and \$4,611 on consulting fees.

#### **SO VER MINE**

The So Ver Mine is located 65 kilometres northwest of Kimberley, South Africa and is immediately adjacent to the Rex diamond mine. Diamcor has a 53.33% interest in the holding company that controls the So Ver Mine and has Canadian representatives on site that oversee the operation of the tailings-reprocessing mine.

A report, prepared May 2002, by the Toronto based MPH Geological Consulting indicated that over 1,400,000 tonnes of tailings were available for reprocessing at the So Ver site containing an estimated 95,200 carats of diamonds, at an average of US\$50 per carat. The extrapolation of the report's findings suggests that the tailings have a potential value of US\$4.76 million and a life span of approximately 4 years. The MPH report also makes significant reference to the need for further exploratory examination of the pipes and dykes that exist on the So Ver property. At present, So Ver Mine (Pty.) Ltd. only has permits in place for surface rights. However, through its wholly owned subsidiary, Diamcor has applied for a permit that would cover subsurface exploration on the property.

Since the change in mine management on April 1, 2003, recovery from tailings processing has improved substantially from the original MPH estimates. In July 2003 alone, management recovered 1,269 carats with an average value of US\$89.00 per carat for gross revenue of US\$112,941. However, investors should note that the tailings piles may vary in the quality and quantity of diamond yield, the price for

diamonds may fluctuate and the value of the South African Rand as compared to the U.S. dollar is subject to change to Diamcor's detriment.

## **LEGAL PROCEEDINGS**

During the fiscal year, Diamcor had the option to acquire an additional 46.67% interest in the So Ver diamond project by paying Mr. Nicolaas Van der Merwe \$800,000, as well as additional shareholder loans of approximately \$500,000. The Company elected not to exercise the option due to Mr. Van der Merwe's failure to provide information to explain apparent mine management irregularities. Subsequently, Diamcor's independent investigations indicated that there were inconsistencies between the quality and quantity of diamonds produced at the So Ver Mine and the revenue received from the sales of these diamonds.

In March 2003, Diamcor commenced legal proceedings in South Africa against Mr. Van der Merwe and obtained an order from the South African High Court requiring him to provide Diamcor with access to all information concerning So Ver's mine operations. The Court also issued a search warrant authorizing the confiscation of all diamond and mine operation data from Mr. Van der Merwe's office and residence. The order was executed and resulted in the seizure of significant quantities of diamonds and business records.

After a review of the seized documentation, the High Court ruled that the So Ver Mine be operated by an independent board that included a representative of Diamcor. Diamcor has since filed multiple legal claims against Mr. Van der Merwe and related parties for misappropriation of approximately \$1.64 million dollars worth of So Ver assets. A review of additional documentation that Mr. Van der Merwe is required to produce in the course of the legal proceedings may increase the amount of damages sought. A trial date in the matter is expected to be set shortly.

## **MANAGEMENT**

Diamcor's Board of Directors consists of Wayne Wolf, Barry Conduit and Greg Yanke. Mr. Wolf acts as President and Chief Executive Officer.

During the first quarter ended June 30, 2003, the Company paid or accrued management fees of \$18,750 to a company owned by Mr. Wolf, legal fees of \$3,225 to a law firm owned by Greg Yanke, wages of \$7,424 to Corrie Maddaford, the Company's Corporate Secretary, and wages of \$30,000 to a party related to Mr. Wolf for work performed in South Africa.

## **INVESTOR RELATIONS**

During the past fiscal year, Diamcor retained Georgia West Management (BC) Ltd. ("Georgia West"), a private British Columbia company owned by Chris England, to provide investor relations services to the Company. The Company paid \$26,862 to Georgia West over the term of the agreement. Currently, the Company is handling investor relations itself.

## **SECURITY ISSUANCES**

During the past fiscal year, the Company issued 4,978,215 common shares in its capital for proceeds recorded at \$965,676. This amount included 7,136,362 shares issued pursuant to private placements for a total of \$800,000; \$78,000 raised through the exercise of 600,000 share purchase warrants; and 674,436 shares issued upon the exercise of stock options for proceeds of \$87,676. An additional 66,666 shares were issued pursuant to a private placement finder's fee agreement. As well, the Company cancelled 3,299,249 shares held in escrow, and 200,000 free-trading shares were returned to treasury.

In May 2003, 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 May 29, 2005.

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 for a period of two years.

## **OUTLOOK**

Diamcor intends to focus its efforts in South Africa in two specific areas: the profitable recovery of diamonds from its existing operations at the So Ver Mine and the identification, acquisition and exploration of additional diamond properties and permits in order to promote the future growth of Diamcor.

Operations at the So Ver Mine continue to improve. The Company has instituted a program for maintaining, repairing and replacing poorly operating equipment. It has also installed new sieves and screens at the mine site to enhance diamond recovery, and built a 1,000,000-gallon reservoir on site in order to reduce its dependency on, and the cost of, a long unmonitored pipeline. Diamcor has also acquired its own license to sell diamonds on the South African exchange which has resulted in the increase in the price So Ver has received for its diamonds from US\$50 per carat estimate contained in the MPH report to approximately US\$73 per carat.

With respect to the acquisition of additional permits and properties of interest in South Africa, Diamcor has examined a number of opportunities in the past year and continues to do so. In the future, the Company intends to fund additional acquisitions and operations from profits derived from the So Ver Mine.