

Form 51 – 102F1 – Management Discussion and Analysis
First Quarter Ended June 30, 2004
Unaudited – Prepared by Management

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.

The financial results for the period ended June 30, 2004 include the results of mining operations in South Africa. Sales for the period include revenues from diamonds recovered from its tailings activities carried on through its subsidiary So Ver. At June 30, 2004, Diamcor held assets of \$1,437,432 including cash of \$45,154, capital assets recorded at \$229,685 and mineral property assets recorded at \$518,245. Liabilities totalled \$1,450,690 including \$408,405 in accounts payable and accrued liabilities and long-term loans of \$640,871.

RESULTS OF OPERATIONS

Sales revenues during the quarter of \$777,194 (2003; \$247,988) relate to sales of diamonds recovered from its tailings activities at the So Ver facility in South Africa. These produced a gross margin of \$411,951 (2003; \$50,467) and a net profit before tax of \$24,004 (2003; \$(187,585)) which reflects the dramatic improvement in productivity at the So Ver Mine following significant improvements both in the state of repair of the Company's processing equipment which were financed entirely by cash flow from operations and process improvements brought about by the development of the workforce throughout the year. These improvements are anticipated to continue during 2005 with both revenues and profits increasing commensurately as discussed in more detail below.

Global demand for diamonds continues and the Company foresees positive growth in sales. In combination with the higher quality of diamonds being recovered, the Company anticipates continued improvements in its results from tailings operations.

The Company continued its restraint of expenditures at a corporate level and has maintained its focus on developing opportunities for expansion of future prospects.

The continuing legal disputes over the So Ver operation hamper the ability of the Company to utilise cash flows from its subsidiary company, but if it manages to resolve these restrictions during calendar 2004, the ability of the company to expand its development and exploration activities will improve substantially. The resolution of these legal issues has been a focus of managements' attention during 2004 and is reflected in legal and professional fees.

Financial results for 2004, 2003 and 2002 are summarised below:

	2004	2003	2002
Revenues	1,121,548	Nil	Nil
Loss	977,620	693,371	1,191,049
Loss per share	0.04	0.04	0.13
Total Assets	1,170,150	1,363,262	31,295
Dividends	Nil	Nil	Nil

As noted, the acquisition of 53.33% of the So Ver mine in South Africa on March 31, 2003 is reflected in the improved asset base during 2003 compared to 2002. Fiscal 2004 saw the consolidation of revenues from these operations included in the financial statements for the first time.

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The results for the last 8 quarters are summarised below (figures in \$000's except per share amounts).

Quarter Ended	30-Jun-04	31-Mar-04	31-Dec-03	30-Sep-03	30-Jun-03	31-Mar-03	31-Dec-02	30-Sep-02
Gross Revenues	\$ 777.0	\$ 126.0	\$ 431.0	\$ 317.0	\$ 248.0	\$ -	\$ -	-
Income	\$ 412.0	\$ (36.0)	\$ 216.0	\$ 96.0	\$ 41.0	\$ -	\$ -	-
Income Per Share	\$ 0.03	\$ 0.00	\$ 0.02	\$ 0.01	\$ 0.01	\$ -	\$ -	-
Income per Diluted Share	\$ 0.01	\$ (0.00)	\$ 0.01	\$ 0.00	\$ 0.00	\$ -	\$ -	-
Net Income	\$ 56.0	\$ (461.0)	\$ (56.0)	\$ (282.0)	\$ (188.0)	\$ (222.0)	\$ (142.0)	\$ (166.0)
Net Income Per Share	\$ 0.00	\$ (0.02)	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Net Income per Diluted Share	\$ 0.00	\$ (0.01)	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.00)	\$ (0.01)

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 management 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 four 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. Through its wholly owned subsidiary, Ongoza Mining & Exploration (Pty) Ltd., 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. Management reports that a total of 11,934.98 carats were recovered during the period from April 1, 2003 to March 31, 2004. The value of diamonds recovered during that time period totalled R5,577,905 or US\$789,061. Shareholders should note that during that time, the mine was shut down for part of December, as well as during January and February. The restructuring of management, supervisors and employees, as well as the high loss in production time due to extensive maintenance and repairs, had a significant impact on the overall profitability for the fiscal year.

Other factors affecting ongoing profitability include tailings piles that 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. As an example, the nine-month average value of the US dollar against the South African Rand changed from 7.89 in 2003 to 6.31 in 2004, a decrease of 25%.

With the improvements to the processing plant made earlier in the year, the mine is currently operating 24 hours a day, 7 days a week. Since the start of production this year, running times have increased to 85%. Tailings (ore) processed through the plant have also increased by as much as 20% in a single month when compared to last year's figures.

Following are the sales results (after acid wash) for the first quarter of 2004 as well as July. Of note was a significant find during the month of May. A gem quality 8.13-carat stone was recovered from the mine qualifying it as the largest diamond on record for at least the past four years. Numerous other high quality gemstones in the 1.5 to 4.5 carat range were also recovered.

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<u>Month</u>	<u>Carats</u>	<u>Rand</u>	<u>USD</u>	<u>USD/ct</u>	<u>Exchange</u>
Apr	680.43	R 443,686	\$70,438	\$103.52	6.30
May	1694.62	R 968,082	\$142,365	\$84.01	6.80
June	3203.31	R 2,140,754	\$338,191	\$105.58	6.33
July	1804.40	R 873,118	\$144,079	\$79.85	6.06
Totals:	8079.85	R 4,840,675	\$754,876	\$93.43	6.41

Sales numbers differ from production numbers because of the loss in the acid cleaning process and because diamonds produced in one month are sometimes carried over and sold with those produced in the next month.

Estimates & Forecasts

As far as production and recovery is concerned, management estimates that So Ver should have its most profitable year in recent history. The Company estimates that during the next eight months, it should recover a total of 14,000 carats for gross revenue of R6,675,000 or US\$1,041,341 based on an average exchange rate of 6.41. With estimated expenses totaling R4,350,000 (US\$678,341), anticipated profit before tax could be R2,325,000 (US\$362,714). These projections are estimates only, as the volatile Rand price, the amount of tailings being processed and the world demand for diamonds all have a major impact on the figures, which factors are not under the control of management.

The mine will close for four to five weeks during December and January for holidays and maintenance.

As for tailings reserves, So Ver is currently processing approximately 26,000 tons/month. This number could increase to approximately 30,000 tons/month, subject to possible limitations due to plant design and related constraints. However, management believes that 27,000 tons is a realistic and conservative figure of the number of tons that it can process consistently each month in order to determine the anticipated mine lifespan.

Using reserve estimates from MPH Consulting's 2002 geological report, we would estimate that So Ver currently has reserves that will last well into 2006. Investors must keep in mind that this is an estimate only and that it may be affected by factors that are not under the control of management such as mine downtime and changes in processing capabilities.

LEGAL PROCEEDINGS

In March 2003, Diamcor commenced legal proceedings in South Africa against Mr. Nicolaas 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. Trial of the matter is set for September 2004.

As part of his response to Diamcor's claims, Mr. Van der Merwe commenced a legal action in British Columbia against the Company for defamation, abuse of process and breach of contract. Diamcor's position is that Mr. Van der Merwe's claims have no basis. In addition, the Company contends that British Columbia is not a proper jurisdiction for the case, as the matters relate to the South African dispute. Diamcor has filed an

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application with the British Columbia Supreme Court to have the claims dismissed due to lack of jurisdiction. The hearing is scheduled for September 30, 2004.

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 period management fees (CDN office) of \$18,750 were paid to a company owned by Mr. Wolf, wages of \$8,278 to Corrie Maddaford, the Company's Corporate Secretary, and wages of \$13,500 to a party related to Mr. Wolf.

INVESTOR RELATIONS

There were no investor relations agreements in place with any parties during the quarter.

SECURITY ISSUANCES

In April 2004, 100,000 warrants were exercised for cash of \$13,000.

On April 30, 2004 the Company amended the expiry date of 1,101,864 options from May 21, 2004 to May 21, 2007 and on June 01, 2004 the Company issued 1,775,000 units at \$0.10 per unit to two companies controlled by a director of the Company, and another 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.

OUTLOOK AND SUBSEQUENT DEVELOPMENTS

On May 6, 2004 Diamcor announced that it had concluded a prospecting agreement with the owners of a potential diamond property located in the Free State Province of South Africa. The agreement provides Diamcor with the exclusive right to prospect and search for diamonds on the property for a period of 12 months.

During the term of the prospecting agreement, Diamcor has the option to acquire the surface and mineral rights to the property for 3,000,000 South African Rand. If the option is exercised, Diamcor must pay 1.25 million Rand to the owners upon the transfer of the deed to the property and pay the balance within 12 months from the transfer date.

Diamcor is now in the process of applying to the South African Department of Minerals and Energy for a prospecting permit for the property and intends to commence initial exploration immediately thereafter. It is the Company's intent to diversify its South African operations to include not only the current tailings operations at the So Ver Mine, but also to build a portfolio of diamond exploration and mining assets in both kimberlite and alluvial projects throughout South Africa. As part of this business thrust, the Directors spent time negotiating with various landowners regarding acquiring interests in properties that Diamcor has targeted due to their significant geological potential. This resulted in the execution of a concession agreement on the Hartebeespan diamond prospect in the Free State.

In May 2004, Diamcor's Directors also met with different Black Economic Empowerment ("BEE") groups in the country to enable Diamcor to forge relationships with key individuals and companies to fulfill the Department of Minerals and Energy requirements regarding the development of mineral and diamond projects in the country and the extended participation of Blacks in the development of the South African economy.

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In parallel with these meetings and to set the stage for the future development of this proposed arrangement, the company's subsidiary Zelpy 1623 (Pty) Ltd was renamed Ongoza Mining & Exploration (Pty) Ltd. ("Ongoza").

Subsequently, on June 22, Mr. Wayne Wolf, President and CEO, announced the Company had officially completed a share sale agreement with a South African BEE group, Pholo Mining (Pty) Ltd. ("Pholo"). Considered a milestone development, the agreement is expected to dramatically bolster the company's ability to find and secure mining propositions in RSA.

The agreement gives Pholo a 26% shareholding of Ongoza and fulfills Diamcor's obligations for partnering with a BEE group under the new socio-economic empowerment charter of the South African mining industry. The agreement between Ongoza and Pholo was reached far ahead of the Government's projected time schedule and should set precedence for other foreign companies entering the Republic in search of mining ventures.

Diamcor's Manager of SA Operations, Dean Del Frari has stated "The parties collectively hail this agreement as a major breakthrough and a victory for the spirit of consensus and the general quest for economic transformation in the South African exploration and mining market. Importantly, through the pioneering agreement, Diamcor will have the ability to potentially participate in a host of premier and advanced exploration projects that otherwise would not have been accessible for a Company of our status".

Under the terms of agreement, Pholo will be responsible for providing its share of financing for new diamond mining projects initiated by Ongoza and will represent the companies when applying for prospecting and mining permits with the South African Department of Minerals and Energy.

Pholo is a broad-based empowerment company with expertise in the technical, geological, legal and business fields. It is majority owned by Letlhabile Minerals (Pty) Ltd. but a significant portion of the shares are held by South Africans from the communities in Northern Cape province. The rest of the equity is spread between South African organizations and black business people – the majority of which are women.

Pholo's principal partner, Thelma Mathamelo, is an MBA graduate and a mining entrepreneur with extensive experience working with empowerment groups. Her many current projects include working with Minrico, a subsidiary of Rand Gold & Exploration, on a project with Rio Tinto, Pan Palladium, Southern Era and Bathopele Resources (the empowerment company involved in a venture with De Beers).

The agreement between Ongoza and Pholo makes provisions for the establishment of a community development trust. This trust will provide money for infrastructure development, health care, education and other needs in the local communities where projects will be carried out therefore helping with economic development in these regions.