

**DIAMCOR MINING INC.**

Form 51-102F1 – Management Discussion &amp; Analysis

For the year ending March 31, 2005

Unaudited – Prepared by Management

The following Management Discussion & Analysis is prepared as of July 29, 2005 (the “Report Date”) and should be read in conjunction with the audited financial statements for the year ended March 31, 2005.

**NATURE OF BUSINESS AND LIQUIDITY**

Diamcor Mining Inc.’s (“Company”) principal business is the acquisition, operation, exploration and development of diamond based resource properties. The Company’s principal asset remains its interest in So Ver Mine (Pty) Ltd. (“So Ver”), a private South African company that owns a diamond tailings processing operation near the town of Kimberly, South Africa. As of March 31, 2005 the Company held a 53.33% ownership position with the remaining 46.67% in dispute and the subject of a South African legal action between Diamcor and the minority shareholder, Mr. Nicolaas Van der Merwe. As reported in a subsequent press release dated April 11, 2005, it was announced that all parties involved had executed a definitive settlement agreement, thus ending all pending and future legal actions between the parties. Under the terms of the settlement, along with the removal of any future litigation, Diamcor now holds a 100% interest and ownership of the So Ver Mine, as well as all surface rights and entitlements going forward.

During the year ended March 31, 2005, a court order relating to the property (see “So Ver Mine” below), restricted access to funds from the So Ver Mine operations until Diamcor’s lawsuit against the minority shareholder and former operator of the mine was settled. Accordingly, the Company had a limited source of cash flow during the reporting period.

At March 31, 2005, Diamcor held assets of \$1,076,075 including cash of \$201,231 and mineral property assets recorded at \$345,497. Liabilities totaled \$1,527,161 including \$457,784 in accounts payable and accrued liabilities, loans payable of \$603,110 and \$466,267 due to related parties.

**RESULTS OF OPERATIONS**

Diamcor incurred a net loss of \$548,669 for the fiscal year ended March 31, 2005 as compared to a loss of \$977,620 for the fiscal year 2004.

During the fourth quarter sales revenues of \$123,685 were recorded (2004: \$235,922). During the year, the Company generated \$1,666,701 through the sale of diamonds from the So Ver mine. The cost of sales was recorded at \$1,005,697 resulting in the Company realizing gross profits of \$661,004.

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

	Gross Revenues \$000's	Income \$000's	Income Per Share \$	Income per Diluted Share \$	Net Income \$000's	Net Income Per Share \$	Net Income per Diluted Share \$
30-Jun-03	248.0	41.0	0.01	0.00	(188.0)	(0.01)	(0.01)
30-Sep-03	317.0	96.0	0.01	0.00	(282.0)	(0.01)	(0.01)
31-Dec-03	431.0	216.0	0.02	0.01	(56.0)	0.00	0.00
31-Mar-04	126.0	(36.0)	0.00	0.00	(461.0)	(0.02)	(0.01)
30-Jun-04	777.0	412.0	0.03	0.01	56.0	0.00	0.00
30-Sep-04	376.0	154.6	0.01	0.00	(188.5)	(0.00)	(0.00)
31-Dec-04	390.1	149.4	0.01	0.00	(180.7)	(0.00)	(0.00)
31-Mar-05	123.6	(54.8)	0.00	0.00	(236.8)	(0.01)	(0.01)

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**SO VER MINE**

The So Ver Mine is located just 65 kilometers northwest of the self proclaimed “Diamond Capital of the World”, Kimberly, South Africa and is immediately adjacent to the active Rex Diamond mine. As of March 31, 2005 Diamcor’s interest in the holding Company that controlled So Ver remained at 53.33%. As directed by the courts on April 1, 2003, Diamcor Management and senior personal continued to oversee the operation of the tailings treatment mine, and to manage the affairs of the facility under the required three person committee. Representation on the committee remained the same with one representative of Diamcor, one representative of the minority shareholder, and an independent chairman.

Production recovery from tailings processing on average for the year remained in line with increased results as reported in the March 31, 2004 quarterly and year end report which indicated an average increase close to 100% after Diamcor personal was placed in operational control of the facility. The facility recovered 17,483 carats of diamonds during the fiscal year ended March 31, 2005 (March 31, 2004: 12,425 carats).

**LEGAL PROCEEDINGS**

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 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. The multiple legal claims filed by Diamcor against Mr. Van der Merwe and related parties for misappropriation of an alleged 1.64 million dollars worth of So Ver assets was heard in South African courts in September 2004.

After review of the seized documents, the High Court ruled that the So Ver Mine be governed by an independent board, which included a representative of Diamcor. An interim hearing held in the third quarter of 2004 saw Diamcor awarded sole control over operations of the So Ver Mine. Previous to that decision, the mine was operated by a tripartite board consisting of one representative of Diamcor, one representative of the minority shareholder Mr. Van der Merwe, and an independent member.

As part of his response to Diamcor’s claims, Mr. Van der Merwe commenced legal action in British Columbia against the Company for defamation, abuse of process and breach of contract; however during the third quarter of 2004 the law suit was discontinued. Diamcor and Mr. Van der Merwe continued negotiations throughout the fiscal year to settle all remaining disputes between all related parties that formed the basis of the remaining South African litigation. Ultimately, these efforts were successful and lead to all parties involved executing a definitive settlement agreement as announced on April 11, 2005, which thus ended all pending and future legal actions between Diamcor Mining Inc., So Ver Mine (Pty) Ltd., Nicolass Van Der Merwe, North-West Diamond Company (Pty) Ltd., as well as any of those Companies Directors and Officers who may have been named previously in these matters. As part of the terms of the settlement Diamcor succeeded in securing 100% of the So Ver Mine, as well as all surface rights and entitlements going forward.

**MANAGEMENT**

Diamcor’s Board of Directors at March 31, 2005 consisted of Mr. Wayne Wolf, Mr. Barry Conduit and Ms. Corrie Maddaford. Mr. Wolf acts as President and Chief executive Officer and Ms. Maddaford is the Corporate Secretary. As announced in a press release dated July 28, 2005, Ms. Maddaford will resign, and subject to pending approval Mr. Darren Vucurevich (CMA) will replace her.

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During the period management fees (CDN office) of \$75,000 were paid to a company owned by Mr. Wolf, and wages of \$32,526 to Ms. Maddaford, the Company's Corporate Secretary.

**INVESTOR RELATIONS**

Given the ongoing legal issues, their uncertainty, and associated costs, Management allocated only minimal resources to investor relations programs throughout the year. There were no investor relations agreements put into place with any parties during the quarter due to these issues.

**SECURITY ISSUANCES**

During the year, the company issued 3,275,000 shares for \$327,500 and a further 140,000 warrants were exercised for \$18,200. Subsequent to year end, in June 2005, 100,000 options at \$0.11 each were issued to an employee of the company. These options are for a 5 year term expiring June 28, 2010. Also in June, 100,000 warrants with a value of \$0.10 each were exercised.

**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 allowed Diamcor the exclusive right to prospect and search for diamonds on the property for a period of 12 months, and the option to acquire the surface and mineral rights to the property for 3,000,000 South African Rand, to be paid in the sum of 1.25 million Rand upon Diamcor's election to acquire the asset, with the remaining balance payable over a 12 month period.

On March 31, 2005, Diamcor elected to withdraw the application due to the time constraints that were in place in the agreement where it was no longer practical for the Company to continue dedicating resources to secure the permit.

The continuation of the ongoing legal proceedings throughout the year was a major contributing factor in the delay of executive plans to proceed with various initiatives. The court order handed down which placed Diamcor Management in control of the So Ver Mine operations allowed for the Company to secure its asset, and to fully explore the potential revenues and viability of the project while doing so. As has been evident in the monthly recoveries, and their associated revenues this process only served to strengthen Management resolve as to the validity of the project and facility. While operational control of So Ver served to demonstrate the projects viability, the obvious inability for Diamcor to access all of the funds from the mine during the court proceedings served as a limiting factor in Diamcor's ability to progress with much of its business plans and objectives. Subsequent to this filings March 31, 2005 date, the press release dated April 11, 2005 announced the definitive settlement concluding all legal matters associated with So Ver Mine, as well as identifying the fact Diamcor now retains 100% ownership interest in the So Ver Mine along with all surface rights and entitlements. This development is seen by Management as a significant step which will greatly enhance the Company's ability to fulfill its business plan objectives.

The Company's relationship with its Black Economic Empowerment ("BEE") group, Pholo Mining (Pty) Ltd. ("Pholo") remains strong, with many opportunities being explored. Management is satisfied that the members of Pholo are in fact allowing Diamcor to forge the required relationships with key individuals and companies to fulfill the South African 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. Diamcor's subsidiary Ongoza Mining & Exploration (Pty) Ltd. ("Ongoza"), a venture owned 74% by Diamcor and 26% by Pholo, is in the final stages of evaluating

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several properties within the country. Ongoza's most promising and exciting project currently is the attempt to secure a prospecting permit for a portion of Portion 3 of Farm 89, as well as a portion of Portion 3 of Farm 90 (The Farm So Ver). These properties are part of the now 100% owned Diamcor So Ver Mine property, and were identified as promising in a May, 2002 Diamcor commissioned report done by MPH Consulting Limited. The properties location amongst various other co-located successful area mines, and initial documentation that shows all available evidence suggests approximately two kilometers of kimberlite strike extent, with at least two locations where wider exposures are indicated which may be blows, are both promising. If Ongoza is able to secure the required permitting, an already established initial exploration program will be funded by Diamcor, now that it is able to effectively access funds from its profitable So Ver operations.

Continued efforts and collaboration between Diamcor Management and Okanagan Valley Business Consulting continued throughout the quarter as well. Much of the efforts during the quarter were focused on the finalization and negotiation of a definitive settlement with regards to the ongoing legal issues. Management of both Companies believe the finalization of these legal issues will provide for a turning point from which they plan to move on with various issues aimed at growth and the realization of Diamcor's ultimate business plans. Work continues on various administrative projects and plans are being finalized with regards to the implementation of programs aimed at greatly improving Company awareness and general access to enhanced information.