

DIAMCOR MINING INC.
Form 51-102F1 – Management Discussion & Analysis
For the quarter ended June 30, 2005
Unaudited – Prepared by Management

The following Management Discussion & Analysis is prepared as of August 25, 2005 (the “Report Date”) and should be read in conjunction with the unaudited financial statements for the first quarter ended June 30, 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 Kimberley, South Africa. Prior to April 8, 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. 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 quarter ended June 30, 2005, the court order relating to the property (see “So Ver Mine” below), continued to restrict 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 free cash flow during the reporting period; however arrangements were made during the quarter which should allow the Company better access to So Ver profits as a result of the settlement announced April 11, 2005. The Company has been in discussions with various parties after this settlement and is confident it will now have access to So Ver profits in future quarters. Company plans remain the same as previously stated, and it will now use portions of those profits to fund future programs aimed at growth and an increase to shareholder value.

At June 30, 2005 Diamcor held assets of \$1,035,100 including cash of \$363,844 and mineral property assets recorded at \$287,914. Liabilities totaled \$1,041,914 including \$739,088 in accounts payable and accrued liabilities and \$302,826 due to related parties.

SELECTED ANNUAL FINANCIAL INFORMATION

The following table provides a brief summary of Diamcor Mining Inc. financial operations. For more detailed information, refer to the financial statements.

First Quarter	June 30/05	June 30/04	June 30/03
Total revenues	\$591,532	\$777,194	\$247,988
Net income (loss)	\$429,072	\$24,004	\$(187,585)
Basic and diluted (loss) per share	\$0.02	\$(0.00)	\$(0.01)
Total assets	\$1,035,100	\$1,423,761	\$1,322,368
Total long term liabilities	Nil	Nil	Nil
Cash dividends	Nil	Nil	Nil

During 2003, Diamcor Mining Inc. acquired a majority interest in So Ver Mine (Pty) Ltd. in South Africa, a diamond mine tailings processing operation, and consolidated the results of these operations effective March 31, 2003. As a result, 2004 represented the first full year of consolidation of the results of this activity, and this is reflected in the revenue figures.

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RESULTS OF OPERATIONS

Diamcor generated net profits of \$429,072 for the first quarter ended June 30, 2005 as compared to a profit of \$24,004 for the first quarter ended June 30, 2004.

During the first quarter sales revenues of \$591,532 were recorded (2004: \$777,194) representing sale of diamonds from the So Ver Mine. Cost of sales was recorded at \$370,194 (2004: \$365,243) resulting in the Company realizing gross profits of \$221,363 (2004: 411,951).

The results for the last 12 quarters are summarized 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)
30-Jun-05	591.5	221.4	0.01	0.01	429.1	0.02	0.02

SO VER MINE

The So Ver Mine is located just 65 kilometers northwest of the self proclaimed “Diamond Capital of the World”, Kimberley, South Africa and is immediately adjacent to the active Rex Diamond Mine. Diamcor initially held a 53.33% interest in the holding company that controlled the So Ver Mine. Due to ongoing legal issues (see Legal Proceedings) Diamcor Management and senior personnel were directed by South African Courts to oversee the operation of the tailings re-treatment mine on April 1, 2003 and since that time have continued to manage the affairs of the facility while reporting to an appointed 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. On April 11, 2005, it was announced that all parties involved had executed a definitive settlement agreement, thus ending all pending and future legal action between the parties. Under the terms of the settlement, along with the removal of any future litigation, Diamcor holds a 100% interest and ownership of the So Ver Mine, as well as all surface rights and entitlements going forward. This settlement also negates the requirement of the appointed three person committee, and allows Diamcor the ability to now operate the facility, as well as arrange its financial affairs independently and without the previous restrictions placed on the Company.

Recovery of diamonds from tailings processed during the first quarter ended June 30, 2005 remained strong, and as reported actually exceeded management expectations for the period. The increase for the period was associated with stronger recovery percentages from certain tailings piles, as well as continued excellent reliability and plant running time for the period. Since Diamcor personnel were first placed in operational control of the facility in 2002, increases in both diamond recovery and reliability have been recorded, and these efficiencies are expected to remain consistent given Diamcor's ownership increase to 100%. The facility recovered 6,304.82 carats of diamonds during the first quarter ended June 30, 2005 (June 30, 2004: 5,815.71 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 was to be governed by an independent board, which included a representative of Diamcor. In an interim hearing held afterwards in the third quarter of 2004 Diamcor was awarded sole control over operations of the So Ver Mine. Previous to that decision, the mine was operated under the direction of 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, NorthWest 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 June 30, 2005 consisted of Mr. Wayne Wolf, Mr. Barry Conduit and Ms. Corrie Maddaford. Mr. Wolf acts as President and Chief Executive Officer. As announced in a press release dated July 28, 2005, Ms. Maddaford, who had temporarily held a position on the board resigned, and subject to required approvals, Mr. Darren Vucurevich (CMA) would replace her.

During the period management fees (CDN office) of \$18,750 were paid to a company owned by Mr. Wolf, and wages of \$8,028 to Ms. Maddaford, the Company's Corporate Secretary. Directors fees of \$30,000 were paid to a director of the company's subsidiary. No fees have yet been paid to Mr. Vucurevich, however upon the expected acceptance of his appointment by regulatory parties, the Company expects to incur an appropriate expense and director's package similar in scope to any other Company of Diamcor's size within its sector.

INVESTOR RELATIONS

Given the previous ongoing legal issues, their uncertainty, and associated costs, Management had only allocated minimal resources to investor relations programs and such prior to the April 8, 2005 legal settlement. There were no investor relations agreements put into place with any parties during past quarters due to these issues. During the first quarter ended June 30, 2005 it was announced that with the finalization of legal issues, the Company would now work to increase company awareness with both investors and the financial community through various programs. As part of this effort, a 12-month contract was signed with Stockgroup Media Inc., which would include various programs such as banner ads, investor lead generation programs, Company showcase features, and various programs designed to increase investor awareness and

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Company branding. The Company has also announced it will launch a new Company website in August of 2005, with increased functionality and access to information. While no formal commitment to trade shows, or presentations have been finalized, the Company as well expects to participate in upcoming events within the sector going forward.

SECURITY ISSUANCES

During the first quarter ended June 30, 2005, 100,000 warrants were exercised for \$10,000. On June 28, 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. Subsequent to June 30, 2005 the Company also announced that a share for debt arrangement had been reached with various parties for the conversion of consulting fees and corporate development work related to both the settlement of the Company's long standing legal issues with its minority So Ver shareholder, as well as corporate planning issues aimed at corporate growth moving forward. In total, payables of \$75,500 will be converted through the issuance of 755,000 shares at a price of \$0.10. As part of the same share for debt agreement, 535,000 warrants will be issued with a value of \$0.13 each with a two year expiry term. The share for debt agreement is subject to required exchange approval.

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 in 2004, allowed for the Company to secure its asset, and to fully explore the potential revenues and viability of the project while doing so. As had been evident in the monthly recoveries, and the associated revenues, this process only served to strengthen Managements 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. On April 11, 2005 Diamcor announced that a definitive settlement concluding all legal matters associated with So Ver Mine had been reached and that as part of that settlement Diamcor now retained a 100% ownership interest in the So Ver Mine along with all surface rights and entitlements. This development was seen by Management as a significant step which would 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 several properties within the country. Ongoza's most promising and exciting project currently is the

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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 collocated 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. Ongoza is attempting to finalize and secure the required prospecting and exploration permitting needed during the second quarter of 2005, and once confirmed will proceed with an already established initial exploration program to be funded by Diamcor through the allocations of funds now available 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.