

DIAMCOR MINING INC.
CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

(Unaudited – See Notice to Reader)

Unaudited Interim Financial Statements

Notice To Reader

The accompanying unaudited interim consolidated financial statements of Diamcor Mining Inc. (“the Company”), for the six month period ended September 30, 2005, have been prepared by management and have not been the subject of a review by the Company’s external independent auditor.

DIAMCOR MINING INC.
CONSOLIDATED BALANCE SHEETS (Unaudited – See Notice To Reader)
AS AT SEPTEMBER 30

	September 30, 2005	March 31, 2005
ASSETS		
Current		
Cash and cash equivalents (Note 12)	\$ 304,786	\$ 201,231
Receivables	216,005	34,266
Taxes recoverable	27,537	20,323
Inventory	73,561	68,155
Prepaid expenses	<u>2,231</u>	<u>10,641</u>
	<u>624,120</u>	<u>334,576</u>
Rehabilitation trust fund (Note 4)	49,458	104,779
Rehabilitation costs (Note 5)	-	-
Property, plant, and equipment (Note 6)	267,757	291,223
Mineral properties (Note 7)	<u>230,331</u>	<u>345,497</u>
	<u>\$ 1,171,666</u>	<u>\$ 1,076,075</u>
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current		
Accounts payable and accrued liabilities	\$ 646,393	\$ 457,784
Loans payable (Note 8)	-	603,110
Due to related parties (Note 10)	<u>346,199</u>	<u>466,267</u>
	<u>992,592</u>	<u>1,527,161</u>
Deferred Tax Liability	<u>42,806</u>	<u>-</u>
Shareholders' equity (deficiency)		
Capital stock (Note 9)	6,063,333	5,977,833
Contributed surplus (Note 9)	1,013,587	1,008,387
Deficit	<u>(6,940,652)</u>	<u>(7,437,306)</u>
	<u>136,268</u>	<u>(451,086)</u>
	<u>\$ 1,171,666</u>	<u>\$ 1,076,075</u>

Nature and continuance of operations (Note 1)
Contingencies and legal matters (Note 13)
Subsequent events (Note 16)

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, 2005	Six Month Period Ended September 30, 2004	Three Month Period Ended September 30, 2005	Three Month Period Ended September 30, 2004
SALES	\$ 1,254,262	\$ 1,152,919	\$ 662,730	\$ 375,725
COST OF SALES	<u>705,878</u>	<u>586,395</u>	<u>335,709</u>	<u>221,152</u>
	<u>548,384</u>	<u>566,524</u>	<u>327,021</u>	<u>154,573</u>
GENERAL & ADMINISTRATIVE EXPENSES				
Amortization	150,960	181,098	75,724	92,632
Bank charges and interest	1,479	2,503	595	1,610
Consulting	20,005	68,420	28,068	34,420
Foreign exchange loss/(gain)	2,349	(29,145)	(31,397)	(45,952)
Insurance	8,873	7,850	4,514	3,597
Management fees	88,482	62,573	51,254	30,292
Office, rent and miscellaneous	50,731	54,662	16,614	22,909
Professional fees	31,579	172,883	39,709	155,715
Promotion and investor relations	11,332	2,271	11,332	2,133
Stock Based Compensation	5,200	93,343	-	-
Transfer agent and regulatory fees	7,981	13,292	6,307	4,864
Travel and accommodation	10,568	21,856	5,381	16,716
Wages and benefits	<u>16,561</u>	<u>43,164</u>	<u>8,532</u>	<u>20,433</u>
	<u>406,100</u>	<u>697,003</u>	<u>216,633</u>	<u>341,002</u>
Earnings (Loss) before other items	<u>142,284</u>	<u>(130,479)</u>	<u>110,388</u>	<u>(186,428)</u>
OTHER ITEMS				
Gain on extinguishment of debt	<u>397,176</u>	<u>-</u>	<u>-</u>	<u>-</u>
Earnings (Loss) Before Income Tax	539,460	(130,479)	110,388	(186,428)
Provision for income tax	<u>(42,806)</u>	<u>(34,041)</u>	<u>(42,806)</u>	<u>(2,097)</u>
Net Earnings (Loss) For The Period	496,654	(164,520)	67,582	(188,525)
Deficit, beginning of period	<u>(7,437,306)</u>	<u>(6,888,637)</u>	<u>(7,008,234)</u>	<u>(6,864,633)</u>
Deficit, end of period	<u>\$ (6,940,652)</u>	<u>\$ (7,053,158)</u>	<u>\$ (6,940,652)</u>	<u>\$ (7,053,158)</u>
Basic and diluted earnings (loss) per share	\$ 0.017	\$ (0.0)	\$ 0.002	\$ (0.0)
Weighted average number of shares outstanding	29,342,809	26,350,144	29,342,809	26,350,144

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, 2005	Six Month Period Ended September 30, 2004	Three Month Period Ended September 30, 2005	Three Month Period Ended September 30, 2004
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Earnings (Loss) for the period	\$ 496,654	\$ (164,520)	\$ 67,582	\$ (188,525)
Items not affecting cash:				
Amortization	150,960	181,098	75,724	92,632
Foreign exchange loss (gain)	3,394	(17,087)	(108)	(26,334)
Gain on extinguishment of debt	(397,176)	-	-	-
Deferred Income Taxes	42,806	28,465	42,806	14,860
Stock Based Compensation	5,200	93,343	-	-
Changes in non-cash working capital items:				
(Increase) decrease in receivables	(181,739)	(5,302)	(216,005)	355,066
(Increase) decrease in tax receivable	(7,214)	12,850	(1,404)	(4,392)
(Increase) in inventory	(5,406)	(108,318)	(50,221)	(97,236)
(Increase) decrease in prepaid expenses	8,410	6,075	4,205	3,038
Increase (decrease) in accounts payable and accrued liabilities	<u>(188,610)</u>	<u>(56,858)</u>	<u>(92,695)</u>	<u>(7,456)</u>
Net cash from operating activities	<u>304,499</u>	<u>(30,254)</u>	<u>(170,116)</u>	<u>141,652</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of capital stock	85,500	190,500	75,500	-
Increase (decrease) in amount due to related parties	(120,068)	(10,361)	43,373	56,435
Liability to Issue Shares	<u>-</u>	<u>34,562</u>	<u>-</u>	<u>-</u>
Net cash provided by financing activities	<u>(34,568)</u>	<u>214,701</u>	<u>118,873</u>	<u>56,435</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Loan Repayment	(158,273)			
Property, plant and equipment	<u>(8,103)</u>	<u>121,984</u>	<u>(7,815)</u>	<u>102,197</u>
Net cash used in investing activities	<u>166,376</u>	<u>121,984</u>	<u>(7,815)</u>	<u>102,197</u>
Increase (decrease) in cash for the period	103,555	62,463	(59,058)	95,890
Cash, beginning of period	<u>201,231</u>	<u>111,960</u>	<u>363,844</u>	<u>78,533</u>
Cash, end of period	\$ 304,786	\$ 174,423	\$ 304,786	\$ 174,423

Supplemental disclosure with respect to cash flows (Note 12)

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

DIAMCOR MINING INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited – See Notice to Reader)
SEPTEMBER 30, 2005

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 further ordered that a board of directors chaired by an independent third party continue to operate the mine and that the minority shareholder not be permitted to enter the mine site or to deal with any of So Ver’s assets.

The Company launched legal proceedings against the minority shareholder, all of which are described in contingencies and legal matters (Note 13), and then on April 8, 2005 reached a final settlement thus ending all legal actions between the parties. As a result of this settlement, the Company now retains a 100% ownership in So Ver, along with all rights and entitlements in its regard.

These consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company had previously incurred losses since inception and the ability of the Company to continue as a going-concern depends upon its ability to sustain profitable operations and to continue to secure adequate financing to support its growth initiatives. Management continues to actively target 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 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	March 31
	2005	2005
Deficit	\$ (6,940,652)	\$ (7,437,306)
Working capital (deficiency)	\$ (411,278)	\$ (1,192,585)

DIAMCOR MINING INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited – See Notice to Reader)

SEPTEMBER 30, 2005

2. SIGNIFICANT ACCOUNTING POLICIES**Use of estimates**

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.

Principles of consolidation

These consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, So Ver (Pty) Ltd. and BlueDust 25 (Pty) Ltd., as well as its majority owned subsidiary Ongoza Mining & Exploration (Pty) Ltd. (formerly Zelpy 1623 (Proprietary) Limited). 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 realizable value. Cost is determined according to the first in first out method. Net realizable 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.

DIAMCOR MINING INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited – See Notice to Reader)

SEPTEMBER 30, 2005

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 recognized 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.

DIAMCOR MINING INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited – See Notice to Reader)

SEPTEMBER 30, 2005

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. 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.

Earnings/Loss per share

The earnings/(loss) per share figures are calculated using the weighted monthly average number of shares outstanding during the respective years. The calculation of diluted earnings/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.

DIAMCOR MINING INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited – See Notice to Reader)
SEPTEMBER 30, 2005

3. 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 under this option and received the additional 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 barring 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.

On April 8, 2005 the Company reached a settlement agreement with the minority shareholder and now owns 100% of the So Ver Mine. The minority shareholder also assigned to the Company the outstanding shareholder's loan balance and development loans.

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	<u>(576,935)</u>
	<u>\$ 400,100</u>

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

DIAMCOR MINING INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited – See Notice to Reader)

SEPTEMBER 30, 2005

4. REHABILITATION TRUST FUND

	September 30 2005	March 31 2005
Deposit at Department of Minerals and Energy in South Africa for Rehabilitation Costs	\$ 49,458	\$ 52,309
Amount advanced to So Ver Rehabilitation Trust in respect of insurance policy premiums	-	52,470
	\$ 49,458	\$ 104,779

In April 2005, the Insurance Policy was surrendered as part of the settlement agreement with the minority shareholder and was replaced with a letter of Guarantee from its bank in South Africa.

5. REHABILITATION COSTS

	September 30 2005	March 31 2005
Rehabilitation costs	\$ 148,248	\$ 148,248
Accumulated amortization	(148,248)	(148,248)
	\$ -	\$ -

6. PROPERTY, PLANT AND EQUIPMENT

	September 30 2005			March 31 2005		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Office equipment	\$ 8,215	\$ 4,080	\$ 4,135	\$ 8,216	\$ 3,340	\$ 4,876
Property, plant and equipment	413,244	149,622	263,622	395,430	109,083	286,347
	\$ 421,459	\$ 153,702	\$ 267,757	\$ 403,646	\$ 112,423	\$ 291,223

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.

DIAMCOR MINING INC.NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited – See Notice to Reader)
SEPTEMBER 30, 2005**7. MINERAL PROPERTIES (Continued)****So Ver Tailings Re-treatment Diamond Mine**

As outlined in Note 3, the Company owns a 100% 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 April 1, 2005	Amortization	Balance September 30, 2005
So Ver Tailings Re-treatment Diamond Mine	\$ 345,497	\$ 115,166	\$ 230,331

8. LOANS PAYABLE

	September 30 2005	March 31 2005
Development loan	\$ -	\$ 250,000
Second loan	-	142,000
Retained loan	-	211,110
	\$ -	\$ 603,110

Pursuant to the settlement agreement reached between the company and the minority shareholder on April 8, 2005 these loans, which were repayable to the minority shareholder of So Ver were assigned to Diamcor Mining Inc. The loans were secured by a notarial bond on the moveable assets of So Ver which was also released as part of the settlement agreement. The loans were 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. Amounts as shown above, and in the consolidated financial statements, have been converted to Canadian funds for reporting purposes. Amounts due from So Ver to Diamcor Mining Inc for both the second loan and retained loan are recorded on the subsidiary's financials in the actual amount of South African Rand loaned, and in the case of the development loan recorded in the amount of South African Rand loaned which was equal to the equivalent of \$250,000 in Canadian funds at the time of the agreement.

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. The loan does not bear interest and has no fixed date for repayment.

Second loan

The second loan is part of the original minority shareholder's loan that was to be assumed by the Company after it had 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. As noted above this loan was assigned to the Company as part of the settlement reached April 2005.

DIAMCOR MINING INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited – See Notice to Reader)

SEPTEMBER 30, 2005

9. CAPITAL STOCK

	Number of Shares	Amount
Authorized		
Unlimited common voting shares, no par value		
Issued		
Balance, March 31, 2005	28,487,809	\$ 5,977,833
Issued during the year:		
Exercise of warrants	<u>100,000</u>	<u>10,000</u>
Balance, June 30, 2005	28,587,809	\$ 5,987,833
Issued during the period:		
Settlement of debt	<u>755,000</u>	<u>75,500</u>
Balance, September 30, 2005	<u>29,342,809</u>	<u>\$ 6,063,333</u>

Included in issued capital stock are 16,667 common shares held in escrow as required by the regulatory authorities. Subsequent to June 30, and as part of the settlement agreement with the minority shareholder reached on April 8, 2005, 500,000 shares in the name of the minority shareholder are to be released back into treasury.

Warrants

The following warrants were outstanding at September 30, 2005:

Number of Shares	Exercise Price	Expiry Date
50,000	\$ 0.10	February 24, 2006
1,775,000	\$ 0.11	June 1, 2006
1,500,000	\$ 0.10	December 16, 2006
535,000	\$ 0.13	August 4, 2007

DIAMCOR MINING INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited – See Notice to Reader)

SEPTEMBER 30, 2005

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 2005		March 31 2005	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	2,207,280	\$ 0.14	2,507,280	\$ 0.14
Options Granted	100,000	0.11	-	-
Options Expired	-	-	(300,000)	0.11
Options exercisable, end of period	2,307,280	\$ 0.14	2,207,280	\$ 0.14
Weighted average fair value of options granted/redated		\$ 0.11		\$ 0.15

The following stock options were outstanding at September 30, 2005:

Number of Shares – outstanding and exercisable	Exercise Price	Weighted average remaining life	Expiry Date
1,101,864	\$0.15	1.64	May 21, 2007
250,467	\$0.14	1.69	June 12, 2007
607,012	\$0.14	1.80	July 18, 2007
547,937	\$0.11	3.48	March 26, 2009
100,000	\$0.11	4.74	June 28, 2010

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 an exercise price of \$0.10 per share were exercised.

DIAMCOR MINING INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited – See Notice to Reader)

SEPTEMBER 30, 2005

9. CAPITAL STOCK (cont'd...)**Stock-based compensation**

The Company has recognized stock based compensation in the amount of \$5,200, which has been charged to operations in the current fiscal year (2004 - \$93,343).

The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of stock options granted during the year:

	September 30, 2005	March 31, 2005
Risk-free interest rate	3.2%	2.65%
Expected life of options	5 years	2 years
Annualized volatility	127%	167%
Dividend	0%	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 2005	March 31 2005
Balance, beginning of year	\$ 1,008,387	\$ 941,728
Stock-based compensation	5,200	66,659
Balance, end of period	\$ 1,013,587	\$ 1,008,387

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:

	2005	2004
Management fees	\$ 37,500	\$ 18,750
Automobile allowance	2,250	1,125
Office, rent and miscellaneous	8,352	4,266

- b) The Company paid or accrued consulting fees of \$60,000 (2005 - \$60,000) to a director of the Company's subsidiaries, and NIL to a relative of a director of the Company (2005 - \$13,500).
- c) The Company paid or accrued fees for use of heavy machinery of \$48,369 (2005 - \$0) 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, 2005, the Company owed \$346,199 (March 31, 2005 - \$466,267) 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.

DIAMCOR MINING INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited – See Notice to Reader)

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11. INCOME TAXES

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

	March 31 2005
Loss for the year	\$ (548,669)
Computed taxes recovered at statutory rates	\$ (233,733)
Difference in foreign tax rates	68,112
Non-taxable items	186,642
Deductible items	(852)
Unrecognized benefits of non-capital losses	<u>116,055</u>
Income tax recovery	\$ -

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

	March 31 2005
Property, plant and equipment	\$ 6,000
Mineral property expenditures	248,000
Share issuance costs	2,000
Rehabilitation costs	-
Non-capital losses carryforward	<u>1,161,000</u>
	1,417,000
Less: valuation allowance	<u>(1,417,000)</u>
	\$ -

The Company has available for deduction against future taxable income non-capital losses of approximately \$2,539,450 at March 31, 2005. These losses, if not utilized, will expire commencing 2006. The Company also incurred losses for South African income tax purposes of approximately R1,051,708 (approximately \$204,500) 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 ability to be realized.

In assessing the ability of future tax assets to be realized, 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.

DIAMCOR MINING INC.NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited – See Notice to Reader)
SEPTEMBER 30, 2005**12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

	September 30 2005	March 31, 2005
SUPPLEMENTAL CASH INFORMATION:		
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	-	-
	\$ -	\$ -
CASH & CASH EQUIVALENTS ARE COMPRISED OF:		
Net Bank Balance	\$ 304,786	\$ 120,286
Restricted cash – funds in trust	-	80,945
	\$ 304,786	\$ 201,231

There were no significant non-cash transactions for the period ended September 30, 2005.

13. CONTINGENCIES AND LEGAL MATTERS

On April 8, 2005 the Company reached a final settlement agreement with the minority shareholder. The claim stems from 2003, when the Company exercised its option to increase its percentage of ownership in So Ver Mine (Pty) Ltd. (“So Ver”) to 53.33%. Under this agreement, 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. The court ruled in favor of the Company and 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 further ordered that a board of directors chaired by an independent third party continue to operate the mine and that the minority shareholder not be permitted to enter the mine site or to deal with any of So Ver’s assets. In April 2005, the Company reached settlement with the minority shareholder over their legal dispute. Under the settlement, both parties agreed to resolve all claims among themselves in exchange for the Company paying \$150,000 to the minority shareholder for the remaining 46.67% interest in the So Ver Mine (Pty) Ltd., assignment of So Ver indebtedness to the minority shareholder and relinquishment of all other claims by the minority shareholder against Diamcor, So Ver and various other parties. As a result of this, the Company now holds 100% of So Ver and will continue to operate the mine and expand its mining activities to other mineral properties in South Africa. The minority shareholder released the Company from the shareholders loans and caused the remaining 46.67% share ownership to be transferred to the Company. As at April 30, 2005 the Company had paid the sum required into a trust account pending final release from the minority shareholder.

DIAMCOR MINING INC.

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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, 2005				
Canada	\$ 17,305	\$ 4,136	\$ -	\$ 13,169
South Africa	<u>1,154,361</u>	<u>263,622</u>	<u>230,331</u>	<u>660,408</u>
	\$ 1,171,666	\$ 267,758	\$ 230,331	\$ 673,577
September 30, 2004				
Canada	\$ 98,164	\$ 2,430	\$ -	\$ 95,735
South Africa	<u>1,197,802</u>	<u>313,607</u>	<u>460,662</u>	<u>423,532</u>
	\$ 1,295,966	\$ 316,037	\$ 460,662	\$ 519,267

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

	Canada	South Africa	Total
Sales	\$ -	\$ 1,254,262	\$ 1,254,262
Operating costs	-	(705,878)	(705,878)
Amortization	(739)	(150,221)	(150,960)
Other items	234,173	(92,137)	142,036
Provision for Income Tax	-	(42,806)	(42,806)
Earnings (Loss) for period ended September 30, 2005	\$ 233,434	\$ 263,220	\$ 496,654
Earnings (Loss) for period ended September 30, 2004	\$ (389,048)	\$ 224,528	\$ (164,520)

DIAMCOR MINING INC.

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15. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables, taxes receivable, accounts payable and accrued liabilities, and amounts due to related parties. 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 accounts 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.

16. SUBSEQUENT EVENTS

It is the opinion of management that no material events have occurred since September 30, 2005.