

**DIAMCOR MINING INC.**

**Form 51-102F1 – Management Discussion & Analysis** (For the period ending Sept 30, 2005  
Unaudited – Prepared by Management)

The following Management Discussion & Analysis is prepared as of November 28, 2005 (the "Report Date") and should be read in conjunction with the audited financial statements for the period ending September 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 Kimberly, South Africa. Prior to April 11, 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 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 ending September 30, 2005 the Company has continued work to access funds from the So Ver Mine operations that had previously been unavailable. Due to continued efforts to secure access to these resources, the Company continued to have a limited source of free cash flow on a corporate level during the reporting period. Arrangements and discussions continued during the quarter which should allow for the Company to access So Ver profits as a result of the settlement announced April 11, 2005, and the Company remains confident it will have access to So Ver profits in future quarters. Company plans remain the same as previously stated, and once secured it will use portions of those profits to fund future programs aimed at growth and an increase to shareholder value.

At September 30, 2005, Diamcor had increased its assets to \$1,171,666, which included cash of \$304,786 and mineral property assets of \$230,331. Liabilities totaled \$1,035,398 which included a decrease in accounts payable and accrued liabilities to \$646,393 (June 30, 2005 - \$739,088), a loans payable amount of \$0 which remained the same, and an increase in the due to related parties section to \$346,199 (\$302,826 - June 30, 2005).

**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.

Second Quarter	Sept 30/05	Sept 30/04	Sept 30/03
Total revenues	\$662,730	\$375,725	\$316,587
Net income (loss)	\$67,582	\$(188,525)	\$(282,376)
Basic and diluted Gain(Loss)share	\$0.002	\$(0.01)	\$(0.01)
Total assets	\$1,171,666	\$1,295,966	\$1,285,689
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.

## RESULTS OF OPERATIONS

Diamcor incurred a net gain before income tax of \$110,388 for the second quarter ended September 30, 2005 as compared to a loss of (\$186,428) for the second quarter ended Sept 30, 2004

During the second quarter sales revenues of \$662,730 were recorded (2004 - \$375,725) through the sale of diamonds from the So Ver mine. The cost of sales was recorded at \$335,709 resulting in the Company realizing gross profits of \$327,021.

The results for the last 10 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
30-Sep-05	662.7	327.0	0.011	0.011	67.5	0.002	0.002

## 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 after that time had 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 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. 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 second quarter ending September 30, 2005 remained strong, and as reported continued to meet management expectations for the period. The continued strength for the period was associated with the same stronger recovery percentages from certain tailings piles as last quarter, as well as continued excellent reliability and plant running time for the period. Since Diamcor personal was first placed in operational control of the facility in 2001, increases in both diamond recovery and reliability continue to be recorded, and these efficiencies are expected to remain consistent given Diamcor's ownership increase to 100%. The facility recovered 4,558.63 carats of diamonds during the second quarter ended September 30, 2005 (September 30, 2004 – 5,794.93 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 that 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 September 30, 2005 consisted of Mr. Wayne Wolf, Mr. Barry Conduit and Mr. Darren Vucurevich. 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 Mr. Darren Vucurevich (CMA) would replace her.

During the six month period management fees (CDN office) of \$37,500 were paid to a company owned by Mr. Wolf, and wages of \$14,885 to Ms. Maddaford, the Company's Corporate Secretary. No fees have yet been paid to Mr. Vucurevich, however the acceptance of his appointment by regulatory parties has been granted, and the Company will incur an appropriate

expense and director's package similar in scope to any other Company of Diamcor's size within its sector in the next quarter.

## **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 11, 2005 legal settlement. There were no investor relations agreements put into place with any parties during past quarters due to continuing efforts to conserve cash until profits from So Ver can be fully accessed. During the first quarter ending 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 Company branding. These programs have been launched throughout the second quarter, and will continue to be used throughout the year. The Company had also announced it would launch a new Company website in August of 2005, with increased functionality and access to information. This website has in fact been launched and can be seen at [www.diamcormining.com](http://www.diamcormining.com). While no formal commitment to trade shows, or presentations have been finalized, the Company still expects to participate in upcoming events within the sector as funds become available going forward.

## **SECURITY ISSUANCES**

During the Second quarter ending September 30, 2005 the Company announced a share for debt arrangement had been reached with various parties during the quarter, for the conversion of consulting fees and corporate development work related to both the settlement of the Companies 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 were 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 were issued with a value of \$0.13 each with a two year expiry term. 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**

### **CORPORATE STRATEGY**

Diamcor's corporate strategy remains focused on using existing facilities at So Ver to generate positive cash flow and profits, while working with its established Black Economic Empowerment partner to acquire and develop additional properties within its current operational region of South Africa. Previous litigation involving the minority shareholder in So Ver has been settled as announced, and the Company is currently working to begin its recently announced Doornkloof exploration project. Diamcor continuously evaluates and discusses other potential opportunities which could improve the Company's corporate position, and if successful may lead to added exposure to new opportunities, acquisitions, mergers or joint ventures.

## **SO VER TAILINGS RE-TREATMENT FACILITY**

Diamcor's focus for the second quarter remained on ensuring consistent results were attained at its profitable So Ver facilities in South Africa. Production levels as reported remained in-line with Management expectations with monthly recoveries now near the maximum possible level using current plant and processing facilities. The number of carats of Diamonds recovered, as well as, individual size of stones and their quality are not predictable, but have also remained in line with previous months operations. Tonnage of raw tailings material processed each month has also remained level as has been shown in the production update releases put out by the Company. The Company continues to broker all diamonds recovered through establish connections and respected diamond brokers who hold monthly closed bidding tenders that are well attended by various diamond brokers from around the world. All diamonds are sorted into standard lots and groupings before going to tender, and achieve various different levels of value based on the size, quality and quantity of the offering. Average overall pricing achieved throughout the quarter has also remained consistent. There are no significant changes in the operational plan, or costs associated with So Ver in the near future. A normal yearly plant shutdown of approximately two to three weeks will occur as always around the end of December at which time various scheduled maintenance duties are performed. With the announcement of the initial phases of the Doornkloof exploration project about to begin, and the significant economies of scale that can be achieved by using the So Ver facility to process materials, attempts are being made to allow for this phase to be performed at the time of normal tailings production shutdown if possible.

## **DOORNKLOOF EXPLORATION**

The previously announced Doornkloof exploration project remains a key Management focus, and will remain to be a high priority with all efforts aimed at beginning initial work before the end of 2005. Management has stated that its desire is to invest funds from its profitable So Ver operation to at least fund the initial surface preparation and bulk sampling programs for which it has received competing bids to perform. The Company's efforts in this regard continue with the main obstacle still being the delays in paperwork and document processing that is required to perform the successful transfer of funds currently held in So Ver.

## **GENERAL & ADMINISTRATIVE EXPENSES**

The settlement and finalization of previous legal proceedings on April 11, 2005 has resulted in a significant savings, and re-allocation of past funds spent in that area. These funds will eventually be allocated into various G&A expenses associated and aimed at growth. During the most recent quarter ending September 30, 2005, Management was focused on maximizing revenues at So Ver while maintaining or lowering corporate overhead in an effort to generate sufficient cash to support its initial Doornkloof effort. Management feels it has been effective in its efforts to achieve this goal, and now expects corporate expenses to be marginally higher due to the pending addition of the services provided by third parties, and perhaps additional staff with plans calling for technical and corporate staff needed to support the upcoming project.

## **FINANCIAL CONDITION**

A majority of the cash on hand and available for use by the Company at September 30, 2005 is held in it's foreign bank accounts in South Africa and used for ongoing operations at it's So Ver facilities. Recent operational results at the facility have in fact provided for a surplus to be accumulated above what is expected to be required for the ongoing operational expenses at the facility, and the company has announced it is now following required procedures to recover and re-invest a suitable portion of those funds into its pending initial exploration program recently announced at Doornkloof. Amounts currently available are expected to be adequate to sustain

current operations, fund the proposed initial exploration work project at Doornkloof, and cover corporate expenditures for the balance of 2005. Nevertheless, management will be prepared to accept suitable offers of finance if the terms of such offers would prove to be attractive and aid in the growth of the Company.

## **PHOLO – DIAMCOR’S BLACK ECONOMIC EMPOWERMENT PARTNER**

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 continue to support Diamcor and 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. Ongoza’s most promising and exciting project is under way, and the required 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) has been completed and approved. These properties are part of the 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 are located near various other successful and operational mines in the area, 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 announced it has now secured all required prospecting and exploration permitting needed during the second quarter of 2005, and will now proceed with an already established initial exploration program to be funded by Diamcor through the allocations of funds from its profitable So Ver operations. Diamcor will manage the project, and is currently focused on the transfer of funds from its South African subsidiary So Ver, which once released by the South African Reserve Bank, will allow for suitable funds to be allocated and invested into initial exploration programs already identified.

## **GENERAL CONTRACTORS and CONSULTANTS**

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 development of corporate structure and operations process that will be needed as the Company moves into a more active growth phase. Management of both Companies still believe the finalization of previous legal issues has provided 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 will continue on various administrative projects and plans with regards to the implementation of programs aimed at greatly improving Company awareness and general access to enhanced information. The Company has also budgeted to add suitable staff and consulting assistance for both the overall management and completion of the exploration at Doornkloof, as well as an internal technical support manager which will report directly to Diamcor management as the project becomes active. Management will release full details of these arrangements once the official start of the exploration project can be confirmed.

## **RISK FACTORS RELATING TO THE COMPANY’S BUSINESS**

As a Company active in the operation of foreign tailings re-treatment facilities, and now diamond exploration and development, Diamcor is exposed to a number of risks.

There is no assurance that the Company will continue to be able to access the capital markets for the required funding necessary to maintain exploration properties, and to complete its desired exploration programs as desired. While its current tailings re-treatment facility is presently profitable, there are also no assurances that suitable recoveries and amounts of diamonds will continue to be recovered at the levels previously experienced. Revenues and production in general are reliant on both the quality and amount of tailings being processed, and the Company cannot predict with any certainty the recovery levels from a given area being worked.

Within the minerals industry sector, and both the diamond tailings re-treatment sector and diamond exploration sector, Diamcor competes with other companies possessing greater financial and technical resources than itself. Even with its current desirable So Ver facility, and the promise of any other exploration property, there can be no assurances that the Company will be able to complete or execute its desired programs on its proposed schedules, nor within the cost estimates it has assumed. Inherent risks are always present due to weather, stringent environmental and permitting issues, along with other risks involved in operating in foreign countries. Ultimately, reserves and the availability of the Company to secure suitable additional reserves of tailings materials to process, along with the cost effectiveness of doing so with the current location of facilities will expire. As well, should the Company ultimately discover diamond deposits through its exploration efforts, the economics and feasibility of any potential project can be affected by many factors which may be beyond the capacity of the Company to anticipate or control. Items such as the ability to effectively market the diamonds, foreign government regulations and requirements, environmental issues, cost of recovery, taxation, and various other issues which may yet be unknown to the Company could provide risk.

#### **SUBSEQUENT EVENTS FROM SEPTEMBER 30, 2005**

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