

DIAMOND FIELDS
INTERNATIONAL LTD.

ANNUAL REPORT 2004

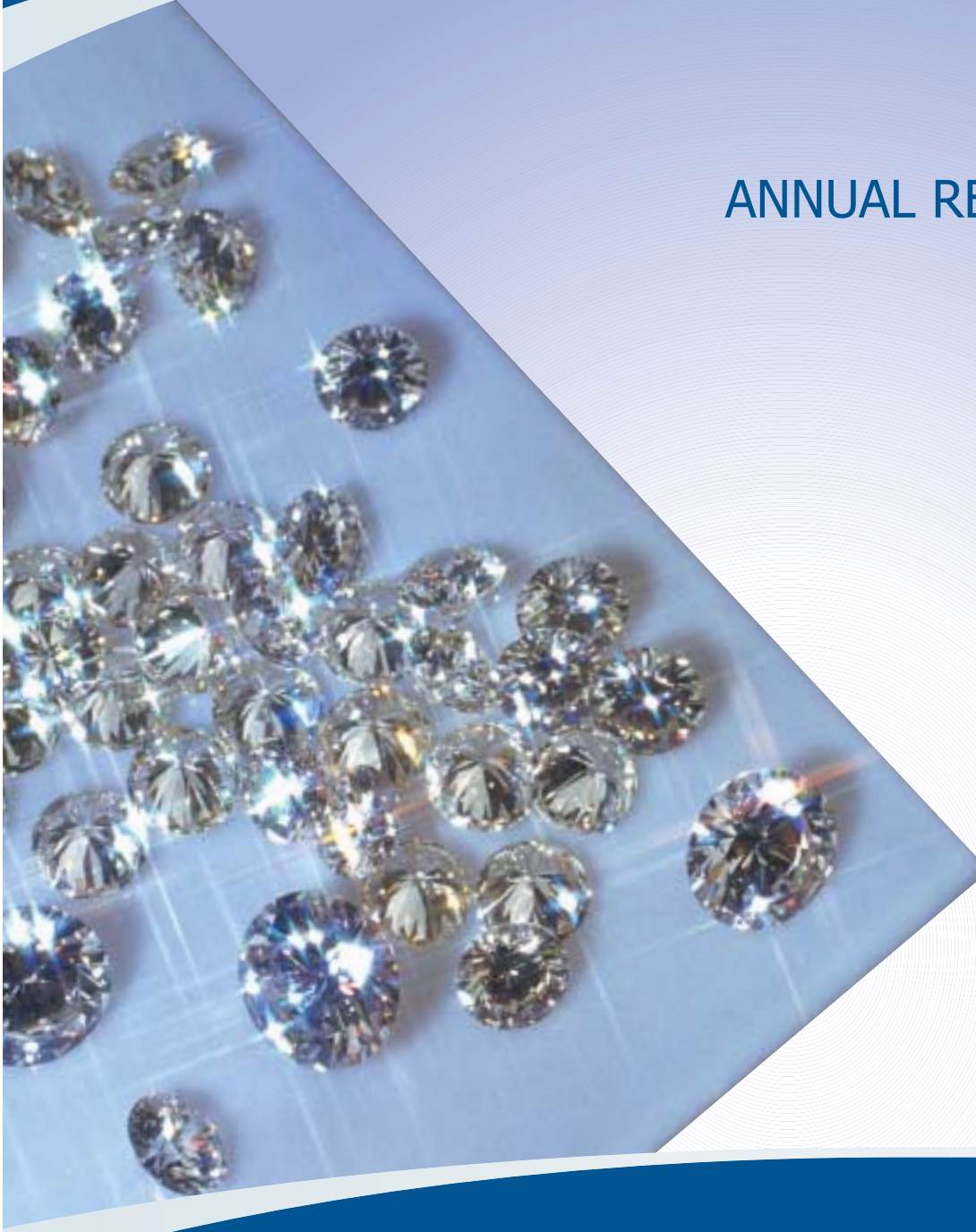
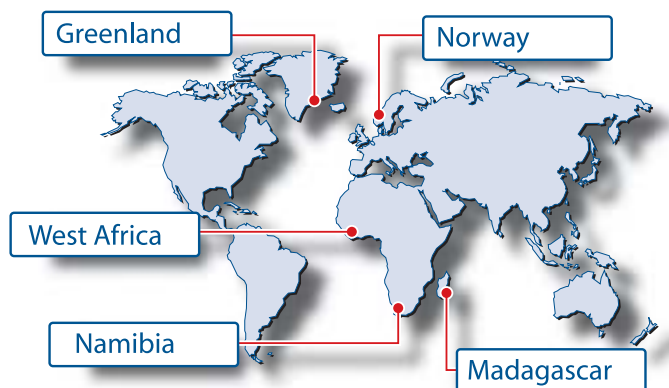


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Report to Shareholders

In 2004, Diamond Fields International Ltd. (Diamond Fields or the Company) implemented an aggressive corporate expansion and development strategy aimed at ensuring shareholder value through profitable and sustained growth. Over the past year we have focused our management plan on building a technical and administrative team proficient in advancing our marine mining operations, identifying and acquiring prospective assets, and managing the exploration efforts on our diamonds, gold and base metal projects. Implementing this corporate strategy resulted in some outstanding achievements. In 2004, diamond sales from our Namibia marine diamond operation reached record levels, and we added several exciting projects to our property portfolio. It pleases me to report that our successes in 2004 continue to provide the foundation necessary for our shareholders to benefit from the positive diamond and minerals markets.

Our achievements included signing a strategic joint venture agreement with Samicor Mining Services Pty, owned by LL Mining Corporation, the mining arm of the Leviev Group of Companies. Under this agreement, Samicor Mining Services (Pty) Ltd. carried out diamond mining operations on our Marshall Forks marine diamond deposit near Luderitz, Namibia. The diamond mining operations utilized Samicor's charter vessel mv Kovambo, equipped with the Seabed crawler mining system and a diamond processing plant. Diamond Fields and Samicor shared the 52,826 carats of recovered diamonds on a 50-50 basis.



The Kovambo began mining in the Marshall Fork's Concession on June 9, 2004, and continued until October 7, 2004. During this period a record 52,826 carats of diamonds were collected. Diamond Field's 50% share sold for approximately US \$5.5 million including the sale of a unique 5.26-carat light-blue diamond that sold for a record of US \$10,457 per carat for a total of US \$55,009.

Notwithstanding our success with Samicor as a partner, reliance on third parties has for some time left us strategically exposed and vulnerable to inconsistent production. We addressed this issue in October 2004, by purchasing our own marine diamond-mining vessel, the mv DF Discoverer. This new vessel is a proven miner and the purchase is intended to ensure well managed, consistent production, and to maximize the return to Diamond Fields' from its Luderitz resource. Upgrades currently in progress on the DF Discoverer will improve its efficiency, and we anticipate it to commence production during the spring of 2005.

Recently we acquired the right to the Sea Diamond Miner, a mining tool we expect to provide added efficiencies to diamond sampling and recovery from our marine concessions. We plan to test and refine this new cost-effective technology. It is scalable, versatile, simple to operate, adaptable to different types of vessels, and deployable in a range of depths. We are confident that our investment in this new technology will be a key component in maximizing diamond recovery for the Company.

Report to Shareholders

In the interim, we will be focusing our efforts on expanding our current diamond resources. Our marine mining concessions remain under-explored, and we believe there is a good opportunity to expand and upgrade our resource. We are currently weighing alternatives for additional sampling, and hope to conduct additional exploration during 2005.

Although production from our Namibian marine diamond concessions is a priority for us, Diamond Fields is more than a sea diamond miner. The cash flow we receive from this project is what distinguishes us in the competitive junior exploration business, but we also envision a future for the Company which includes a diversified portfolio of diamond and mineral projects. During 2004, while expanding our Namibian marine diamond production, we also acquired several promising exploration projects which could, if successful, add significant value to the Company. Property interests were acquired in Norway, Liberia and West Greenland during the year. In Norway, we acquired the Oгна Nickel-Copper property. In Liberia, we acquired the Nimba and Cestos Belt exploration licenses and later optioned the Gbapolu and Grand Gedeh Properties, which cover a total area of 5,113 square-kilometers and are prospective for diamonds and gold, respectively. In West Greenland we acquired a new licensed area at Nassuttooq that covers 84,600 hectares and is prospective for nickel. In addition, we expanded our Ammassalik project in East Greenland, which now encompasses approximately 63,737 hectares prospective for nickel mineralization. Exploration activities have now entered the second year in East Greenland (Ammasalik Island), Madagascar, and Sierra Leone projects. An announcement as to the results of these activities is pending.

Over the past year we have experienced expansion and growth throughout the Company and the challenge that we face as we move forward to prioritize our exploration projects and seek new partners to aid us in our exploration and acquisition efforts. Diamond Fields' Senior Management and Board of Directors have a vast network to rely on for generating and assessing new projects and we are in an enviable position to take advantage of these skills and make Diamond Fields the best company it can be.



Shareholders recognize we cannot carry out our level of activity and comply with the regulations of running a public company without the support and commitment of the dedicated and professional staff and contractors who work with Diamond Fields. I express my appreciation to them on your behalf, and finally to you our shareholders: your support and trust in us and in our objectives is a key to our success. We, as managers and stewards of your assets, are like-minded, in that we believe that commodity prices will continue to improve, and we are well positioned to capitalize on any price increases for the financial reward of our shareholders.

On behalf of the Board,

A handwritten signature in black ink, appearing to read "G. Sedun".

Gregg J. Sedun
President, Chief Executive Officer and Director

Company Overview

An Exploration Company with Cash Flow

Diamond Fields International Ltd (TSX:DFI) is an internationally active exploration and mining company pursuing diamond and nickel opportunities worldwide.

Diamond Fields was originally founded as Diamond Fields Resources Inc. (TSE:DFR) by Mr. Jean Raymond Boule and Mr. Robert Friedland in 1993. Diamond Fields Resources discovered the massive Voisey's Bay nickel deposit, and in 1996 DFR was sold to Inco Limited for Cdn\$4.3 billion. The diamond assets of DFR were spun off into Diamond Fields International Ltd. which like DFR, is focussed on exploration opportunities worldwide.

The Company's Corporate Strategy is:

- Maximize cash flow from its Namibian marine diamond concessions
- Systematic exploration and development of its international exploration properties
- Acquisition of economic mineral projects worldwide with promising rates of return



Marine Diamond Recovery Operations

Results to date:

- Over 111,000 carats of diamonds, 95% gem quality, recovered
- Over US\$13,500,000 in proceeds from diamond sales received
- DFI has recovered numerous high value diamonds including a 5.26 carat light blue stone in June 2004 that was sold for US\$10,457 per carat for a total of US\$55,009
- The average per carat sale price since July 2004 is US\$205

Namibia Marine Diamond Production



The Company, through its subsidiary Diamond Fields Namibia, owns a 100% interest in its 71,600 hectare (176,900 acre) Namibian marine diamond project, subject to a 10% royalty to the Government of Namibia. The project area is located in coastal waters near Luderitz, Namibia and includes the seabed from the shore line to the 100 meter isobath, at a distance of about 15 km from shore and extending along more than 70 km of shoreline from Diaz Point in the south to Hottentott's Point in the north.

Geologists have concluded that diamond deposits on the beaches and under the sea along the southwest coast of Africa originate from erosion of the diamondiferous kimberlites of the southern Africa craton. The source kimberlite pipes occur within the 665,000 km² Orange River basin, where at least a 1.5 km thickness of surficial rock and sediment has been removed by erosion since the pipes were emplaced over 80 million years ago. This mass wasting of the land surface released hundreds of millions (or by some estimate billions) of carats of diamonds into the streams and rivers of the catchment area which then transported some of them to the sea.

Wave action has concentrated the furthest travelled and highest quality diamonds on storm beaches along the coast from the Oliphants River mouth in the south to beyond Hottentot's Point in the north. Sea level changes over millions of years from 200 meters above to 500 meters below current sea level during the deposition of diamonds into the sea have either drowned or exposed these storm beach deposits. Where storm beaches have been abandoned by falling sea level, coarse particles and diamonds have been remobilized by runoff water into localized stream and river bed deposits, tide water channels and marine deposits where these streams and rivers fall into the sea. The extreme wind regime along the Namibian coast has also played a role, blowing storm beach sand and diamonds northward, creating deflation deposits of diamonds on the surface of wind eroded channels in the Namib Sand sea in Namibia. When storm beaches have been drowned by rising sea level, wave action has moved diamonds into natural, low energy areas behind reefs, into gullies and potholes in the rough footwall and into new storm beach strands. On the coast of southern Africa, diamonds are currently being mined from 100 meters above current sea level to 140 meters below it.

Namibia Marine Diamond Production



Marine diamonds are comprised mainly of the highest quality stones due to the culling of flawed and inclusion-rich diamonds which break down during the 1500 km trip from the center of southern Africa to the Atlantic Ocean. Namibian diamonds are among the most sought after stones in the world due to the 'upgrading' that takes place during transport. The Company's experience has been similar to that of other operators on the Namibian coast in that approximately 95% of production to date has been gem quality material. A feasibility study by MRDI in 2001 estimated the diamond resource to be 1.1 million carats on Diamond Fields' concessions, of which approximately 111,000 carats have been recovered to date.

From late September into January 2004, Diamond Fields mined the Marshall Fork deposit of its ML111 marine diamond concession by contract with Gemfarm Investments (Pty) Ltd. of South Africa. Operations were carried out by the mv Anya, utilizing a twin airlift recovery system. In early January 2004, the contract was terminated by mutual consent when an appreciating Rand rendered the contractor's situation uneconomic.

In February 2004, Diamond Fields signed a joint venture agreement with Samicor Mining Service (Pty) Ltd to carry out diamond recovery in the ML 111 marine concession utilizing the mv Kovambo. The Kovambo, which commenced mining in June 2004, is a 104 meter, 3,300 ton vessel equipped with an integrated mining system based on the Seabed Crawler, a tracked unmanned sea floor vehicle. The Seabed Crawler features a large dredge pump attached to an articulated arm, and is capable of pumping 50 tonnes of sediment per hour to the processing plant on deck. From June 9 until October 7, 2004 the Kovambo recovered 52,826 carats of 95% gem quality diamonds from the Company's Marshall Fork deposit. The Company is currently in discussion with Samicor as to the potential for future operations.



In October 2004, the Company announced its winning bid for the mv Anya (see above), to be renamed the "mv DF Discoverer" in a sealed tender process ordered by the High Court of Namibia. The sale subsequently closed, with the vessel acquired free of all liens and encumbrances. The Company plans an extensive refit to improve its mining efficiency from that of previous owners, with the intention to place the vessel in service by spring 2005.

Diamond Fields recently acquired rights to the Sea Diamond Miner, a self contained suction dredge based on new technology that the Company anticipates may improve production and sampling efficiency in the marine environment. The Miner is a scaleable tool with an anticipated effective range of between 10 meters and 150 meters of water depth. It has been shown in full scale sea trials to be an effective and cost efficient method for lifting diamondiferous seabed gravels. Modeled excavation rates rival the production of larger and more expensive drilling and crawler based excavation methods.

It is a priority for Diamond Fields to increase its remaining 1 million carat marine diamond resource through exploration. Marine diamond deposits have been identified and partially sampled in the Diaz Reef area in the south and inshore of Marshall Reef in the Staple Basin and Conical Beach areas in north west Luderitz Bay. Phase 3 exploration identified an extensive deposit inshore at Boat Bay where diamondiferous samples have been recovered over 1.5 km of strike from a submerged storm beach. Other prospective areas have been identified within ML111, ML32 and EPL1607A and B based on their orientation and geophysical response. Exploration of these 'blue sky' areas by reconnaissance level sampling should identify new resources for addition to the development plan.

Greenland

Diamond Fields currently has two projects in Greenland: the East Greenland Ammassalik Island property, which the Company has been exploring since the 2003 field season, and a West Greenland project staked in early 2004 and explored for the first time this year.



East Greenland

The Company's Ammassalik Island concession is located in geological terrane interpreted to be similar to Canada's Thompson Nickel Belt within the Trans Hudson Orogen. The property is comprised of the Ammassalik claim block owned by the Company* and an adjacent parcel to the north and east acquired through an option agreement with Nun-aMinerals A/S which allows Diamond Fields to gain an initial 65% interest. The combined Ammassalik Island property has an area of 63,737 hectares and covers thrust stacked supracrustal rocks of the Nagssugtoqidian Orogen.

The supracrustal package of sedimentary and volcanic rocks is repeated four times across strike by folding and faulting (thrusting) creating a combined strike length of 40 km of prospective geology. Within mafic volcanic horizons, serpentinized ultramafic pods interpreted to be komatiites have associated nickel, copper, cobalt and PGE mineralization including the discovery outcrop, a 90 meters long by 8 meters wide lens of serpentinized and mineralized komatiite where an average grade of 1% Nickel was obtained by systematic chip sampling, Diamond Fields' geologists have found evidence of nickel copper and PGE mineralization over 25 km of strike length to date. Diamond Fields is hopeful that the past field season's airborne magnetic and electromagnetic survey combined with results of mapping and sampling programs of the previous two seasons will define extensive mineralization and prompt a drill program during the 2005 field season. Results of the past season's program are pending.

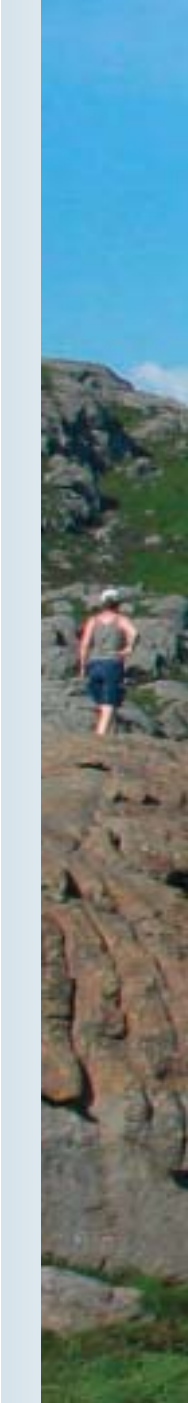
**This interest is subject to a gross overriding royalty of 5% of proceeds received by DFI in the event a property in the Greenland property interests, or within 100 miles of the perimeter thereof, goes into production.*

West Greenland

In West Greenland, the Company staked the Nassuttooq Property in the spring of 2004. The property covers 84,600 hectares of terrain interpreted to be the western continuation of the Nagssugtoqidian Orogen. Within the property, prospective horizons including clusters of ultramafic pods interpreted as komatiites and layered amphibolites with co-incident nickel anomalies were identified by regional stream sediment sampling and mapping programs by government geologists.

The Company's exploration teams, working from a base at Kangerlussuak at the head of Sondre Strom Fjord and supported by helicopter, explored the property at a reconnaissance level. An announcement on the results of this work is pending.





Diamond Fields acquired its Bjorndalsnipa and Gulldragsvatn properties in southwestern Norway during the spring of 2004. Both properties were considered prospective for polymetallic deposits including Nickel and Copper.

Bjorndalsnipa produced showings of nickel and copper when first drilled in the early 1970's. A subsequent HEM magnetic and electromagnetic geophysical survey suggested the dip direction of the mineralized body had been misinterpreted but this interpretation was not drill tested prior to the Company's investigations. Diamond Fields undertook an 896 meters diamond drill program in June of 2004 which intersected nickel and copper stringers with grades as high as 1.31% and 0.85%, respectively. The stringer mineralization has been interpreted to emanate from a massive body at depth by consulting geologists on the drill program. A Sling Ram ground geophysical program (electromagnetics) to test this idea was completed in late October 2004 by the Finnish Geological Survey. The interpretation of this new information will form the basis for a decision on further drilling of this property.

Two diamond drill holes totaling 384.5 meters were drilled into a geophysical anomaly that corresponded with a 1200 meters goethite alteration zone in anorthosite at Gulldragsvatn. Up to 90 meters of ilmenite mineralization varying in concentration from disseminated to massive was intersected. Drilling terminated within mineralization in both holes, leaving the deposit open along and across strike. A metallurgical study is being pursued to determine the recovery parameters for titanium from the deposit and whether further work is warranted.



West Africa

In 2004, the Company expanded its exploration of the prospective Guinea Craton area (Liberia, Sierra Leone and Guinea) of West Africa through licensing and joint venture acquisition of properties in Liberia. These newly acquired properties are prospective for either diamonds or gold based on the production of both commodities by local diggers. The Guinea Craton is known for its extensive alluvial diamond and gold resources. Production of large diamonds including the 968 carat Star of Sierra Leone (the third largest diamond ever found) and a 182 carat diamond recently discovered by diggers near the Liberian border in Guinea, along with decades of artisanal mining of the host alluvial deposits suggests that source kimberlite bodies for these stones may be very rich and mineable. The Company is exploring for gold in prospective terrane adjacent to the 750 km long Cestos Shear structure. The Cestos shear trend in Liberia is the southernmost extension of a major regional structure extending from the Atlantic coast to the north-northeast through central Liberia, Ivory Coast and Mali. The zone is host to the Syama and Morila gold mines in Mali. The Company is exploring on two large land holdings along this trend for primary gold deposits.

LIBERIA

In April 2004 Diamond Fields obtained 100% interest in the Nimba and Cestos Belt exploration licenses in Liberia. In August, 2004 the Company further expanded its exploration presence in the country when it entered into an option agreement with Liberian based exploration company Ductor Minerals Inc. to earn up to 70% interest in the Gbapolu and Grand Gedeh properties. Total exploration area in the country now exceeds 5,000 km².



The Nimba County and Gbapolu Properties are prospective for primary kimberlite dikes or pipes. In both areas artisanal mining, indicates the presence of source kimberlite rocks within the license area. Initial reconnaissance sampling in Nimba County was undertaken in June and July. Potential kimberlite indicator minerals separated from these samples at our Freetown, Sierra Leone lab have been submitted to Nexus in Johannesburg for micro probe analysis with results expected during the month of November.

The River Cess and Grand Gedeh properties are located on or adjacent to the Cestos shear zone where it cuts through central Liberia. Artisanal alluvial gold workings are present in watersheds of the Cestos and Sehnkwehn Rivers adjacent to the licenses around the shear zone. Initial reconnaissance sampling has been underway since July with crews currently in the field collecting stream sediment samples on major drainages in the area.

SIERRA LEONE *

Diamond Fields is evaluating its Sierra Leone land holding following extensive stream sediment sampling programs for kimberlite indicator minerals. The kimberlite source rocks for Sierra Leone alluvial diamonds appear to be mainly narrow dykes which may represent only marginal mining targets. The Company is studying the alluvial diamond potential of its Rainbow License on the Mano River, where the recovery of high quality and high value colored diamonds has been reported. This property may host a dredge and diver mineable resource which the Company plans to investigate on a priority basis. The Company is maintaining a fully equipped diamond and heavy mineral separation laboratory in Freetown, Sierra Leone in order to process all samples collected on West African projects.

**This interest is subject to a gross overriding royalty of 5% of proceeds received by DFI in the event a property in Sierra Leone goes into production*

Madagascar



Madagascar has recently emerged from decades of Marxist rule, and now welcomes foreign exploration and mining companies. The island is host to a variety of highly prospective geological terranes and has not been the subject of modern exploration since the departure of the French BRGM in the mid 1950's. Diamond Fields has been actively exploring for diamonds and nickel in Madagascar since October, 2003. The Company acquired 100% interest in the Horombe plateau claim block in southern Madagascar, Africa* in August 2003. Subsequently additional ground was taken in the north, central and south central parts of the country to cover anomalous nickel mineralization found during regional soil and stream sampling programs by the BRGM in the 1950's. In 2004 additional claims were and will be taken out to cover prospective nickel, PGE and gold terranes in the country.

Exploration has focussed on the Horombe plateau where stream sediment sampling for kimberlite indicator minerals has been ongoing since May 2003. A first pass and local follow up sampling of anomalies has been completed as of the end of August. Samples were processed in Diamond Fields' fully equipped heavy mineral lab in the Ranohira area and shipped to Nexus Laboratories in Johannesburg for micro probe analysis.

Exploration mapping and sampling is currently taking place on the more recently acquired properties on the island. Target elements include nickel, PGE and gold. The new property package was suggested by work by Dr. Tony Gallon, a geological consultant specializing in mineral inventory and development who spent 3 months in Madagascar compiling a resource inventory and exploration plan for the Company.

**This interest is subject to a gross overriding royalty of 5% of proceeds received by DFI in the event a property in Madagascar goes into production.*



Management's Discussion and Analysis of Financial Condition and Results of Operations

Years ended June 30, 2004 and 2003

(All amounts are expressed in U.S. dollars except where otherwise indicated)

OVERVIEW

Diamond Fields International Ltd. (the "Company", "Diamond Fields" or "DFI") is a Canadian public company listed on the Toronto Stock Exchange and active in diamond mining and mineral exploration.

During the year ended June 30, 2004, the Company expanded diamond exploration activities, broadened the Company's scope to include additional mineral exploration and completed non-brokered private placements totaling Cdn\$8,100,000. Diamond mining with the mv Anya and the mv Kovambo on the Luderitz, Namibia sea diamond concession (ML111) produced 18,766 carats during the year. Sales from both production of the mv Anya and existing inventory totaling 8,872 carats amounted to \$1,294,182. Diamond inventory produced from the mv Kovambo was carried over to fiscal 2005.

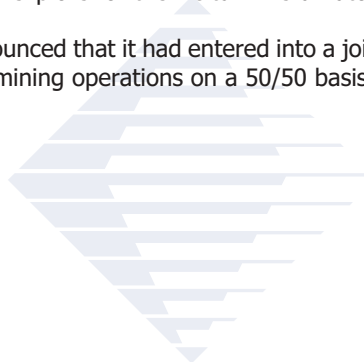
On July 31, 2003, the Company acquired exploration properties in Madagascar (nickel and diamonds), Greenland (nickel) and Sierra Leone (diamonds). Acquisition of these properties provides Diamond Fields with the opportunity to take a leadership role in under-explored areas with significant geological potential.

In November 2003, Diamond Fields negotiated the exclusive right to acquire a 100% interest in the Valozoro lateritic nickel deposit located in Madagascar.

On November 28, 2003, the Company closed non-brokered private placements totalling \$6,156,810 (Cdn\$8,100,000) with the issuance of 6,600,000 units at a price of Cdn\$0.60 per unit for aggregate proceeds of \$3,009,996 (Cdn\$3,960,000) and the issuance of 6,900,000 subscription receipts convertible into units on a one for one basis at a price of Cdn\$0.60 per subscription receipt for aggregate proceeds of a further \$3,146,814 (Cdn\$4,140,000). Each Unit consists of one common share of Diamond Fields and one non-transferable share purchase warrant ("Warrant"), each Warrant entitling the holder to purchase one additional common share until November 28, 2006 at a price of Cdn\$1.00 per share. However, the Warrants must be exercised after notice by Diamond Fields, should the weighted average closing price of Diamond Fields' common shares equal or exceed Cdn\$1.30 per share for a period of 20 consecutive days at any time between six months and thirty-five months after closing of the Unit Private Placement. Otherwise, the Warrants will expire.

In January 2004, Diamond Fields announced the results of the 2003 fieldwork conducted on its nickel project located on Ammassalik Island off the southeast coast of Greenland. Mapping and sampling extended the strike length of the most prospective horizon to over 40 kilometers in four structurally repeated zones. Fieldwork has recovered locally derived boulders with anomalous (0.2%-1%) nickel emanating from three of the four horizons. An airborne Mag/EM geophysical survey was conducted in June 2004 to explore for the insitu mineralization producing these boulders.

On February 19, 2004, the Company announced that it had entered into a joint venture agreement with Samcor Mining Services (Pty) Ltd. to carry out diamond mining operations on a 50/50 basis on Diamond Fields' marine mining license ML111 located near Luderitz, Namibia.



Management's Discussion and Analysis of Financial Condition and Results of Operations

Years ended June 30, 2004 and 2003

(All amounts are expressed in U.S. dollars except where otherwise indicated)

Diamond production will be split equally between the parties, but operational costs to be paid by the Company are capped to a fixed US dollar amount.

On February 24, 2004, Diamond Fields appointed Mr. Kenneth E. Hecker to the positions of Chief Operating Officer (COO) and Chief Financial Officer (CFO). Mr. Hecker joined Diamond Fields to guide the process of exploring and developing the Company's international diamond and nickel projects, while seeking opportunities to acquire new economic mineral projects worldwide.

On March 23, 2004 the Company acquired the Oгна Nickel-Copper project in southwestern Norway consisting of the Bjordalsnipa (Ni, Cu) and Gulldragsvatn (Ni, Cu, Ti) properties. The properties are subject to a 1% net smelter royalty.

On April 28, 2004, the Company announced that it has obtained two mineral reconnaissance licenses in Liberia, one of which is a diamond prospect, the other a gold prospect. Located in Nimba County in northeastern Liberia, the 2,000 km² (approximately) Nimba diamond concession is in an area of Archean craton. The Cestos gold concession covers approximately 1,300 km² in River Cess and Sinoe Counties, and is located near the Cestos shear zone.

On May 28, 2004, the Company announced the appointment of Jack F. McOuat, P.Eng. to its Board of Directors. Mr. McOuat has had a very distinguished career in mining over the past 50 years. He is a founding partner of the world renown mining consulting firm of Watts, Griffis and McOuat Limited and has been involved in the discovery and development of many major mineral deposits around the world. In addition, he has a history with Diamond Fields having served as a director of DFI's predecessor company Diamond Fields Resources Inc.

On June 9, 2004, the Company announced that the mv Kovambo commenced diamond mining on Diamond Fields' marine mining license ML111 located near Luderitz, Namibia under the terms of the joint venture agreement with Samicor Mining Services (Pty) Ltd. ("Samicor"). Samicor is owned by LL Mining Corporation, the mining arm of the Leviev Group of Companies.

FORWARD-LOOKING STATEMENTS

Certain statements contained herein are forward-looking, and are based on the opinions and estimates of management, or on opinions and estimates provided and accepted by management. These opinions and estimates include those that relate to geological, mining and commodity prices and marketing parameters used by management.

Forward-looking statements are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ, possibly significantly. Readers are therefore cautioned not to place undue reliance on any forward-looking statements.



Management's Discussion and Analysis of Financial Condition and Results of Operations

Years ended June 30, 2004 and 2003

(All amounts are expressed in U.S. dollars except where otherwise indicated)

RESULTS OF OPERATIONS

All revenue for the year ended June 30, 2004 resulted from the sale of diamonds held in inventory or recovered during operations. A total of 8,872 carats were sold at an average price of approximately \$145.87 per carat generating revenue of \$1,294,182. Comparatively, the Company sold 14,727 carats in 2003 at an average price of \$142.65 per carat generating revenue of \$1,892,802. Production, royalty and selling expenses associated with the sale of inventory totaled \$1,033,082; whereas, these operating costs for fiscal 2003 were \$1,411,918. The Company generated an operating margin of \$261,101 for the year ended June 30, 2004 compared with \$480,884 in fiscal 2003.

During the year ended June 30, 2004 the Company entered into an agreement, for an initial six month period, with Samicor Mining Services (Pty) Ltd. ("Samicor") to mine diamonds from the Company's marine concessions.

2004 FINANCIAL OVERVIEW

Net loss for the year ended June 30, 2004 was \$3,618,601 or \$0.06 per share, compared with a net loss of \$2,288,753 or \$0.04 per share in 2003. The loss increased primarily due to increases in investor relations, salaries and benefits, consulting, maintenance, the recognition of stock-based compensation expenses, travel and accommodation, financing cancellation fees, and foreign exchange losses. These were offset by a decrease in interest on long term debt and lower legal expenses and severance costs.

General and administrative expenses

The Company incurred general and administrative expenses of \$3,761,605 during the year ended June 30, 2004 compared to \$2,755,308 in 2003, including the following;

Interest on Loan & Note Payable

Interest expense decreased from \$413,468 to \$283,617 as the Company paid off its short term financing agreement and renegotiated its long term debt which matured on December 31, 2003.

Investor Relations

Investor relations expense increased as the Company participated in a number of industry trade shows, designed a new website and marketing materials, and undertook other promotional activities.



Management's Discussion and Analysis of Financial Condition and Results of Operations

Years ended June 30, 2004 and 2003

(All amounts are expressed in U.S. dollars except where otherwise indicated)

Legal Expense

Legal expense fell from \$650,094 to \$157,004. The decrease was due to legal fees in the previous period being abnormally high from the proxy battle that occurred at the 2002 annual general meeting.

Severance Costs

Additional severance costs of \$25,777 were accrued for the year ended June 30, 2004 as the former CFO agreed to a dismissal of action.

Stock-based Compensation

During the year ended June 30, 2004, the Company adopted the amended recommendations of the CICA Handbook Section 3870, "Stock-based Compensation and Other Stock-based Payments". The amended recommendations have been adopted retroactively from July 1, 2002.

Administrative Expenses

Office expense was comparatively constant at \$249,260 and \$252,241 for 2003 and 2004, respectively. Salaries and benefits for the year increased to \$898,341 versus \$702,681 for 2003 due to increased staffing required for the Company's new projects. Travel and accommodation expenses of \$243,626 for the current period increased from \$79,670 in 2003 as a result of increased participation in trade shows and travel due to the acquisition of assets in Sierra Leone, Greenland and Madagascar.

Other Income & Expenses

The company has determined it will not proceed with arranging a loan through the Overseas Private Investment Corporation (OPIC). As a result the Company has accrued a cancellation fee of \$150,000 related to the loan negotiations. The Company experienced a foreign currency loss of \$57,701 as the US dollar rebounded against the Canadian dollar during the six month period from January 1 to June 30, 2004.

LIQUIDITY AND FINANCIAL CONDITION

At June 30, 2004, the Company had working capital of \$1,932,429 including cash of \$2,401,051 compared with a working capital deficit of \$2,396,901, including cash of \$564,402, at June 30, 2003. The change in working capital at June 30, 2004 is primarily a result of the Company's private placements, repayment in full of the outstanding balance of the loan payable, and renegotiation of the note payable, as discussed in Note 11(a), Note 8, and Note 9 to the financial statements, respectively.

The Company plans to continue exploration activities, refit and upgrade its newly-acquired mining vessel, and meet its debt repayment obligations. Should existing financial resources and subsequent operating cash flows prove insufficient, the Company may need to curtail its planned activities should additional funding not be available.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Years ended June 30, 2004 and 2003

(All amounts are expressed in U.S. dollars except where otherwise indicated)

OUTLOOK

Property Acquisition in Greenland

On July 5, 2004 the Company announced expansion of its Greenland mineral property holdings through a joint venture and direct acquisition of new licences. DFI's Ammassalik project area, on the east coast of Greenland, has been expanded through a joint venture agreement with adjacent land holder NunaMinerals A/S which will allow DFI to earn an initial 65% interest for exploration expenditures of \$1.7 million over 3 years at Diamond Fields' option. The Company has also acquired an interest in a new Licensed Area at Nassuttooq in West Greenland covering 84,600 hectares.

Activities during the 2004 summer field season included geologic reconnaissance in both east and west Greenland, and an airborne geophysical survey on the properties in East Greenland. Results of these studies are pending.

Liberia Exploration Properties

In May, 2004, the Company initiated sampling and reconnaissance work on its two recently obtained mineral reconnaissance licenses in Liberia. On August 12, 2004 Diamond Fields announced it had entered into an option agreement with Liberian-based Ducor Minerals Inc. ("Ducor"), pursuant to which it may earn an interest in Ducor's rights held under two Mineral Exploration Agreements between Ducor and the Republic of Liberia. The Gbapolu and Grand Gedeh Properties cover a total area of 1,814 km² and are prospective for diamonds and gold, respectively.

The Company may earn 70% of Ducor's interest by issuing to Ducor 1,000,000 shares in five annual installments of 200,000 shares each, and by spending \$2,000,000 on exploration over the next four years. Ducor has the right to request \$30,000 in lieu of one-half of each annual stock issue, and DFI has the right to pay \$60,000 in lieu of one-half of each annual stock issue. The Company may withdraw from the project at any time.

The Company is presently initiating a sampling program and geologic reconnaissance of the Ducor properties.

Mining Vessel Acquisition

On October 14, 2004 Diamond Fields announced it had been declared the winning bidder for the fully equipped twin airlift diamond mining vessel to be named "mv DF Discoverer" (formerly mv Anya) in a sealed tender process ordered by the High Court of Namibia. Under the conditions of sale the vessel will be acquired on closing, free of all liens, encumbrances, preferences and all arrests and attachments effected before the passing of ownership of the vessel.



Management's Discussion and Analysis of Financial Condition and Results of Operations

Years ended June 30, 2004 and 2003

(All amounts are expressed in U.S. dollars except where otherwise indicated)

The Company intends to refit and upgrade the vessel and improve its mining efficiency. DFI contemplates resumption of mining with this vessel in approximately 6 months time after completion of required upgrades. Funding for the purchase price and applicable taxes will be provided under a secured loan from Quest Capital Corp. in the amount of Cdn\$1,950,000. Quest Capital Corp. will be paid a fee, subject to regulatory approval, of 380,000 common shares of DFI plus interest for the loan, in addition to the 100,000 common shares of Diamond Fields that were previously issued to it for providing a standby guarantee.

Samicor Jointly Controlled Operations

On October 14, 2004 Diamond Fields also announced that it had agreed, in principle, with Samicor to amend the terms of their joint venture.

The revised terms would increase DFI's maximum contribution to \$575,000 per month to offset a portion of Samicor's higher than expected operating costs due in part to significant increases in world oil prices. This agreement is subject to the parties agreeing on a new mine plan to use Samicor's mv Kovambo and Seabed Crawler on Diamond Fields' Marshall Fork concessions on a month to month basis. Production on the Company's marine concession has been suspended pending agreement on a new mine plan.

Lease Agreement

On October 20, 2004 Diamond Fields announced that it had entered into a two year lease with an option to purchase a new marine sampling and mining technology, the Sea Diamond Miner. Under the terms of the lease, Diamond Fields must pay a license fee for two years and can acquire full ownership of the patent for the tool by paying \$400,000 in a combination of stock and cash within 2 years of the agreement.

Ogna Nickel-Copper Project in Norway

The Company initiated an exploration drilling program on its Norwegian properties in late May 2004, following up on the Bjordalsnipa and Guldagsvatn geophysical targets in altered and mineralized intrusive rocks of the Rogaland intrusive massifs. On August 17, 2004, the Company announced the results for 1,281 meters of drilling completed between May 25 and June 17, 2004.

At Bjordalsnipa, eight drill holes totaling 896 meters targeted nickel and copper mineralization. The drilling encountered massive sulfide veins and stringers of disseminated sulfides with grades including nickel values up to 1.31% and copper values up to 0.85%. Interpretation of the drill intersections suggests a semi-cylindrical body of sulfide mineralization, about 50 meters long and 40 meters wide, dipping steeply to the south. A ground geophysical program is planned to search for deeper conductors and generate targets for further drilling

At Guldagsvatn, 385 meters of drilling targeted nickel, copper, and titanium mineralization related to an extensive mineralized zone in anorthosite and norite. Two 45 degree angled drill holes on a SE bearing returned core lengths of 53 meters and 90 meters respectively of anorthosite and norite breccia with massive ilmenite matrix.

**To the Shareholders of
Diamond Fields International Ltd.**

We have audited the consolidated balance sheets of Diamond Fields International Ltd. as at June 30, 2004 and 2003 and the consolidated statements of loss and deficit and cash flows for each of the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. These standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2004 and 2003 and the results of its operations and its cash flows for each of the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

**Chartered Accountants
Vancouver, British Columbia
October 29, 2004**



Consolidated Balance Sheets

June 30, 2004 and 2003 (Expressed in U.S. Dollars)

	2004	(Note 3) 2003
ASSETS		
CURRENT		
Cash	\$ 2,401,051	\$ 564,402
Accounts receivable	144,066	10,527
Diamond inventory	454,544	94,528
Prepaid expenses	160,614	12,309
	3,160,274	681,766
INVESTMENT (Note 5)	1	1
MINERAL PROPERTIES (Note 6)	9,150,887	7,906,925
OTHER CAPITAL ASSETS (Note 7)	484,003	433,256
	\$ 12,795,165	\$ 9,021,948
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 713,232	\$ 659,515
Loan payable (Note 8)	-	315,945
Current portion of note payable (Note 9)	514,614	2,103,207
	1,227,845	3,078,667
NOTE PAYABLE (Note 9)	1,162,714	-
FUTURE INCOME TAXES (Note 10)	1,501,265	1,567,017
	3,891,825	4,645,684
CONTINGENCIES (Note 2 (b))		
SHAREHOLDERS' EQUITY		
Share capital (Note 11)		
Authorized - Unlimited number of common shares without par value		
Issued and outstanding - 67,958,285 (2003 - 53,037,064) shares	25,502,804	18,817,954
Contributed surplus (Note 12)	1,762,233	304,920
Equity portion of note payable (Note 9)	709,496	705,981
Deficit	(18,066,458)	(14,447,857)
Cumulative translation adjustments	(1,004,734)	(1,004,734)
	8,903,340	4,376,264
	\$ 12,795,165	\$ 9,021,948

APPROVED BY THE BOARD:



DIRECTOR



DIRECTOR

See accompanying Notes to the Consolidated Financial Statements

DIAMOND FIELDS INTERNATIONAL LTD.

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Consolidated Statements of Loss and Deficit

Years ended June 30, 2004 and 2003 (Expressed in U.S. Dollars)

	2004	(Note 3) 2003
DIAMOND SALES	\$ 1,294,182	\$ 1,892,802
OPERATING COSTS		
Production costs (including depletion)	779,202	1,228,188
Royalties, selling and marketing	253,880	183,730
	1,033,082	1,411,918
	261,101	480,884
GENERAL AND ADMINISTRATIVE EXPENSES		
Accounting and audit	127,414	114,887
Consulting	138,418	54,975
Depreciation	37,147	25,941
Interest on loan and note payable (Note 8 and 9)	283,617	413,468
Investor relations	506,103	52,129
Legal	157,004	650,094
Maintenance	84,038	14,592
Office	252,241	249,260
Regulatory	54,543	32,691
Salaries and benefits	898,341	702,681
Severance costs	25,777	60,000
Stock-based compensation	953,337	304,920
Travel and accommodation	243,626	79,670
	3,761,605	2,755,308
OTHER INCOME (EXPENSE)		
Interest and other income	53,647	8,388
Gain on settlement of claim (Note 4)	-	415,248
Gain on insurance claim	6,409	-
Financing cancellation fee	(150,000)	-
Forfeiture of deposit to purchase mining vessel	-	(91,891)
Loss on disposal of capital assets	(2,001)	-
Write-down of deferred vessel and financing costs	-	(399,149)
Foreign exchange gain (loss)	(57,701)	22,120
Equity in loss of significantly influenced investee	(34,203)	-
	(183,849)	(45,284)
LOSS BEFORE INCOME TAXES	(3,684,353)	(2,319,708)
RECOVERY OF FUTURE INCOME TAXES	65,752	30,955
NET LOSS FOR THE YEAR	(3,618,601)	(2,288,753)
DEFICIT, BEGINNING OF YEAR	(14,447,857)	(12,159,104)
DEFICIT, END OF YEAR	\$ (18,066,458)	\$ (14,447,857)
BASIC AND DILUTED LOSS PER SHARE	\$ (0.06)	\$ (0.04)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (in 000's)	61,622	52,941

See accompanying Notes to the Consolidated Financial Statements

Consolidated Statements of Cash Flows

Years ended June 30, 2004 and 2003 (Expressed in U.S. Dollars)

	2004	(Note 3) 2003
OPERATING ACTIVITIES		
Net loss	\$ (3,618,601)	\$ (2,288,753)
Items not involving use of cash		
Depreciation and depletion	269,446	137,042
Accrued interest	159,666	137,062
Non-cash interest expense	123,950	275,066
Non-cash severance costs	35,776	-
Gain on insurance claim	(6,409)	-
Forfeiture of deposit to purchase mining vessel	-	91,891
Loss on disposal of capital assets	2,001	-
Write-down of deferred vessel and financing costs	-	399,149
Recovery of future income taxes	(65,752)	(30,955)
Stock-based compensation	953,337	304,920
Net change in non-cash operating working capital items (Note 13)	(588,143)	524,075
	(2,734,729)	(450,503)
FINANCING ACTIVITIES		
Share capital issued, net of issue costs	6,110,211	43,150
(Repayment of) proceeds from loan payable	(315,945)	310,000
Repayment of note payable	-	(68,014)
Financing fees	-	(32,477)
	5,794,266	252,659
INVESTING ACTIVITIES		
Expenditures on mineral properties	(1,139,403)	-
Expenditures on other capital assets, net	(83,485)	(322,347)
Deposit on mining vessel	-	(122,500)
Refunded portion of deposit on mining vessel	-	30,609
	(1,222,888)	(414,238)
INCREASE (DECREASE) IN CASH	1,836,649	(612,082)
CASH, BEGINNING OF YEAR	564,402	1,176,484
CASH, END OF YEAR	\$ 2,401,051	\$ 564,402
OTHER SUPPLEMENTARY INFORMATION:		
Interest received	\$ 53,647	\$ 8,388
Interest paid	\$ -	\$ 68,014
Income taxes paid	\$ -	\$ -

See accompanying Notes to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

Years ended June 30, 2004 and 2003

(All amounts are expressed in U.S. dollars except where otherwise indicated)

1. NATURE OF OPERATIONS

Diamond Fields International Ltd. ("Diamond Fields" or "DFI") and its subsidiaries (individually and collectively referred to as the "Company") are engaged primarily in the exploration, development and recovery of gem quality diamonds from its property interests located in Namibia. Mining on the Company's Namibian sea concessions is carried out under joint operations using a marine mining vessel.

In the current year, the Company also commenced exploration activities, primarily for diamonds, nickel and gold, in Greenland, Madagascar, Sierra Leone, and Norway.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The significant accounting policies used in these consolidated financial statements are as follows:

(a) Principles of consolidation

These consolidated financial statements include the accounts of Diamond Fields and its subsidiaries. All significant intercompany transactions and balances have been eliminated.

Subsidiaries

Angra Pequena Diamond Company (Pty) Ltd.	100%
Diamond Fields Marine Ltd.	100%
Diamond Fields (Angola) Inc.	100%
Diamond Fields (DRC) Inc.	100%
Diamond Fields (Greenland) Inc.	100%
Diamond Fields (Liberia) Inc.	100%
Diamond Fields (Namibia) (Pty) Ltd.	100%
Diamond Fields (Norway) Inc.	100%
Diamond Fields Operations (Namibia) (Pty) Ltd.	100%
Diamond Fields (SL) Inc.	100%
Diamond Fields (South Africa) (Pty) Ltd.	100%
Diamond Mining Company of America, Inc.	100%
Gem Fields Resources Ltd.	100%
International Gemstones Company Ltd.	100%
Kimberley Overseas	100%
Maritime Projects Ltd.	100%
Namibian Diamond Sales	100%

Joint Venture (proportionately consolidated until date of termination) (Note 3)

DFN/THM Joint Venture	60%
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Years ended June 30, 2004 and 2003

(All amounts are expressed in U.S. dollars except where otherwise indicated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Continuing operations

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern which assume that the Company will realize its assets, discharge its liabilities and meet its future obligations in the normal course of business. The Company's ability to continue its operations in the normal course of business is dependent upon its ability to obtain additional financing, to receive the continued support from its noteholder and other creditors and, ultimately, to obtain profitable operations.

These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values of assets and liabilities should the Company be unable to continue as a going concern.

(c) Accounting estimates

Generally accepted accounting principles require management to make assumptions and estimates that affect the reported amounts and other disclosures in these consolidated financial statements. Actual results may differ from those estimates.

Significant estimates used in the preparation of these consolidated financial statements include, amongst other things, the estimated indicated resources (probable diamond reserves), and the estimated future operating results and net cash flows from the Company's mineral properties and interests.

(d) Foreign currencies

Diamond Fields considers the U.S. dollar to be its functional currency as it is the currency of the primary economic environment in which the Company operates. Monetary assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect at the balance sheet date and non-monetary assets and liabilities at the exchange rates in effect at the time of the transactions. Revenues and expenses denominated in foreign currencies are translated at rates approximating the exchange rates in effect at the time of the transactions. Exchange gains and losses arising on translation are included in other income (expenses).

The cumulative translation adjustments included in shareholders' equity resulted from the Company's adoption of the U.S. dollar as its functional and reporting currency in 2002.



Notes to the Consolidated Financial Statements

Years ended June 30, 2004 and 2003

(All amounts are expressed in U.S. dollars except where otherwise indicated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Cash

Cash includes short term money market instruments which, on acquisition, have a term to maturity of three months or less.

(f) Diamond inventory

Diamond inventory is stated at the lower of weighted average cost of production and net realizable value, and consists of diamond stocks recovered from the Namibian operations.

(g) Investments

Investments in companies where the Company has the ability to exercise significant influence, are accounted for using the equity method. Under this method, the Company's share of their earnings and losses is included in operations and its investments therein are adjusted by a like amount. Dividends received are credited to the investment accounts.

Other investments are accounted for using the cost method, whereby income is included in operations when received or receivable.

Provisions for impairment of investments are made, where necessary, to recognize other than temporary declines in value.

(h) Mineral properties

Direct costs incurred for the acquisition of, exploration for and development of mineral properties, net of cost recoveries and incidental revenues, are capitalized by property. No gains or losses are recognized on the sale of the properties except where there is a significant disposition of reserves. Partial dispositions of undeveloped properties and option proceeds are credited to the cost of the related property except that when the proceeds exceed cost, the excess is credited to operations.

On the commencement of commercial production, the net capitalized costs are charged to operations on a unit-of-production basis, by property, using the estimated indicated resources (probable diamond reserves) as the depletion base.



Years ended June 30, 2004 and 2003

(All amounts are expressed in U.S. dollars except where otherwise indicated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Mineral properties (continued)

The Company reviews the carrying values of its mineral properties on a regular basis. This review generally is made by reference to the timing of the exploration and/or development work, the work programs and exploration results experienced by the Company, and, in the case of producing properties, the estimated future operating results and net cash flows. When the carrying value of a property exceeds its estimated fair value, an impairment provision is made for any other than temporary decline in value.

The ultimate recoverability of the amounts shown for mineral properties is dependent on the confirmation of economically recoverable reserves, the ability of the Company to obtain the necessary financing to successfully complete their development, including compliance with the requirements of lenders who are providing the financing from time to time, and upon future profitable operations.

(i) Other capital assets

Other capital assets are stated at cost and are depreciated on a straight line basis over:

Automobiles	Three years
Buildings, plant and equipment	Three to forty years
Leasehold improvements	Two years
Office equipment	Two to six years
Software	Two years

(j) Note payable

The note payable is a compound financial instrument. Accordingly, the fair value of the conversion privilege forming part of the note has been classified as part of shareholders' equity with the balance of the proceeds classified as a financial liability. The carrying value of the financial liability is being accreted to the principal amount as additional interest expense over the term of the note.

(k) Revenue recognition

Revenue from diamond sales is recognized when:

- (i) persuasive evidence of an arrangement exists;
- (ii) the risks and rewards of ownership pass to the purchaser, including delivery of the diamonds;
- (iii) the selling price is fixed or determinable; and
- (iv) collectibility is reasonably assured.

Notes to the Consolidated Financial Statements

Years ended June 30, 2004 and 2003

(All amounts are expressed in U.S. dollars except where otherwise indicated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Stock-based compensation

The Company has an Employees' and Directors' Equity Incentive Plan which is disclosed in Note 11(b). The Company accounts for its grants under that Plan using the fair value based method of accounting for stock-based compensation. Accordingly, the fair value of the options at the date of grant is charged to operations, with an offsetting credit to contributed surplus, on a graded basis over the vesting period.

(m) Income taxes

Future income tax assets and liabilities are computed based on differences between the carrying amount of assets and liabilities on the balance sheet and their corresponding tax values, generally using the enacted income tax rates at each balance sheet date. Future income tax assets also result from unused loss carryforwards and other deductions. The valuation of future income tax assets is reviewed quarterly and adjusted, if necessary, by use of a valuation allowance to reflect the estimated realizable amount.

(n) Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year. The diluted loss per share reflects the potential dilution of common share equivalents, such as shares issuable on conversion of the note payable and the exercise of outstanding stock options, on the weighted average number of common shares outstanding during the year, if dilutive. For this purpose, the "if-converted" method is used for the assumed conversion of the note payable at the beginning of the year. In addition, the "treasury stock method" is used for the assumed proceeds on the exercise of stock options that are used to purchase common shares at the average market price during the year.

(o) Jointly controlled operations

The financial statements include only the Company's interest in the assets, liabilities, income and expenses of jointly controlled operations (Note 17), which represent all of the Company's current revenue producing activities.



Years ended June 30, 2004 and 2003

(All amounts are expressed in U.S. dollars except where otherwise indicated)

3. ACCOUNTING POLICY CHANGE

During the year ended June 30, 2004, the Company adopted the amended recommendations of the CICA Handbook Section 3870, "Stock-based Compensation and Other Stock-based Payments". Under the amended standards of this Section, the fair value of all stock-based awards granted are estimated using the Black-scholes model and are recorded in operations over their vesting periods.

Previously, the Company provided note disclosure of pro forma net loss and pro forma loss per share as if the fair value based method had been used to account for stock options granted to employees, directors and officers after July 1, 2002. The amended recommendations have been adopted retroactively from July 1, 2002 with the result that the net loss for the year ended June 30, 2003 has been increased by \$304,920 (\$0.00 per share). This change also had the effect of increasing the net loss for the year ended June 30, 2004 by \$953,337 (\$0.02 per share).

4. TERMINATION OF JOINT VENTURE

On July 1, 2002, the Company's joint venture partner, Trans Hex Group Limited ("Trans Hex") repudiated its joint venture agreement with the Company by unilaterally suspending the joint venture operations at the Company's Namibian sea concessions.

In the year ended June 30, 2003, the Company realized a gain of \$415,248 on the settlement of claims between it and its joint venture partner. This amount, which has been recognized as other income, resulted from an agreement whereby the Company's net liability owing to Trans Hex was eliminated and the Company received a payment of \$282,890 from Trans Hex.

5. INVESTMENT

The Company has a 24% interest in Diamond Tenders (Belgium) N.V. which is controlled by a company that is in turn controlled by a shareholder of the Company. The Company accounts for its investment using the equity method of accounting.



Notes to the Consolidated Financial Statements

Years ended June 30, 2004 and 2003
(All amounts are expressed in U.S. dollars except where otherwise indicated)

6. MINERAL PROPERTIES

	2004	2003
Namibian sea concessions (a)	\$ 7,674,625	\$ 7,906,924
South African deep sea concessions (b)	1	1
Other exploration properties (c)	1,476,261	-
	<u>\$ 9,150,887</u>	<u>\$ 7,906,925</u>

(a) Namibian sea concessions

Through its subsidiaries, Angra Pequena Diamond Company (Pty) Ltd. and Diamond Fields (Namibia) (Pty) Ltd., the Company owns a 100% interest in the Luderitz sea concessions off the coast of Namibia.

(b) South African deep sea concessions

Through its indirect wholly-owned subsidiary, Diamond Fields (South Africa) (Pty) Ltd., the Company owns three deep sea diamond concessions, which continue to be in the exploration stage, off the west coast of South Africa. The Company was required to provide for impairment of the carrying value of these concessions in 2001 as a result of the lack of exploration and development activities that extended beyond three years. Accordingly, the Company has written down the carrying value of these concessions to a nominal value.

Other exploration properties

(c)

Assets acquired in Madagascar, Sierra Leone and Greenland

On July 31, 2003, the Company entered into an agreement, with a major shareholder of the Company and a company controlled by him (collectively the "Vendors"), whereby the Company acquired all of the Vendors' interest in certain diamond exploration projects located in Madagascar and Sierra Leone, as well as nickel exploration projects located in Madagascar and Greenland. The Vendors agreed to transfer their interests for no up-front consideration of cash or shares. The Company agreed to pay the Vendors a 5% gross overriding royalty on all proceeds received by the Company or its assignees from the sale, transfer or other disposition of any minerals, gemstones or other resources extracted from these acquired property interests or within the countries of Madagascar and Sierra Leone, and within 100 miles of the perimeter of the East Greenland property interests.

Years ended June 30, 2004 and 2003

(All amounts are expressed in U.S. dollars except where otherwise indicated)

6. MINERAL PROPERTIES (Continued)

(c) Other exploration properties (continued)

The Vendors' interest in the Madagascar project consisted of an approximate 70% interest in International Gemstones Co. Ltd. ("IGC"), a private company incorporated in the Republic of Mauritius that previously controlled the exploration licenses. On March 31, 2004 the Company acquired the remaining 30% interest, increasing DFI's interest in IGC from 70% to 100%. The remaining 30% interest in IGC was previously owned by individual shareholders at arms length to the Company, all of whom agreed to sell their interest in exchange for a total of 612,572 common shares in the capital stock of the Company, with a fair value of \$336,858. IGC's sole asset was its interest in mineral properties and it had no liabilities at the date of acquisition.

The Vendors also transferred to the Company a 100% interest in approximately seven exploration licenses in Sierra Leone, as well as full ownership rights to a fully operational diamond laboratory. The Company also acquired the Vendors' interest in a joint venture in Greenland whereby the Vendors had a right to an 80% interest in a nickel exploration project.

The Company and the Vendors also agreed that all interests and goodwill of the Vendors in the countries of Angola and the Democratic Republic of the Congo (the "Congo") be transferred to the Company for no up-front consideration other than a 2% gross overriding royalty from any minerals, gemstones or other resources extracted from those countries. The Vendors did not have any ongoing exploration projects in Angola or the Congo.

Ogna Nickel-Copper Project in Norway

On March 23, 2004 the Company acquired the Ogna Nickel ("Ni"), Copper ("Cu") and Titanium ("Ti") project in southwestern Norway consisting of the Bjorndalsnipa (Ni, Cu) and Gulldragsvatn (Ni, Cu, Ti) properties for no up-front consideration of cash or shares. The properties are subject to a 1% net smelter royalty.

Diamond and Gold Projects in Liberia

In April 2004 the Company applied for and successfully obtained two mineral reconnaissance licenses from the government of Liberia, one of which is a diamond prospect, the other a gold prospect. The diamond concession covers approximately 2,000 km² located in Nimba County in northeast Liberia. The gold concession covers approximately 1,300 km² in River Cess and Sinoe Counties.



Notes to the Consolidated Financial Statements

Years ended June 30, 2004 and 2003
(All amounts are expressed in U.S. dollars except where otherwise indicated)

7. OTHER CAPITAL ASSETS

	2004			2003	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value	
Land	\$ 95,535	\$ -	\$ 95,535	\$	95,535
Buildings, plant and equipment	300,412	15,131	285,281	\$	287,308
Automobiles	34,076	16,076	18,000		-
Office equipment	163,289	98,305	64,984		50,413
Software	17,753	3,661	14,092		-
Leasehold improvements	7,285	1,174	6,111		-
	\$ 618,350	\$ 134,347	\$ 484,003	\$	433,256

8. LOAN PAYABLE

On January 7, 2003, Kimberley Overseas ("KO"), a wholly-owned subsidiary of the Company, received a short-term loan of \$310,000 from a company controlled by a major shareholder of the Company. The loan incurred interest at 4% per annum and was repayable in full, including accrued and unpaid interest, on the earlier of December 31, 2003 and the closing of a financing by the Company of greater than Cdn\$3,000,000. The loan was secured by all of KO's accounts receivable from Diamond Fields (Namibia) (Proprietary) Limited, a wholly-owned subsidiary of KO. The balance outstanding was repaid in full during the fiscal year ended June 30, 2004.

9. NOTE PAYABLE

The Company has a \$2,349,875 loan supported by a promissory note payable to a company controlled by a major shareholder of the Company. The note bears interest at 6% per annum and is repayable, commencing August 15, 2004, in minimum monthly instalments of \$100,000 until maturity on July 15, 2006.

The noteholder is entitled to elect, at any time prior to the full repayment of the note, to convert all or any part of the outstanding principal of the note plus any accrued and unpaid interest into common shares of the Company at a conversion price of \$ 0.60 per share. At June 30, 2004, an aggregate of 3,929,335 common shares were issuable under this conversion privilege.

The note has been accounted for as a compound financial instrument comprising both a financial liability and an equity instrument. The allocation of the proceeds of the note between the two components was based on the estimated present value of the future payments of principal and interest on the note, discounted at the prevailing rate for a similar note without a conversion privilege, and the estimated fair value of the conversion privilege based on a Black-Scholes Model.

Notes to the Consolidated Financial Statements

Years ended June 30, 2004 and 2003
(All amounts are expressed in U.S. dollars except where otherwise indicated)

9. NOTE PAYABLE (Continued)

The financial liability component of the note is comprised of the following:

Total proceeds	\$	2,349,875
Deduct portion allocated to the equity instrument (the deemed discount on issue)		(709,496)
Financial liability component at inception		1,640,379
Add:		
Accretion of the deemed discount on issue		29,223
Accrued interest		7,726
Balance of financial liability component		1,677,328
Deduct:		
Amount included in current liabilities		(514,614)
Long-term balance	\$	1,162,714

The face value of the note plus accrued and unpaid interest to June 30, 2004 amounted to \$2,357,601.

The future principal repayments required on the note payable at June 30, 2004 are as follows:

2005	980,541
2006	1,149,040
2007	220,294
	\$ 2,349,875

This note was issued in settlement of a previous note payable that matured in December 2003. As a consequence, the equity portion of the former note payable of \$705,981 has been transferred to contributed surplus on expiry of its conversion privilege.

10. INCOME TAXES

Future income tax assets and liabilities at June 30, 2004 and 2003 arise from the following:

	2004	2003
Future income tax assets		
Capital assets	\$ 52,530	\$ 322,857
Loss carry-forwards	6,663,657	5,592,988
Valuation allowance	(3,790,107)	(2,979,587)
Net future income tax assets	2,926,080	2,936,258
Future income tax liabilities		
Mineral properties	4,427,345	4,503,275
Future income tax liabilities, net	\$ (1,501,265)	\$ (1,567,017)

Years ended June 30, 2004 and 2003
(All amounts are expressed in U.S. dollars except where otherwise indicated)

10. INCOME TAXES (Continued)

A reconciliation of the provision for recovery of income taxes is as follows:

	2004	(Note 3) 2003
Combined Statutory tax rates	35.6%	39.5%
Provision for recovery of income taxes based on combined Canadian federal and provincial basic statutory rate	\$ (1,311,630)	\$ (916,284)
Add (deduct):		
Foreign tax rate differences	(144,615)	146,460
Non-deductible items	449,964	395,777
Tax benefits of losses not recognized	940,529	343,092
Provision for recovery of income taxes	\$ (65,752)	\$ (30,955)

The Company has Canadian tax loss carry-forwards at June 30, 2004 of approximately \$4,995,000, which expire as to \$66,000 in 2005, \$917,000 in 2006, \$167,000 in 2007, \$397,000 in 2008, \$992,000 in 2009, \$976,000 in 2010 and \$1,480,000 in 2011. The Company also has foreign tax loss carry-forwards at June 30, 2004 of approximately \$8,650,000 in Namibia and \$425,000 in South Africa. The foreign loss carry-forwards can be carried forward indefinitely, subject to continuity of business tests.



Years ended June 30, 2004 and 2003**(All amounts are expressed in U.S. dollars except where otherwise indicated)****11. SHARE CAPITAL**

(a) Changes in the issued share capital since June 30, 2002 are as follows:

	<u>Number of Shares</u>	<u>Amount</u>
Balance, June 30, 2002	52,882,540	\$ 18,774,804
Shares issued for cash		
Share purchase plan	154,524	43,150
Balance, June 30, 2003	53,037,064	18,817,954
Shares issued for non-cash consideration		
On exercise of stock appreciation rights	147,790	107,397
Acquisition of interest in mineral property (Note 6 (c))	612,572	336,858
Settlement of claim for severance	100,000	35,776
Shares issued for cash		
On exercise of stock options (including \$94,608 transferred from contributed surplus)	420,000	214,745
Private placement (net of issuing costs)(i)	13,500,000	5,906,263
Share purchase plan	140,859	83,811
Balance, June 30, 2004	67,958,285	\$ 25,502,804

(i) Private placements

On October 21, 2003, Diamond Fields negotiated non-brokered private placements totaling \$6,156,810 (Cdn\$8,100,000) by the issuance of 6,600,000 Units at a price of Cdn\$0.60 per Unit for aggregate proceeds of \$3,009,996 (Cdn\$3,960,000) (the "Unit Private Placement"), and 6,900,000 Subscription Receipts convertible into Units on a one-for-one basis, at a price of Cdn\$0.60 per Subscription Receipt for aggregate proceeds of \$3,146,814 (Cdn\$4,140,000) (the "SR Private Placement").

Each Unit consist of one common share of Diamond Fields and one non-transferable share purchase warrant ("Warrant"), each Warrant entitling the holder to purchase one additional common share for a period of three years from closing at a price of Cdn\$1.00 per share. However, the Warrants must be exercised after notice by Diamond Fields, should the weighted average closing price of Diamond Fields' common shares equal or exceed Cdn\$1.30 per share for a period of 20 consecutive days at any time between six months and thirty-five months after closing of the Unit Private Placement. Otherwise, the Warrants will expire.



Years ended June 30, 2004 and 2003
(All amounts are expressed in U.S. dollars except where otherwise indicated)

11. SHARE CAPITAL (Continued)

(a) (continued)

Diamond Fields agreed to pay a fee of 6% of the funds raised by the finders for assisting in the placements, as well as 485,430 compensation warrants exercisable into common shares of Diamond Fields at a price of Cdn\$0.74 per common share.

(ii) Share transactions subsequent to year end

The following share transactions occurred between July 1, 2004 and October 29, 2004:

- a) 96,618 common shares were issued for \$29,500 pursuant to the Company's Share Purchase Plan;
- b) 43,500 compensation warrants were exercised at a price of Cdn\$0.74 per share;
- c) 200,000 stock options were exercised at a price of Cdn\$0.31 per share;
- d) 100,000 common shares with a fair value of \$51,360 (Cdn\$68,000) were issued as a standby fee for a loan guarantee;
- e) 100,000 common shares with a fair value of \$53,995 (Cdn\$70,000) were issued as partial compensation for an option to acquire a working interest in certain exploration properties.



Years ended June 30, 2004 and 2003

(All amounts are expressed in U.S. dollars except where otherwise indicated)

11. SHARE CAPITAL (Continued)

- (b) The Company has an Employees' and Directors' Equity Incentive Plan which includes three components: (i) a Share Option Plan; (ii) a Share Bonus Plan; and (iii) a Share Purchase Plan.
 - (i) The Share Option Plan authorizes the Board of Directors of the Company to grant options for a maximum of 7,000,000 Common Shares, which vest over a period of three years unless otherwise determined by the Board, to directors, executive officers and employees of the Company to acquire Common Shares of the Company at a price based on the weighted average trading price of the Common Shares for the five days preceding the date of the grant. The Share Option Plan also provides that the directors, executive officers and employees may, upon the approval of the Board of Directors of the Company, convert their share options into stock appreciation rights.
 - (ii) The Share Bonus Plan permits the Board of Directors of the Company to authorize the issuance, from time to time, of a maximum of 250,000 Common Shares of the Company to employees of the Company and its affiliates.
 - (iii) The Share Purchase Plan entitles eligible employees of the Company to contribute up to 10% of his or her annual basic salary in semi-monthly instalments, with the Company making contributions equal to 100% of the employee's contribution on a quarterly basis. Each participant is, at the end of each calendar quarter during which he or she participates in the Share Purchase Plan, issued Common Shares of the Company equal to the aggregate amount contributed by the participant and the Company on the participant's behalf, based on the weighted average trading price of the Common Shares during the preceding five days. A maximum of 750,000 Common Shares may be issued pursuant to the Share Purchase Plan.



Notes to the Consolidated Financial Statements

Years ended June 30, 2004 and 2003

(All amounts are expressed in U.S. dollars except where otherwise indicated)

11. SHARE CAPITAL (Continued)

(b) (continued)

A summary of share option activity and information concerning currently outstanding and exercisable options is as follows:

		Options Outstanding	
	Options Available for Grant	Number of Common Shares	Weighted Average Exercise Price Per Share (Expressed in Canadian dollars)
Balances, June 30, 2002	1,238,017	2,013,000	\$ 0.85
Options granted	(2,531,493)	2,531,493	0.39
Options cancelled	1,448,000	(1,448,000)	0.76
Share purchase plan shares issued	(154,524)	-	-
Balances, June 30, 2003	-	3,096,493	0.42
Amendment to option plan	5,384,195	-	-
2003 options grant approved at annual general meeting of shareholders	(758,507)	758,507	0.32
Options converted into stock appreciation rights	122,210	-	-
Additional options granted	(2,503,000)	2,503,000	0.68
Options exercised	-	(690,000)	0.40
Options cancelled	340,000	(340,000)	0.73
Share purchase plan shares issued	(140,853)	-	-
Balances, June 30, 2004	2,444,045	5,328,000	\$ 0.68

On July 12, 2004, the Company granted 200,000 options at an exercise price of Cdn\$0.74 per share.



Notes to the Consolidated Financial Statements

Years ended June 30, 2004 and 2003

(All amounts are expressed in U.S. dollars except where otherwise indicated)

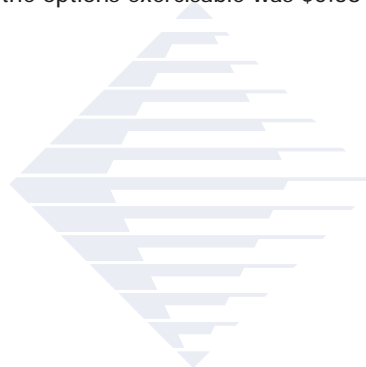
11. SHARE CAPITAL (Continued)

(b) (continued)

The following table summarizes information concerning outstanding and exercisable options at June 30, 2004:

Options Outstanding			Options Exercisable		
<u>Number Outstanding</u>	<u>Average Remaining Contractual Life (in years)</u>	<u>Weighted Average Exercise Price Per Share</u> (Expressed in Canadian dollars)	<u>Number Exercisable</u>	<u>Weighted Average Exercise Price Per Share</u> (Expressed in Canadian dollars)	
225,000	2.70	\$ 0.66	150,000	\$ 0.66	
540,000	3.58	0.43	540,000	0.43	
250,000	3.85	0.31	250,000	0.31	
1,810,000	3.97	0.32	1,357,500	0.32	
1,095,000	4.23	0.70	323,750	0.70	
50,000	4.26	0.70	12,500	0.70	
200,000	4.32	0.80	50,000	0.80	
90,000	4.42	0.91	22,500	0.91	
170,000	4.48	0.80	42,500	0.80	
300,000	4.60	0.56	75,000	0.56	
60,000	4.78	0.60	-	0.60	
513,000	4.95	0.57	-	0.57	
25,000	4.98	0.67	-	0.67	
<u>5,328,000</u>	<u>4.14</u>	<u>\$ 0.51</u>	<u>2,823,750</u>	<u>\$ 0.43</u>	

At June 30, 2003, the U.S. dollar equivalent of the weighted average exercise price per share for the options outstanding and the options exercisable was \$0.38 and \$0.32, respectively.



Notes to the Consolidated Financial Statements

Years ended June 30, 2004 and 2003

(All amounts are expressed in U.S. dollars except where otherwise indicated)

11. SHARE CAPITAL (Continued)

(b) (continued)

The fair value of stock options granted in 2004 was \$847,992 (2003 \$506,298) with a weighted average of \$0.26 (Cdn\$0.35) (2003 - \$0.20; Cdn.\$0.29) each. The Company used the Black-Scholes option pricing model to estimate the value of the options at each grant date, using the following weighted average assumptions:

	<u>2004</u>	<u>2003</u>
Dividend yield	None	None
Annual volatility	107.5%	109.9%
Risk-free interest rate	4.8%	5.0%
Expected life	5 years	5 years

12. CONTRIBUTED SURPLUS

	<u>2004</u>	<u>2003</u>
Balance, beginning of year	\$ 304,920	\$ -
Add (deduct) amounts arising from:		
Stock-based compensation		
Employees	708,076	304,920
Non-employees	245,261	-
Equity portion of matured note payable	705,981	-
Transfer to capital stock on exercise of stock appreciation rights	(107,397)	-
Transfer to capital stock on exercise of stock options	(94,608)	-
Balance, end of year	<u>\$ 1,762,233</u>	<u>\$ 304,920</u>

13. CASH FLOW INFORMATION

The net change in non-cash operating working capital items is comprised of:

	<u>2004</u>	<u>2003</u>
(Increase) decrease in:		
Accounts receivable	\$ (133,539)	\$ 105,003
Diamond inventory	(360,016)	149,084
Prepaid expenses	(148,305)	39,623
Increase in:		
Accounts payable and accrued liabilities	53,717	230,365
	<u>\$ (588,143)</u>	<u>\$ 524,075</u>

Years ended June 30, 2004 and 2003

(All amounts are expressed in U.S. dollars except where otherwise indicated)

14. SEGMENTED INFORMATION

The Company considers its business to consist of one reportable business segment as described in Note 1. Capital assets referred to below consist of the Company's mineral properties and its other capital assets.

	2004	2003
Revenue for the year		
Namibia	\$ 1,294,182	\$ 1,892,802
	<u>\$ 1,294,182</u>	<u>\$ 1,892,802</u>
Capital assets at the end of the year		
Namibia	\$ 8,057,632	\$ 8,304,977
South Africa	4,799	17,804
Greenland	332,107	-
Norway	99,228	-
Western Africa	315,876	-
Madagascar	756,321	-
Canada	68,927	17,400
	<u>\$ 9,634,890</u>	<u>\$ 8,340,181</u>

15. FINANCIAL INSTRUMENTS

- (a) The carrying amounts of cash, accounts receivable and accounts payable as at June 30, 2004 and 2003 approximate their fair values. The fair value of the loan payable and the financial liability portion of the note payable are not determinable, due to the non-arm's length nature of these transactions.
- (b) The Company operates internationally and as such is exposed to fluctuations in foreign exchange rates. The Company does not currently use financial instruments to limit its exposure to fluctuations in foreign exchange rates.

16. OTHER RELATED PARTY TRANSACTIONS

Accounts payable at June 30, 2004 include legal and other fees, including proxy solicitation costs, totalling \$183,000 (2003 - \$306,279) payable to a company controlled by a major shareholder of the Company.

During the year ended June 30, 2004 the Company paid rent, office and support expenses totalling \$76,600 (2003 - \$38,500 and 150,000 stock options exercisable at \$0.31 per Common Share) to a company with a common officer and director. The expenses relate to an agreement to pay \$5,500 - \$7,500 per month for such costs. The agreement can be cancelled with three months notice.

Also during the year ended June 30, 2004, two directors charged consulting fees of \$16,600 and \$25,500, respectively, for services provided. During the year ended June 30, 2003, a director charged legal fees and expenses of \$37,171 for services provided in relation to the Trans Hex settlement.

Years ended June 30, 2004 and 2003

(All amounts are expressed in U.S. dollars except where otherwise indicated)

17. JOINTLY CONTROLLED OPERATIONS

During the year ended June 30, 2004 the Company entered into an agreement, for an initial six month period, with Samicor Mining Services (Pty) Ltd. ("Samicor") whereby Samicor mines diamonds from the Company's marine concessions. Samicor provides to the operations a vessel equipped with mining tools and costs to Diamond Fields are capped to a fixed US dollar amount. Diamond production is shared by DFI and Samicor on a 50/50 basis.

On October 14, 2004 Diamond Fields announced that it had agreed, in principle, with Samicor Mining Services (Pty) Ltd. to amend the terms of the operations. The revised terms would increase DFI's maximum contribution from \$400,000 per month to \$575,000 per month to offset a portion of Samicor's higher than expected operating costs. This agreement is subject to the parties agreeing on a new mine plan to use Samicor's mining vessel on Diamond Fields' marine concessions on a month to month basis. Production has been suspended pending agreement on a new mine plan.

18. OTHER SUBSEQUENT EVENTS

Property Acquisition in Greenland

On July 5, 2004 Diamond Fields announced expansion of its Greenland mineral property holdings through a joint venture and direct acquisition of new licences.

DFI's Ammassalik project area, on the east coast of Greenland, has been expanded through a joint venture agreement with adjacent land holder, NunaMinerals A/S, which will allow DFI to earn an initial 65% interest for exploration expenditures of \$1.7 million over 3 years at Diamond Fields' option.

The Company has also acquired an interest in a new Licensed Area at Nassuttooq in West Greenland.

Acquisition of Liberia Exploration Properties

On August 12, 2004 Diamond Fields announced it had entered into an option agreement with Liberian-based Ducor Minerals Inc. ("Ducor"), pursuant to which it may earn an interest in Ducor's rights held under two Mineral Exploration Agreements between Ducor and the Republic of Liberia. The Gbapolu and Grand Gedeh Properties are prospective for diamonds and gold, respectively.

The Company may earn 70% of Ducor's interest by issuing to Ducor 1,000,000 shares in five annual installments of 200,000 shares each, and by spending \$2,000,000 on exploration over the next four years. Ducor has the right to request \$30,000 in lieu of one-half of each annual stock issue, and DFI has the right to pay \$60,000 in lieu of one-half of each annual stock issue. The Company may withdraw from the project at any time.

Years ended June 30, 2004 and 2003

(All amounts are expressed in U.S. dollars except where otherwise indicated)

18. OTHER SUBSEQUENT EVENTS (Continued)

Mining Vessel Acquisition

On October 14, 2004 Diamond Fields announced it had been declared the winning bidder for the fully equipped twin airlift diamond mining vessel to be named "mv Diamond Fields Discoverer" (formerly mv Anya) in a sealed tender process ordered by the High Court of Namibia. Under the conditions of sale, the vessel will be acquired on closing, free of all liens, encumbrances, preferences and all arrests and attachments effected before the passing of ownership of the vessel.

The Company intends to upgrade the vessel and improve its mining efficiency. Funding for the purchase price and applicable taxes will be provided under a secured loan from Quest Capital Corp. in the amount of Cdn \$ 1,950,000. Quest Capital Corp. will be paid a fee, subject to regulatory approval, of 380,000 common shares of DFI plus interest on the loan at 6%, in addition to the 100,000 common shares of Diamond Fields that were previously issued to it for providing a standby guarantee.

Lease Agreement

On October 20, 2004 Diamond Fields announced that it had entered into a two year lease, with an option to purchase, of a new marine sampling and mining technology, the Sea Diamond Miner. Under the terms of the lease, Diamond Fields must pay a license fee for two years and can acquire full ownership of the patent for the tool by paying \$400,000 in a combination of stock and cash within 2 years of the agreement.



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Gregg Sedun

President and CEO, Director

John Collier Director

Jack McOuat Director

Earl Young Director

Norman (Rod) Baker Director

Roger Daniel

Director, Operations Director

Edward Mercaldo

Senior Advisor to the Board of Directors

Kenneth Hecker

CFO, COO and Corporate Secretary

Allan Walden

Manager, Diamond Fields Namibia

Randal Cullen

Chief Geologist, Exploration Manager

Charlie Heyes

Engineering Manager

Ivor Jones

Metallurgical Manager

Craig Mclean

Manager, Sierra Leone Operations

Share Structure

Issued and Outstanding Shares	68,498,403
Fully Diluted	87,768,333
As of October 28, 2004	



DIAMOND FIELDS
INTERNATIONAL LTD.