

DIAMOND FIELDS

INTERNATIONAL LTD.



THIRD QUARTER

MARCH 31, 2004

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Expressed in US dollars except where otherwise indicated)

OVERVIEW

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

During the nine month period ended March 31, 2004, Diamond Fields continued to create the conditions for long-term growth. The Company expanded diamond exploration activities, broadened the Company's scope to include additional mineral exploration and completed non-brokered private placements totaling C\$8,100,000. Proceeds from the financing and cash flow generated by operations will allow the Company to expand its diamond and other mineral exploration activities.

Diamond mining on the Namibia Marine Diamond Project continued to exceed the feasibility study estimates for the area. During the nine months ended March 31, 2004, the Company produced 8,354 carats from its Luderitz sea diamond concession, while sales during the period amounted to 8,872 carats as sales were made from both current production and existing inventory.

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 nickel deposit located in Madagascar.

On November 28, 2003, the Company closed non-brokered private placements totalling 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 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 Cdn\$4,140,000. Each Unit consists of one common share of the 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 kilometres in four structurally repeated zones. Fieldwork has recovered locally derived boulders with anomalous (0.2%-1%) nickel emanating from three of the four

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Expressed in US dollars except where otherwise indicated)

horizons. Diamond Fields' geologists are greatly encouraged by these results and plan to conduct an airborne Mag/EM geophysical survey as soon as weather permits.

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 OGNA 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.

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.

RESULTS OF OPERATIONS

All revenue for the nine month period ended March 31, 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, up from revenue of \$1,252,932 on the sale of 8,934 carats for the same period in the 2003 fiscal period. Production, royalty and selling expenses associated with the sale of inventory totaled \$881,218; whereas, these operating costs for the same period in fiscal 2003 were \$966,167. The Company generated an operating margin of \$412,964 for the nine month period ended March 31, 2004 compared with \$286,765 for the same period in fiscal 2003.

THIRD QUARTER FINANCIAL OVERVIEW

Net loss for the three months ended March 31, 2004 was \$641,973 or \$0.01 per share, compared with a net loss of \$141,721 or \$0.00 per share for the same period in 2003. Net loss for the nine month periods ended March 31, 2004 and 2003 were \$1,342,991 and \$977,787 respectively. The loss increased due to an increase in salary, the recognition of stock compensation expenses resulting from the exercise of stock options,

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Expressed in US dollars except where otherwise indicated)

the reimbursement of costs related to loan negotiations, and from foreign exchange losses incurred in the three month period ended March 31, 2004.

The Company incurred general and administrative expenses of \$1,721,762 during the nine months ended March 31, 2004 compared to 1,763,637 for the nine months ended March 31, 2003. Legal expense fell from \$562,552 to \$104,906. The decrease was due to legal fees in the previous period being abnormally high from the proxy battle that occurred at the prior annual general meeting. Investor relations expense increased as the Company participated in a number of industry trade shows, designed a new website and marketing materials, and also retained an investor relations consultant.

Office expense increased from \$154,107 to \$170,650 versus the previous period due to increased office space required as the Company expanded operations and increased training due to software purchases. Similarly, salaries and benefits for the period increased to \$629,800 versus \$466,852 for the same period in 2003 due to increased staffing required to manage the Company's new projects.

Travel expenses of \$143,111 for the current period increased from \$52,552 in the nine months ended March 31, 2003 as a result of travel due to increased participation in trade shows and travel due to the acquisition of assets in Sierra Leone, Greenland and Madagascar. Stock based compensation expense increased from nil in the 2003 period to \$107,397 in 2004 as result of the exercising of stock options during the period as opposed to no options being exercised in the previous period.

The company has determined it will not proceed with arranging a loan through the Overseas Private Investment Corporation (OPIC). As a result Diamond Fields will reimburse OPIC for costs incurred of US\$150,000 related to loan negotiations.

For the respective nine month periods, these expenses were offset by overall foreign currency gains of \$91,551 in 2004, compared with \$119,575 for the same period in 2003, which occurred because of other currencies the company operates in appreciating against the US dollar. For the three month period ended March 31, 2004 the Company experienced a foreign currency loss of \$78,887 as the US dollar rebounded in world currency markets.

LIQUIDITY AND FINANCIAL CONDITION

At March 31, 2004, the Company had working capital of \$1,718,180 including cash of \$4,434,486 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 March 31, 2004 is primarily a result of the Company's private placements, as discussed in Note 5 to the financial statements, and operational revenues, partially offset by general and administrative expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Expressed in US dollars except where otherwise indicated)

OUTLOOK

Joint Venture with Samicor Mining Services (Pty) Ltd.

Diamond Fields has entered into a joint venture agreement with Samicor 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. Although diamond production will be split equally between the parties, operational costs to Diamond Fields will be capped to the fixed US dollar amount of US\$400,000 per month. Diamond mining operations will utilize Samicor's chartered vessel mv Kovambo, which is equipped with the 3rd Generation Seabed crawler based on the Namssol Crawler ("the Seabed Crawler") mining system and a diamond processing plant. The Seabed crawler, built at a cost of approximately US\$30 million, operated on Namco's adjacent extensions to DFI's Marshall Fork deposits during parts of 1998-2000 producing over 400,000 carats in total and over 200,000 carats of diamonds in 1999. The joint venture will provide Diamond Fields with the highest level of production capacity in the Company's history.

Diamond mining operations are scheduled to recommence on the Luderitz Concession by early June 2004. The term of the joint venture agreement is for an initial six-month period, with Diamond Fields having the sole option to renew the joint venture on the same terms for a further six-month period, subject to an acceptable mine plan being agreed to.

OGNA Nickel-Copper Project in Norway

The Company plans an exploration drilling program commencing in late May 2004, on promising geophysical targets in altered and mineralized intrusive rocks of the Rogaland intrusive massifs.

Acquisition of Diamond and Gold Projects in Liberia

On April 16, 2004 the Company obtained two mineral reconnaissance licenses in Liberia, one of which is a diamond prospect, the other a gold prospect.

The Nimba diamond concession is in an area of Archean craton covering approximately 2000 km² located in Nimba County in northeast Liberia, and hosts artisanal alluvial diamond workings. Diamond Fields exploration efforts will focus on the search for a source kimberlite.

The Cestos Belt gold concession covers approximately 1,300km² in River Cess and Sinoe Counties, and is located near the Cestos shear zone. Regionally, the Cestos shear trend is the southernmost extension of the Syama belt which hosts commercial gold mineralization in Ivory Coast and Mali. Artisanal alluvial gold workings are present in watersheds adjacent to the license. Diamond Fields is planning sampling programs to attempt to define anomalous areas on both these concessions.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

(Expressed in US Dollars except where otherwise indicated)

	March 31, 2004 (Unaudited)	June 30, 2003
ASSETS		
CURRENT		
Cash	\$ 4,434,486	\$ 564,402
Accounts receivable	70,824	10,527
Inventory	27,784	94,528
Prepaid expenses	60,564	12,309
	4,593,658	681,766
INVESTMENT	1	1
MINERAL PROPERTIES AND INTERESTS (Note 2)	8,608,436	7,906,925
OTHER CAPITAL ASSETS	456,890	433,256
	\$ 13,658,985	\$ 9,021,948

LIABILITIES

CURRENT		
Accounts payable and accrued liabilities	\$ 548,607	\$ 659,515
Loan Payable (Note 3)	-	315,945
Note payable (Note 4)	2,326,871	2,103,207
	2,875,478	3,078,667
FUTURE INCOME TAXES	1,554,520	1,567,017
	4,429,998	4,645,684

SHAREHOLDERS' EQUITY

Share capital (Note 5)

Authorized - Unlimited number of common shares without par value

Issued and outstanding - 67,858,279

(June 30, 2003 - 53,037,064) shares

(June 30, 2003 - 53,037,064) shares	25,013,668	18,817,954
Equity portion of note payable	705,981	705,981
Deficit	(15,485,928)	(14,142,937)
Cumulative translations adjustments	(1,004,734)	(1,004,734)
	9,228,987	4,376,264
	\$ 13,658,985	\$ 9,021,948

APPROVED BY THE BOARD:

"Gregg Sedun"

Director

"Roger Daniel"

Director

See accompanying Notes to the Consolidated Financial Statements

DIAMOND FIELDS INTERNATIONAL LTD.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT

(Expressed in US Dollars except where otherwise indicated)

(Unaudited)

	Three months ended March 31,		Nine months ended March 31,	
	2004	2003	2004	2003
DIAMOND SALES	\$ 504,252	\$ 940,601	\$ 1,294,182	\$ 1,252,932
OPERATING COSTS				
Production costs (including depreciation and depletion)	325,449	632,414	734,358	782,437
Royalties, selling and marketing	55,230	163,288	146,860	183,730
	380,679	795,702	881,218	966,167
ADMINISTRATIVE EXPENSES				
Accounting and audit	7,714	7,858	33,151	69,861
Consulting	38,661	15,898	85,926	76,593
Depreciation	6,485	3,305	19,456	12,650
Interest on note payable	34,049	103,608	223,944	288,170
Investor relations	23,918	6,707	114,902	38,549
Legal	67,434	8,947	104,906	562,552
Maintenance and security	11,166	5,215	39,834	14,647
Office	67,943	31,889	170,650	154,107
Regulatory	18,595	6,407	48,685	27,104
Salaries	226,011	111,862	629,800	466,852
Stock based compensation	-	-	107,397	-
Travel and accommodation	40,626	4,890	143,111	52,552
	542,602	306,586	1,721,762	1,763,637
OTHER INCOME (EXPENSES)				
Interest and other income	5,943	2,003	11,759	7,209
Gain on settlement of claim	-	-	-	478,180
Forfeiture of deposit to purchase mining vessel	-	-	-	(91,891)
Property investigation costs	-	-	-	(33,036)
Reimbursement of loan costs (Note 6)	(150,000)	-	(150,000)	-
Foreign exchange gain (loss)	(78,887)	5,464	91,551	119,575
	(222,944)	7,467	(46,690)	480,037
LOSS BEFORE INCOME TAXES	641,973	154,220	1,355,488	996,835
Recovery of future income taxes	-	12,499	12,497	19,048
NET LOSS	641,973	141,721	1,342,991	977,787
DEFICIT, BEGINNING OF PERIOD	14,843,955	12,995,170	14,142,937	12,159,104
DEFICIT, END OF PERIOD	\$ 15,485,928	\$ 13,136,891	\$ 15,485,928	\$ 13,136,891
BASIC AND DILUTED LOSS PER SHARE	\$ 0.01	0.00	\$ 0.02	\$ 0.02
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING (in 000's)	67,203	52,949	59,527	52,925

See accompanying Notes to the Consolidated Financial Statements

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in US Dollars except where otherwise indicated)

(Unaudited)

	Three months ended March 31,		Nine months ended March 31,	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss	\$ (641,973)	\$ (141,721)	\$ (1,342,991)	\$ (977,787)
Items not involving use of cash				
Recovery of future income taxes	-	(12,499)	(12,497)	(19,048)
Accrued interest	33,811	38,014	99,713	98,507
Non-cash interest expense	-	65,594	123,951	189,663
Depreciation and depletion	6,485	65,539	81,682	98,892
Net change in non-cash operating working capital items (Note 7)	211,768	15,026	(152,716)	74,338
	(389,909)	29,953	(1,202,858)	(535,435)
CASH FLOWS FROM FINANCING ACTIVITIES				
Share capital issued, net of issue costs	20,721	7,284	6,195,714	22,695
Loan payable	-	310,000	(315,945)	310,000
Note payable	-	-	-	(68,014)
Deferred financing costs	-	-	-	(32,477)
	20,721	317,284	5,879,769	232,204
CASH FLOWS FROM INVESTING ACTIVITIES				
Expenditures on mineral properties and interests	(288,203)	-	(763,737)	-
Expenditures on other capital assets	(25,356)	2,658	(43,090)	(265,830)
	(313,559)	2,658	(806,827)	(265,830)
INCREASE (DECREASE) IN CASH	(682,747)	349,895	3,870,084	(569,061)
CASH, BEGINNING OF PERIOD	5,117,233	257,528	564,402	1,176,484
CASH, END OF PERIOD	\$ 4,434,486	\$ 607,423	\$ 4,434,486	\$ 607,423

See accompanying Notes to the Consolidated Financial Statements

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONDOLIDATED FINANCIAL STATEMENTS

Three and Nine months ended March 31, 2004

(Expressed in US dollars except where otherwise indicated) (Unaudited)

1) BASIS OF PRESENTATION

This interim financial statements do not contain all the information required by Canadian generally accepted accounting principles for annual financial statements and therefore should be read in conjunction with the most recent annual financial statements of the Company for the year ended June 30, 2003.

These interim financial statements follow the same accounting policies and methods of application as the most recent annual financial statements.

2) MINERAL PROPERTIES AND INTERESTS

Details of the acquisition of assets are described in Note 16(a) to the Company's most recent annual financial statements.

On July 31, 2003, the Company entered into an agreement, which is subject to certain conditions, with a major shareholder of the Company and a company controlled by him (collectively the "Vendors"), whereby the Company will acquire all of the Vendors' interest in certain diamond exploration projects located in Madagascar and Sierra Leone, as well as a nickel exploration project located in Greenland.

On March 31, 2004 the Company acquired the remaining 30% interest in International Gemstones Co. Ltd. ("IGC"), a private company incorporated in the Republic of Mauritius, increasing DFI's interest in IGC from 70% to 100%. The Company had acquired the original 70% interest in IGC by acquiring a 100% interest in Gem Fields Resources, Ltd., a British Virgin Islands company, as part of its acquisition of a number of land based exploration projects noted above. The remaining 30% interest in IGC was owned by individual shareholders, all of whom agreed to sell their interests in exchange for a total of 612,572 common shares in the capital stock of the Company. These shares are subject to a hold period expiring August 1, 2004.

The Company and the Vendors have also agreed that all interests and goodwill of the Vendors in the countries of Angola and the Democratic Republic of the Congo (the "Congo") will be transferred to the Company. The Vendors currently do not have any ongoing exploration projects in Angola or the Congo.

The closings of these transactions are subject to a number of conditions including final approval of the Boards of Directors of the Company and Gondwana (Investments) S.A., and the approval of the Toronto Stock Exchange, and completion of due diligence to the satisfaction of the Company.

Costs of \$713,550 related to the acquisition of assets and incurred during the nine month period ended March 31, 2004 have been capitalized.

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONDOLIDATED FINANCIAL STATEMENTS

Three and Nine months ended March 31, 2004

(Expressed in US dollars except where otherwise indicated) (Unaudited)

3) LOAN PAYABLE

Details of the loan payable are described in Note 7 to the Company's most recent annual financial statements.

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 balance was repaid during the period ended March 31, 2004.

4) NOTE PAYABLE

Details of the note payable are described in Note 8 to the Company's most recent annual financial statements. The financial liability component of the note is comprised of the following:

Total proceeds	\$ 2,000,000
Deduct portion allocated to the equity instrument (the deemed discount on issue)	(705,981)
Financial liability component at inception	1,294,019
Add:	
Accretion of the deemed discount on issue	705,981
Accrued interest	326,871
Balance of financial liability component, March 31, 2004	2,326,871
Deduct amount included in current liabilities	(2,326,871)
Non-current portion	\$ -

The principal and all accrued interest were due on December 31, 2003, unless certain conditions occur, including a change in control of the Company or the incurrence of additional debt by the Company without the prior consent of MIL. The amount was not repaid at December 31, 2003 and the Company is currently discussing repayment alternatives with MIL. The face value of the note plus accrued and unpaid interest to March 31, 2004 amounted to \$2,326,871.

5) SHARE CAPITAL

During the three months ended March 31, 2004, the Company issued 43,181 common shares for proceeds of \$20,271 and 612,572 common shares in partial consideration for certain diamond and nickel projects located in Madagascar. During the nine months ending March 31, 2004, the Company issued 14,821,215 common shares for proceeds of \$6,293,911, including 13,500,000 by means of a private placement.

Subsequent to March 31, 2004 100,000 common shares of the Company were issued as partial consideration in the settlement of an outstanding legal claim.

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONDOLIDATED FINANCIAL STATEMENTS

Three and Nine months ended March 31, 2004

(Expressed in US dollars except where otherwise indicated) (Unaudited)

5) SHARE CAPITAL (Continued)

At May 28, 2004, a total of 67,958,279 common shares of the Company were outstanding.

Private placements

On November 28, 2004 Diamond Fields closed non-brokered private placements totalling 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 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 Cdn\$4,140,000 (the "SR Private Placement"). The Company closed these private placements on November 28, 2003, however the SR Private Placement was subject to receipt of shareholder approval, which was obtained on December 17, 2003.

Each Unit consists of one common share of the 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.

Diamond Fields paid a finder's fee of 6% of the funds raised by the finders for assisting in the placements and has issued Compensation Receipts to purchase up to a total of 485,430 Shares at an exercise price of Cdn\$0.74 per common share.

Options

During the three months ended March 31, 2004, 300,000 options were granted to employees to purchase common shares of the Company at an exercise price of Cdn\$0.56 per share and expire February 2, 2009.

Subsequent to March 31, 2004 60,000 options were granted to an employee to purchase common shares of the Company at an exercise price of Cdn\$0.60 per share and expire April 8, 2009, furthermore 150,000 options previously granted to employees at an exercise price of Cdn\$0.72 expired.

Common share purchase options outstanding at May 28, 2004 totaled 4,840,000 with exercise prices and expiry dates ranging from Cdn\$0.31 to Cdn\$.91 per share and March 12, 2005 to April 8, 2009.

The Company accounts for its stock-based compensation plan using the intrinsic-value method. Under this method, compensation costs are not recognized in the financial statements for stock options granted to employees and directors when issued at market

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONDOLIDATED FINANCIAL STATEMENTS

Three and Nine months ended March 31, 2004

(Expressed in US dollars except where otherwise indicated) (Unaudited)

5) SHARE CAPITAL (Continued)

value. If the fair-value method had been used, an additional expense of \$496,016 would have been recognized for stock-based compensation for the nine months ended March 31, 2004, and the basic and diluted loss per share would have been \$0.03.

6) REIMBURSEMENT OF LOAN COSTS

The company has determined it will not proceed with arranging a loan through the Overseas Private Investment Corporation (OPIC). As a result Diamond Fields will reimburse OPIC for costs incurred of US\$150,000 related to loan negotiations.

7) NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

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

	Three months ended March 31		Nine months ended March 31	
	2004	2003	2004	2003
(Increase) decrease in:				
Accounts receivable	\$ (16,842)	\$ 304,561	\$ (60,297)	\$ 82,164
Inventory	209,405	(222,557)	66,744	(307,321)
Prepaid expenses	(19,630)	(14,374)	(48,255)	(14,705)
Increase (decrease) in:				
Accounts payable and accrued liabilities	38,835	(52,604)	(110,908)	314,200
	<u>\$ 211,768</u>	<u>\$ 15,026</u>	<u>\$ (152,716)</u>	<u>\$ 74,338</u>

8) SEGMENTED INFORMATION

The Company considers its business to consist of one reportable business segment. All of the Company's revenue for the three and nine month periods ended March 31, 2004 and 2003 was earned in Namibia.

9) RELATED PARTY TRANSACTIONS

Included in accounts payable at March 31, 2004 are legal and other fees, including proxy solicitation costs, totalling \$182,995 (June 2003 - \$306,279) payable to a company controlled by a major shareholder of the Company.

During the nine months ended March 31, 2004 the Company paid rent, office and support expenses totalling \$55,500 (March 31, 2003 - \$16,500) to a company with a common officer and director. The expenses relate to an agreement to pay \$7,500 per month for such costs. The agreement can be cancelled with three months notice.

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONDOLIDATED FINANCIAL STATEMENTS

Three and Nine months ended March 31, 2004

(Expressed in US dollars except where otherwise indicated) (Unaudited)

10) SUBSEQUENT EVENT

On April 29, 2004 a settlement with respect to the outstanding legal claim against the company was reached. The parties have agreed to a dismissal of action in consideration for payment of US\$50,000 and 100,000 common shares of the company.