

Interim Consolidated Financial Statements of

BRC Diamond Corporation

September 30, 2007

NOTICE TO READER

These interim consolidated financial statements of BRC Diamond Corporation as at and for the three and nine month periods ended September 30, 2007 have been prepared by management of BRC Diamond Corporation. The auditors of BRC Diamond Corporation have not audited or reviewed these interim consolidated financial statements.

BRC Diamond Corporation

Table of Contents

September 30, 2007

	Page
Table of Contents	1
Consolidated Balance Sheets	2
Consolidated Statements of Operations and Deficit	3
Consolidated Statements of Cash Flows	4
Notes to the Interim Consolidated Financial Statements	5-16

BRC Diamond Corporation

Consolidated Balance Sheets

As at :	September 30, 2007 (unaudited)	December 31, 2006 (audited)
ASSETS		
CURRENT		
Cash	\$ 687,398	\$ 373,093
Prepaid expenses and other assets	148,815	1,787
Due from related parties (Note 3(b))	-	9,676
	836,213	384,556
INVESTMENT (Note 4)	-	91,993
MINERAL PROPERTIES (Note 5)	12,008,680	7,459,562
CAPITAL ASSETS (Note 6)	278,881	161,630
	\$ 13,123,774	\$ 8,097,741
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 853,276	\$ 276,287
COMMITMENT (Note 8)		
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 7(a))	15,814,394	10,212,954
WARRANTS (Note 7(a))	-	111,720
CONTRIBUTED SURPLUS (Note 7(d))	2,329,488	1,552,807
DEFICIT	(5,873,384)	(4,056,027)
	12,270,498	7,821,454
	\$ 13,123,774	\$ 8,097,741

BRC Diamond Corporation

Consolidated Statements of Operations and Deficit (unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Expenses				
Consulting fees (Note 7(b))	\$ 471,214	\$ 77,203	\$ 598,874	\$ 158,852
Professional fees	444,569	21,784	668,626	61,046
Management fees	-	37,000	49,333	111,000
General and administrative	126,565	16,289	241,997	79,447
Stock-based compensation (Note 7(b))	-	109,668	-	329,004
Foreign exchange loss	39,488	4,351	226,770	7,890
Loss before the under noted items	(1,081,836)	(266,295)	(1,785,600)	(747,239)
Interest income	-	-	-	391
Write-off of mineral properties	(16,297)	-	(16,297)	-
Loss on sale of investment	(15,460)	-	(15,460)	-
Net loss for the period	(1,113,593)	(266,295)	(1,817,357)	(746,848)
Deficit - beginning of the period	(4,759,791)	(3,088,221)	(4,056,027)	(2,607,668)
Deficit - end of the period	\$ (5,873,384)	\$ (3,354,516)	\$ (5,873,384)	\$ (3,354,516)
Basic and diluted loss per share (Note 7(c))	\$ (0.08)	\$ (0.02)	\$ (0.14)	\$ (0.06)

BRC Diamond Corporation
Consolidated Statements of Cash Flows
(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Net inflow (outflow) of cash related to the following activities:				
Operating				
Net loss for the period	\$ (1,113,593)	\$ (266,295)	\$ (1,817,357)	\$ (746,848)
Items not affecting cash				
Stock-based compensation	54,975	185,742	164,925	486,727
Loss of sale on investment	15,460	-	15,460	-
Write-off of mineral properties	16,297	-	16,297	-
	(1,026,861)	(80,553)	(1,620,675)	(260,121)
Net change in non-cash working capital items				
Prepaid expenses and other assets	(80,202)	(72,660)	(147,028)	5,607
Due from related parties	-	-	9,676	-
Accounts payable and accrued liabilities	389,399	(212,874)	576,989	(250,562)
	(717,664)	(220,767)	(1,182,232)	(505,076)
Investing				
Mineral properties	(1,617,327)	(1,122,877)	(3,815,481)	(3,785,040)
Capital assets	(130,391)	(12,601)	(201,808)	(25,258)
Sale of investment	76,532	-	76,532	-
	(1,671,186)	(1,135,478)	(3,940,757)	(3,810,298)
Financing				
Issue of common shares	15,060	-	5,436,100	6,296,830
Due to related parties	(47,106)	(12,790)	-	(621,015)
	(32,046)	(12,790)	5,436,100	5,675,815
Increase (decrease) in cash during the period	(2,420,896)	(1,369,035)	314,305	1,360,441
Cash - Beginning of the period	3,108,294	2,806,552	373,093	77,076
Cash - End of the period	\$ 687,398	\$ 1,437,517	\$ 687,398	\$ 1,435,517

Depreciation of capital assets of \$84,559 was capitalized to mineral properties during the nine month period ended September 30, 2007 (September 30, 2006 - \$64,406).

BRC Diamond Corporation

Notes to the Interim Consolidated Financial Statements

September 30, 2007

(unaudited)

1. CONTINUATION OF THE BUSINESS

The principal business of BRC Diamond Corporation (the "Corporation") is the acquisition and exploration of mineral properties. The recoverability of amounts shown for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Corporation to obtain financing to complete the development of the properties where necessary and upon future profitable production, or, alternatively, upon the Corporation's ability to recover its spent costs through a disposition of its interests, all of which are uncertain.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern, which assumes that the Corporation will continue in operation for a reasonable period of time and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Corporation has incurred significant net losses over the past three years. While the financial statements have been prepared on the basis of accounting principles applicable to a going concern, adverse conditions may cast substantial doubt upon the validity of this assumption. In the event the Corporation is unable to identify recoverable reserves and resources, receive the necessary permitting, or arrange appropriate financing, the carrying value of the Corporation's assets could be subject to material adjustment.

These financial statements do not include any adjustments to the recoverability and classification of certain recorded asset amounts and classification of certain liabilities that might be necessary, if the Corporation were unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

These financial statements represent the consolidated financial statements of the Corporation, which includes its accounts and those of its wholly-owned subsidiary, BRC Congo Development SPRL (the "Subsidiary"), a company incorporated under the laws of the Democratic Republic of the Congo ("DRC"). All inter-company balances and charges have been eliminated.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Assets which require management to make significant estimates and assumptions in determining carrying values include the investment and mineral properties.

BRC Diamond Corporation

Notes to the Interim Consolidated Financial Statements

September 30, 2007

(unaudited)

Financial instruments, Comprehensive income, Hedges and Equity

Effective January 1, 2007, the Corporation adopted CICA accounting standards related to, *Comprehensive Income* (Section 1530), *Financial Instruments – Recognition and Measurement* (Section 3855), *Financial Instruments – Disclosure and Presentation* (Section 3861), *Hedges* (Section 3865) and *Equity* (Section 3251). These accounting statements have been adopted on a prospective basis and prior periods have not been restated.

Section 1530 establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions, event and circumstances other than with the company's shareholders. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with generally accepted accounting principles.

Under Section 3855, financial instruments must be classified into one of the following categories: held-to-maturity, held-for-trading, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value, except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and recognition of changes in the fair value will depend on their initial classification; held-for-trading financial assets and derivatives are measured at fair value and changes in fair value are recognized in net income, while available-for-sale financial instruments are measured at fair value, with unrealized changes in fair value recorded in other comprehensive income.

Upon adoption of these new standards, the Corporation designated its financial instruments as follows:

Financial instrument	Classification	Measurement
Cash and cash equivalents	Held-for-trading	Fair value
Prepaid expenses and other assets	Loans and receivables	Amortized cost
Due to and from related parties	Loans and receivables	Amortized cost
Investment	Available-for-sale	Fair value
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

Section 3861 establishes standards for presentation of financial instruments and identifies the information required for disclosure in the company's financial statements.

Section 3865 specifies the criteria under which hedge accounting can be used and establishes the required disclosures. The Corporation is not currently engaged in any hedging activity. As a result, the adoption of section 3865 did not have any impact on the Corporation's interim consolidated financial statements.

The Corporation's adoption of section 3251 did not have any impact on the Corporation's interim consolidated financial statements.

BRC Diamond Corporation

Notes to the Interim Consolidated Financial Statements

September 30, 2007

(unaudited)

Mineral properties

Costs relating to the acquisition, exploration and development of non-producing resource properties are capitalized until such time as either economically recoverable reserve are established, the properties are sold or abandoned, or the value of the particular property is impaired. The excess of these costs over estimated recoveries is charged to operations. The ultimate recovery of these costs depends on the discovery and development of economic reserves or the sale of the mineral rights. The amounts shown for non-producing resource properties do not necessarily reflect present or future values. In addition, the Corporation's exploration opportunities in the DRC may be subject to sovereign risks, including political and economic instability, government regulations relating to mining, military repression, civil disorder, currency fluctuations and inflation, all or any of which may impede the Corporation's activities in this country or may result in the impairment or loss of part or all of the Corporation's interest in the properties.

Capital assets

Capital assets of the Corporation are recorded at cost. Depreciation of capital assets is recorded as follows:

Communication equipment	- straight line over three years
Office equipment	- straight line over three years
Motor vehicles	- straight line over four years
Mining equipment	- straight line over two years
Leasehold improvements	- straight line over five years

Stock options

The Corporation's stock option plans are referred to in Note 7(b). Stock-based compensation is recorded using the fair value method of accounting for stock options granted to directors, officers and employees whereby the weighted average fair value of options granted is recorded as compensation expense in the consolidated financial statements. Compensation expense on stock options granted is recognized and amortized over the vesting period, with the offset being credited to contributed surplus, which will transfer to share capital if the related options are converted. Compensation expense on stock options granted to non-employees is recorded as an expense in the period at the earlier of the completion of performance and the date the options are vested using the fair value method. Any consideration paid for shares purchased under the stock option plan is credited to share capital.

Income taxes

The Corporation follows the liability method of accounting for income taxes. Under this method, future income taxes are recognized based on the expected future tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax basis, using the substantively enacted income tax rates for the year in which the differences are expected to reverse. Valuation allowances are established when necessary to reduce future income tax assets to amounts expected to be realized.

BRC Diamond Corporation

Notes to the Interim Consolidated Financial Statements

September 30, 2007

(unaudited)

Loss per share

Basic loss per share is computed by dividing net loss by the weighted average number of shares outstanding during the reporting period (Note 7(c)). Common share options and warrants are excluded from the calculation of diluted loss per share amounts, as applicable, to the extent that their effect would be anti-dilutive.

Foreign currency translation

These consolidated financial statements are presented in Canadian dollars. The Corporation's measurement currency is the Canadian dollar and the measurement currency for the Corporation's Subsidiary is the U.S. dollar.

Accounts of the Subsidiary denominated in U.S. dollars have been translated into Canadian dollars as follows:

- Monetary assets and liabilities are translated at the period end exchange rates;
- Non-monetary items are translated at historical exchange rates in effect on the date of the transactions;
- Revenue and expense items are translated at average rates of exchange in effect during the period; and
- Exchange differences resulting from translation are recorded as an income or expense item in the period.

Variable interest entities (VIE's)

VIE's are consolidated by the Corporation when it is determined that it will, as the primary beneficiary, absorb the majority of the VIE's expected losses or expected residual returns. The Corporation currently does not have any VIE's.

BRC Diamond Corporation

Notes to the Interim Consolidated Financial Statements

September 30, 2007

(unaudited)

3. RELATED PARTY TRANSACTIONS

a) Due to related parties

During the nine month period ended September 30, 2007, Banro Corporation (“Banro”), a significant shareholder of the Corporation, paid expenses amounting of \$47,106 on behalf of the Corporation. At September 30, 2007, the balance of \$Nil (December 31, 2006 - \$Nil) was due from Banro.

b) Due from related parties

During the nine month period ended September 30, 2007, the Corporation received repayment of \$9,676 from related companies. This amount was outstanding at December 31, 2006.

c) Other transactions

During the nine month period ended September 30, 2007, the Corporation incurred management fees of \$49,333 (September 30, 2006 - \$111,000) to two officers and directors of the Corporation, for services rendered during the period. In addition, during the nine month period ended September 30, 2007, legal fees of \$395,431 (September 30, 2006 - \$108,497) incurred in connection with general corporate matters as well as the Corporation’s financing and the proposed acquisition of Diamond Core Resources Limited, were billed to the Corporation by a law firm of which one partner is a director of the Corporation and another partner is an officer of the Corporation.

All amounts due to and from related parties are unsecured, non-interest bearing and repayable upon demand. These transactions are in the normal course of operations and are measured at the exchange value.

4. INVESTMENT

As at December 31, 2006, the Corporation’s investment represented 2.37% of the outstanding common shares of Nevada Bob’s International Inc. (“NBI”), a licensor of certain golf equipment and apparel trademarks. At December 31, 2006, this investment had a quoted market value of \$78,043. On January 1, 2007, the Corporation designated this investment as available-for-sale, resulting in the recording of an unrealized loss of \$13,950. In July 2007, the Corporation sold this investment for \$76,532 and recognized a net realized loss of \$15,460 in its consolidated statement of operations and deficit. Prior to January 1, 2007, this investment was accounted for under the cost method and was written down only when there was an other than temporary loss in value.

BRC Diamond Corporation

Notes to the Interim Consolidated Financial Statements

September 30, 2007

(unaudited)

5. MINERAL PROPERTIES

As at September 30, 2007, the Corporation held title to 25 Prospecting Research Permits (“PRs”) for diamonds of which 14 are in the Lubao district and 11 are in the northern DRC. The properties, which represent a surface area of approximately 9,000 square kilometers, are located in the Kasai-Oriental, Equateur and Orientale provinces of the DRC. The DRC Mining Code gives the holder of a PR for precious stones exclusive rights for a period of four years, renewable for two additional two-year periods. Upon discovery of an economically viable deposit, the holder can apply for a Permit of Exploitation. The Corporation has also submitted additional PR applications for which it expects to receive titles shortly.

During 2005, the Corporation entered into exclusive option agreements with three private Congolese companies to fund exploration in respect of an aggregate of 117 PRs for diamonds in the Provinces of Bas-Congo, Bandundu and Kasai Occidental in the southwest region of the DRC. During the first quarter of 2006, the Corporation rationalized its option position on the Kwango River to concentrate on eight PRs. As a result, the number of PRs under option agreements was reduced from 117 PRs to 33 PRs. These 33 PRs, which represent a surface area of approximately 11,000 square kilometres, are located in the provinces of Bandundu, Kasai West and Kasai East. Eight of these PRs are located in the Kwango alluvial diamond fields contiguous to the Angolan border, 21 are in the prospective Tshikapa alluvial diamond fields and the remaining four are north of Kananga.

In addition to the mineral properties in the DRC, during the nine month period ended September 30, 2007, the Corporation allowed its 6 mining claims located in Fenton Township in northern Ontario, Canada to lapse and therefore wrote-off an amount of \$16,297 representing the acquisition cost of these mining claims. Deferred exploration costs related to these Fenton Township claims of \$414,323, capitalized under Mineral Properties in the balance sheet, were written-off during 2006 since there has been a delay in exploration activities for over three years.

The Corporation has incurred deferred exploration expenditures and mineral property costs, net of write-offs, of \$12,008,680 in Canada and in the DRC as at September 30, 2007 as follows:

BRC Diamond Corporation

Notes to the Interim Consolidated Financial Statements

September 30, 2007

(unaudited)

a) Fenton/Menary project (Canada)

	Nine months ended September 30, 2007	Year ended December 31, 2006	Cumulative from inception in 1990 to Sept 30, 2007
Mineral property costs			
Claims and staking	\$ -	-	\$ 66,306
Write-off	(16,297)	-	(66,306)
Total mineral property costs	(16,297)	-	-
Deferred exploration expenditures			
Field camp expenses	-	-	88,828
Surveying	-	-	60,515
Geochemistry	-	-	5,554
Geology – contract geologists	-	-	47,378
Drilling	-	-	232,356
Professional fees	-	-	10,525
Write-off	-	(414,323)	(445,156)
Total deferred exploration expenditures	-	(414,323)	-
Total mineral properties and deferred exploration expenditures	\$ (16,297)	\$ (414,323)	\$ -

b) Mineral properties in the DRC (which comprise the following projects: Lubao, Kwango River, Tshikapa (Kwango Mines), Tshikapa (Candore), Tshikapa (Acacia), Zongo, Businga, Bomili and Ilunga).

	Nine months ended September 30, 2007	Year ended December 31, 2006	Cumulative from inception in 1990 to Sept 30, 2007
Mineral property costs			
Claims and staking	\$ -	\$ -	\$ 2,878
Total mineral property costs	-	-	2,878
Deferred exploration expenditures			
Field camp expenses	303,010	591,635	1,309,721
Geochemistry	135,242	92,878	234,081
Geophysics	658,826	1,413,877	2,072,703
Remote sensing and surveying	16,042	18,600	34,642
Geology – contract geologists	324,810	851,493	1,526,796
Drilling	86,653	216,644	303,297
Professional fees	13,564	33,288	132,804
Transport cost and helicopter	685,401	778,198	1,928,642
Permits and surface taxes	559,583	344,299	1,299,100
Option fees	96,898	-	284,572
Administrative and office support	935,452	693,374	1,984,969
Stock-based compensation	665,375	-	665,375
Depreciation	84,559	87,156	229,100
Total deferred exploration expenditures	4,565,415	5,121,442	12,005,802
Total mineral properties and deferred exploration expenditures	\$ 4,565,415	\$ 5,121,442	\$ 12,008,680

BRC Diamond Corporation

Notes to the Interim Consolidated Financial Statements

September 30, 2007

(unaudited)

6. CAPITAL ASSETS

	As at September 30, 2007		
	Cost	Accumulated Depreciation	Net Book Value
Communication equipment	\$ 18,673	\$ 14,351	\$ 4,322
Office equipment	19,439	14,762	4,677
Motor vehicles	409,927	150,620	259,307
Mining equipment	59,940	49,365	10,575
Leasehold improvements	225,120	225,120	-
	\$ 733,099	\$ 454,218	\$ 278,881

	As at December 31, 2006		
	Cost	Accumulated Depreciation	Net Book Value
Communication equipment	\$ 18,673	\$ 9,730	\$ 8,943
Office equipment	14,560	10,139	4,421
Motor vehicles	218,505	93,632	124,873
Mining equipment	54,432	31,039	23,393
Leasehold improvements	225,121	225,121	-
	\$ 531,291	\$ 369,661	\$ 161,630

During the nine month period ended September 30, 2007, \$84,559 of depreciation was included in deferred exploration expenditures (see Note 5(b)) (September 30, 2006 - \$64,406).

BRC Diamond Corporation

Notes to the Interim Consolidated Financial Statements

September 30, 2007

(unaudited)

7. CAPITAL STOCK

a) *Share capital*

	Number of Shares	Amount
Balance, December 31, 2005	10,464,032	\$ 3,934,558
Shares issued for cash	1,900,000	6,033,260
Exercise of warrants	60,000	245,136
Balance, December 31, 2006	12,424,032	\$ 10,212,954
Shares issued for cash	1,093,600	5,090,720
Exercise of warrants	114,000	510,720
Balance, September 30, 2007	13,631,632	\$ 15,814,394

The authorized share capital of the Corporation is comprised of an unlimited number of common shares.

In March 2006, the Corporation completed a private placement of 1,900,000 common shares of the Corporation at a price of \$3.50 per share resulting in aggregate gross proceeds of \$6,650,000. Kingsdale Capital Markets Inc. (the "Agent") acted as the Corporation's agent in connection with the financing. In consideration for its services, the Corporation paid to the Agent a cash commission equal to 6% of such gross proceeds and issued to the Agent 114,000 broker warrants, with each such broker warrant entitling the holder to purchase one common share of the Corporation at a price of \$3.50 for a period of one year. These broker warrants were exercised in March 2007.

In March 2007, the Corporation completed a non-brokered private placement of 1,000,000 common shares of the Corporation at a price of \$5.00 per share resulting in aggregate gross proceeds of \$5,000,000. The proceeds from this financing will be used to advance the Corporation's exploration projects in the DRC and for general corporate purposes.

b) *Stock option plan*

In March 2004, the Board of Directors of the Corporation approved a new stock option plan under which non-transferable options to purchase common shares of the Corporation may be granted by the Board of Directors to any director, officer, employee or consultant of the Corporation or any subsidiary of the Corporation. This stock option plan contains provisions providing that the term of an option may not be longer than five years and the exercise price of an option shall not be lower than the market price of the Corporation's shares at the time of grant.

BRC Diamond Corporation

Notes to the Interim Consolidated Financial Statements

September 30, 2007

(unaudited)

As at September 30, 2007, the Corporation had outstanding 1,546,400 (December 31, 2006 –1,110,000) stock options to acquire common shares of the Corporation at a weighted-average price of \$3.49 (December 31, 2006 - \$1.79) per share. The following table summarizes information about stock options outstanding and exercisable at September 30, 2007:

Date of Grant	Number outstanding at 12/31/2006	Options granted during the year	Options Exercised, Expired or Forfeited	Number outstanding at 09/30/07	Options Exercisable at 09/30/07	Exercise price	Fair value date of grant	Expiry Date
01/17/03	40,000	-	30,000	10,000	10,000	\$ 0.20	\$ 0.09	01/17/08
11/19/03	120,000	-	40,000	80,000	80,000	\$ 0.50	\$ 0.42	11/19/08
04/14/04	225,000	-	10,000	215,000	215,000	\$ 1.50	\$ 1.24	04/14/09
10/06/04	50,000	-	-	50,000	50,000	\$ 2.00	\$ 1.73	10/06/09
03/04/05	25,000	-	13,600	11,400	11,400	\$ 2.10	\$ 1.78	03/04/10
03/18/05	225,000	-	-	225,000	225,000	\$ 2.50	\$ 1.76	03/18/10
04/29/05	225,000	-	-	225,000	225,000	\$ 2.50	\$ 2.14	04/29/10
06/29/06	200,000	-	-	200,000	150,000	\$ 3.75	\$ 2.16	06/29/11
04/09/07	-	300,000	-	300,000	75,000	\$ 5.50	\$ 3.25	04/09/12
08/03/07	-	230,000	-	230,000	57,500	\$ 8.00	\$ 2.85	08/03/12
	1,110,000	530,000	93,600	1,546,400	1,098,900			

During the nine month period ended September 30, 2007, the Corporation recognized in the statement of operations as stock-based compensation expense \$nil (September 30, 2006 - \$329,004) representing the fair value of stock options previously granted to employees, directors and officers under the Corporation's stock option plan. In addition, the Corporation recognized consulting fees of \$164,925 (September 30, 2006 - \$157,723) representing the fair value of stock options granted to consultants under the Corporation's stock option plan. An amount of \$665,375 related to stock options issued to an employee of the Corporation's subsidiary in the DRC was capitalized as deferred exploration expenditures. These amounts were credited accordingly to contributed surplus in the balance sheet.

The Black-Scholes option-pricing model was used to estimate the fair values of all stock options granted in 2005, 2006 and 2007 based on the following factors:

- (i) risk-free interest rate: 2.91% to 4.38%
- (ii) expected volatility: 47% to 127.20%
- (iii) expected life: 2 to 5 years
- (iv) expected dividends: \$Nil

BRC Diamond Corporation

Notes to the Interim Consolidated Financial Statements

September 30, 2007

(unaudited)

c) *Loss per share*

The loss per share figures for the nine month periods ended September 30, 2007 and 2006 are calculated using the weighted average number of shares outstanding during the respective accounting periods amounting to 13,154,160 and 11,882,000 common shares. The calculations of basic and diluted loss per share amounts are identical. All common share options and warrants were excluded from the calculation of diluted loss per share as their effect would have been anti-dilutive.

d) *Contributed Surplus*

	September 30, 2007	December 31, 2006
Balance, beginning of the period	\$ 1,552,807	\$ 880,338
Options granted	830,300	672,469
Options exercised	(53,619)	-
Balance, end of the period	<u>\$ 2,329,488</u>	<u>\$ 1,552,807</u>

8. COMMITMENTS AND GUARANTEE

The Corporation is committed to the payment of the surface fees and taxes under the option agreements referred to in note 5. In 2007, this amounted to approximately US\$250,000. The surface fees and taxes are required to be paid annually under the DRC Mining Code in order to keep PRs in good standing. In addition, as at September 30, 2007, the Corporation had a bank guarantee of US\$5,798 with respect to expenses related to a mitigation and rehabilitation plan required from holders of PRs under the DRC Mining Code.

BRC Diamond Corporation

Notes to the Interim Consolidated Financial Statements

September 30, 2007

(unaudited)

9. PROPOSED TRANSACTION

On July 5, 2007, the Corporation announced that it has entered into an agreement with Diamond Core Resources Limited ("Diamond Core") to merge the two companies to create a new growth-focused African diamond exploration and development company (the "Transaction").

Diamond Core is a South African-based diamond exploration and development company. Diamond Core's shares are listed on the JSE Limited in South Africa under the symbol "DMR".

The Transaction is to be implemented by way of a court-sanctioned scheme of arrangement under the provisions of Section 311 of the *Companies Act, 1973* (South Africa), pursuant to which the Corporation will acquire all of the outstanding shares of Diamond Core in exchange for shares of the Corporation. At closing, all Diamond Core shareholders will be issued one common share of the Corporation for every 24.5 Diamond Core ordinary shares held. Shareholders of the Corporation will continue to hold their existing common shares of the Corporation. The name of the Corporation is to change to BRC DiamondCore Ltd. in connection with the Transaction, and it is expected that upon closing the Transaction current Corporation shareholders and Diamond Core shareholders will hold approximately 53% and 47%, respectively, of the outstanding shares of the Corporation.

The closing of the Transaction is subject to the approval of Diamond Core shareholders at a meeting expected to be held in the first quarter of 2008. The board of directors of Diamond Core has agreed to recommend the Transaction to its shareholders, subject to its fiduciary obligations and the receipt of a favourable fair and reasonable opinion for which Venmyn Rand (Pty) Ltd. has been appointed. The Corporation's board of directors has approved the Transaction. Other Transaction approvals include South African competition and stock exchange authorities, for which applications have been filed.

BRC DIAMOND CORPORATION

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS - THIRD QUARTER 2007

The following management's discussion and analysis ("**MD&A**"), which is dated as of November 28, 2007, provides a review of the activities, results of operations and financial condition of BRC Diamond Corporation (the "**Company**" or "**BRC**") as at and for the three and nine month periods ended September 30, 2007, as well as future prospects of the Company. This MD&A should be read in conjunction with the unaudited consolidated financial statements of the Company as at and for the three and nine month periods ended September 30, 2007, together with the MD&A and audited consolidated financial statements of the Company as at and for the year ended December 31, 2006. Additional information relating to the Company is available on SEDAR at www.sedar.com.

Forward-Looking Statements

The following MD&A contains forward-looking statements. All statements, other than statements of historical fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, without limitation, statements regarding exploration results, potential mineralization and future plans and objectives of the Company) are forward-looking statements. These forward-looking statements reflect the current expectations or beliefs of the Company based on information currently available to the Company. Forward-looking statements are subject to a number of risks and uncertainties that may cause the actual results of the Company to differ materially from those discussed in the forward-looking statements, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on the Company. Factors that could cause such differences include, among other things, failure to complete the proposed acquisition by the Company of all of the outstanding shares of Diamond Core Resources Limited as a result of one or more of the closing conditions not being fulfilled, the possibility that future exploration results will not be consistent with the Company's expectations, changes in world equity markets, political developments in the Democratic Republic of the Congo (the "**DRC**"), changes in commodity prices, foreign currency fluctuations, changes to regulations affecting the Company's activities, uncertainties relating to the availability and costs of financing needed in the future, the uncertainties involved in interpreting exploration results and the other risks involved in the diamond exploration industry. Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking statements are reasonable, forward-looking statements are not guarantees of future performance and accordingly undue reliance should not be put on such statements due to the inherent uncertainty therein.

Dr. Michiel de Wit, the Company's President and Chief Executive Officer and a "qualified person" as such term is defined in National instrument 43-101, has reviewed and approved the technical information in this MD&A.

General

The Company is presently focused on the exploration of diamond properties in the DRC. During the third quarter of 2007, the Company's diamond exploration programs in the DRC were focused on the Kwango River, Lubao and Tshikapa projects. The primary objective of the Kwango River project is to establish the alluvial potential of the exploration permit areas along the Kwango River. The other two projects are primarily focused on kimberlite, but the interest level of alluvial diamonds along the Lovua River south of the Tshikapa project is being investigated.

The Company has completed the environmental and rehabilitation plan reports for its Zongo, Businga and Bomili projects pertaining to its newly acquired exploration permits in the provinces of Equateur and Orientale in the north of the DRC, and these have been submitted to the Department of Mines (CAMI) in the DRC for ratification.

No safety incidents have been reported during the quarter.

1. Lubao Project

The mineral chemistry of all consignments for this project has been received so that the 16 drill targets in the northern permit areas of the project have been listed in order of priority for drilling. Seven follow-up samples were collected to assist in this process. In addition, the data will be used to relinquish 50% of those exploration permits that will come up for renewal early in 2008 (the relinquishment is required by DRC law). The Company intends to start drilling these magnetic targets during the first quarter of 2008. During the third quarter of 2007, the Company commenced the reconnaissance program in respect of 6 new exploration permits that have been obtained (by way of option agreement) over an area directly north of the existing Lubao ground, and 72 samples were collected covering some 1,183 km². The remainder of this program was completed during the fourth quarter of 2007.

2. Kwango River Project

The reconnaissance sampling along the Kwango River has been completed and several anomalies have been identified for follow-up work which is planned for the last quarter of 2007.

The air photos received from the Tervuren Museum have been combined with satellite radar data and five metre contour maps have been produced for the whole of the Kwango Valley. These data will be used as a base map for the bulk sampling programme scheduled to commence during the first half of 2008. It will also facilitate to identify additional terrace deposits not obvious from the field mapping program.

Drilling and pitting continued over the various target areas and, during the third quarter of 2007, 56 holes (1,416 metres) were drilled and 242 pits (2,656 metres) were dug. The cumulative total for the year is 81 boreholes (1,813 metres) and 589 pits (4,930 metres). The third quarter of 2007 was the most productive period to date and has added significantly to the geological understanding of the gravel bodies. The pitting work was concentrated around K64, 2nd Splay, K87 and K88, and drilling focussed around K56N and S. During the quarter, the gravel volume of the project has been increased to just over 3.6 million m³ (approximately 8 million tons).

Geological modelling will continue and the establishment of a research programme with a university is presently being investigated.

3. Tshikapa (Candore) Project

The Company conducted an airborne follow-up programme over targets previously identified from the airborne magnetic flying program. In total, 837 line kilometres were flown covering 23 magnetic blocks which equates to 40 km². In addition, three reconnaissance and 35 follow-up stream samples were collected over the Kananga North part of the project during the quarter.

4. Tshikapa (Acacia) Project

Of the 44 targets that have been selected for drilling, 18 have been prioritised for the first pass of the drilling programme. The HydraCore diamond drill rig and its accessories are expected to arrive during the fourth quarter of 2007, from Canada and South Africa respectively, and drilling is scheduled to commence before year end.

No further work was carried out over the alluvial deposits of the area along the Lovua River.

5. Tshikapa (Kwango Mines) Project

No work was carried out on this project during the third quarter of 2007. Five targets have been selected to be drilled on this ground.

6. Zongo/Businga/Bomili Projects

The planning to commence work in the areas recently acquired in the north of the DRC has commenced. Several of the Company's teams have been sent into the areas to start the reconnaissance stream sampling programme.

Results of Operations

For the nine month period ended September 30, 2007, the Company reported a net loss of \$1,817,357, or \$0.14 per share, compared to a net loss of \$746,848, or \$0.06 per share, reported for the nine month period ended September 30, 2006. For the three month period ended September 30, 2007, the Company's net loss was \$1,113,593, or \$0.08 per share, compared to a net loss of \$266,295, or \$0.02 per share, recorded during the three month period ended September 30, 2006. The Company's net loss for the nine month period ended September 30, 2007 was significantly impacted by increased consulting and professional fees incurred in connection with the Company's proposed acquisition of Diamond Core Resources Limited ("**Diamond Core**") (see "Proposed Transaction" below). The Company's net loss was also significantly impacted by a foreign exchange loss of \$226,770 for the nine month period ended September 30, 2007. During the three and nine month periods ended September 30, 2007, significant changes in expenses occurred in the expense categories described below as compared to the corresponding periods of 2006:

Consulting fees

Consulting fees increased to \$598,874 during the nine month period ended September 30, 2007 from \$158,852 incurred during the corresponding period in 2006 mainly as a result of fees paid in connection with the proposed acquisition by the Company of Diamond Core. In addition, during the nine month period ended September 30, 2007, the Company recognized into consulting fees \$164,925 representing the fair value of stock options previously issued to

consultants, compared to \$157,723 recognized during the nine month period ended September 30, 2006.

Professional fees

Professional fees, which include mainly legal and audit fees, significantly increased to \$444,569 and \$668,626 during the respective three and nine month periods ended September 30, 2007 from \$21,784 and \$61,046 recorded for the respective three and nine month periods ended September 30, 2006, due to increased legal expenses incurred in relation to the proposed acquisition by the Company of Diamond Core.

Management fees

Management fees decreased to \$49,333 during the nine month period ended September 30, 2007 from \$111,000 recorded during the corresponding period in 2006. Effective May 2007, management fees previously paid to two officers of the Company were subsequently treated as salaries. Salaries are included in the general and administrative expenses in the consolidated statement of operations and deficit.

General and administrative expenses

General administrative expenses increased to \$126,565 and \$241,997 for the respective three and nine month periods ended September 30, 2007, from \$16,289 and \$79,447 for the corresponding periods in 2006, due to a general increase in the Company's activities. General and administrative expenses for the nine month period ended September 30, 2007 consisted of the following components: shareholder information and promotion expenses (\$75,591), travel expenses (\$43,849), salaries (\$97,060), government and filing fees (\$15,408), office supplies and expenses (\$9,627) and bank charges (\$463). General and administrative expenses for the nine month period ended September 30, 2006 consisted of the following components: shareholder information expenses (\$13,130), travel expenses (\$48,308), government and filing fees (\$11,347), office supplies and expenses (\$5,738) and bank charges (\$924).

Employee stock-based compensation

No stock-based compensation expense was recorded for the three and nine month periods ended September 30, 2007, compared to \$109,668 and \$329,004 for the respective three and nine month periods ended September 30, 2006. An amount of \$665,375 representing the fair value of stock options issued during the second quarter of 2007 to an employee of the Company's subsidiary in the DRC was capitalized as deferred exploration expenditures.

Foreign exchange loss

The Company recorded a foreign exchange loss of \$39,488 and \$226,770 during the respective three and nine month periods ended September 30, 2007, compared to a foreign exchange loss of \$4,351 and \$7,890 recorded during the respective three and nine months period ended September 30, 2006, due to fluctuations in the value of the United States dollar relative to the Canadian dollar.

Summary of Quarterly Results

The following table sets out certain unaudited consolidated financial information of the Company for each of the last eight quarters, beginning with the third quarter of 2007. This financial information has been prepared in accordance with Canadian generally accepted accounting principles. The Company's reporting currency is the Canadian dollar. The Company's measurement currency is the Canadian dollar and the measurement currency for the Company's DRC subsidiary is the U.S. dollar.

	2007	2007	2007	2006
	3 rd Quarter	2 nd Quarter	1 st Quarter	4 th Quarter
Net loss	\$ 1,113,593	\$ 520,544	\$ 183,220	\$ 701,511
Net loss per share	\$ 0.08	\$ 0.04	\$ 0.01	\$ 0.06
	2006	2006	2006	2005
	3 rd Quarter	2 nd Quarter	1 st Quarter	4 th Quarter
Net loss	\$ 266,295	\$ 271,653	\$ 208,900	\$ 233,603
Net loss per share	\$ 0.02	\$ 0.02	\$ 0.02	\$ 0.02

The Company's net loss during the third quarter of 2007 increased to \$1,113,593 compared to a net loss of \$520,544 incurred in the second quarter of 2007, mostly due to increased professional and consulting fees incurred in relation to the proposed acquisition by the Company of Diamond Core (see "Proposed Transaction" below). During the second quarter of 2007, the Company's net loss increased to \$520,544 compared to a net loss of \$183,220 reported for the first quarter of 2007. The Company's net loss in the second quarter of 2007 was significantly impacted by the increase in professional fees related to the proposed acquisition by the Company of Diamond Core and by a foreign exchange loss of \$172,733. The net loss recorded during the first quarter of 2007 decreased significantly to \$183,220 from \$701,511 recorded during the previous quarter. The net loss incurred during the fourth quarter of 2006 was most significantly impacted by the write down of deferred exploration costs of \$414,323 related to the Company's Fenton Township properties, as well as by the recognition of stock option compensation expense, representing the fair value of stock options issued to consultants (\$76,074) and to employees, directors and officers of the Company (\$109,668). The Company recorded a net loss of \$266,295 for the third quarter of 2006 which did not significantly vary from the net loss recorded during the previous quarter. During the second quarter of 2006, the Company's net loss increased to \$271,653 compared to a net loss of \$208,900 reported for the first quarter of 2006, mainly as a result of the recording of consulting expense of \$70,500 for additional stock options granted to consultants during the second quarter of 2006. The Company's net loss for the first quarter of 2006 decreased by 10.57% to \$208,900 compared to the fourth quarter 2005 net loss mainly due to audit fees of \$36,300 accrued during the fourth quarter of 2005.

Liquidity and Capital Resources

The Company does not currently generate revenues and relies primarily on equity financings to fund its activities. Although the Company has been successful in completing equity financings in the past, there is no assurance that the Company will secure the necessary financings in the future.

As at September 30, 2007, the Company had cash of \$687,398 and a working capital deficit of \$17,063, compared to cash of \$373,093 and working capital of \$108,269 as at December 31, 2006. In March 2007, the Company completed a private placement of 1,000,000 common shares of the Company at a price of \$5.00 per share for gross proceeds of \$5,000,000, which proceeds have been mainly used to fund the Company's exploration activities in the DRC. In addition, during the nine month period ended September 30, 2007, the Company received \$399,000 from the exercise of 114,000 broker warrants (which had been issued in March 2006) and \$66,560 from the exercise of 93,600 stock options.

The Company's current cash position is considered sufficient for planned exploration expenditures in the DRC and for general and administrative expenses until the fourth quarter of 2007. During the fourth quarter of 2007, the Company obtained a \$3 million credit line from a Canadian financial institution. Management of the Company expects this credit line to be used to fund the Company's exploration activities until the first quarter of 2008. The Company will need to raise additional capital to fund its exploration programs for 2008 and 2009.

Mineral properties, which include deferred exploration expenditures, increased by \$4,549,118 during the nine month period ended September 30, 2007 to \$12,008,680 from \$7,459,562 as at December 31, 2006, as a result of exploration activities in the DRC. The Company incurred cash exploration expenditures of \$3,815,481 during the nine month period ended September 30, 2007 compared to \$3,785,040 incurred during the corresponding period ended September 30, 2006. A breakdown of exploration expenditures during the nine month period ended September 30, 2007 is presented below under "Deferred Exploration Expenditures".

The Company is committed to the payment of the surface fees and taxes under the option agreements referred to in note 5 to the Company's consolidated financial statements as at and for the nine month period ended September 30, 2007. In 2007, this amounted to approximately US\$250,000. The surface fees and taxes are required to be paid annually under the DRC Mining Code in order to keep exploration permits in good standing.

Deferred Exploration Expenditures

The following tables provide a breakdown of the Company's deferred exploration expenditures for the nine month periods ended September 30, 2006 and September 30, 2007:

September 30, 2006

	<u>Fenton Township</u>	<u>Kwango Project</u>	<u>Lubao Project</u>	<u>Tshikapa Project</u>	<u>Total</u>
Balance 12/31/2005	\$ 414,323	\$1,759,863	\$ 559,082	\$ -	\$ 2,733,268
Field camp expenses	-	455,133	404	11,731	467,268
Geochemistry	-	13,062	41,121	-	54,183
Geophysics	-	469,862	223,450	341,685	1,034,997
Remote sensing	-	8,153	2,038	-	10,191
Geology—contract geologists	-	57,542	509,491	48,952	615,985
Drilling	-	128,518	-	-	128,518
Professional fees	-	25,637	2,987	4,615	33,239
Transport and helicopter	-	401,450	15,241	222,566	639,257
Admin. and office support	-	545,172	135,821	120,409	801,402
Depreciation	-	48,305	16,101	-	64,406
Subtotal - 2006	-	2,152,834	946,654	749,958	3,849,446
Balance 09/30/2006	\$ 414,323	\$3,912,697	\$1,505,736	\$ 749,958	\$ 6,582,714

September 30, 2007

	<u>Kwango Project</u>	<u>Lubao Project</u>	<u>Tshikapa (Acacia) Project</u>	<u>Tshikapa (Candore) Project</u>	<u>Other Projects⁽¹⁾</u>	<u>Total</u>
Balance 12/31/2006	\$ 4,547,529	\$1,793,195	\$ 370,289	\$ 729,374	\$ -	\$ 7,440,387
Field camp expenses	233,233	11,393	58,385	-	-	303,010
Geochemistry	18,580	10,368	81,612	24,682	-	135,242
Geophysics	50,452	39,526	206,500	251,869	110,479	658,826
Remote sensing	13,972	-	2,070	-	-	16,042
Geology—contract geologists	91,050	194,862	32,472	54	6,372	324,810
Drilling	39,483	10,421	10,421	9,854	16,474	86,653
Professional fees	4,340	-	6,149	-	3,075	13,564
Transport and helicopter	469,126	11,300	193,148	11,772	55	685,401
Admin. and office support	553,942	89,070	136,721	61,292	94,427	935,452
Stock-based compensation	166,344	166,344	166,344	166,343	-	665,375
Option fees	-	-	-	-	96,898	96,898
Permits and surface taxes	362,086	62,520	76,322	58,655	-	559,583
Depreciation	63,419	21,140	-	-	-	84,559
Subtotal – 2007	<u>2,066,027</u>	<u>616,943</u>	<u>970,144</u>	<u>584,521</u>	<u>327,780</u>	<u>4,565,415</u>
Balance 09/30/2007	<u>\$6,613,556</u>	<u>\$2,410,138</u>	<u>\$1,340,433</u>	<u>\$1,313,895</u>	<u>\$ 327,780</u>	<u>\$ 12,005,802</u>

(1) Other projects consist of the following projects: Tshikapa (Kwango Mines), Zongo, Businga, Bomili and Ilunga.

Outstanding Share Data

The authorized share capital of the Company consists of an unlimited number of common shares. As at November 28, 2007, the Company had outstanding 13,631,632 common shares and stock options to purchase an aggregate of 1,546,400 common shares of the Company.

Related Party Transactions

During the nine month period ended September 30, 2007, Banro Corporation ("**Banro**"), a significant shareholder of the Company, paid expenses amounting to \$47,106 in the aggregate on behalf of the Company. At September 30, 2007, the balance of \$Nil (December 31, 2006 - \$Nil) was due to Banro.

During the nine month period ended September 30, 2007, the Company incurred management fees of \$49,333 (September 30, 2006 - \$111,000) to two officers and directors of the Company for services rendered during the period.

During the nine month period ended September 30, 2007, the Company received repayment of \$9,676 from related companies. This amount was outstanding at December 31, 2006.

During the nine month period ended September 30, 2007, legal fees of \$395,431 (September 30, 2006 - \$108,497) incurred in connection with general corporate matters as well as the Company's financing and the proposed acquisition by the Company of Diamond Core (see "Proposed Transaction" below), were billed to the Company by a law firm of which one partner is a director of the Company and another partner is an officer of the Company.

These transactions are in the normal course of operations and are measured at the exchange value. All amounts due to and from related parties are unsecured, non-interest bearing and repayable upon demand.

Proposed Transaction

On July 5, 2007, the Company announced that it has entered into an agreement with Diamond Core Resources Limited ("**Diamond Core**") to merge the two companies to create a new growth-focused African diamond exploration and development company (the "**Transaction**").

Diamond Core is a South African-based diamond exploration and development company. Diamond Core's shares are listed on the JSE Limited in South Africa under the symbol "DMR".

The Transaction is to be implemented by way of a court-sanctioned scheme of arrangement under the provisions of Section 311 of the *Companies Act, 1973* (South Africa), pursuant to which the Company will acquire all of the outstanding shares of Diamond Core in exchange for shares of the Company. At closing, all Diamond Core shareholders will be issued one common share of the Company for every 24.5 Diamond Core ordinary shares held. Shareholders of the Company will continue to hold their existing common shares of the Company. The name of the Company is to change to BRC DiamondCore Ltd. in connection with the Transaction, and it is expected that upon closing the Transaction current BRC shareholders and Diamond Core shareholders will hold approximately 53% and 47%, respectively, of the outstanding shares of the Company.

The closing of the Transaction is subject to the approval of Diamond Core shareholders at a meeting expected to be held in the first quarter of 2008. The board of directors of Diamond Core has agreed to recommend the Transaction to its shareholders, subject to its fiduciary obligations and the receipt of a favorable fair and reasonable opinion for which Venmyn Rand (Pty) Ltd. has been appointed. The Company's board of directors has approved the Transaction. Other Transaction approvals include South African competition and stock exchange authorities, for which applications have been filed.

Additional information regarding the Transaction is set out in the Company's press release dated July 5, 2007, and subsequent updates included in Company press releases dated August 2, 2007, September 7, 2007 and October 30, 2007, copies of which can be obtained from SEDAR at www.sedar.com.

Critical Accounting Estimates

Critical accounting estimates used in the preparation of the consolidated financial statements include the Company's estimate of the recoverable value of its mineral properties and related deferred exploration expenditures, as well as the value of stock-based compensation. Both of these estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control.

The factors affecting stock-based compensation include estimates of when stock options might be exercised and the share price volatility. The timing for exercise of options is out of the Company's control and will depend upon a variety of factors including the market value of the Company's shares and financial objectives of the stock-based instrument holders. The future volatility is also uncertain and the model has its limitations.

The Company's recoverability of the recorded value of its mineral properties and associated deferred exploration expenses is based on market conditions for minerals, underlying mineral resources associated with the properties and future costs that may be required for ultimate realization through mining operations or by sale. The Company is in an industry that is dependent on a number of factors including environmental, legal, and political risks, the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and future profitable production or the proceeds of disposition thereof.

Changes in Accounting Policies

Effective January 1, 2007, the Company adopted CICA accounting standards related to *Comprehensive Income* (Section 1530), *Financial Instruments – Recognition and Measurement* (Section 3855), *Financial Instruments – Disclosure and Presentation* (Section 3861), *Hedges* (Section 3865) and *Equity* (Section 3251). These accounting statements have been adopted on a prospective basis and prior periods have not been restated.

Section 1530 establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions, events and circumstances from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with generally accepted accounting principles. The Company did not have accumulated other comprehensive income for the three and nine month periods ended September 30, 2007.

Under section 3855, financial instruments must be classified into one of the following categories: held-to-maturity, held-for-trading, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value, except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and recognition of changes in the fair value will depend on their initial classification; held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income, while available-for-sale financial instruments are measured at fair value, with unrealized changes in fair value recorded in other comprehensive income.

Upon adoption of these new standards, the Company designated its cash and cash equivalents as held-for-trading. Prepaid expenses and other assets as well as due to and from related parties have been classified as loans and receivables. Accounts payable and accrued liabilities have been classified as other financial liabilities. The Company's investment in Nevada Bob's International Inc., previously carried at cost, less provision for other than temporary declines in value, has been designated as available-for-sale. In July 2007, the Company sold its investment in Nevada Bob's International Inc.

Section 3861 establishes standards for presentation of financial instruments and identifies the information required for disclosure in the Company's financial statements.

Section 3865 specifies the criteria under which hedge accounting can be used and establishes the required disclosures. The Company is not currently engaged in any hedging activity. As a result, the adoption of section 3865 did not have any impact on the Company's interim consolidated financial statements.

The Company's adoption of section 3251 did not have any impact on the Company's interim consolidated financial statements.

Risks and Uncertainties

The Company is subject to a number of risks and uncertainties that could significantly impact its operations and future prospects. The following discussion pertains to certain principal risks and uncertainties but is not, by its nature, all inclusive.

The Company's operations in the DRC are exposed to various levels of political risk and uncertainties, including political and economic instability, government regulations relating to exploration and mining, military repression and civil disorder, all or any of which may have a material adverse impact on the Company's activities or may result in impairment or loss of part or all of the Company's DRC assets. In recent years, the DRC has experienced two wars and significant political unrest. Operating in the DRC may make it more difficult for the Company to obtain any required financing because of the perceived investment risk.

The only sources of future funds for further exploration programs which are presently available to the Company are the sale of equity capital, or the offering by the Company of an interest in its properties to be earned by another party carrying out further exploration. There is no assurance that such sources of financing will be available on acceptable terms, if at all. In the event that commercial quantities of minerals are found on the Company's properties, the Company does not have the financial resources at this time to bring a mine into production.

All of the Company's properties are in the exploration stage only and none of the properties contain a known body of commercial ore. The Company currently operates at a loss and does not generate any revenue from operations. The exploration and development of mineral deposits involve significant financial risks over a significant period of time which even a combination of careful evaluation, experience and knowledge may not eliminate. Few properties which are explored are ultimately developed into producing mines. Major expenditures may be required to establish reserves by drilling and to construct mining and processing facilities at a site. It is impossible to ensure that the Company's exploration programs will result in a profitable commercial mining operation.

The Company's exploration and, if such exploration is successful, development of its properties is subject to all of the hazards and risks normally incident to mineral exploration and development, any of which could result in damage to life or property, environmental damage and possible legal liability for any or all damage.

The natural resource industry is intensely competitive in all of its phases, and the Company competes with many companies possessing greater financial resources and technical facilities than itself.