



BRC DiamondCore Ltd.

(formerly BRC Diamond Corporation)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2008
(expressed in thousands of Canadian dollars)
(unaudited)

NOTICE TO READER

These interim consolidated financial statements of BRC DiamondCore Ltd. as at and for the three and nine month periods ended September 30, 2008 have been prepared in accordance with Canadian generally accepted accounting principles and are the responsibility of the Company's management.

These interim consolidated financial statements have not been audited or reviewed by the Company's auditors.

BRC DIAMONDCORE LTD.

(formerly BRC Diamond Corporation)

CONSOLIDATED BALANCE SHEETS (unaudited)

(expressed in thousands of Canadian dollars, except for share and per share amounts)

	As at September 30, 2008 \$'000	As at December 31, 2007 \$'000
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,218	\$ 932
Accounts receivable and other receivables	1,229	403
Inventories	347	-
	2,794	1,335
Deferred transaction costs	-	2,200
Mineral properties and deferred exploration expenditures	33,066	14,188
Property, plant and equipment	15,654	594
Unallocated purchase price	59,949	-
	\$ 111,463	\$ 18,317
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Debt	\$ 6,092	\$ 3,023
Accounts payable and accrued liabilities	5,962	2,599
	12,054	5,622
Long-term liabilities		
Asset retirement obligation	1,541	-
Future Income tax liabilities	3,243	-
	4,784	-
Non-controlling interest	-	-
Shareholders' equity		
Capital stock	105,816	15,827
Contributed surplus	6,827	2,757
Deficit	(18,018)	(5,889)
	94,625	12,695
	\$ 111,463	\$ 18,317

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

BRC DIAMONDCORE LTD.

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CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT (unaudited)

(expressed in thousands of Canadian dollars, except share and per share amounts)

Note	For the three month period ended		For the nine month period ended	
	September 30,		September 30,	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Expenses				
Consulting fees	\$ 153	\$ 471	\$ 316	\$ 599
Depreciation	41	-	130	-
Foreign exchange (profit)/loss - unrealized	(369)	39	2,499	227
General and administrative	992	127	1,350	242
Management fees	-	-	-	49
Professional fees	93	445	93	669
Regulatory expenses	30	-	280	-
Salaries	133	-	648	-
Stock based compensation	11b) 1,237	-	1,593	-
	2,310	1,082	6,909	1,786
Other Income	(176)	-	(261)	-
Loss before the under noted items	2,134	1,082	6,648	1,786
Interest expense	(80)	-	(229)	-
Interest income	28	-	60	-
Loss on sale of investment	-	(15)	-	(15)
Write-off of mineral properties	(5,312)	(16)	(5,312)	(16)
Net loss before income taxes	7,498	1,113	12,129	1,817
Income taxes	-	-	-	-
Net loss before non-controlling interest	7,498	1,113	12,129	1,817
Non controlling interest	-	-	-	-
Net loss for the period	7,498	1,113	12,129	1,817
Other comprehensive income	-	-	-	-
Net loss and other comprehensive loss for the period	7,498	1,113	12,129	1,817
Deficit - beginning of the period	10,520	4,760	5,889	4,056
Deficit - end of the period	\$ 18,018	\$ 5,873	\$ 18,018	\$ 5,873
Basic and diluted loss per share	11 d) \$ 0.31	\$ 0.08	\$ 0.50	\$ 0.14
Weighted average number of common shares outstanding ('000)	11 d) 24,042	13,154	24,042	13,154

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

BRC DIAMONDCORE LTD.
(formerly BRC Diamond Corporation)
CONSOLIDATED STATEMENTS OF CASH FLOW (unaudited)
(expressed in thousands of Canadian dollars)

Note	For the three month period ended		For the nine month period ended	
	September 30, 2008 \$'000	2007 \$'000	September 30, 2008 \$'000	2007 \$'000
Cash flows from operating activities				
Net loss for the period	\$ (7,498)	\$ (1,113)	\$ (12,129)	\$ (1,817)
Items not affecting cash				
Depreciation	41	-	130	-
Stock based compensation	1,237	55	1,593	165
Provision for leave pay	21	-	120	-
Asset retirement obligation	514	-	1,048	-
Loss on sale of investment	-	15	-	15
Write-off of mineral properties	5,312	16	5,312	16
Unrealized foreign exchange loss	(369)	-	2,499	-
	(742)	(1,027)	(1,427)	(1,621)
Net change in non-cash working capital items				
Decrease in inventories	61	-	751	-
(Increase)/Decrease in accounts receivable and other receivables	105	(80)	567	(147)
Increase in accounts payable and accrued liabilities	380	389	51	577
Income Tax	(6)	-	(126)	-
Due from related parties	-	-	-	10
Cash used in operating activities	(202)	(718)	(184)	(1,181)
Cash flows from investing activities				
Cash balances acquired from Diamond Core	-	-	2,308	-
Property, plant and equipment acquired	609	(130)	528	(202)
Sale of investment	-	76	-	76
Exploration costs capitalised	(1,412)	(1,617)	(5,960)	(3,815)
	(803)	(1,671)	(3,124)	(3,941)
Cash flows from financing activities				
Issue of common shares and warrants, net of expenses	525	15	525	5,436
Increase in debt	79	-	3,070	-
Due to related parties	1	(47)	(1)	-
	605	(32)	3,594	5,436
Increase/(decrease) in cash during the period	(400)	(2,421)	286	314
Cash - beginning of period	1,317	3,108	932	373
Cash equivalents - beginning of period	301	-	-	-
Cash - end of period	\$ 942	\$ 687	\$ 942	\$ 687
Cash equivalents -end of period	276	-	276	-
Supplemental information				
Interest received	\$ 80	\$ -	\$ 60	\$ -
Interest paid	28	-	229	-
Capitalized asset retirement obligation liability incurred	1,003	-	1,541	-
Capitalized accretion	-	-	-	-
Taxes	-	-	-	-

As part of the business acquisition described in note 4, the Company issued 12,089,678 common shares of the Company to acquire Diamond Core. The \$2,308 represents the net cash acquired pursuant to the acquisition. Depreciation of property, plant and equipment of \$1,775 was capitalized to mineral properties during the nine months ended September 30, 2008 (September 30, 2007 - \$85).

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

SEPTEMBER 30, 2008

(expressed in thousands of Canadian dollars, except for share and per share amounts)

1. NATURE AND CONTINUATION OF THE BUSINESS

BRC DiamondCore Ltd. ("the Company" or "BRC DiamondCore") was incorporated under the Ontario *Business Corporations Act* on August 7, 1990 and then continued under the *Canada Business Corporations Act* on August 11, 2004. The principal business of the Company is the acquisition and exploration of mineral (diamond) properties. The Company's principal mineral property interests are located in the Democratic Republic of the Congo (DRC) and in South Africa.

In connection with the acquisition described in note 4, the Company changed its name from BRC Diamond Corporation to BRC DiamondCore Ltd. and its shares were listed on the Toronto Stock Exchange and the JSE Limited in Johannesburg, South Africa.

The recoverability of amounts shown for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain financing to complete the development of the properties where necessary and upon future profitable production, or, alternatively, upon the Company'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 ("GAAP") applicable to a going concern, which assumes that the Company 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 Company has incurred significant net losses over the past three years and has a working capital deficit of \$9,260 as at September 30, 2008 (December 31, 2007 - \$4,287). 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 Company is unable to identify recoverable reserves and resources, receive the necessary permitting, or arrange appropriate financing, the carrying value of the Company's assets could be subject to material adjustment.

These consolidated interim 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 Company was unable to continue as a going concern.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These unaudited interim consolidated financial statements of the Company have been prepared by the management of the Company in accordance with Canadian GAAP.

These unaudited interim consolidated financial statements have been prepared using the accounting policies that are consistent with the policies used in preparing BRC DiamondCore's audited consolidated financial statements as at and for the year ended December 31, 2007 in accordance with Canadian GAAP, except for those set out in note 3.

These unaudited interim consolidated financial statements do not contain all of the necessary information required for annual financial statements. Accordingly, these interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements as at and for the year ended December 31, 2007, together with the notes thereon, that are available on SEDAR at www.sedar.com.

The financial statements of Diamond Core Resources Limited ("Diamond Core") (see note 4) used in the preparation of these unaudited interim consolidated financial statements were prepared in accordance with International Financial Reporting Standards and have been adjusted to be consistent with Canadian GAAP.

These unaudited interim consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary to present fairly the financial position of the Company as at September 30, 2008 and the results of operations and cash flows for the three and nine months ended September 30, 2008 in accordance with Canadian GAAP.

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3. CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2008, the Company adopted the following sections of the Handbook of the Canadian Institute of Chartered Accountants ("CICA"):

a) General Standards of Financial Statement Presentation

CICA Handbook Section 1400, as amended, changed the guidance related to management's responsibility to assess the ability of the entity to continue as a going concern. Management is required to make an assessment of the entity's ability to continue as a going concern and should take into account all information about the future, which is at least but not limited to 12 months from the balance sheet date. Disclosure is required of material uncertainties related to events or conditions that cast significant doubt upon the entity's ability to continue as a going concern. The adoption of this standard had no impact on the Company's presentation of its financial position or consolidated results of operations as at September 30, 2008 and for the three and nine month periods then ended.

b) Inventories

CICA Handbook Section 3031, Inventories, replaces corresponding Section 3030 and established new standards for the measurement and disclosure of inventories. This new section requires inventories to be measured at the lower of cost and net realizable value, provides guidance on the determination of cost and requires the reversal of prior period write-downs when the net realizable value of impaired inventory subsequently recovers. The adoption of this section did not have any impact on the Company's consolidated financial statements.

c) Financial Instruments – Disclosure and Financial Instruments - Presentation

CICA Handbook Section 3862, Financial Instruments – Disclosures, and Handbook Section 3863, Financial Instruments – Presentation, enhance existing disclosure requirements and require entities to provide disclosures in their financial statements that enable users to evaluate the significance of financial instruments on the entity's financial position and performance as well as the nature and the risks arising from financial instruments and non-financial derivatives. Comparative information about the nature and extent of risks arising from financial instruments is not required in the year Section 3862 is adopted. The adoption of these standards did not have any impact on the disclosure, classification and measurement of the Company's financial statements.

The new disclosures pursuant to these new Handbook Sections are included in Note 14 to these unaudited interim consolidated financial statements.

d) Capital Disclosures

CICA Handbook Section 1535, Capital Disclosures, establishes disclosure requirements about an entity's capital objectives, policies and process for managing capital as well as compliance with any externally imposed capital requirements.

The impact of adopting this standard is disclosed in Note 12 to these unaudited interim consolidated financial statements.

e) Asset Retirement Obligations

CICA Handbook Section 3110, Asset Retirement Obligations, requires the recognition of any statutory, contractual or other legal obligation related to the retirement of tangible long-lived assets where such obligations are incurred, if a reasonable estimate of fair value can be made.

These obligations are measured initially at fair value and the resulting costs are capitalized to the carrying value of the related asset. In subsequent periods, the liability is adjusted for the accretion of the discount and any changes in the amount or timing of the underlying future cash flows. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or decrease in the carrying amount of the liability, and the related asset retirement cost is capitalized as part of the carrying value of the related long-lived asset.

These new standards have been adopted on a prospective basis with no restatement to prior period financial statements.

The following accounting pronouncements have not yet been adopted

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a) Goodwill and Intangibles

In February 2008, the CICA issued accounting standard Section 3064, *Goodwill and intangible assets*, replacing Section 3062 *Goodwill and intangible assets* and Section 3450, *Research and development costs*. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. Section 3064 will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008.

The Company is currently evaluating and has not yet determined the impact of the adoption of this standard, if any, on its consolidated financial statements.

b) International Financial Reporting Standards ("IFRS")

In February 2008, the CICA Accounting Standards Board ("AcSB") confirmed that Canadian GAAP for publicly accountable enterprises will be converged with IFRS effective in calendar year 2011, with early adoption allowed starting in calendar year 2009. The conversion to IFRS will be required, for the Company, for interim and annual financial statements beginning on January 1, 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosures. In the period leading up to the conversion, the AcSB will continue to issue accounting standards that are converged with IFRS such as IAS 2, Inventories, and IAS 38, Intangible assets, thus mitigating the impact of adopting IFRS at the mandatory transition date.

The Company is currently evaluating the impact of the adoption of IFRS on its consolidated financial statements. Diamond Core had successfully adopted IFRS prior to the acquisition thereof by the Company.

c) Determining whether a contract is routinely denominated in a single currency - EIC 169

In January 2008 the CICA issued Section 3855 - Financial Instruments – Recognition and Measurement, paragraph 3855.37, requires an embedded derivative to be separated from the host contract and accounted for as a derivative if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract. An exception is made in paragraph 3855.A34(d) for an embedded foreign currency derivative in a host contract that is not a financial instrument (such as a contract for the purchase or sale of a non-financial item where the price is denominated in a foreign currency) where the embedded derivative is not leveraged, does not contain an option feature, and requires payments denominated in "the currency in which the price of the related good or service that is acquired or delivered is routinely denominated in commercial transactions around the world (such as the US dollar for crude oil transactions)." EIC 169 supplements Section 3855 and provides guidance on how to define or apply the term "routinely denominated in commercial transactions around the world". The EIC is in effect for interim filing as of March 31, 2008.

4. ACQUISITION OF DIAMOND CORE RESOURCES LIMITED

In July 2007, the Company and Diamond Core Resources Limited ("Diamond Core") announced that they had entered into an agreement to merge the two companies by way of a court-sanctioned scheme of arrangement ("the scheme") under South African corporate law, pursuant to which the Company would acquire all of the outstanding shares of Diamond Core in exchange for the issuance of BRC DiamondCore common shares. Under the scheme, each Diamond Core shareholder was entitled to receive one BRC DiamondCore share for every 24.5 Diamond Core ordinary shares held. On January 14, 2008, Diamond Core shareholder approval was obtained, and court approval was obtained on January 22, 2008. On February 11, 2008, the Company acquired all of the outstanding Diamond Core shares and, as the consideration for this acquisition, issued BRC DiamondCore shares to the Diamond Core shareholders in the agreed ratio, resulting in the issuance by the Company of a total of 12,089,678 common shares. In connection with this acquisition, the Company changed its name from BRC Diamond Corporation to BRC DiamondCore Ltd. and its shares were listed on the Toronto Stock Exchange and the JSE Limited in Johannesburg, South Africa.

In July 2005, Diamond Core acquired all of the outstanding shares of Samadi Resources SA (Pty) Ltd ("Samadi"). As consideration for this acquisition, Diamond Core issued ordinary shares to Samadi's shareholders. The terms of the acquisition agreement (the "Samadi Agreement") entered into by Diamond Core with the Samadi shareholders with respect to this acquisition provide for the potential issuance of additional Diamond Core ordinary shares should certain operating profits be reached from certain of the projects acquired by Diamond Core pursuant to the acquisition.

In anticipation of the implementation of the scheme, the Company and Diamond Core entered into an agreement (the "Samadi Amending Agreement") with the said Samadi shareholders pursuant to which the Samadi shareholders would, if the relevant profit thresholds are met, be entitled to receive BRC DiamondCore common shares in substitution for the Diamond Core ordinary shares, with the number of BRC DiamondCore shares issuable to such shareholders adjusted to reflect the exchange ratio applicable under the terms of the scheme. Accordingly, the number of BRC DiamondCore shares issuable to the said Samadi shareholders under the

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(expressed in thousands of Canadian dollars, except for share and per share amounts)

Samadi Amending Agreement, in the same circumstances as contemplated in the Samadi Agreement, is a maximum of 1,434,502 BRC DiamondCore shares. Since the outcome and amount of the contingency cannot be determined without reasonable doubt, no recognition has been made for in these financial statements.

Also in connection with the acquisition by the Company of all of the outstanding shares of Diamond Core, 15,133,190 stock options that had been issued to employees of Diamond Core pursuant to The Diamond Core Resources Share Trust Deed to acquire 15,133,190 ordinary shares in Diamond Core (the "Old Options") have been substituted with new stock options of BRC DiamondCore (the "Replacement Options"), so as to allow all holders of Old Options to acquire the number of BRC DiamondCore common shares that is calculated by dividing the number of ordinary shares of Diamond Core that would otherwise have been issuable upon the exercise of the Old Options by 24.5, rounded up to the nearest whole number of BRC DiamondCore shares, with the exercise price of such Replacement Options being adjusted to the number that is equal to the exercise price of the Old Options (denominated in South African rand) multiplied by 24.5. A total of 617,710 Replacement Options were issued by the Company.

Allocation of Purchase Price

Based on BRC DiamondCore's average closing price of \$7.40 per share, calculated with reference to the share price around July 5, 2007, BRC DiamondCore issued 12,089,678 common shares valued at \$89,464 to Diamond Core shareholders holding 296,218,483 Diamond Core ordinary shares outstanding on the same date.

The acquisition has been accounted for using the purchase method of accounting with BRC DiamondCore being identified as the acquirer and Diamond Core as the acquiree. In accordance with the purchase method of accounting, assets and liabilities acquired from Diamond Core are measured at their individual fair values on the date of the acquisition and the difference between these fair values of net assets acquired and the purchase price is recorded in the consolidated balance sheet as unallocated purchase price.

The allocation of the purchase price to the assets and liabilities acquired as presented in these interim consolidated financial statements is preliminary and subject to change. The Company has not yet finalised the fair value of all identifiable assets and liabilities acquired, or the amount of the purchase price that may be allocated to goodwill, or the complete impact of applying purchase accounting on the consolidated statement of operations. Therefore, after reflecting the purchase adjustments identified to date, the excess of the purchase consideration over the adjusted book values of Diamond Core's assets and liabilities has been presented as "unallocated purchase price". The Company has commenced the process whereby the fair value of all identifiable assets and liabilities acquired as well as any goodwill and future income taxes arising from the acquisition will be determined. On completion of valuation, any adjustment to the carrying amounts of mineral properties, or the recording of any finite life intangible assets on acquisition, will impact, if applicable, the measurement of amortization recorded in the consolidated statement of operations of the Company for the period after the date of acquisition.

	\$'000
Issuance of 12,089,678 BRC DiamondCore common shares	89,464
Issuance of Replacement Options	2,477
Transaction costs	2,200
Purchase price	94,141

The preliminary allocation of the purchase price to the net assets acquired is as follows:

Cash	2,308
Trade and other receivables	1,313
Inventories	1,196
Mineral rights	14,188
Property, plant and equipment	17,129
Deferred exploration costs	5,713
Trade and other payables	-3,472
Taxation	-127
Asset retirement obligation	-537
Future taxation	-3,534
Non-controlling interest	15
Net assets acquired	34,192
Unallocated purchase price	59,949
Fair value of net assets acquired	\$94,141

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(expressed in thousands of Canadian dollars, except for share and per share amounts)

The purchase consideration and transaction costs of \$94,141 exceeded the carrying value of the net assets acquired by \$59,949 which has been recorded as unallocated purchase price.

5. INVENTORIES

	As at September 30 , 2008 \$'000	As at December 31, 2007 \$'000
Diamonds	\$ 98	\$ -
Consumables	249	-
	<u>\$ 347</u>	<u>-</u>

6. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

In order to focus the exploration program in the DRC on the most promising areas, many exploration licences in the DRC were relinquished during the third quarter of 2008 with a high degree of confidence that those areas were barren and at the same time applications were lodged for more interesting ground and option agreements were signed with two more companies: Group Abba and Caspian Oil & Gas.

Relinquishments

During the third quarter of 2008, the following 43 DRC exploration licences were relinquished: Acacia (2), BCE (8), the Company (10), Candore (9), CCE (11), Ilunga (1), King's Mine (2). As a result of these relinquishments, deferred exploration costs capitalised under "mineral properties and deferred exploration expenditures" on the balance sheet of \$5,312 was written off during the three and nine month periods ended September 30, 2008, since exploration in respect of these licences will not continue (2007- \$16).

Additional ground

Option agreements were signed by the Company with Group Abba and Caspian Oil & Gas for one and two exploration licences, respectively, in the Tshikapa area bringing the total licences to which the Company has access in the DRC to 115. The agreement with Caspian Oil & Gas is in addition to the agreement signed with the same company in the first quarter of this year for nine licences in northern DRC.

Current DRC exploration licences

The following licences are currently held by the Company (through its DRC subsidiary) or are covered by option agreements entered into by the Company with the licence holders: Acacia (14), BCE (23), BCM (1), BRC (10), Candore (5), Caspian Oil & Gas (11), CCE (1), Coexco (44), Group Abba (1), King's Mine (1), Kwango Mines (3) and Vangu Phambu (1). These licences represent a total surface area of 26,349 km².

As at September 30, 2008, the Company's South African subsidiaries held title to 2 mining rights and 11 prospecting rights in the Northern Cape and Free State Provinces of South Africa.

Since 2006, Diamond Core has entered into transactions with Black Economic Empowerment (BEE) partners in order to satisfy the requirements of the transformed mining and minerals industry legislation of South Africa, specifically in compliance with the Broad Based Socio-Economic Empowerment Charter of the Mineral and Petroleum Resources Development Act (Act 28 of 2002; MPRDA). Under the MPRDA, mining companies are obliged to, among other requirements, have negotiated a BEE equity ownership agreement through which historically disadvantaged South Africans (HDSAs) own 26% of the issued equity in the operational assets by 2014. In the case of previously state held rights, HDSA ownership of 51% is required before granting of the right to a private company.

Diamond Core Mining and Exploration (Pty) Limited will require a BEE partner for the Paardeberg East project prior to Diamond Core's old order mining licence over the project expiring in 2009.

The Company has incurred deferred exploration expenditures and mineral property costs, (net of write offs of \$5,312 and net proceeds on diamond sales of \$6,380 and diamond inventories of \$98) in the DRC and in South Africa as at September 30, 2008 as follows:

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(expressed in thousands of Canadian dollars, except for share and per share amounts)

a) Company

	Nine months ended September 30, 2008 \$'000	Year ended December 31, 2007 \$'000	Cumulative, inception to September 30, 2008 \$'000
Mineral property costs			
DRC	\$ -	\$ -	\$ 3
South Africa	13,022	-	13,022
	<u>13,022</u>	<u>-</u>	<u>13,025</u>
Deferred exploration expenditure			
DRC	(860)	6,745	13,325
South Africa	6,716	-	6,716
	<u>5,856</u>	<u>6,745</u>	<u>20,041</u>
Total mineral property costs and deferred exploration expenditure			
	<u>\$ 18,878</u>	<u>\$ 6,745</u>	<u>\$ 33,066</u>

b) DRC

	Nine months ended September 30, 2008 \$'000	Year ended December 31, 2007 \$'000	Cumulative, inception to September 30, 2008 \$'000
Mineral property costs			
Claims and staking	\$ -	\$ -	\$ 3
Total mineral property costs	<u>-</u>	<u>-</u>	<u>3</u>
Deferred exploration expenditure			
Administrative and office support	1,393	1,778	4,220
Depreciation	165	138	448
Drilling	76	179	472
Field camp expenses	917	419	2,343
Geochemistry	-	230	329
Geology - contract geologists	173	399	1,774
Geophysics	230	688	2,332
Option fees	-	121	308
Permits and surface taxes	450	586	1,776
Professional fees	134	33	286
Remote sensing and surveying	-	28	46
Stock based compensation	243	1,043	1,286
Transport cost and helicopter	671	1,103	3,017
Unrealised foreign exchange loss	-	-	-
Write off	(5,312)	-	(5,312)
Total deferred exploration expenditure	<u>(860)</u>	<u>6,745</u>	<u>13,325</u>
DRC mineral property costs and deferred exploration expenditure			
	<u>\$ (860)</u>	<u>\$ 6,745</u>	<u>\$ 13,328</u>

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(expressed in thousands of Canadian dollars, except for share and per share amounts)

c) *South Africa*

	Nine months ended September 30, 2008 \$'000	Year ended December 31, 2007 \$'000	Cumulative, acquisition to September 30, 2008 \$'000
Mineral property costs			
Acquisition of Diamond Core	\$ 19,901	\$ -	\$ 19,901
Mineral property cost	14,188	-	14,188
Deferred exploration expenditure	5,713	-	4,713
Unrealized foreign exchange loss	(2,360)	-	(2,360)
	17,541	-	17,541
Deferred exploration expenditure			
Administrative and office support	2,174	-	2,174
Depreciation	1,610	-	1,610
Field camp expenses	2,969	-	2,969
Geology - contract geologists	62	-	62
Geophysics	13	-	13
Professional fees	77	-	77
Rehabilitation	972	-	972
Security	763	-	763
Surveying	35	-	35
Unrealised foreign exchange loss	-	-	-
	8,675	-	8,675
Net proceeds on diamond sales and diamond inventory	(6,478)	-	(6,478)
	2,197	-	2,197

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(expressed in thousands of Canadian dollars, except for share and per share amounts)

7. PROPERTY, PLANT AND EQUIPMENT

	At September 30, 2008		
	Cost	Accumulated Depreciation	Net Book Value
	\$'000	\$'000	\$'000
Land and buildings	\$ 786	\$ 287	\$ 499
Processing plant	10,704	1,594	9,110
Earthmoving equipment	6,191	1,871	4,320
Furniture and office equipment	1,001	67	934
Computer equipment	366	157	209
Vehicles	653	370	283
Exploration and mining assets	825	526	299
	\$ 20,526	\$ 4,872	\$ 15,654

	At December 31, 2007		
	Cost	Accumulated Depreciation	Net Book Value
	\$'000	\$'000	\$'000
Land and buildings	\$ -	\$ -	\$ -
Processing plant	-	-	-
Earthmoving equipment	-	-	-
Furniture and office equipment	19	15	4
Computer equipment	-	-	-
Vehicles	539	184	355
Exploration and mining assets	318	83	235
Leasehold improvements	225	225	-
	\$ 1,101	\$ 507	\$ 594

During the nine month period ended September 30, 2008, \$ 1,775 of depreciation was included in mineral properties and deferred exploration expenditures (see note 6(b) and 6(c)) (September 30, 2007 - \$85).

8. DEBT

The Company has a loan facility established with a Canadian financial institution which bears interest at prime rate plus 1% per annum. The effective interest rate for the nine months ended September 30, 2008 was 5.75% (December 31, 2007 - 7.25%). At September 30, 2008, the balance of this short term debt was \$6,092 (December 31, 2007 - \$3,023), including accrued interest of \$243 (December 31, 2007 - \$22). This loan facility is guaranteed by Banro Corporation, a significant shareholder of the Company. The Company has undertaken to release Banro Corporation from this guarantee as soon as possible.

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9. ASSET RETIREMENT OBLIGATIONS

The provision for the site closure and reclamation costs relate to the Silverstreams, Paardeberg East and De Kalk projects in South Africa.

	As at September 30, 2008 \$'000	As at December 31, 2007 \$'000
Balance at beginning of period	\$ -	\$ -
Changes during the period	1,541	-
Reclamation liability acquired	538	-
Site closure and reclamation obligation recognised	1,005	-
Accretion expense	-	-
Foreign exchange revaluation	(2)	-
Balance at end of period	<u>\$ 1,541</u>	<u>\$ -</u>

The estimated amount of reclamation costs, adjusted for inflation at 9% per year, is \$560 for the Paardeberg East project, \$857 for the Silverstreams project and \$124 for the De Kalk project. It is expected to be spent over periods of approximately 14 years beginning in 2007. The credit-adjusted risk free rate at which estimated future cash flows have been discounted is 12.9%, to arrive at a net present value of \$1,541. The accretion of \$nil (2007 – no comparative) is charged to the statement of operations.

The Company had cash reclamation deposits totaling \$276 (December 31, 2007 - \$nil) as determined by the regulatory authorities in South Africa. The deposits are invested in interest bearing money market linked investments at rates ranging from 10.5% to 11%.

10. RELATED PARTY BALANCES AND TRANSACTIONS

	As at September 30, 2008 \$'000	As at December 31, 2007 \$'000
Balances payable		
Macleod Dixon LLP	\$ 669	\$ 269
Banro Corporation	-	29
Banro Congo Mining sprl	-	4
Scallan Project Facilitation (Pty) Ltd	24	-
	<u>\$ 693</u>	<u>\$ 302</u>

	For the three month period ended		For the nine month period ended	
	September 30, 2008 \$'000	September 30, 2007 \$'000	September 30, 2008 \$'000	September 30, 2007 \$'000
Transactions				
Macleod Dixon LLP ^(a)	\$ 83	\$ 188	\$ 272	\$ 395
Banro Corporation ^(b)	-	-	(11)	47
SFW Village ^(c)	25	25	75	42
AT Kondrat ^(d)	25	25	75	75
DK Madilo ^(e)	12	12	36	36
Scallan Project Facilitation (Pty) Ltd ^(f)	58	-	58	-
	<u>\$ 203</u>	<u>\$ 250</u>	<u>\$ 505</u>	<u>\$ 595</u>

a) During the three and nine month periods ended September 30, 2008 legal fees and related costs of \$83 and \$272 (September 30, 2007 - \$188 and \$395) incurred in connection with general corporate matters as well as the Diamond Core acquisition (see note 4) were billed by a law firm of which one partner is a director and officer of the Company.

b) Banro Corporation ("Banro") owns 3,744,032 common shares representing a 14.35% (December 31, 2007 – 27.43%) equity stake in the Company. It is engaged in the acquisition and exploration of gold properties in the DRC. During the three and nine month

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periods ended September 30, 2008 the Company incurred \$11 in rental expenses on behalf of Banro Corporation (September 30, 2007 - \$nil and \$47).

- c) Consulting fees in respect of services to the Company. Mr Village is a director of the Company and has been an officer of the Company since February 2008.
- d) Salaries paid to Mr Kondrat who is a non-executive director of the Company and was an officer of the Company until February 2008.
- e) Salaries paid to Mr Madilo who is an officer of the Company and was a director of the Company until February 2008.
- f) Consulting fees paid in respect of services to the Company. Mr Scallan is an officer and a director of the Company and is the sole shareholder of Scallan Project Facilitation (Pty) Limited.

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

11. CAPITAL STOCK*a) Share capital*

	Number		Amount
	('000)		\$'000
Balance, December 31, 2007	13,652	\$	15,827
Shares issued for acquisition of Diamond Core	12,089		89,464
Shares issued for cash	350		525
Balance, September 30, 2008	<u>26,091</u>	<u>\$</u>	<u>105,816.00</u>

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

In March 2007, the Company completed a non-brokered private placement of 1,000,000 common shares of the Company at a price of \$5.00 per share resulting in aggregate gross proceeds of \$5,000. In July 2008, the Company completed a non-brokered private placement of 350,000 common shares of the Company at a price of \$1.50 per share resulting in an aggregate gross proceeds of \$525.

On February 11, 2008, BRC DiamondCore acquired all of the outstanding shares of Diamond Core on the basis of 1 BRC DiamondCore share for every 24.5 Diamond Core shares resulting in the issuance by the Company of a total of 12,089,678 common shares. This acquisition was effected by way of a scheme of arrangement ("the scheme") under the laws of the Republic of South Africa. The scheme was approved by the Diamond Core shareholders at a meeting of shareholders held on January 14, 2008, received court approval on January 22, 2008 and closed on February 11, 2008. See note 4.

b) Stock option plan

The Company has a stock option plan under which non-transferable options to purchase common shares of the Company may be granted by the Board of Directors to any director, officer, employee or consultant of the Company or any subsidiary of the Company. 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 Company's shares at the time of grant.

As at September 30, 2008, the Company had outstanding stock options to acquire 3,946,400 (December 31, 2007 –1,526,400) common shares of the Company at a weighted-average price of \$2.13 (December 31, 2007 - \$3.54) per share.

The maximum number of new stock options that can currently be granted in the future under the Company's stock option plan is nil.

The following table summarizes information about stock options outstanding and exercisable at September 30, 2008:

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Date of Grant	Number outstanding at 12/31/2007	Options granted during the period	Options exercised, expired or forfeited	Number outstanding at 09/30/2008	Options exercisable at 09/30/08	Exercise price	Fair value of grant	Expiry date
11/19/03	70,000	-	-	70,000	70,000	\$ 0.50	\$ 0.42	11/19/08
04/14/04	210,000	-	-	210,000	210,000	\$ 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	16,400	-	-	16,400	16,400	\$ 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	200,000	\$ 3.75	\$ 2.16	06/29/11
04/09/07	300,000	-	-	300,000	225,000	\$ 5.50	\$ 3.25	04/09/12
08/03/07	230,000	-	-	230,000	172,500	\$ 8.00	\$ 2.85	08/03/12
08/28/08	-	2,420,000	-	2,420,000	605,000	\$ 1.05	\$ 0.65	08/28/13
	1,526,400	2,420,000	-	3,946,400	1,998,900			

During the three and nine month periods ended September, 30 2008, the Company recognized \$1,193 and \$1,549 in the statement of operations as stock-based compensation expense (September 30, 2007 - \$nil and \$nil) representing the fair value of stock options granted to employees, directors and officers under the Company's stock option plan. During the three and nine month periods ended September 30, 2008 an amount of \$nil and \$243 (September 30, 2007 - \$340 and \$665) related to stock options issued to an employee of the Corporation's subsidiary in the DRC was capitalised as deferred exploration expenditures. These amounts were credited accordingly to the contributed surplus in the balance sheet.

During the three and nine month periods ended September 30, 2008, the Company recognized consulting fees of \$44 and \$44 (September 30, 2007 - \$55 and \$165) representing the fair value of stock options granted to consultants under the Company's stock option plan.

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

- risk-free interest rate: 3.02% to 4.53% (2007 – 4.11 to 4.53%; 2006 – 4.38%; 2005 – 2.91% to 3.30%)
- expected volatility: 72% to 62% (2007 – 62%; 2006 – 63.8% ; 2005 – 117.97% to 129.39%)
- expected life: 5 years (2007 – 5 years; 2006 – 5 years ; 2005 – 2 to 5 years)
- expected dividends: \$nil (2007 - \$nil; 2006 - \$nil ; 2005 - \$nil)

One-quarter of the stock options granted pursuant to the Company's stock option plan vest immediately on their date of grant and another one-quarter of such stock options vests on each of the 6-month, 12-month and 18-month anniversaries of the grant date.

c) Replacement options

In connection with the acquisition by the Company of all of the outstanding shares of Diamond Core (see note 4), 15,133,190 stock options that had been issued to employees of Diamond Core pursuant to The Diamond Core Resources Share Trust Deed to acquire 15,133,190 ordinary shares in Diamond Core (the "Old Options") have been substituted with new stock options of BRC DiamondCore (the "Replacement Options"), so as to allow all holders of Old Options to acquire the number of BRC DiamondCore common shares that is calculated by dividing the number of ordinary shares of Diamond Core that would otherwise have been issuable upon the exercise of the Old Options by 24.5, rounded up to the nearest whole number of BRC DiamondCore shares, with the exercise price of such Replacement Options being adjusted to the number that is equal to the exercise price of the Old Options (denominated in South African rand) multiplied by 24.5. A total of 617,710 Replacement Options were issued by the Company.

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d) Loss per share

Details of the calculation of loss per share for the three and nine month periods ended September 30, 2008 are set out below. The calculations of basic and diluted loss per share amounts are identical. All stock options (including the Replacement Options) and warrants were excluded from the calculation of diluted loss per share as their effect would have been anti-dilutive.

	Three Month Period Ended		Nine Month Period Ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
Net loss for the period (\$'000)	\$ 7,498	\$ 1,817	\$ 12,129	\$ 1,817
Weighted average number of common shares outstanding ('000)	24,042	13,154	24,042	13,154
Basic loss per share	\$ (0.31)	\$ (0.14)	\$ (0.50)	\$ (0.14)
Diluted loss per share	\$ (0.31)	\$ (0.14)	\$ (0.50)	\$ (0.14)
Shares issued for acquisition of Diamond Core ('000)	12,089	89,464	12,089	89,464

e) Contributed Surplus

	Amount \$'000
Balance, December 31, 2006	\$ 1,553
Options granted	1,263
Options exercised	(59)
Balance, December 31, 2007	\$ 2,757
Options granted	1,593
Acquisition of Diamond Core	2,477
Balance, September 30, 2008	\$ 6,827

12. CAPITAL MANAGEMENT

The Company's main objectives when managing its capital are:

- to maintain a flexible capital structure which optimizes the cost of capital at acceptable risk while providing an appropriate return to its shareholders;
- to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business;
- to safeguard the Company's ability to obtain financing should the need arise; and
- to maintain financial flexibility in order to have access to capital in the event of future acquisitions.

The Company manages its capital structure and makes adjustments to it in accordance with the objectives stated above, as well as responds to changes in economic conditions and the risk characteristics of the underlying assets.

There were no changes to the Company's approach to capital management during the nine months ended September 30, 2008.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

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13. CONTINGENCIES AND COMMITMENTS

The Company is committed to the payment of the surface fees and taxes under the option agreements referred to in note 6. These surface fees and taxes are required to be paid annually under the DRC Mining Code in order to keep exploration licences in good standing. Surface fees and taxes amounting to \$520 were paid in the nine months ended September 30, 2008 (September 30, 2007 - \$250).

In addition, as at September 30, 2008, the Company had a bank guarantee of US\$5 with respect to expenses related to a mitigation and rehabilitation plan required from holders of exploration licences under the DRC Mining Code.

The Company is in the process of exercising an option agreement to secure an equity interest in prospective ground currently held under option. The Company expects to pay US\$350 as an option exercise fee.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT*a) Fair value of financial instruments*

The Company has classified financial instruments as follows:

	September 30, 2008		December 31, 2007
	\$'000		\$'000
<u>Financial assets</u>			
Held-for-trading, measured at fair value			
Cash	\$ 1,218	\$	932
Loans and receivables, measured at amortized cost			
Accounts receivable	1,219		403
<u>Financial liabilities</u>			
Other liabilities, measured at amortized cost			
Accounts payable and accrued liabilities	\$ 5,962	\$	2,599

b) Allowance account for credit losses

	September 30, 2008		December 31, 2007
	\$'000		\$'000
Accounts receivable	\$ 413	\$	-
Allowance for doubtful accounts	-		-
Other	806		403
	\$ 1,219	\$	403

c) Fair value of financial instruments

The balance sheet carrying amounts for cash and cash equivalents, accounts receivable and other receivables, accounts payable and accrued liabilities approximate fair value due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

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d) *Risk management policies and hedging activities*

The Company is sensitive to changes in commodity prices, foreign exchange and interest rates. The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Although the Company has the ability to address its price-related exposures through the use of options, futures and forward contracts, it does not generally enter into such arrangements. Similarly, derivative financial instruments are not used to reduce these financial risks.

Credit risk

Financial instruments which are potentially subject to credit risk for the Company consist primarily of cash and cash equivalents. Cash and cash equivalents are maintained with several financial institutions of reputable credit and may be redeemed upon demand. It is therefore the Company's opinion that such credit risk is subject to normal industry risks and is considered minimal.

Liquidity risk

Liquidity risk arises from the Company's financial obligations and in the management of its assets, liabilities and optimal capital structure. The Company manages this risk by regularly evaluating the Company's liquid financial resources to fund its current and long term obligations and to meet its capital commitments in a cost effective manner. The main factors that affect liquidity include realized sales prices, production levels, cash production costs, working capital requirements, future capital expenditure requirements, scheduled repayments of long-term debt obligations, its credit capacity and expected future debt and equity capital market conditions.

The Company's liquidity requirements are met through a variety of sources, including: cash and cash equivalents on hand, cash generated from operations, existing credit facilities, leases, and debt and equity markets.

Weakening global economic conditions have led to a significant weakness in exchange traded commodity prices in recent weeks, including diamond prices. In general, credit market conditions have increased the cost of obtaining capital and limited the availability of funds. As economic conditions stabilize, management expects to be in a similar position as it has been previously in terms of its ability to access its traditional sources of liquidity.

Given the Company's financial position, available credit facilities and the fact that there are scheduled maturities on its debt in 2008, the Company currently expects a need to access debt and equity markets for financing over the next twelve months. However, because the duration of the general economic uncertainty and its detrimental effect on credit and capital markets is unknown, it is difficult to determine the long-term impact on the Company.

In light of current market conditions, the Company has initiated a series of measures to bring its spending in line with the projected cash flows from its operations and available project specific facilities in order to preserve its balance sheet and maintain its liquidity position.

The Company currently believes that based on its financial position and liquidity profile at September 30, 2008, the Company will be able to satisfy its current and long-term obligations.

Currency risk

The Company is exposed to currency risk as its principal business is conducted in foreign currencies. Monetary assets and liabilities denominated in foreign currencies are translated from US Dollars and South African rands into Canadian dollars. Unfavourable changes in the applicable exchange rate may result in a decrease or increase in foreign exchange gains or losses. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

For the nine months ended September 30 2008, everything else being equal, a 5% increase or decrease in the exchange rate between the Canadian dollar, the South African Rand and the US dollar would have resulted in a respective \$1,709 decrease and increase in the Company's net loss.

Interest rate risk

Interest rate risk is the potential impact on the Company's earnings due to changes in bank lending rates and short term deposit rates.

The Company's exposure to interest rate risk is as follows:

Cash and cash equivalents	Variable interest rate
Accounts receivable	Non-interest bearing
Accounts payable and accrued liabilities	Non-interest bearing
Short term debt	Variable interest rate

The majority of the Company's cash is held in South African rands and is invested in short term deposits.

The Company believes that the interest rates prevailing in Canada should not significantly increase in 2008 and estimates that its interest rate risk exposure will diminish in future quarters.

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Market risk

Market risk is the risk that the value of a financial instrument might be adversely affected by a change in commodity prices, interest rates or currency exchange rates. The Company manages the market risk associated with commodity prices by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

Title risk

Title to mineral properties and mining rights involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mining properties. Although the Company has investigated title to all of its mineral properties for which it holds concessions or other mineral leases or licenses, the Company cannot give any assurance that title to such properties will not be challenged or impugned and cannot be certain that it will have valid title to its mining properties. The Company relies on title opinions by legal counsel who base such opinions on the laws of countries in which the Company operates.

Country risk

The DRC is a developing country and as such, the Company's exploration projects in the DRC could be adversely effected by uncertain political or economic environments, war, civil or other disturbances, and a changing fiscal regime and by DRC's underdeveloped industrial and economic infrastructure.

The Company's operations in the DRC may be effected by economic pressures on the DRC. Any changes to regulations or shifts in political attitudes are beyond the control of the Company and may adversely affect its business. Operations may be affected in varying degrees by such factors as DRC government regulations with respect to currency conversion, production, price controls, export controls, income taxes or reinvestment credits, expropriation of property, environmental legislation, land use, water use and mine safety.

There can be no assurance that policies towards foreign investment and profit repatriation will continue or that a change in economic conditions will not result in a change in the policies of the DRC government or the imposition of more stringent foreign investment restrictions. Such changes cannot be accurately predicted.

15. SUBSEQUENT EVENTS

Diamond Sales

The Company realized US\$ 670 from the sale of diamonds through the Company's eighth tender sale.

Debt

As at November 14, 2008, the loan facility disclosed in note 8 is still in place.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2008

The following Management's Discussion and Analysis of Financial Condition and Results of Operations (the "MD&A") has been prepared by management and provides a review of the activities, results of operations and financial condition of BRC DiamondCore Ltd. (formerly BRC Diamond Corporation) (the "Company" or "BRC DiamondCore") based upon Canadian generally accepted accounting principles. This MD&A should be read in conjunction with the unaudited interim consolidated financial statements as at and for the three and nine month periods ended September 30, 2008, as well as the notes thereto, the audited consolidated annual financial statements as at and for the financial year of the Company ended December 31, 2007 ("fiscal 2007") and the notes thereto, and the annual MD&A for fiscal 2007. All amounts are expressed in Canadian dollars unless otherwise stated. This MD&A is dated as of November 14, 2008. 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 relating to future diamond prices, future diamond sales, future production, 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 actual results or events to differ materially from current expectations include, among other things, uncertainties relating to the availability and costs of financing needed in the future, the possibility that future exploration results will not be consistent with the Company's expectations, changes in equity markets, changes in diamond markets, foreign currency fluctuations, political developments in the Democratic Republic of the Congo (the "DRC") or South Africa, changes to regulations affecting the Company's activities, delays in obtaining or failure to obtain required project approvals, the uncertainties involved in interpreting geological data and the other risks involved in the diamond exploration business. 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.

COMPANY OVERVIEW

The Company is engaged in the acquisition, exploration and development of diamond properties in known diamond producing areas in the Northern Cape of South Africa and in the DRC.

The Company's shares commenced trading on the Toronto Stock Exchange on February 11, 2008 following the acquisition by the Company of Diamond Core Resources Limited, a South African based diamond exploration and development company. In connection with the said acquisition, the Company's shares were also listed on the JSE Limited in Johannesburg, South Africa. Prior to February 11, 2008, the Company's shares traded on the TSX Venture Exchange.

Highlights of the Third Quarter

South Africa

Strategic review.

In a response to the weakening global economic conditions that have adversely affected both diamond prices and the Company's access to both debt and equity finance the Company is currently undertaking a strategic review of each of its South African operations.

General

Bulk sampling/trial mining was completed on PK1 and PK 5 at the Paardeberg East kimberlite project.

Bulk sampling continued at the Silverstreams alluvial project and the metallurgical plant upgrade started in August 2008.

Bulk sampling commenced on August 1, 2008 at the De Kalk alluvial project.

The Company conducted its fifth, sixth and seventh tender sales of diamonds during the three months ended September 30, 2008. Highlights of these tender sales included the following:

Silverstreams

	Total weight (Carats)	Stones (Number)	Average Size (Carats)	US\$/Carat	Total Value (US\$)
Tender 5	282.91	152	1.86	\$ 2,614.77	\$ 739,738.00
Tender 6	424.66	187	2.27	\$ 2,090.11	\$ 887,587.00
Tender 7	307.34	116	2.65	\$ 1,285.08	\$ 394,958.99
Total	1,014.91	455	2.23	\$ 1,992.57	\$2,022,283.99

De Kalk

	Total weight (Carats)	Stones (Number)	Average Size (Carats)	US\$/Carat	Total Value (US\$)
Tender 5	0	0	0	0	0
Tender 6	19.49	12	1.62	\$ 5077.68	\$ 98,964.00
Tender 7	27.14	18	1.51	\$ 418.04	\$ 11,345.69
Total	46.63	30	1.55	\$ 2,365.64	\$ 110,309.69

Paarderberg East

		Total weight (Carats)	Stones (Number)	Average Size (Carats)	US\$/Carat	Total Value (US\$)
Tender 5	PK 1 East	44.98	195	0.23	\$ 92.73	\$ 4,171.00
	PK 2	28.66	133	0.22	\$ 187.06	\$ 5,361.00
	PK 5	602.91	1,847	0.33	\$ 403.52	\$ 243,285.00
Tender 6	PK 5	906.98	2,659	0.34	\$ 418.07	\$ 379,185.00
Tender 7	PK 5	189.38	534	0.35	\$ 218.70	\$ 41,418.65
	Tailings	170.41	1,019	0.17	\$ 80.57	\$ 13,730.00
Total		1,943.33	6,387	0.30	\$ 353.59	\$ 687,150.65

In total, during the three months ended September 30, 2008 the Company recovered a total of 3,004.87 carats which sold for a total value of US\$ 2,819,744,33.

Both the Paardeberg East and Silverstreams bulk sampling plants have been configured for exploration purposes but can be utilized in a production capacity should a decision be taken to do so. Both sampling plants have been equipped with weightometers in order to make accurate measurements of tonnages treated. Both plants have been configured to optimize recoveries from the unique size frequency curves of each deposit. At De Kalk the bulk sampling is at a much smaller scale and is done by a contracted operator.

The services of a diamond consultant, Ramon Ferraris of QTS-Kristal Dynamical of Kimberley, South Africa, were retained to audit the bulk sampling plants, bulk sampling process and diamond analysis on the Paardeberg East, Silverstreams and De Kalk sites. The tenders were overseen by Mr. Ferraris and an additional diamond consultant to the Company, Mr. Maurice Barker.

Silverstreams Bulk Sampling Alluvial Project

The Silverstreams project continued its bulk sampling program and, for the three and nine month periods ended, a surveyed volume of 346,634 and 1,458,790 tonnes, respectively, were mined, of which a total volume of 221,641 and 910,166 tonnes, respectively, were processed through the metallurgical plant.

The Company completed the metallurgical plant upgrade successfully on September 16, 2008. The upgrade increased plant capacity by 50%. The plant now comprises a Taurus rotary screen 670tph front end, six 16ft rotary pans, a 50tph re-concentrating Dense Medium Separation plant, a primary Flow Sort X-Ray machine recovery unit, an attritioner, a secondary Bateman GB 1000 automated grease belts recovery unit and a "hands off" sort house.

The Company also added an 85 tonne Hitachi Excavator to its earthmoving fleet to compensate for the plant production increase and is in the process of procuring another dozer to assist the fleet of earthmoving machines to match the production demand from the metallurgical plant. Asset finance was obtained to finance the purchase of the excavator.

The exploration team has continued with advanced exploration on the project. Venmyn Rand (Pty) Limited is preparing an updated mineral resource estimate for Silverstreams which is expected to be completed in the first quarter of 2009.

De Kalk Bulk Sampling Alluvial Project

Bulk sampling commenced at the De Kalk project on August 1, 2008. The plant consists of front-end with a Warrior 1800 in pit screen, two 16 ft rotary pans, a final recovery with two Flow sort X-ray machines and a sort house.

A total of 39,342 tonnes was mined of which 28,102 tonnes was processed through the metallurgical plant.

Sandrift Alluvial Prospecting Project

In June 2008 the Company commenced a percussion drilling program on the project. A total of 200 holes were drilled. Due to the thick sand on top of the gravel, it was decided to stop drilling with the Company drill rig and to source a crawler drill rig. The drilling program is expected to commence again in the first quarter of 2009.

Paardeberg East Bulk Sampling Kimberlite Project

The Paardeberg East project is the most advanced of the Company's kimberlite exploration projects. The project comprises a Mining License over various portions of the farm Paardeberg East 153 located approximately 35km west of Kimberley in the Northern Cape Province of South Africa.

A number of known kimberlites have been identified on the property, some of which have been the subject of several phases of intermittent exploration and exploitation from the early 1900's up until 2003. Within the project area are eight potential targets, namely proved kimberlites (PK) PK1, PK2, PK3, PK4 and PK5 and prospective anomalies (PA) PA6, PA7 and PA8. Kimberlites PK1, PK2, PK3 and PK5 are known to be diamondiferous, but very little is known about anomalies PA6, PA7 and PA8.

The kimberlite with the greatest prospect is currently represented by the PK1 kimberlite and to a lesser extent the PK3 kimberlite. All five known kimberlites bodies (PK1, PK2, PK3, PK4 and PK5) were worked at one time or another, as there are signs of adits, shafts and pits on, or in the vicinity of all five.

The diamond analysis of the product from various sampling positions on the 2.2ha PK1 kimberlite pipe representing distinct kimberlite facies, as well as the ongoing sampling operations at PK2, PK3 and PK5, was undertaken by independent consultants on an ongoing basis since the second quarter of 2008.

During the three and nine month periods ended September 30, 2008, the Company conducted, respectively, 5 and 27 bulk samples (23 on PK1 east and 4 on PK1 west) over the PK1 kimberlitic ore body.

A Whittle pit study was conducted on PK1 by an independent consultant under the supervision of the company, Hatch. An optical practical open pit design with a final financial model was conducted by Hatch. Management is currently reviewing this work and wishes to supplement the PK1 ore body with other known kimberlites. The Company also hopes to have access to exploration data on the Paardeberg farm that was done previously. Management will then be able to prepare an appropriate resource model. The diamond analysis data, independent diamond valuations and prices received on the open tenders conducted by the Company were used to underpin the economic metrics for the Whittle pit study on the PK1 kimberlite pipe.

During the three and nine month periods ended September 30, 2008 a total of nine and thirteen samples, respectively, comprising 39,454 and 75,948 treated tonnes, respectively, were conducted over the PK5 kimberlite ore body with encouraging results. The cumulative number of stones versus lower critical size plot of the average 2 carat diamonds of the Paardeberg East deposits suggests that the prospects for recovering the complete fraction of larger diamonds during the bulk sampling process is good.

Bulk sampling on PK1 and PK5 was completed and the exploration team is continuing with further exploration and geophysics on the PK5 ore body and the remainder of the Paardeberg East area.

The Paardeberg East metallurgical sampling plant comprises a front end, with primary crushing (to -55mm), a 50tph Bateman Dense Media Separation plant (DMS), secondary re-crush (to -18mm) and tertiary re-crush (to-13mm) circuits and has a 37tph ROM capacity. DMS feed is screened at 25 mm. The final recovery consists of two Flow-Sort X-ray machines, an attritioner, two Bateman GB 800 grease belts and a "hands-off" sort house.

Democratic Republic of the Congo ("DRC")

SOUTHERN DRC

Kwango Project

The Kwango plant has been commissioned in South Africa and is ready for shipment to the DRC. However, a first stage evaluation of the terraces and flats based on data collected to date and on size frequency analysis of several parcels of diamonds from local artisanal operators along the Kwango River, albeit at a low level of confidence, has indicated that more detailed grade and diamond value information is required prior to committing the 5 tph DMS unit to the project. Several bulk samples are now being planned for processing using jigs in order to establish the grades with a higher level of confidence.

The development of a geological model for the Kwango is progressing well and the first five month field program was completed in September.

The Company is presently engaged with the Acacia company to exercise its option over the Kwango and Tshikapa licences.

Tshikapa Project

a) Candore project

Most of the drilling was completed on the Candore ground. Except for one target in the north-east part of the project area, which remains to be drilled, the remaining ground has been sterilised with regard to primary diamond deposits and Candore has been advised that the Company has no further interest in these licences. No kimberlites were found.

b) Ilunga project

During the quarter, two holes were drilled into the magnetic target on the southern part of the licence area to a cumulative depth of 82 metres. In both cases highly magnetic grano-diorite was intersected. There are no further targets on the licence area and therefore Ilunga has been informed that the Company has no further interest in the ground and that the option contract has been cancelled.

c) Acacia Tshikapa project

A total of four holes were drilled on the Acacia ground during the quarter totally 367 metres. Three magnetic anomalies were successfully resolved in magnetic breccia units - possibly diamictites, at between 30 and 50 metres depth. A fourth target was drilled in the same area and intersected granite-gneiss at 33 metres.

d) Kwango Mines project

The one Kwango Mines licence in the Tshikapa area in which the Company has an interest has so far produced abundant kimberlitic minerals, including diamonds, and several promising magnetic targets. Two holes were drilled during the quarter: one intersected granite at 119 metres and the other anomaly was not resolved and will have to be re-drilled. Several other targets await drilling.

e) King's Mine project

Interpretation of the most recent geophysical surveys over the three licences under option with King's Mine has indicated that two of the licences are of no further interest and have been removed from the option contract. The remaining property has some interesting geophysical targets which will be drilled in due course.

Lubao Project

Geological interpretation of both field and laboratory data has revealed that further work in this area is unlikely to produce a diamond bearing kimberlite of economic interest. Although alluvial diamonds have been found along the Lomani River near Lubao these have most likely been derived from the kimberlites discovered in 2007 by De Beers on the Bugeco properties approximately 50 kilometers upstream. It has also been suggested that the Lubao properties are not underlain by Achaean Craton. It has therefore been decided to relinquish all the ground associated with the Lubao project in order to focus the Company's resources in more promising areas.

Laboratory results from the reconnaissance sampling program for the Vangu Phambu project have not yet been received.

The interpretation of the most recently acquired geophysical data over large parts of the Tshikapa project is ongoing.

NORTHERN DRC

All the projects in the northern DRC are part of the Rio Tinto joint venture in which Rio Tinto has the right to earn in project equity over the various stages of the exploration program.

a) Zongo project (Equateur)

Results from the stream samples collected over the Zongo project situated along the Ubangui River were all negative and the licences associated with this project have been relinquished.

b) Businga project (Equateur)

Stream sampling over most of the licence areas associated with the Businga ground has been completed and all laboratory results have been received from the Rio Tinto laboratory. Several interesting anomalies have been identified over several licence areas. The licences that reported negative results have been relinquished.

c) Bomili project

An exploration base was set up at Bafwasende and with the onset of the 'dry' season the reconnaissance sampling program over the Coexco ground started in the middle of September. During the quarter, 54 samples were collected covering some 1,620 km². Many alluvial diamond occurrences have been noted.

LICENCE HOLDING

In order to focus the exploration program on the most promising areas, many licences were relinquished with a high degree of confidence and at the same time applications have been lodged for more interesting ground and option agreements were signed with two more companies: Group Abba and Caspian Oil & Gas.

a) Relinquishments.

During the quarter the following 43 prospecting licences were relinquished: Acacia (2), BCE (8), BRC DiamondCore (10), Candore (9), CCE (11), Ilunga (1), King's Mine (2).

b) Additional ground.

Option agreements were signed with Group Abba and Caspian Oil & Gas for one and two licences respectively in the Tshikapa area bringing the total licences to which the Company has access to 115. The said agreement with

Caspian Oil & Gas is in addition to the agreement signed with the same company in the first quarter of this year for nine licences in northern DRC.

c) Current prospecting licences.

The following licences are currently held by the Company (through its DRC subsidiary) or are covered by option agreements entered into by the Company with the licence holders: Acacia (14), BCE (23), BCM (1), BRC DiamondCore (10), Candore (5), Caspian Oil & Gas (11), CCE (1), Coexco (44), Group Abba (1), King's Mine (1), Kwango Mines (3) and Vangu Phambu (1). These licences represent a total surface area of 26,349 km².

QUALIFIED PERSON AND TECHNICAL REPORTS

Dr. Michiel C. J. de Wit, the Company's President 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.

Additional information with respect to the Company's DRC projects is contained in the technical report prepared by Venmyn Rand (Pty) Limited, dated July 31, 2007 and titled "National Instrument 43-101 Technical Report on the Kwango, Lubao and Tshikapa Projects of BRC Diamond Corporation in the Democratic Republic of Congo".

Additional information with respect to the Company's South African projects is contained in the technical report prepared by Venmyn Rand (Pty) Limited, dated July 31, 2007 and titled "National Instrument 43-101 Technical Report Prepared on the Mineral Assets of Diamond Core Resources Limited in the Northern Cape and Free State Provinces, South Africa".

Copies of these reports can be obtained from SEDAR at www.sedar.com.

TRANSACTION WITH DIAMOND CORE RESOURCES LIMITED

In July 2007, the Company and Diamond Core Resources Limited ("Diamond Core") announced that they had entered into an agreement to merge the two companies by way of a court-sanctioned scheme of arrangement ("the scheme") under South African corporate law, pursuant to which the Company would acquire all of the outstanding shares of Diamond Core in exchange for the issuance of BRC DiamondCore common shares. Under the scheme, each Diamond Core shareholder was entitled to receive one BRC DiamondCore share for every 24.5 Diamond Core ordinary shares held. On January 14, 2008, Diamond Core shareholder approval was obtained, and court approval was obtained on January 22, 2008. On February 11, 2008, the Company acquired all of the outstanding Diamond Core shares and, as the consideration for this acquisition, issued BRC DiamondCore shares to the Diamond Core shareholders in the agreed ratio, resulting in the issuance by the Company of a total of 12,089,678 common shares. In connection with this acquisition, the Company changed its name from BRC Diamond Corporation to BRC DiamondCore Ltd. and its shares were listed on the Toronto Stock Exchange and the JSE Limited in Johannesburg, South Africa.

In July 2005, Diamond Core acquired all of the outstanding shares of Samadi Resources SA (Pty) Ltd ("Samadi"). As consideration for this acquisition, Diamond Core issued ordinary shares to Samadi's shareholders. The terms of the acquisition agreement (the "Samadi Agreement") entered into by Diamond Core with the Samadi shareholders with respect to this acquisition provide for the potential issuance of additional Diamond Core ordinary shares should certain operating profits be reached from certain of the projects acquired by Diamond Core pursuant to the acquisition.

In anticipation of the implementation of the scheme, the Company and Diamond Core entered into an agreement (the "Samadi Amending Agreement") with the said Samadi shareholders pursuant to which the Samadi shareholders would, if the relevant profit thresholds are met, be entitled to receive BRC DiamondCore common shares in substitution for the Diamond Core ordinary shares, with the number of BRC DiamondCore shares issuable to such shareholders adjusted to reflect the exchange ratio applicable under the terms of the scheme. Accordingly, the number of BRC DiamondCore shares issuable to the said Samadi shareholders under the Samadi Amending Agreement, in the same circumstances as contemplated in the Samadi Agreement, is a maximum of 1,434,502 BRC DiamondCore shares.

Also in connection with the acquisition by the Company of all of the outstanding shares of Diamond Core (the "Diamond Core Acquisition"), 15,133,190 stock options that had been issued to employees of Diamond Core pursuant to The Diamond Core Resources Share Trust Deed to acquire 15,133,190 ordinary shares in Diamond Core (the "Old Options") have been substituted with new stock options of BRC DiamondCore (the "Replacement Options"), so as to allow all holders of Old Options to acquire the number of BRC DiamondCore common shares that is calculated by dividing the number of ordinary shares of Diamond Core that would otherwise have been issuable upon the exercise of the Old Options by 24.5, rounded up to the nearest whole number of BRC DiamondCore shares, with the exercise price of such

Replacement Options being adjusted to the number that is equal to the exercise price of the Old Options (denominated in South African rand) multiplied by 24.5. A total of 617,710 Replacement Options were issued by the Company.

Allocation of purchase price

Based on BRC DiamondCore's average closing price of \$7.40 per share, calculated with reference to the share price around July 5, 2007, BRC DiamondCore issued 12,089,678 common shares valued at \$89,464,000 to Diamond Core shareholders holding 296,218,483 Diamond Core ordinary shares outstanding on the same date.

The acquisition has been accounted for using the purchase method of accounting with BRC DiamondCore being identified as the acquirer and Diamond Core as the acquiree. In accordance with the purchase method of accounting, assets and liabilities acquired from Diamond Core are measured at their individual fair values on the date of the acquisition and the difference between these fair values of net assets acquired and the purchase price is recorded in the consolidated balance sheet as unallocated purchase price.

The allocation of the purchase price to the assets and liabilities acquired as presented in this MD&A is preliminary and subject to change. The Company has not yet finalised the fair value of all identifiable assets and liabilities acquired, or the amount of the purchase price that may be allocated to goodwill, or the complete impact of applying purchase accounting on the Company's consolidated statement of operations. Therefore, after reflecting the purchase adjustments identified to date, the excess of the purchase consideration over the adjusted book values of Diamond Core's assets and liabilities has been presented as "unallocated purchase price". The Company has commenced the process whereby the fair value of all identifiable assets and liabilities acquired as well as any goodwill and future income taxes arising from the acquisition will be determined. On completion of valuation, any adjustment to the carrying amounts of mineral properties, or the recording of any finite life intangible assets on acquisition, will impact, if applicable, the measurement of amortization recorded in the consolidated statement of operations of the Company for the period after the date of acquisition.

	\$'000
Issuance of 12,089,678 BRC DiamondCore common shares	89,464
Issuance of Replacement Options	2,477
Transaction costs	2,200
Purchase price	94,141

The preliminary allocation of the purchase price to the net assets acquired is as follows:

Cash	2,308
Trade and other receivables	1,313
Inventories	1,196
Mineral rights	14,188
Property, plant and equipment	17,129
Deferred exploration costs	5,713
Trade and other payables	(3,472)
Taxation	(127)
Asset retirement obligation	(537)
Future taxation	(3,534)
Non-controlling interest	15
Net assets acquired	34,192
Unallocated purchase price	59,949
Fair value of net assets acquired	\$94,141

The purchase consideration and transaction costs of \$94,141,000 exceeded the carrying value of the net assets acquired by \$59,949,000 which has been recorded as unallocated purchase price.

RESULTS OF OPERATIONS

For the three and nine month periods ended September 30, 2008, the Company reported a net loss, of, respectively, \$7,497,811 (or \$0.31 per share) and \$12,130,444 (or \$0.50 per share), compared to a net loss of, respectively, \$1,113,593 (or \$0.08 per share) and \$1,817,357 (or \$0.14 per share), reported for the three and nine month periods ended September 30, 2007. The increase in the net loss for the third quarter of 2008 as compared to the third quarter of 2007 is due to the increased exploration activity of the Company and the inclusion of Diamond Core results of operations post the Diamond Core acquisition, as well as the write off of certain mineral properties in the DRC. The most significant items affecting the results of operations are the write off of certain mineral properties in the DRC of \$5,312,000 and the

unrealized foreign exchange loss recorded in the amount of \$2,499,752. Operating results for the Diamond Core group of companies have been excluded prior to the Company acquiring control. Pending the final determination of the fair value of all identifiable assets and liabilities acquired, the results of the Diamond Core operations have been included with effect from February 11, 2008.

Net revenue of \$2,108,980 and \$6,477,980 for the three and nine months ended September 30, 2008 achieved from the sale of diamonds recovered from the bulk sampling operations in South Africa has been applied to reduce the overall deferred costs incurred at the operations as the projects in question are still in the development stage. The carrying value of diamond inventory at September 30, 2008, amounting to \$97,750 has similarly been applied to reduce the deferred exploration costs.

Significant changes in expenses incurred during the three and nine months ended September 30, 2008 when compared to the three and nine months ended September 30, 2007, are described below:

General and administrative expenses

General and administrative expenses increased to \$992,000 and \$1,350,000 for the respective three and nine months periods ended September 30, 2008, from \$126,565 and \$241,997 for the corresponding periods in 2007. The main reason for this increase was the business combination with Diamond Core Resources Ltd that occurred in February 2008. The main components of general and administrative expenses for the nine month period ended September 30, 2008 consisted of the following: security expenses (\$63,963), travel expenses (\$433,318), audit expenses (\$191,908), marketing expenses (\$248,902) and rental (\$363,018). General and administrative expenses for the nine month period ended September 30, 2007 consisted mainly of 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).

Employee stock-based compensation

Stock-based compensation expense of \$1,237,000 and \$1,593,000 was recorded for the respective three and nine month periods ended September 30, 2008 (September 30, 2007- \$nil and \$nil). An amount of \$nil and \$243,000 representing the fair value of stock options issued during 2007 to employees of the Company's subsidiary in the DRC was capitalized as deferred exploration expenditures during the three and nine month periods ended September 30, 2008 (compared to \$nil and \$665,375 for the three and nine month periods ended September 30, 2007).

Foreign exchange loss

An unrealized foreign exchange (profit)/loss of (\$369,189) and \$2,499,782 was recorded for the respective three and nine month periods ended September 30, 2008, compared to a foreign exchange loss of \$39,488 and \$226,770 for the respective three and nine month periods ended September 30, 2007, due to the inclusion of higher South African denominated assets and liabilities and fluctuations in the value of the United States dollar and South African rand relative to the Canadian dollar. The South African rand devalued relative to both the US and Canadian dollars.

Regulatory expenses

Regulatory expenses of \$30,000 and \$280,000 for the respective three and nine month periods ended September 30, 2008 compared to \$nil and \$nil for the respective three and nine month periods ended September 30, 2007, arose as a result of the Company listing on the Toronto Stock Exchange pursuant to the Diamond Core Acquisition (see "Transaction with Diamond Core Resources Limited" above).

Salaries

Salaries of \$133,000 and \$648,000 for the respective three and nine month periods ended September 30, 2008 compared to \$nil and \$nil for the respective three and nine month periods ended September 30, 2007, arose mainly due to the inclusion of the South African operations and represents the amount not capitalized as deferred exploration expenditure.

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 2008. This financial information has been prepared in accordance with Canadian generally accepted accounting principles. The Company's reporting and measurement currency is the Canadian dollar.

	2008		2008		2008		2007	
	3 rd quarter		2 nd quarter		1 st quarter		4 th quarter	
Net loss (\$'000)	\$	7,498	\$	1,193	\$	3,438	\$	16
Net loss per share (basic and diluted)	\$	0.31	\$	0.05	\$	0.17	\$	0.01

	2007		2007		2007		2006	
	3 rd quarter		2 nd quarter		1 st quarter		4 th quarter	
Net loss (\$'000)	\$	1,114	\$	521	\$	183	\$	702
Net loss per share (basic and diluted)	\$	0.08	\$	0.04	\$	0.01	\$	0.06

During the third quarter of 2008, the Company's net loss increased to \$7,499,000 compared to a net loss of \$1,193,000 reported during the second quarter of 2008. This increase is due mainly to the impairment of \$5,312,000 on certain properties in the DRC that have been relinquished, the accounting for stock based compensation and a reversal from unrealised foreign exchange profits to losses on the conversion of the South African balance sheet from a relatively weaker rand to the Canadian dollar.

During the second quarter of 2008, the Company's net loss decreased to \$1,193,000 compared to a net loss of \$3,438,000 reported for the first quarter of 2008, due mainly to a decrease in unrealised foreign exchange losses created on the revaluation of the South African balance sheet to Canadian dollars (June 30, 2008 - \$79,000; March 30, 2008 - \$2,794,000). During the first quarter of 2008, the Company's net loss increased to \$3,438,000 compared to a net loss of \$16,000 in the last quarter of 2007, due mainly to the inclusion of the Diamond Core operating results and the unrealized foreign exchange loss recorded. Certain professional and consulting fees incurred in relation to the Diamond Core Acquisition (see "Transaction with Diamond Core Resources Limited" above) were reclassified to deferred transaction costs during the fourth quarter of 2007, as such transaction was considered more likely than not to be completed. The Company's net loss during the third quarter of 2007 increased to \$1,114,000 compared to a net loss of \$521,000 incurred in the second quarter of 2007, mostly due to increased professional and consulting fees incurred in relation to the Diamond Core Acquisition. During the second quarter of 2007, the Company's net loss increased to \$521,000 compared to a net loss of \$183,000 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 Diamond Core Acquisition and by a foreign exchange loss of \$173,000. The net loss recorded during the first quarter of 2007 decreased significantly to \$183,000 from \$702,000 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 \$414,000 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 (\$76,000) and to employees, directors and officers of the Company (\$110,000).

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2008, the Company had cash of \$1,217,669 and a working capital deficit of \$9,260,000 compared to cash of \$932,000 and a working capital deficit of \$4,287,000 as at December 31, 2007.

The Company does not currently generate revenues other than as a result of its bulk sampling activities. Net revenue generated from the bulk sampling activities, amounting to \$6,477,980 during the first nine months of 2008, is adequate to support but not grow the South African operations. Similar to other foreign entities operating in South Africa, the Company is subject to currency exchange controls administered by the country's central bank. An ability to repatriate funds or operating profits, should any develop, may be adversely affected by such exchange controls, and consequently the ability to adequately finance the exploration in the DRC.

Historically, the Company has relied primarily on equity financings to fund its activities through private placement financings and the exercise of warrants and options. 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.

During the three months ended September 30, 2008, the Company completed a private placement involving the issue and sale of 350,000 common shares of the Company at a price of \$1.50 per share for total proceeds of \$525,000. The proceeds will be used for the exploration of the Company's diamond properties and for general corporate purposes.

During the fourth quarter of 2007, the Company obtained a \$3,000,000 credit line (the "Loan Facility") from a Canadian financial institution, of which \$3,000,000 was utilized as at December 31, 2007. During the first quarter of 2008, the Loan

Facility was increased from \$3,000,000 to \$6,000,000. As at September 30, 2008, the balance of the Loan Facility was \$6,092,486 including accrued interest of \$242,486.

The Loan Facility is guaranteed by Banro Corporation, a significant shareholder of the Company. The Company has undertaken to release Banro from its guarantee as soon as possible. The Loan Facility was used to fund the Company's exploration activities until the second quarter of 2008. The Company will need to obtain additional finance in 2008 to fund its exploration programs for the remainder of 2008 and to repay the Loan Facility. As at November 14, 2008, the Loan Facility guaranteed by Banro is still in place.

Contractual obligations entered into by the Company as at the end of September 30, 2008 amount to \$491,721 compared to \$nil for the period ended September 30, 2007 and are summarized in the table below:

Contractual obligations	Total	Less than 1 year	1 - 3 years
	\$	\$	\$
Operating leases	\$ 158,654	\$ 114,478	\$ 44,176
Purchase obligations	333,066	333,066	-
	<u>\$ 491,720</u>	<u>\$ 447,544</u>	<u>\$ 44,176</u>

The Company is in the process of exercising an option agreement to secure an equity interest in prospective ground in the DRC currently held under option. The Company expects to pay approximately US\$350,000 as an option exercise fee and is negotiating a separate financing for this.

DEFERRED EXPLORATION EXPENDITURES

The following table provides a breakdown of the Company's deferred exploration expenditures per country and project for the nine months ended September 30, 2008:

DRC

	Kwango Project	Lubao Project	Tshikapa (Acacia) Project	Tshikapa (Candore) Project	Other Projects	Total
September 30, 2008	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance 12/31/2007	<u>7,749</u>	<u>2,708</u>	<u>1,687</u>	<u>1,494</u>	<u>547</u>	<u>14,185</u>
Administrative and office support	352	167	184	160	530	1,393
Depreciation	-	-	-	-	165	165
Drilling	3	3	64	3	3	76
Field camp expenses	61	39	144	137	536	917
Geochemistry	-	-	-	-	-	-
Geology - contract geologists	13	18	29	-	113	173
Geophysics	-	-	206	-	24	230
Permits	43	59	122	181	45	450
Professional fees	39	-	6	4	85	134
Remote sensing	-	-	-	-	-	-
Stock based compensation	-	-	-	-	243	243
Transport and helicopter	16	9	73	45	528	671

Write off	-	(2,916)	-	(1,965)	(431)	(5,312)
Subtotal - 2008	527	(2,621)	828	(1,435)	1,841	(860)
Balance 09/30/2008	8,276	-	2,515	-	2,388	13,325

Other projects consist of the following projects: Tshikapa (Kwango Mines), King's Mine, Zongo, Businga, Bornili, Ilunga and Kwango (Acacia).

South Africa

	Silverstreams	Paardeberg East	De Kalk	Total
	\$'000	\$'000	\$'000	\$'000
September 30, 2008				
Balance 12/31/2007	\$ -	\$ -	\$ -	\$ -
Administrative and office support	1,178	947	49	2,174
Depreciation	1,006	593	11	1,610
Drilling	-	-	-	-
Field camp expenses	2,057	655	257	2,969
Foreign exchange loss - unrealized	-	-	-	-
Geochemistry	-	-	-	-
Geology - contract geologists	29	30	3	62
Geophysics	-	11	2	13
Professional fees	14	61	2	77
Rehabilitation	739	219	14	972
Safety and security	340	372	51	763
Surveying	18	14	3	35
Subtotal - 2008	5,381	2,902	392	8,675
Net proceeds on diamond sales and diamond inventory	(4,607)	(1,778)	(93)	(6,478)
Balance 09/30/2008	\$ 774	\$ 1,124	\$ 299	\$ 2,197

OUTSTANDING SHARE DATA

The authorized share capital of the Company consists of an unlimited number of common shares. As at November 14, 2008, the Company had outstanding 26,091,310 common shares and stock options to purchase an aggregate of 4,564,110 common shares of the Company.

In addition, as part of the Diamond Core Acquisition, the Company agreed to issue a maximum of 1,434,502 common shares to former shareholders of Samadi Resources SA (Pty) Limited (a subsidiary of the Company which was acquired as part of the Diamond Core Acquisition) if certain profitability thresholds are met in relation to certain of Diamond Core's projects (see "Transaction with Diamond Core Resources Limited").

RELATED PARTY TRANSACTIONS

	As at September 30, 2008 \$'000	As at December 31, 2007 \$'000
Balances payable		
Macleod Dixon LLP	\$ 669	\$ 269
Banro Corporation	-	29
Banro Congo Mining sprl	-	4
Scallan Project Facilitation (Pty) Ltd	24	-
	\$ 693	\$ 302

Transactions	For the three month period ended September 30,		For the nine month period ended September 30,	
	2008 \$'000	September 30, 2007 \$'000	2008 \$'000	September 30, 2007 \$'000
Macleod Dixon LLP ^(a)	\$ 83	\$ 188	\$ 272	\$ 395
Banro Corporation ^(b)	-	-	(11)	47
SFW Village ^(c)	25	25	75	42
AT Kondrat ^(d)	25	25	75	75
DK Madilo ^(e)	12	12	36	36
Scallan Project Facilitation (Pty) Ltd ^(f)	58	-	58	-
	\$ 203	\$ 250	\$ 505	\$ 595

- a) During the three and nine month periods ended September 30, 2008 legal fees and related costs of \$83 and \$272 (September 30, 2007 - \$188 and \$395) incurred in connection with general corporate matters as well as the Diamond Core acquisition (see note 4) were billed by a law firm of which one partner is a director and officer of the Company.
- b) Banro Corporation ("Banro") owns 3,744,032 common shares representing a 14.35% (December 31, 2007 – 27.43%) equity stake in the Company. It is engaged in the acquisition and exploration of gold properties in the DRC. During the three and nine month periods ended September 30, 2008 the Company incurred \$11 in rental expenses on behalf of Banro Corporation (September 30, 2007 - \$nil and \$47).
- c) Consulting fees in respect of services to the Company. Mr Village is a director of the Company and has been an officer of the Company since February 2008.
- d) Salaries paid to Mr Kondrat who is a non-executive director of the Company and was an officer of the Company until February 2008.
- e) Salaries paid to Mr Madilo who is an officer of the Company and was a director of the Company until February 2008.
- f) Consulting fees paid in respect of services to the Company. Mr Scallan is an officer and a director of the Company and is the sole shareholder of Scallan Project Facilitation (Pty) Limited.

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

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 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 and its subsidiaries to obtain necessary financing to complete the development and future profitable production or the proceeds of disposition thereof. If current economic

conditions continue for an extended period into the future it is possible that a future write down in good will and carrying value could occur.

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options granted. This model requires the Company to make reasonable assumptions in order to derive parameters such as the expected volatility of the Company's shares, the expected life of the option and interest rates, all of which are based on historical information. Future behaviors of these parameters are beyond the Company's control, and thus, may be significantly different from the Company's estimates.

The values of all stock options granted were estimated, using the Black-Scholes option-pricing model, based on the following factors:

- risk-free interest rate: 3.02% to 4.53% (2007 – 4.11 to 4.53%; 2006 – 4.38%; 2005 – 2.91% to 3.30%)
- expected volatility: 72 to 62% (2007 – 62%; 2006 – 63.8% ; 2005 – 117.97% to 129.39%)
- expected life: 5 years (2007 – 5 years; 2006 – 5 years ; 2005 – 2 to 5 years)
- expected dividends: \$nil (2007 - \$nil; 2006 - \$nil ; 2005 - \$nil)

Property, plant and equipment are depreciated over their useful lives taking into account the residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may depend on a number of factors. In reassessing asset lives, factors such as technological innovation and maintenance programs are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Effective January 1, 2008, the Company adopted the following sections of the Handbook of the Canadian Institute of Chartered Accountants ("CICA"):

CICA Handbook Section 1400, as amended, changed the guidance related to management's responsibility to assess the ability of the entity to continue as a going concern. Management is required to make an assessment of the entity's ability to continue as a going concern and should take into account all information about the future, which is at least but not limited to 12 months from the balance sheet date. Disclosure is required of material uncertainties related to events or conditions that cast significant doubt upon the entity's ability to continue as a going concern. The adoption of this standard had no impact on the Company's presentation of its financial position or consolidated results of operations as at September 30, 2008 and for the nine month period then ended.

CICA Handbook Section 3031, Inventories, replaces corresponding Section 3030 and established new standards for the measurement and disclosure of inventories. This new section requires inventories to be measured at the lower of cost and net realizable value, provides guidance on the determination of cost and requires the reversal of prior period write-downs when the net realizable value of impaired inventory subsequently recovers. The adoption of this section did not have any impact on the Company's consolidated financial statements.

CICA Handbook Section 3862, Financial Instruments – Disclosures, and Handbook Section 3863, Financial Instruments – Presentation, enhance existing disclosure requirements and place greater emphasis on disclosures related to recognized and unrecognized financial instruments and how those risks are managed. Comparative information about the nature and extent of risks arising from financial instruments is not required in the year Section 3862 is adopted. The adoption of these standards did not have any impact on the classification and measurement of the Company's financial statements. The new disclosures pursuant to these new Handbook Sections are included in Note 14 to the unaudited interim consolidated financial statements for the three and nine months ended September 30, 2008.

CICA Handbook Section 1535, Capital Disclosures, establishes disclosure requirements about an entity's capital objectives, policies and process for managing capital as well as compliance with any externally imposed capital requirements. The impact of adopting this standard is disclosed in Note 12 to the unaudited interim consolidated financial statements for the three and nine months ended September 30, 2008.

CICA Handbook Section 3110, Asset Retirement Obligations, requires the recognition of any statutory, contractual or other legal obligation related to the retirement of tangible long-lived assets where such obligations are incurred, if a reasonable estimate of fair value can be made. These obligations are measured initially at fair value and the resulting costs are capitalized to the carrying value of the related asset. In subsequent periods, the liability is adjusted for the accretion of the discount and any changes in the amount or timing of the underlying future cash flows. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an

increase or decrease in the carrying amount of the liability, and the related asset retirement cost is capitalized as part of the carrying value of the related long-lived asset.

These new standards have been adopted on a prospective basis with no restatement to prior period financial statements.

FUTURE ACCOUNTING STANDARDS

Goodwill and Intangibles

In February 2008, the CICA issued accounting standard Section 3064, *Goodwill and intangible assets*, replacing Section 3062 *Goodwill and intangible assets* and Section 3450, *Research and development costs*. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. Section 3064 will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008.

The Company is currently evaluating and has not yet determined the impact of the adoption of this standard, if any, on its consolidated financial statements.

International Financial Reporting Standards ("IFRS")

In February 2008, the CICA Accounting Standards Board ("AcSB") confirmed that Canadian GAAP for publicly accountable enterprises will be converged with IFRS effective in calendar year 2011, with early adoption allowed starting in calendar year 2009. The conversion to IFRS will be required, for the Company, for interim and annual financial statements beginning on January 1, 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosures. In the period leading up to the conversion, the AcSB will continue to issue accounting standards that are converged with IFRS such as IAS 2, Inventories, and IAS 38, Intangible assets, thus mitigating the impact of adopting IFRS at the mandatory transition date.

The Company is currently evaluating the impact of the adoption of IFRS on its consolidated financial statements, and may consider the early adoption thereof, particularly as Diamond Core had successfully adopted IFRS prior to the acquisition thereof by the Company.

Determining whether a contract is routinely denominated in a single currency - EIC 169

In January 2008 the CICA issued Section 3855 - Financial Instruments – Recognition and Measurement, paragraph 3855.37, requires an embedded derivative to be separated from the host contract and accounted for as a derivative if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract. An exception is made in paragraph 3855.A34(d) for an embedded foreign currency derivative in a host contract that is not a financial instrument (such as a contract for the purchase or sale of a non-financial item where the price is denominated in a foreign currency) where the embedded derivative is not leveraged, does not contain an option feature, and requires payments denominated in "the currency in which the price of the related good or service that is acquired or delivered is routinely denominated in commercial transactions around the world (such as the US dollar for crude oil transactions)." EIC 169 supplements Section 3855 and provides guidance on how to define or apply the term "routinely denominated in commercial transactions around the world". The EIC is in effect for interim filing as of March 31, 2008. The adoption of this EIC did not have any impact on the Company's consolidated financial statements.

CAPITAL MANAGEMENT

The Company's main objectives when managing its capital are:

- to maintain a flexible capital structure which optimizes the cost of capital at acceptable risk while providing an appropriate return to its shareholders;
- to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business;
- to safeguard the Company's ability to obtain financing should the need arise; and
- to maintain financial flexibility in order to have access to capital in the event of future acquisitions.

The Company manages its capital structure and makes adjustments to it in accordance with the objectives stated above, as well as responds to changes in economic conditions and the risk characteristics of the underlying assets.

There were no changes to the Company's approach to capital management during the nine months ended September 30, 2008.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) *Fair value of financial instruments*

The Company has classified financial instruments as follows:

	September 30, 2008		December 31, 2007
	\$'000		\$'000
Financial assets			
Held-for-trading, measured at fair value			
Cash	\$ 1,218	\$	932
Loans and receivables, measured at amortized cost			
Accounts receivable	1,219		403
Financial liabilities			
Other liabilities, measured at amortized cost			
Accounts payable and accrued liabilities	\$ 5,962	\$	2,599

b) *Allowance account for credit losses*

	September 30,		December 31, 2007
	2008		\$'000
	\$'000		\$'000
Accounts receivable	\$ 413	\$	-
Allowance for doubtful accounts	-		-
Other	806		403
	\$ 1,219	\$	403

c) *Fair value of financial instruments*

The balance sheet carrying amounts for cash and cash equivalents, accounts receivable and other receivables, accounts payable and accrued liabilities approximate fair value due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

d) *Risk management policies and hedging activities*

The Company is sensitive to changes in commodity prices, foreign exchange and interest rates. The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Although the Company has the ability to address its price-related exposures through the use of options, futures and forward contracts, it does not generally enter into such arrangements. Similarly, derivative financial instruments are not used to reduce these financial risks.

Credit risk

Financial instruments which are potentially subject to credit risk for the Company consist primarily of cash and cash equivalents. Cash and cash equivalents are maintained with several financial institutions of reputable credit and may be redeemed upon demand. It is therefore the Company's opinion that such credit risk is subject to normal industry risks and is considered minimal.

Liquidity risk

Liquidity risk arises from the Company's financial obligations and in the management of its assets, liabilities and optimal capital structure. The Company manages this risk by regularly evaluating its liquid financial resources to fund its current and long term obligations and to meet its capital commitments in a cost effective manner.

The main factors that affect liquidity include realized sales prices, production levels, cash, production costs, working capital requirements, future capital expenditure requirements, scheduled repayments of long term debt obligations, credit capacity and expected future debt and equity capital market conditions.

The Company's liquidity requirements are met through a variety of sources, including: cash and cash equivalents on hand, cash generated from operations, existing credit facilities, leases and debt and equity capital markets.

Weakening global economic conditions have led to a significant weakness in diamond prices. In general, credit market conditions have increased the cost and difficulty of obtaining capital and limited the availability of funds. As economic conditions stabilize, management expects to be in a similar position as it has been previously in terms of its ability to access its traditional sources of liquidity.

Given the Company's financial position, available credit facilities and cash flow requirements, the Company currently expects a need to access debt and equity capital markets for financing over the next 12 months. However because of the duration of general economic uncertainty and its detrimental effect on credit and capital markets is unknown, it is difficult to determine the long term impact on the Company.

In light of current market conditions, the Company has initiated a series of measures to bring its spending in line with projected cash flows from its operations and available project specific facilities in order to preserve its balance sheet and maintain its liquidity position.

Management currently believes that based on its financial position and liquidity profile at September 30, 2008 the Company will be able to satisfy its current and long term obligations.

Currency risk

The Company is exposed to currency risk as its principal business is conducted in foreign currencies. Monetary assets and liabilities denominated in foreign currencies are translated from US Dollars and South African rand into Canadian dollars. Unfavourable changes in the applicable exchange rate may result in a decrease or increase in foreign exchange gains or losses. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

For the nine months ended September 30, 2008, everything else being equal, a 5% increase or decrease in the exchange rate between the Canadian dollar, the South African rand and the US dollar would have resulted in a respective \$1,708,745 decrease or increase in the Company's net loss.

Interest rate risk

Interest rate risk is the potential impact on the Company's earnings due to changes in bank lending rates and short term deposit rates.

The Company's exposure to interest rate risk is as follows:

Cash and cash equivalents	Variable interest rate
Accounts receivable	Non-interest bearing
Accounts payable and accrued liabilities	Non-interest bearing
Short term debt	Variable interest rate

The majority of the Company's cash is held in South African rands and is invested in short term deposits.

The Company believes that the interest rates prevailing in Canada should not significantly increase in 2008 and estimates that its interest rate risk exposure will diminish in future quarters.

Market risk

Market risk is the risk that the value of a financial instrument might be adversely affected by a change in commodity prices, interest rates or currency exchange rates. The Company manages the market risk associated with commodity prices by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

Title risk

Title to mineral properties and mining rights involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mining properties. Although the Company has investigated title to all of its mineral properties for which it holds concessions or other mineral leases or licenses, the Company cannot give any assurance that title to such properties will not be challenged or impugned and cannot be certain that it will have valid title to its mining properties. The Company relies on title opinions by legal counsel who base such opinions on the laws of countries in which the Company operates.

SUBSEQUENT EVENT

Diamond Sales

The Company realized US \$670,454 from the sale of diamonds through the Company's eighth tender sale, realizing a price of US \$1,004.26 per carat.

RISKS AND UNCERTAINTIES

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

The only sources of future funds for further exploration programs which are presently available to the Company (other than diamond sales as a result of the Company's bulk sampling activities) 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.

The current financial climate is characterized by volatile and uncertain times. The uncertainty of forward looking statements is thus greater in the current period than previous periods. What is known is that the diamond prices have reduced significantly as a result of the economic downturn compounded by the normal end of year softening of prices. This will adversely affect the Company's cash flow particularly if the depressed prices continue for a protracted period.

The Company has limited bank borrowings but it is aware that the credit crunch has limited the availability of traditional sources of project finance from banks.

All of the Company's projects are located in the DRC and South Africa. The assets and operations of the Company are therefore subject to various political, economic and other uncertainties, including, among other things, the risks of war and civil unrest, hostage taking, military repression, labor unrest, illegal mining, expropriation, nationalization, renegotiation or nullification of existing licenses, permits, approvals and contracts, taxation policies, foreign exchange and repatriation restrictions, changing political conditions, international monetary fluctuations, currency controls and foreign governmental regulations that favor or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. Changes, if any, in mining or investment policies or shifts in political attitude in either the DRC or South Africa may adversely affect the Company's operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral rights could result in loss, reduction or expropriation of entitlements. In addition, in the event of a dispute arising from operations in the DRC or South Africa, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada. The Company also may be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. It is not possible for the Company to accurately predict such developments or changes in laws or policy or to what extent any such developments or changes may have a material adverse effect on the Company's operations.

The DRC is a developing nation emerging from a period of civil war and conflict. Physical and institutional infrastructure throughout the DRC is in a debilitated condition. The DRC is in transition from a largely state controlled economy to one based on free market principles, and from a non-democratic political system with a centralized ethnic power base, to one based on more democratic principles. There can be no assurance that these changes will be effected or that the achievement of these objectives will not have material adverse consequences for the Company and its operations. The DRC continues to experience violence and significant instability in parts of the country due to certain militia and criminal elements. The recent events of violence have been a very considerable distance from the areas of interest to the Company. While the government and United Nations forces are working to support the extension of central government authority throughout the country, there can be no assurance that such efforts will be successful.

South Africa has recently experienced significant power shortages and it is expected that these shortages will continue for several years. These power shortages could disrupt the Company's South African operations and have a material adverse effect on the Company.

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 (other than the said diamond sales). 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.

Diamond Core has concluded a number of transactions with Black Economic Empowerment ("BEE") partners in support of the South African government's policy of the empowerment of previously disadvantaged individuals and communities, through the minerals and mining industry. Additional BEE transactions are contemplated. As a result of the transactions concluded to date, a BEE entity holds different equity interests ranging from 15% to 50% interests in a number of the Company's South African projects. The approval of the BEE entity is required with respect to certain key business decisions in relation to the relevant project. Disputes between the Company and a BEE entity could therefore interfere with the Company's ability to conduct one or more of its projects in South Africa, which could have a material adverse effect on the Company.

The Company is exposed to currency risk as its principal business is conducted in foreign currencies. Unfavorable changes in the applicable exchange rate may result in a decrease or increase in foreign exchange gains or losses. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

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.