

BC FORM 51-901F

ISSUER DETAILS		DATE OF REPORT
NAME OF ISSUER	FOR QUARTER ENDED	YY/MM/DD
DIADEM RESOURCES LTD.	AUGUST 31, 2003	2003/10/27
ISSUER ADDRESS		
330 BAY STREET, SUITE 830		
CITY/PROVINCE/POSTAL CODE	ISSUER FAX NO.	ISSUER TELEPHONE NO.
TORONTO, ON M5H 2S8	416-368-2579	416-364-2893
CONTACT NAME	CONTACT POSITION	CONTACT TELEPHONE NO.
PAUL A. CARROLL	PRESIDENT	416-369-7217
CONTACT EMAIL ADDRESS	WEB SITE ADDRESS	
info@diademresources.com	www.diademresources.com	
CERTIFICATE		
The three schedules required to complete this Report are attached and the disclosure contained therein has been approved by the Board of Directors. A copy of this Report will be provided to any shareholder who requests it.		
DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED
➤ "AIME BERTRAND"	AIME BERTRAND	YY/MM/DD 2003/10/27
DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED
➤ "PAUL A. CARROLL"	PAUL A. CARROLL	YY/MM/DD 2003/10/27

SCHEDULE A – UNAUDITED FINANCIAL STATEMENTS AS AT AUGUST 31, 2003

The reader is directed to SEDAR Project #00583172 for the audited financial statements and the attached notes to the financial statements.

SCHEDULE B – SUPPLEMENTARY INFORMATION

The reader is directed to the financial statements and the attached notes to the financial statements (“Schedule A”) for a full description of supplementary information. Below are items that are not covered in Schedule A.

ITEM 5. List of Officers and Directors as at October 27, 2003

<u>Name</u>	<u>Position</u>
Derek Bartlett	Director
Aime Bertrand	Director
Paul A. Carroll	President, CEO and Director
Maurice J. Colson	Director
A. C. A. Howe	Chairman and Director
David J. Layman	Vice-President Finance
William McKnight	Director
Lina Noble	Corporate Secretary
George C. Silverman	Director
Thomas Skimming	Vice-Chairman and Director
Rodney N. Thomas	Vice-President Exploration

SCHEDULE C – MANAGEMENT DISCUSSION AND ANALYSIS

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

AUGUST 31, 2003

Overview

During the year ended May 31, 2003, the Company conducted a review of its mineral projects and corporate structure. As a result of this review, the Company recorded an impairment in carrying value of its non-diamond related mineral projects and disposed of all its non-North American assets and non-diamond assets to a related party. The Company will focus on diamond projects in North America. As at August 31, 2003, the Company's only significant asset is its investment in its California Leek Springs exploration project. During the quarter ended August 31, 2003 the Company acquired, from several companies, an aggregate of 2,064 mining claims in the Otish Mountains region of Quebec. Subsequent to August 31, 2003 and effective September 8, 2003, the Company placed 5,000,000 flow-through common shares at a price of \$0.10 per share to raise gross proceeds of \$500,000. The proceeds will be used to fund exploration of the Otish Mountain claims.

Results of Operations

Corporate expenses were \$90,898 during the first three months compared to \$47,239 during the comparable period of fiscal 2003.

Although senior management draws no salary, approximately \$37,500 has been accrued in respect of compensation during the quarter ended August 31, 2003 and is included in salaries and benefits aggregating \$60,750. During the comparable fiscal 2003 quarter a small benefit of \$658 was paid to a former employee. Professional fees were \$5,000 compared to \$Nil during the comparable fiscal 2003 quarter and result from renewed financing and acquisition activity.

Interest costs totalled \$15,872, including \$12,288 of interest accrued in respect of the debenture. Interest expense approximates interest incurred during the corresponding fiscal quarter of 2003. Interest payable in respect of the debenture can be settled in shares of the Company rather than cash.

Other general and administrative costs during the first three months of fiscal 2004 were reduced compared to same period of 2003. Management incurs only those organization costs essential to maintenance of the Company.

As a result of its activities, the Company recorded a net loss of \$90,898 or \$Nil per share during the first quarter of fiscal 2004 compared to a net loss of \$47,239 or \$Nil per share the first quarter of fiscal 2003.

Capital Resources and Liquidity

The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles and on the assumption that Diadem Resources Ltd. ("Diadem" or the "Company") will be able to realize the carrying value of its assets and discharge its liabilities in the normal course of business as a going concern.

There is uncertainty about the Company's ability to realize the carrying value of its assets and discharge its liabilities as they come due. The ability of the Company to continue as a going concern is dependent

upon, among other things, being able to obtain additional financing, collection of outstanding loans, and attaining and maintaining positive operating cash flows.

The Company has reported significant losses for several years and has no operations. The Company reported positive operating cash flow as a consequence of deferring payment on trade payables and continued support of management which draws no salary. The Company has a significant working capital deficiency of \$1.05 million and an accumulated deficit of \$18.5 million.

The \$500,000 debenture is convertible in whole or in part at the option of the holder into common shares at any time on or before June 2, 2004 at a conversion price of \$0.10 per share. The debenture bears simple interest payable at the annual rate of 9.75%, payable monthly in cash or, at the option of the Company, in common shares valued at the greater of \$0.10 and the 10-trading day weighted average price of the common shares immediately prior to the payment date. The Company is entitled to redeem the debenture on 30 days notice at any time after June 2, 2003, provided that the common shares have traded for at least \$0.50 per share during the 10 trading days ending two days prior to the date of the redemption notice. At August 31, 2003, the debenture holder held 5,000,000 warrants entitling the holder to acquire up to 5,000,000 common shares of the Company at an exercise price of \$0.10 per share.

Effective September 8, 2003, the Company placed 5,000,000 flow-through common shares at a price of \$0.10 per share to raise gross proceeds of \$500,000. The agent earned a fee of 6% of the proceeds raised through the placement. As further compensation, the agent received a broker warrant exercisable for 350,000 common shares. The net proceeds from the placement will be expended on exploration in the Otish Mountain region of Quebec.

Effective August 27, 2003, the Company formed a wholly-owned subsidiary, Diadem Explorations Inc. ("DEI"), to implement agreements entered into by the Company on July 24, 2003 with several companies to acquire an aggregate of 2,064 mining claims in the Otish Mountains region of Quebec. The acquisitions were effected by issuing Series B First Preferred Shares of DEI having a value equal to the staking costs and work carried out on the claims by the vendors. In addition, if a diamond mine is brought into commercial production on any claim, the Company will pay a 2% gross royalty to the vendor that vended in that claim. The Company has the right to acquire the royalty for \$1.5 million, if acquired within 90 days after completion of a bankable feasibility study or for \$2.5 million, if acquired within 12 months after commencement of commercial production.

The Series B First Preferred Shares will be exchangeable, at any time after December 31, 2004 and up to December 31, 2006, into common shares of the Company at the option of either the Company or the vendor. The exchange price would be based upon the weighted average price of the Company's common shares during the three month period ended December 31, 2004

The flow-through funds enable the company to conduct exploration; however, the Company must find other funding for its general administrative costs.

Management is assessing its commitments with respect to the Leek Springs project. The Company has earned a 40% interest in the project and is considering whether it wishes to increase its interest to 55% by funding further exploration. The 2003 exploration season is finished.

Effective October 10, 2003, the Company sold 2,890,000 common shares of Waseco Resources Inc. ("Waseco") and \$225,000 of a \$450,000 demand note payable by Waseco to the Company. Consideration received was \$25,000 on closing and a further \$100,000 payable in four equal monthly instalments, commencing November 28, 2003. The purchaser has placed the Waseco shares in escrow pending payment of the unpaid balance. After completion of this transaction, the Company owns 500,000 common shares of Waseco

The Company also has agreed to convert an additional \$225,000 note, plus interest accrued on both notes, into (i) a 2% NSR on production derived from the Tewah alluvial gold project in Indonesia to the extent of Waseco's 60% interest therein and (ii) a 2% gross diamond royalty on production derived from the

Attawapiskat diamond claims to the extent of Waseco's interest therein. Waseco may re-purchase each NSR at any time up to commencement of commercial production of a mining operation for consideration of \$500,000 or thereafter up to the first anniversary of commercial production for consideration of \$1,000,000. Should Waseco decide to sell its interest in the Attawapiskat diamond claims, or to joint venture exploration or development thereof, it shall first offer it to Diadem.

Risks

The Company's assets are subject to the risk of foreign investment, including unilateral confiscation, increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and political uncertainty. Operational risks include finding and developing economic ore reserves. Financial risks include interest and U.S. dollar exchange rates, which are beyond the control of the Company. The Company is subject to various regulatory risks, many of which also are beyond the control of the Company.

While financing prospects for the mining industry appear to be improving, the indebtedness of the Company restricts the ability of the Company to refinance itself. The consolidated financial statements do not reflect adjustments to the carrying value of assets and liabilities that would be necessary if the going concern assumption were not appropriate.

Paul A. Carroll
President and
Chief Executive Officer

David J. Layman
Vice-President, Finance

October 22, 2003