

**PATRICIAN DIAMONDS INC.
CONSOLIDATED FINANCIAL STATEMENTS**

**AS AT JUNE 30, 2004
(stated in Canadian dollars)**

Patrician Diamond Inc.
Consolidated Balance Sheets (Unaudited)

June 30, 2004

(expressed in Canadian dollars, unless otherwise stated)

	<u>June 30, 2004</u>	<u>December 31, 2003</u>
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	119,547	227,736
Taxes receivable and other receivables	95,112	16,493
Prepaid expenses	60,221	29,379
	-----	-----
	274,880	273,608
Mineral exploration properties, at cost	310,921	328,655
Deferred exploration expenses, at cost	591,534	514,161
	-----	-----
	1,177,334	1,116,424
	=====	=====
LIABILITIES		
Current liabilities		
Accounts payable	-	19,579
Accrued liabilities	15,841	16,850
	-----	-----
	15,841	36,429
SHAREHOLDERS' EQUITY		
Capital Stock	8,891,191	8,583,841
Contributed surplus	66,111	67,929
Deficit	(7,795,809)	(7,571,775)
	-----	-----
	1,161,493	1,079,995
	-----	-----
	1,177,334	1,116,424
	=====	=====

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

(signed) "Robin Dow"
 (Robin Dow), Director

(Signed) " James Franklin"
 (James Franklin), Director

Patrician Diamond Inc.**Consolidated Statements of Operations and Deficit (Unaudited)**

For the Three and Six Months Ending June 30, 2004 and 2003

(expressed in Canadian dollars, unless otherwise stated)

	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
Revenue	-	-	-	-
Administrative expenses				
Management and consulting fees	27,139	14,000	46,382	24,500
Travelling and promotion	2,338	-	11,701	-
Rental expense	2,526	-	2,526	-
Report to shareholders	1,418	-	1,418	-
Conferences and subscriptions	4,093	-	6,070	-
Stationery and office expenses	1,807	12,639	9,299	18,044
Professional fees	6,556	10,158	25,992	11,153
Telecommunications	2,054	-	3,185	-
Transfer agent fees	3,833	-	8,518	-
Regulatory authorities	7,195	-	13,636	-
Interest and penalties	375	-	995	-
Exchange loss (gain)	-	-	654	-
Total Administrative Expenses	59,334	36,797	130,376	53,697
Impairment of mineral exploration properties and deferred exploration expenses	93,950	-	93,950	-
Total Expenses	153,284	36,797	224,326	53,697
Interest income	285	-	292	-
Net loss	152,999	36,797	224,034	53,697
Deficit, beginning of period	7,642,810	7,419,334	7,571,775	7,224,818
Dividends	-	-	-	177,616
Deficit, end of period	7,795,809	7,456,131	7,795,809	7,456,131
Basic and diluted net loss per share	(0.01)	(0.01)	(0.01)	(0.01)
Weighted average number of shares outstanding	15,815,804	10,187,498	15,815,804	10,156,248
	0.01	0.00	0.01	0.01

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

Patrician Diamond Inc.**Consolidated Statements of Cash Flows (Unaudited)**

For the Three and Six Months Ending June 30, 2004 and 2003
(expressed in Canadian dollars, unless otherwise stated)

	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003	Six Months Ended June 30, 2004	Three Months Ended June 30, 2003
OPERATING ACTIVITIES				
Net Loss	(152,999)	(36,797)	(224,034)	(53,697)
Non-cash items				
Write-off of deferred exploration expenses and mineral properties	93,950	-	93,950	-
Stock based compensation	8,883	-	(1,818)	-
Changes in non-cash working capital items	(138,288)	1,337	(130,049)	(21,204)
Cash flows used in operating activities	(188,454)	(35,460)	(261,951)	(74,901)
INVESTING ACTIVITIES				
Decrease in long term receivable	-	53,614	-	53,614
Mineral exploration properties	(72,266)	-	(72,266)	-
Deferred exploration expenses	1,995	(19,747)	(81,323)	(28,134)
Cash flows from (used in) investing activities	(70,271)	33,867	(153,589)	25,480
FINANCING ACTIVITIES				
Issue of shares	13,338	73,900	318,025	73,900
Share issue expenses	(2,800)	-	(10,675)	-
Cash flows from (used in) financing activities	10,538	73,900	307,350	73,900
Net increase (decrease) in cash and cash equivalent	(248,188)	72,307	(108,189)	24,479
Cash and cash equivalents, beginning of period	367,735	34,480	227,736	82,308
Cash and cash equivalents, end of period	119,547	106,787	119,547	106,787

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

Patrician Diamond Inc.**Consolidated Statements of Deferred Exploration Expenses (Unaudited)**

For the Three and Six Months Ending June 30, 2004 and 2003
(expressed in Canadian dollars, unless otherwise stated)

	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
Balance, beginning of period	597,479	168,540	514,161	160,153
Additions				
Project Consulting	21,003	-	25,889	-
Geophysical Survey	2,625	-	76,057	-
Geological Survey	-	7,167	-	10,186
Sampling	40,498	5,639	40,498	8,034
Assaying	23,664	7,001	28,664	9,974
Property Payment	3,607	-	3,607	-
Total Additions	91,397	19,807	174,714	28,194
Deductions				
Impairment of Miranda	3,950	-	3,950	-
Refund of Le Projet	10,206	-	10,206	-
Yukon mining tax credits	83,186	-	83,186	-
Total Deductions	97,342	-	97,342	-
Balance, end of period	591,534	188,347	591,534	188,347

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

PATRICIAN DIAMONDS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2004

Note 1

Basis of Presentation

The Company was incorporated on January 28, 1994 under the Laws of the Province of Ontario and is engaged in the exploration and development of mining prospects.

On January 3, 2000 the Company filed Articles of Amendment consolidating the issued and outstanding shares on a basis of 1 new share for 10 existing shares and changed its name to Patrician Consolidated Gold Mines Ltd. On April 12, 2002, the shareholders approved change in the Company's name to Patrician Diamonds Inc.

On September 1, 2000 the Company incorporated a wholly owned subsidiary Phoenix Matachewan Mines Limited ("Phoenix") and transferred all its mining assets to Phoenix. In 2003 the Company distributed the shares of Phoenix to the shareholders of the Company by way of dividend.

These financial statements include the accounts of the Company and its wholly owned subsidiary 9082-8971 Quebec Inc. ("Quebec Inc.").

Note 2

These unaudited interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles. These interim consolidated financial statements do not include all disclosures required under Canadian generally accepted accounting principles for annual audited financial statements. Accordingly, they should be read in conjunction with the notes to the company's audited consolidated financial statements for the year ended December 31, 2003.

The same accounting policies, as disclosed in the audited financial statements, included in the Company's latest annual report have been used.

The preparation of the consolidated financial statements compliant with generally accepted accounting principles requires management to make estimates and assumptions. These estimates affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the periods. Actual results could differ from these estimates.

In the opinion of management, all adjustments considered necessary for fair presentation of the results for the periods presented have been reflected in the consolidated financial statements.

PATRICIAN DIAMONDS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2004

Note 3

Mining Claims and Deferred Exploration Expenditures

	June 30, 2004		December 31, 2003	
	Acquisition Costs	Deferred Exploration Expense	Acquisition Costs	Deferred Exploration Expense
Yukon	72,084	293,452	72,084	339,440
Miranda	-	-	90,000	3,950
Blackwater	167,186	244,934	166,571	160,585
Le Projet	-	-	-	10,206
Baffin Island	71,651	53,148	-	-
	310,921	591,534	328,655	514,161

Yukon

During 2003, the Company acquired, by staking, 18 claim groups in the Yukon Territory. Sample processing occurred in the first half of 2004. More work is planned for the second half of 2004.

Miranda

In 2001, the Company acquired a 100% interest in 7 claim blocks for a total of 86 claims in the Lac Miranda area of central Quebec. In 2004, the claims were allowed to lapse, and the acquisition cost was written off in the second quarter of the year.

Blackwater

During 2002 the Company staked 33 claims in the Blackwater Lake area of the Northwest Territories. The Company undertook a geophysical survey of the claims in the second quarter of 2004.

Le Projet

The project was a target permit which was applied for in late December 2003. . During the period ending June 30, 2004, the application fee was refunded.

Baffin Island

In late May and early June, 2004, the Company staked 36 claims on Baffin Island, and in July, staked significantly more. Two sampling programmes have been undertaken.

PATRICIAN DIAMONDS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2004

Note 4

Stated Capital

Authorized: Unlimited common shares

Issued:

	June 30, 2004		December 31, 2003	
	number	\$	number	\$
Balance beginning of period	16,164,498	8,880,653	9,724,248	7,919,734
Issued for Cash	121,250	13,338	3,989,000	492,157
Issued for services	-	-	250,000	25,000
Exercise of Warrants	-	-	130,000	39,000
Exercise of Options	-	-	445,000	81,450
Exercise of Compensation Options	-	-	205,000	26,500
Share issue expenses	-	(2,800)	-	-
Balance end of period	16,285,748	8,891,191	14,743,248	8,583,841

Warrants

Outstanding Warrants	Exercise Price	Expiry
Balance June 30, 2004	\$	
60,000	0.30	December, 2004
739,000	0.20	December, 2004
300,000	0.25	January, 2005
650,000	0.30	January, 2005
1,749,000		

Options

The Shareholders of the Corporation adopted a resolution, dated June 30, 2004 with respect to its Stock Option Plan, pursuant to which options may be granted to directors, officers, employees and persons

providing ongoing services to the Corporation (the "Admissible Persons"). The purpose of the Plan is to attract and motivate Admissible Persons by offering to such persons the opportunity to acquire (or to increase) an equity interest in the Corporation through the purchase of Shares under the Plan. This increased the amount of stock options available under the plan from 2,602,250 to 3,200,000 stock options.

PATRICIAN DIAMONDS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2004

Note 4 (continued)

Outstanding Options	Exercise Price	Expiry
Balance June 30, 2004	\$	
175,510	0.15	May, 2006
75,000	0.20	January, 2007
150,000	0.25	February, 2007
40,000	0.35	February, 2007
150,000	0.30	March, 2007
415,000	0.20	April, 2007
769,440	0.22	June, 2008
100,000	0.26	November, 2006
1,874,950		

Stock-based compensation required by Section 3870 related to options granted increased the following expenses in the financial statements of the Company at June 30, 2004.

	Three months ending June 30, 2004
	<u>\$</u>
Statement of Operations	
Management and consultant fees	5,582
Accounting fees	1,290
Professional fees	479
Statement of Deferred Exploration	
Consultants fees	1,532
	<u>8,883</u>

The total \$8,883 consideration amount was recorded as an increase in contributed surplus. For the six month period ended 30 June, 2004, 175 000 options were granted.

PATRICIAN DIAMONDS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2004

Note 4 (continued)

The fair value of each option granted was estimated on the grant date using the Black-Scholes option-pricing model with the following weighted-average assumptions for the awards granted since the beginning of the year:

	2004	2003
Expected dividend yield	0%	0%
Expected volatility	126%	130%
Risk-free interest rate	4.55%	4.00%
Expected life	2-3 years	5 years

The weighted-average fair value of stock options granted since the beginning of the year was \$0.20 CAD.

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded option, which have no vesting restrictions and are fully transferable. In addition, option-pricing models require the use of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective assumptions can have a material effect on the fair market value, in Management's opinion, the existing option pricing models do not necessarily provide a reliable single

Note 5

Related Party Transactions

The Company has a management contract with Cornerstone Capital Corporation, a company controlled by the President of the Company whereby the Company may pay \$1,500 per month for rent and office services and expenses. The Company has a management contract with the President whereby the Company may pay up to \$3,500 per month, if as and when available, for management services.

For the six month period ended 30 June, 2004 the Company paid Cornerstone \$6,000 (\$9,000 -2003). The President was paid 142,500 common shares (\$18,525), one director was paid 75,000 common shares (\$9,750) and one officer 25,000 common shares (\$3,250).

Other Directors of the Company were paid \$5,374 (\$28,138-2003) as consulting fees and expenses during the period.

Note 6**Segmented Information**

The Company's operations comprise a single reporting operating segment engaged in the exploration of mineral resources in Canada. As operations comprise a single reporting segment amounts disclosed in the financial statements for revenue, and loss for the year also represent segmented amounts.