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COMPANY INTERVIEW

JOHN KOWALCHUK
Diamond Discoveries International Corp.

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Diamond Discoveries International Corp. (DMDD)



JOHN KOWALCHUK is President and Chief Executive Officer of Diamond Discoveries International Corp. He has more than 34 years of mineral exploration experience with both senior and junior mining companies working in Canada, US, Mexico and Chile. He was District Geologist for Placer Dome for over six years and was instrumental in the discovery of several world-class mineral deposits in Canada, including the Howard's Pass lead-zinc deposit on the Yukon/Northwest Territories border and the Kerr Copper Gold Deposit at Eskay Creek, British Columbia. Mr. Kowalchuk has also served as Officer and Director for several junior mining companies, including Admiral Bay and presently on Island Mountain Gold Mining Ltd, Gold Star Resources Corp., and Castillian Resources Corp.

SECTOR – METALS & MINING

(ZAS612) TWST: Would you give us a history and overview of the company?

Mr. Kowalchuk: The company was formed in 2000 and filed its SB-2 with the U.S. Securities Commission in fall of 2000, and became fully trading on the OTC bulletin board in 2002. It was formed specifically to explore and exploit a diamond property in the Torngat Mountains of northeastern Quebec where diamonds were found in a neighboring property by Twin Mining in 1999 and 2000.

A prospector who knew the area picked up ground adjacent to and on strike with Twin Mining's ground. Twin Mining had two lamprophyre dykes. These are ultramafic dykes and basically they did a bunch of sampling on it and got fair amounts of macrodiamonds, which are over 0.1 millimeter across and hundreds of microdiamonds in channel samples from trenches across the dykes. The largest diamond that they found was approximately 0.67 carats. These dykes were

fairly small, three feet to 10 feet across, and they were unable to find any kimberlite pipes on their property. I'm not sure how hard they looked for them though. It seems like they found these dykes with diamonds in them, and they just focused on that. They took several bulk samples and spent their money on that and then couldn't find a lot of interest other than the interest that there were diamonds in the area. They weren't able to take it to the next step themselves. Prospector, Peter Ferderber, from Quebec acquired the ground to the south and to the east of them right up to the Labrador border, and then optioned the property to Diamond Discoveries. Diamond Discoveries was set up by Ted Pangia. He took it right to a full OTC bulletin board listing and raised money to start exploration on it.

It's quite a mountainous terrain, even though it is up in eastern Canada, so the focus was on basically prospecting streams and heavy mineral sampling of the stream sediments. They located 50 kimberlite and ultramafic dykes or

Corporate Profile

Diamond Discoveries International Corp.

Ticker (exchange)

DMDD (OTCBB)

Price close 12/15/04

0.046

12 Months Price Range

0.005 - 0.185

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Tom Kennedy
Director

Peter Ferderber
Consultant

Corporate Business Description

Diamond Discoveries International Corp is an US exploration company with executive offices in Vancouver, B.C. Through its wholly owned subsidiary Diamond Discoveries (Canada) Inc. it controls certain mineral permits in the Torngat Mountains Peninsula, north-eastern Quebec. The Company is focused on exploring for diamonds. The Company has located more than 50 kimberlite dykes and several kimberlite pipes. This summer, they plan on actively sampling the targeted areas for diamonds both by bulk sampling and core drilling.

Canadians are working hard to differentiate their diamonds from the diamonds found in war-torn parts of West African countries, where the diamond market has declined.

Due to the success of the adjacent exploration findings and the team of field expertise the company has behind it with geologist Fenton Scott and consultant Peter Ferderber, we are moving forward with optimism in the exploration of our Torngat property. The serious search for diamonds in the Torngat district is just beginning.

PROJECTS

Diamond Discoveries controls six different exploration permits in northern Quebec (Diamond Discoveries 1-6, permit numbers 1482, 1473, 1483, 1472, 1499 and 1517) that covers 470 sq. kilometers, or 180 sq. miles. Prospecting Geophysics LTD. conducted surveys on two of the controlled permits to date, Diamond Discoveries 1 and 2, permit numbers 1482 and 1473. Exploration preparation was based on several substantial points of rationale: the Diamond Discoveries property sits on an early precambrian archon, where the presence of deep seated dykes equivalent to kimberlite have been confirmed. The discovery of saleable diamonds on adjacent properties has been verified, and there has been no history of earlier diamond prospecting on the Diamond Discoveries property. The combination of stream sediment sampling of heavy minerals coupled with airborne results of ground magnetic surveys has been the successful combination of exploration techniques in Canada and abroad. Esker and till sampling can be used as a technique to discriminate between magnetic anomaly targets. The results of the Diamond Discoveries airborne magnetometer survey revealed evidence of six magnetic dykes at the south end of the second permit, suggesting a number of dykes parallel to the diamond-bearing dykes on the adjacent property to the west. These features all had strike lengths greater than three kilometers. Five of these dykes have

been newly located and are being sampled. The samples are en route to a laboratory for diamond extraction. In addition, eight stream sediment samples were collected and sent to the appropriate laboratories for analysis. The results of the sediment samples have yet to be received. A low level survey is planned for the remaining four of the Diamond Discoveries permits. DeBeers has recently paid over \$300 million to purchase 60% of the diamond-bearing dyke deposits owned by Winspear Diamonds Inc., a Vancouver company. This offer was based on reports of bulk samples, some of which contained three or four large diamonds. The remainder were micro and macro diamonds. DeBeers has made the conservative statement that an underground diamond mine might prove to be economically viable.

RECENT HIGHLIGHTS

RUBIES FOUND IN KIMBERLITE RESIDUE

23 November 2004

Robert Dillman, consulting diamond geologist for Diamond Discoveries examined the broken kimberlite residue left in the core box after the main kimberlite core sample was removed. Mr. Dillman states, "The minerals in the core residue appear to be from a corundum-garnet-eclogite bearing nodular kimberlite." The evidence of pink corundum (rubies) in the rock demonstrates that pink corundum has now been found in ultramafic rocks in both the western and eastern parts of the property. Previous identification of pink corundum from the A-Dyke was identified as rubies. It is expected that these will be identified as the same. Larger pink corundums have been recognized in hand specimen, although no systematic search or testing has been made check for gem quality rubies. The Eclogite minerals include: abundant pink corundum, one orange corundum, and 7 orange-red eclogite garnets. Eclogitic rocks are significant in they are usually diamondiferous and tend to host large diamonds. The company is still waiting for the caustic fusion results on the core that was sent to Saskatchewan Research Council.

NEW DIAMOND-BEARING DYKE

15 October 2004

Management is pleased to announce the results of caustic fusion analyses from 19 surface samples of various kimberlite and lamprophyre dykes on the Diamond Discoveries Torngat Mountains project in north eastern Quebec. The caustic fusion analyses were done by Saskatchewan Research Council in Saskatoon, Saskatchewan. Sample sizes ranged from 5.1 kg (11.4 lbs) to 72.95 kg (163.4 lbs).

One sample, #90943 from the K-25 dyke in the southwest corner of the property produced one microdiamond weighing 0.026 milligrams. The diamond size was 0.38 mm long by 0.30 mm wide by 0.1 mm high. The diamond was clear and colourless. The sample size was 21.50 kg (48.16 lbs). This is the fourth dyke that has been found to contain macro diamonds or microdiamonds. The K-25 dyke which is three to five metres wide has been traced on surface for over five kilometers. The K-25 dyke is 10 kilometers south-west and on strike with the K-9 dyke which crosses the Round Lake Pipe. This is the fourth separate dyke in which macrodiamonds or microdiamonds have been found. The other dykes which contain diamonds are the A-dyke, B-dyke and F-dyke.

The 2004 fall drilling season has been completed and the core samples have been sent to Saskatchewan Research Council for caustic fusion analysis. The drill has been left on site so that the company can get an early spring start to drilling the more than 35 targets defined by surface exploration

lamprophyre dykes. The eastern dykes are all kimberlites, and the western ones are all lamprophyres. The property is about 180 square miles in size. So it is a huge property, which is what you need. Just in grab samples from surface dyke rock, they found 20 microdiamonds and at least five macrodiamonds. Many of the other dykes they had in the area had diamond fragments, whether the fragments were caused in preparation or whether they were smashed up in coming to surface or what, we are not sure.

They also found at least five kimberlite pipes, but the markets weren't that good so they weren't able to do any drilling until this summer. Actually we did some more analysis of the dyke materials from last year. The problem with diamond exploration is that diamonds are the classic nugget effect. When you have coarse gold, basically one small grain of gold in a sample will give you a high assay. But you could take five samples of a rock, and one grain will give a very high assay, the next two might give nothing and the next two might give a low assay. So when you are taking a 10 pound or 20 pound sample, if you get a diamond in it at all, you are very happy.

"We plan on drilling about 10,000 to 15,000 feet starting probably in April, and we'll be drilling our suspected pipes. What people should be looking for in the next year is reports on the fact that we have hit, kimberlite pipes. Hopefully they are diamondiferous. Since there are diamonds in the area, I would expect we'll get diamondiferous pipes."

When you are evaluating these rocks for possible economic diamond content, you are looking at half a ton to a ton minimum size of sample. We haven't had the financing to do that yet, so we haven't done it. But this summer we did find another

dyke with diamonds in it, which was encouraging, and finally we were able to raise enough money to put a drill hole into one of our kimberlite dykes. We are still waiting for the assays. In diamond exploration, the diamond assay is called a caustic fusion where they dissolve all the rock in acid and end up with just a little bit of residue, which is where the diamonds are.

TWST: You see what falls out.

Mr. Kowalchuk: That is basically it, and you can't do anything else. So basically we spend about three years doing just surface exploration on the property and taking small 10 pound to 50 pound samples of various dyke materials, but as I said we have been successful in finding 50 kimberlite or ultramafic or lamprophyre dykes. We have found at least five large diamonds or macrodiamonds in them and both 20 to 25 macrodiamonds in them, and we have located at least five kimberlite pipes.

TWST: Has any diamond mining been done in this geography?

Mr. Kowalchuk: Basically this is part of the Canadian Shield and across Hudson Bay on the other side in Nunavut there are about three operating diamond mines now.

TWST: Is that where Aber is?

Mr. Kowalchuk: That's where Aber is and Ekati. The Canadian diamonds have been very successful. So basically the whole of the Canadian Shield is prospectable for diamonds. You look for large deep-seated structures, which brought the rocks up from the mantle, and then you test them for whether or not they come from a right part of the mantle. That is how you do that and as you take what they call indicator minerals, you can find out the pressure and the temperature of where these minerals were formed. From the chemistry of them, virtually all of our kimberlites and most of our lam-

prophyres come from the area in the mantle where diamonds are stable when it formed. So this is why we are quite excited.

All our indicator minerals suggest we will get lots of diamonds. One advantage to us is we are fairly close to the coast. Our property borders on the coast of the ocean and actually Ungava Bay, so once, if we do locate something of significance, it is certainly significantly cheaper to mine than out in the middle of the barrens.

TWST: Going back to the original question, has any active mining taken place where you are looking at this point?

Mr. Kowalchuk: Not in our area. There has been nothing in our area. Other than Twin Mining, we have been the only company working in that area. Twin Mining, since they were unable to find any pipes or kimberlites, pulled out and moved out to Baffin Island. But we've kept a very low profile and low scale operation because of financing. The principals have done most of the financing. We are now looking to institutional financing.

Basically diamond exploration is unlike any gold or silver exploration in that it takes very deep pockets and a lot of patience. Before most companies find a diamond deposit, before they even find a kimberlite, it often takes two years. Then with the major cost of drilling and then each assay or each cost of fusion, you are looking at \$500 to \$2,000 a sample or more just for analyzing each sample. Recently a 660 kilo sample had a cost of \$50,000 for caustic fusion analysis. So, as I've told most junior companies when they are interested in getting to diamond exploration, as long as you have deep pockets and a lot of patience, you are looking at a five-year plan minimum before you can get to the stage where you might have something that's economic enough.

TWST: With the testing you have done, when will you get the results?

Mr. Kowalchuk: We are hoping to get them by early December. Basically we drilled this kimberlite dyke. We have a true width of 17 feet, a little over five meters, and it's just a classic kimberlite. Rubies were found in the kimberlite residue. Corundum is a diamond indicator mineral. So we are hopeful. We sent all the core from that intersection into Saskatchewan Research Council for caustic fusion.

"We are prospecting on the Canadian Shield as one of the premier areas to look for diamonds, so there is a great upside there. If we are successful in finding significant diamond counts in our property, there is no problem with getting into production."

TWST: If you look out over the next two or three years, what's going to be the strategy of the company?

Mr. Kowalchuk: We left the drill on the property. We have raised enough money this year to do the drilling. We got squeezed out because of bad weather in September, which is often the case at the end of September. We left a drill on the property, and we have fuel for our drilling program next year. We plan on drilling about 10,000 to 15,000 feet starting probably in April, and we'll be drilling our suspected pipes. What people should be looking for in the next year is reports on the fact that we have hit, kimberlite pipes. Hopefully they are diamondiferous. Since there are diamonds in the area, I would expect we'll get diamondiferous pipes. Then later in the summer, we'll look to see what the diamond counts are in those in kimberlite intersections.

Next summer should be a real make or break year because next year is the year we are

going to do the significant testing of the pipes and assaying of the pipes. We'll know whether it shows an interesting diamond count or significant diamond count. If any of the pipes that we have look like they have significant diamond counts, then the following year we will be going into a large-scale bulk tonnage and bulk tonnage sampling to get the actual grade of the whole pipe period and look at the economics of it.

"Next year is the year we are going to do the significant testing of the pipes and assaying of the pipes. We'll know whether it shows an interesting diamond count or significant diamond count. If any of the pipes that we have look like they have significant diamond counts, then the following year we will be going into a large-scale bulk tonnage and bulk tonnage sampling."

TWST: Assuming you do find something, when would production likely start?

Mr. Kowalchuk: I would say three to four years from now.

TWST: What's the cost to get up and producing?

Mr. Kowalchuk: I would say probably \$500 million to \$1 billion. It's not cheap, but if we get the grades that it's going to be an economic mine, we are going to have all kinds of major diamond producers knocking on our doors, either willing to finance us or willing to buy us out. That's usually the case with most junior companies. The senior mining companies hop in fairly quickly. They try and hop in before your stock goes too high. Payback even at a cost of \$500 million to \$1 billion would be relatively quick.

TWST: What is the capital budget for next year?

Mr. Kowalchuk: Next year's budget will be probably be about \$2 million.

TWST: Do you have that in hand?

Mr. Kowalchuk: We have offers to provide it. We have offers of up to \$5 million for the next two years from two groups. So our objective this winter is to get our story told where we don't want to dilute ourselves significantly in raising the \$1 million to \$2 million next year. So we would like to see our stock at a higher price.

TWST: What are your plans to help that happen?

Mr. Kowalchuk: Basically we've been hit with sellers. I'm not sure whether it's people just dumping on us or shorting the stock, but we've been hit with a lot of stock being dumped on us and hitting the bid all the time. Basically this winter through spring, long-term investors will be just accumulating all available stock. We have been doing it all year it seems, and they have to run out eventually. Good drilling results in the spring will assist in the company's valuation.

TWST: Why the downward pressure in your stock?

Mr. Kowalchuk: I'm not sure. I just joined the group in January. We were trading about \$0.10 then, and it went up to about \$0.20. Some groups with free trading shares probably can't wait until spring. That's what I suspect. I suspect there were probably a few million shares that have sold on the bid.

Actually most of the shares, probably about 30% or 40%, are in a lot of original investors that are in for the long term and have faith in the property. Some of these sellers just thought they would play with it. I have no idea why they would be selling. To have a property with known kimberlite pipes and with known kimberlite dykes with diamonds, really the stock should be \$0.50 to \$1. Why is it down there? I don't know.

TWST: Have you been involved with diamond mining before?

Mr. Kowalchuk: I was involved with some diamond exploration in northern Ontario in the Temagami and Temiskaming area.

In the Otish Mountains of Quebec, 700 kilometers south of DMDD's property, Ashton got those significant diamond results. So that is when all the neighboring companies in Ashton went up to \$3 or \$4 at the time. Until there is a major discovery in your area, it is hard to really push it. So we are hoping we will be the major discovery this summer. We have managed to raise the money and get the confidence from the technical people anyway to do the work and to raise the money to do the major discovery ourselves.

TWST: Do you have the in-house expertise to follow through on this?

Mr. Kowalchuk: Yes, we do. We have Robert Dillman, a diamond expert from Ontario, who is our main consultant. Mark Connell from New Brunswick and several people doing the work for us are all diamond experts. Also I am a geologist with over 35 years of experience myself, and I am familiar with diamond exploration as well, but I leave it to my experts.

TWST: Why should investors pay attention to what you are doing, and what are the key factors here?

Mr. Kowalchuk: This a good company to add to a larger portfolio for Canadian diamond plays. One thing I have noticed with the OTC bulletin board as opposed to the Canadian exchanges is the Canadian investors are familiar with the fact that Canada is now the third largest diamond producer in the world behind Russia and Botswana. Botswana is first and then Russia, then Canada. Canada will be passing Russia within a year once our Victor Pipe and another pipe up in the

Northwest Territories opens up. Canada is going to be even more high profile in the fact of the problems with conflict diamonds coming out of Africa. These diamonds are being sold to rebels who are financing several rebellions in Angola and a lot of the fighting in Africa. It has been financed by diamonds. So this is why De Beers and all the major diamond marketers are trying to put pedigrees on their diamonds. With all diamonds from Canada, there is no problem doing that. We can automatically put a pedigree on, so most Americans aren't even aware that Canada mines diamonds.

"Canada is probably one of the premier places to look for diamonds. It has had a very high success rate relative to other areas, and they are clean diamonds. Because they can be proven to be clean diamonds, they will be sold at a premium."

We need to better educate the American investing public that Canada is probably one of the premier places to look for diamonds. It has had a very high success rate relative to other areas, and they are clean diamonds. Because they can be proven to be clean diamonds, they will be sold at a premium.

Another reason is, we are prospecting on the Canadian Shield as one of the premier areas to look for diamonds, so there is a great upside there. If we are successful in finding significant diamond counts in our property, there is no problem with getting into production. There is no problem, especially in Quebec. It is one of the best areas in the world to look for any mining commodity, and as far as government legislation, there are no problems from the tenure. Once you have found something, you don't have to worry about a government taking it away from you, so there are a lot of pluses about explor-

ing for diamonds in Canada and in Quebec. That is one of the biggest things.

But as I said most Americans aren't aware that we even have diamonds, and that is the first thing we have to inform them of. We not only have diamonds, we have some of the best diamonds in the world, and we are now the third largest diamond producer in the world. That is from the first discovery of diamonds in 1991. So we have moved that quickly.

TWST: Is the government doing anything to foster that?

Mr. Kowalchuk: In Canada, in Quebec, basically for junior mining companies they have these wonderful tax breaks at super flow through taxes where basically you get virtually a 100% if your exploration costs are taken off or actually over a 100% taken off of your taxes if you are a Canadian citizen. For companies that have Americans or non-Canadians investing, what happens is the company can take that tax break, and they get it back as a grant from the government. We received about \$600,000 from the Quebec government over the last three years. So there are major financial incentives helping

companies go through those first expensive phases, which certainly helped us, especially with the way the market has been. We haven't had to sell a lot of shares to raise money for exploration this year. We were able to use a lot of the money we spent from previous years,

TWST: Is there anything else we should touch on?

Mr. Kowalchuk: I think we are worth watching, and I think once we start drilling in the spring, you will see a steady growth of the stock.

TWST: Thank you. (TJM)

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