

TALMORA DIAMOND INC
6 Willowood Court, Toronto, Ontario M2J 2M3
Management's Discussion & Analysis
For the quarter ending September 30, 2011

Date: November 25, 2011

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the audited financial statements of Talmora Diamond Inc. ("Talmora", or the "Company") for the year ended December 31, 2010 which were prepared under Canadian Generally Accepted Accounting Principles ("Canadian GAAP").

The Company's reporting currency is the Canadian dollar and all amounts in this MD&A are expressed in Canadian dollars. The Company reports its financial position, results of operations and cash flows in accordance with International Financial Reporting Standards ("IFRS") effective January 1, 2011. The transition date to IFRS being January 1, 2010.

The following MD&A may contain forward-looking statements. Forward-looking statements are based on current expectations that involve a number of risks and uncertainties which could cause actual events or results to differ materially from those reflected herein. Forward-looking statements are based on the estimates and opinions of management of the Company at the time the statements were made.

Listing on CNQ/CNSX

The common shares of Talmora commenced trading on the Canadian Trading and Quotation System Inc. ("CNQ") on May 14, 2007 under the trading symbol "TALM". The trading symbol was changed to "**TAI**" on September 19, 2008. The CNQ was relaunched as the Canadian National Stock Exchange "**CNSX**" on November 6, 2008.

General

The Board of Talmora consists of four members, including;

- Raymond Davies, Ph.D., P.Eng., geologist, former CEO and director of Talmora Resources Inc., former director of Canadian Diamond Limited, director of Ditem Explorations Inc. and director of Dolly Varden Resources Inc.,
- Richard M. Hogarth, retired stock broker, former director of Talmora Resources Inc.,
- Leslie C. Little, a manager with a British investment management firm, and Secretary of Rambler Metals & Mining PLC,
- Joan E. Fiset, a Chartered Accountant with extensive mining industry experience.

Officers of Talmora are Richard M. Hogarth (Chairman), Raymond Davies (President and Chief Executive Officer), Robert T. Owen (Chief Financial Officer), Alan W. Davies (Vice-President Exploration) and Maria Grimes (Corporate Secretary).

Overall Performance

Talmora is a diamond exploration company with one property consisting of 433,831 acres of permits and 68,784 acres of claims on the Horton River, 120 kilometres south of Paulatuk in the Northwest Territories. The property straddles a major linear structure believed favourable for the occurrence of diamondiferous kimberlites. \$1,651,121 has been spent on exploration of the property to September 30, 2011 including deposits on permits of \$88,394.

An airborne magnetic survey has detected anomalies with the characteristics of kimberlite pipes. Till samples taken down-ice of the magnetic anomalies contain 37 times as many kimberlite indicator minerals (KIMs) as till samples taken at random. There is a strong correlation between KIMs and magnetic anomalies.

Management focused in 2009 on asset preservation and acquisition by staking of highly prospective new ground adjoining the Company's original claims.

A Private Placement of \$305,929 on June 3, 2009 enabled the Company to fund a small field program in June/July 2009. Potential kimberlite targets were surveyed with an airborne magnetometer and 125 claims were staked over magnetic anomalies west of the previously acquired permits and claims. 51 samples were collected for KIM analysis. A second Private Placement of \$289,459 was closed on November 12, 2009 to cover administration costs and to fund the processing of till samples and of geophysical data collected in the field.

Till samples collected down-ice of kimberlite targets on both old and new claims have been processed for KIMs and a fraction of each till sample has undergone multiple element ICP analysis that shows Mg:Ca ratios (Mg 36.5% of combined Mg + Ca) lower than those found by Sanatana in tills down-ice of the Talmora property and ratios that would be expected from a dolomite source area.

KIMs on the Talmora property match those to the west within the Cretaceous basin and could be the source of the widespread KIMs and accompanying diamonds found to the west.

A Private Placement of \$165,000 on December 28, 2010 enabled the Company to fund ongoing exploration and administration costs. Additional funds would be required in 2011 for staking and carrying out a limited exploration program.

A major financing of \$1,250,000 was announced in May and part would have been used to fund a drill program. Uncertainty in the financial markets caused the financing to stall after half the target amount was reached and finally led to many investors withdrawing their subscriptions. When the financing closed on July 8, 2011, only \$400,000 was added to the Company's cash and was insufficient for a drill program.

Staking and a limited exploration program was carried out in August and the expected assessment credits for the work done should result in return of some of Talmora's cash deposits.

The Company's most prospective magnetic anomalies must be tested by drilling. A program costing \$1,000,000 - \$4,000,000 should confirm whether or not kimberlites are present on the property. Micro-diamond analyses of initial kimberlite samples will determine whether further investigation is warranted in which case an additional budget in the order of \$10,000,000 - \$15,000,000 would be required. Talmora is dependent on management obtaining financing to continue operations and to fund its exploration property expenses.

Selected Annual Information

As at September 30, 2011, the Company had cash and cash equivalents totaling \$175,077 and working capital of \$106,640.

Funds are sufficient to meet ongoing administrative expenses and meet current liabilities during 2011.

Talmora Diamond Inc.		
	9 Months ended September 30, 2011 (\$)	Year ended December 31, 2010 (\$)
Cash, Cash Equiv.	\$175,077	\$145,311
Working Capital	\$106,640	\$135,962
Mineral Exploration	\$222,732	\$51,920
Total assets	\$302,487	\$245,566
Total liabilities	\$68,437	\$21,210
Interest Revenues	\$322	\$756
Admin. Expenses (incl. bank charges)	147,843	\$94,798
Professional Fees	\$12,803	\$23,286
Net (Loss)	(\$386,741)	(\$174,772)
Net (Loss) Per Share	(\$0.000)	(\$0.000)

Factors Causing Variations

The Company's business is diamond exploration and is currently exploring the Horton River area in the Northwest Territories. The work is seasonal. Field work utilizes helicopters and is very costly and is carried out over relatively short periods of time. Laboratory analysis for kimberlite indicator minerals (KIMs), analysis of data and preparation of assessment work reports is less costly and is spread over much longer periods of time.

Funding has depended on results and has therefore been of a rollercoaster nature. There is high working capital at the start of an exploration phase, a rapid drop after the field work is complete and a long tailing off as data is analysed and reported.

Results of Operations

Horton River Project, NWT

Talmora has one significant project for which it has raised \$2,348,388 since August 2004 and on which it has expended \$1,651,121 on exploration to September 30, 2011 including deposits for permits of \$88,394.

Canadian Diamind Limited held 3 prospecting permits on the Horton River, 120 kilometers south of Paulatuk, in the Inuvialuit Settlement Region of the Northwest Territories. Till and stream sampling in 2004 confirmed the presence of anomalous kimberlite indicator minerals.

Prior to the amalgamation with Talmora Diamond Inc., Canadian Diamind Limited applied for additional exploration permits and these were granted on February 1, 2007. At the 2007 year-end Talmora held 12 contiguous permits covering 645,718 acres. The three original permits expired January 31, 2008. However, claims were staked within the permit areas prior to the expiry date.

An airborne magnetic survey of the Company's three original permits and one of the adjoining permits awarded in 2007 was completed at the end of June, 2007. KIMs in samples subsequently taken down-ice of magnetic anomalies with the characteristics of kimberlite pipes were 37 times more abundant than those in samples collected on a random basis in 2004.

Four new permits (144,868 acres) were granted to Talmora on February 1, 2008 but on February 28, 2008 "The Sahtu Secretariat Inc." and a number of other "Applicants" in the Sahtu Settlement Region applied for a judicial review of the decision of the Supervising Mining Recorder to issue 60 prospecting permits within the Sahtu Settlement Region on February 1, 2008 including the 4 permits issued to Talmora Diamond Inc. The Minister Of Indian Affairs And Northern Development and the Supervising Mining Recorder opposed the application and a settlement was reached in March 2010.

Private placements in June and November 2009 enabled the Company to fly 865 line kilometers of airborne magnetics over potential kimberlite targets and to stake 125 claims (12,860.85 acres) between June 28 and July 13 on ground that came open February 1, 2009. Samples collected at the same time have been analysed for KIMs and add to the database. The same samples have been analysed by ICP for multiple elements and show Mg:Ca ratios (Mg 36.5% of combined Mg + Ca) lower than those found by Sanatana in tills down-ice of the Talmora property and ratios that would be expected from a dolomite source area.

Private placements in December 2010 and July 2011 enabled the Company to fund a short field program of staking, sampling and ground truthing of satellite images on and in the vicinity of the Company's Horton River property in the Northwest Territories for three weeks in August 2011.

During the July/August field program 36 new claims covering 13,997.15 acres were staked in the vicinity of the Company's Horton River property in the Northwest Territories. Application to record these claims was made to the Mining Recorder in September and were recorded on September 22, 2011.

A report on the work carried out in 2009 is near completion and will be submitted shortly to the Mining Recorder to satisfy the assessment work requirements of the claims staked that year.

Ground spectrometer surveying was carried out to ground truth satellite images available over the property (Landsat, ASTER and Hyperion). Representative samples were taken of selected surveyed materials for further analysis.

Geochemical soil samples were taken on both the up-ice and down-ice sides of selected magnetic targets. The samples have been shipped to a laboratory for analysis.

Geology

Most of the property is underlain by limestone of Ordovician age with a thin cover of glacial drift. A slump block of Cretaceous sediment outcrops in the NW part and Cretaceous sediment has been mapped in the SW.

An airborne magnetic survey shows a number of magnetic dyke-like structures that strike NNW across the property. The “dykes” appear to be at a depth of 600-800m and are parallel to and probably the extension of the swarm of “dykes” that cross the Parry Peninsular and cut the “large magnetic anomaly” being explored by Darnley Bay for base metals at Paulatuk 120k to the NNW. The latter “dykes” have a spatial relation to the Darnley Bay kimberlites.

Cu-Au-U Targets

Along one of the “dykes” on the west side of Talmora’s property are 4 strongly magnetic circular structures or “blows” which have model widths of about 700-1300m and appear to be at the same depth as the “dyke”. The “blows” may be related to the “dykes” in the same way that the “large magnetic anomaly” at Paulatuk may be related to the “dykes” at that location. The “blows” may be the feeder pipes of an intrusive similar to that which is believed to be the cause of the “large magnetic anomaly” at Paulatuk or of an extrusive that has subsequently been eroded.

Darnley Bay Resources has demonstrated that they have relatively shallow (300-500m) gravity anomalies above their deep magnetic anomaly suggesting that the gravity anomalies may be Olympic Dam type (U-Cu-Au) deposits. The magnetic “blows” on the Talmora property may be similarly capped by gravity anomalies indicating Olympic Dam targets and a gravity survey over the “blows” is recommended.

Kimberlite Targets

Anomalies of low magnetic susceptibility are of interest as kimberlite targets. Many of these anomalies coincide with small lakes and are concentrated along the “dykes” especially the “dyke” with the circular “blows”. Some of them were ground truthed in the field program carried out in the later half of August, 2007. The field program included staking of the kimberlite targets and sampling of the tills for kimberlite indicator minerals (KIMs) down-ice of the magnetic targets.

The KIMs recovered from samples collected in 2007, are very much more numerous (37 times) than the KIMs recovered from samples collected in 2004, which tested the same general area but were not located with respect to magnetic targets. There is a strong correlation between KIMs and magnetic anomalies.

Ground to the west of the Talmora property came open in February 2009. Ponds with similar characteristics to those with coincident magnetic anomalies and all lying within the same prominent morphostructure (mantle focused circular fracture) were obvious on the immediately adjacent open ground. A two week field program was carried out in June/July 2009.

A magnetic profile was flown across each of the characteristic ponds as well as across other less characteristic ponds further west outside the morphostructure. Many of the ponds show coincident magnetic anomalies. Samples were collected down-ice of a few of the ponds and 125 new claims were staked. Processing of samples and geophysical data is ongoing.

Sanatana’s 2006 assessment work south of 68°N became public late in 2010. It enables the evaluation of 2,312 samples, mostly within the Cretaceous basin, west and south of the Talmora property which could be related to the Talmora property.

Diamondex showed that many if not all of the KIMs within the Cretaceous basin are derived from the base of the basin and that the KIMs most likely entered the basin from the east. The KIMs within the Diamondex and Sanatana parts of the Cretaceous basin show very little variation as if they are all from a single source.

The Talmora property and the Darnley Bay and Dharma kimberlites, to the N and SE of Talmora respectively, lie outside of the basin. The Darnley Bay KIMs are very different to those within the basin and the Dharma KIMs are sufficiently different that they cannot be the source of all those in the basin. Talmora's oxide KIMs are identical to those in the basin and Talmora's few eclogitic garnets and chrome diopsides are a good match. Talmora's few pyrope garnets are too few to make a meaningful comparison. Talmora is the only property with drill targets that have not been drilled.

Magnetic anomalies that have anomalous KIMs down-ice will be tested by drilling and additional magnetic anomalies must be sampled. An airborne magnetic survey and reconnaissance sampling of the new permits should proceed at the same time. A more extensive program is required than any carried out by the company to date and a major funding is essential.

A program costing \$1,000,000 - \$4,000,000 should establish the potential of the new permits for hosting kimberlites and confirm whether or not kimberlites are present on the part of the property explored to date.

Budget

Staking 75,000 acres @ \$2/acre (contract staker cost)	\$150,000	
Data Processing & planning	100,000	
<i>Drill Program</i>		
Permitting cost	75,000	
Drilling 2500m @ 250/m	625,000	
Contract labour	135,000	
Camp construction	150,000	
Camp costs – labour & board	130,000	
Fuel	120,000	
Helicopter & fixed-wing – 3 months	560,000	
Accommodation & transport	120,000	
Ground geophysics	150,000	
Caustic laboratory	240,000	
Reports	20,000	
Contingency	175,000	
Total Drilling & Camp		\$2,750,000
<i>Airborne Magnetic Survey</i> - 12,000 line kilometers		425,000

Table continued

Sampling Program

Transport – samples & personnel	45,000	
Camp costs	15,000	
Helicopter	120,000	
Sample processing & probing	150,000	
Expediting	5,000	
Contingency	<u>40,000</u>	
Total Sampling Program		375,000

Supervision & support

	<u>500,000</u>
Total	\$4,050,000

Micro-diamond analysis of any kimberlite discovered will determine whether further investigation is warranted in which case a budget in the order of \$10,000,000 - \$15,000,000 would be required.

Property Commitments

The Company at September 30, 2011, held eleven prospecting permits (433,831 acres) and 211 claims (68,784 acres) in the Horton River area, south of Paulatuk in the Northwest Territories. One of the permits (71,661 acres) and all of the claims are in the Inuvialuit Settlement Area and ten of the permits (362,170 acres) are in the adjoining Sahtu Settlement Area. All are on crown land.

The Crown owns both mineral and surface rights to the permit and claim areas, the exploration and exploitation of which is governed by the Canada Mining Regulations. Prospecting permits, claims, mining leases and work permits are dealt with under the Regulations. The Land Settlement Agreements deal with environmental matters, creates environmental agencies and related procedures, and provides the Inuvialuit and Sahtu with equal representation on the agencies. Those who conduct economic activity in the Region need their approval.

The permits require a deposit paid in advance, refundable when equivalent exploration work has been performed, of \$0.10/acre for the first work period, \$0.20/acre for the second work period and \$0.40/acre for the third work period. The first and second work periods are 2 years north of 68°N latitude and 1 year south of 68°N latitude. Areas of interest within the permits may be staked by the permit holder before the expiration of the permits but may not be staked by the permit holder for 1 year after the expiration of the permits.

Claims require assessment work of \$4.00/acre for the first two years and \$2.00/acre for each year thereafter.

Application made for credits for work done on the claims prior to 2009 amounting to \$36,669 has been approved, which together with excess credits will keep the claims in good standing until the dates shown in the table below. Additional credits will be available from work done in 2009.

The Company currently has performance deposits on the permits amounting to \$88,393.75 which will be refunded after an equal amount of assessment work has been done. Refunds of previous deposits on 6 of the permits amounting to \$53,148.36 were received in 2008 after expenditures made in 2007 were accepted by the Mining Recorder. If no further work is done on the property performance deposits amounting to \$144,868.00 the Company will be required to hold the current permits until their expiry dates shown below:

Property Units		Size <u>Acres</u>	Record <u>Date</u>	Current <u>Expiry Date</u>
36	claims	13,997.15	Sept. 22, 2011	Sept. 22, 2013
125	claims	12,860.85	Aug. 13, 2009	Aug. 13, 2011
9	claims	23,242.50	Oct. 11, 2007	Oct. 11, 2013
10	claims	1,187.95	Oct. 11, 2007	Oct. 11, 2016
<u>31</u>	claims	<u>17,495.70</u>	Oct. 11, 2007	Oct. 11, 2017
211		68,784.15		

<u>Property units</u>	Size <u>Acres</u>	Future performance <u>deposits/work</u>	Grant <u>date</u>	Current <u>expiry date</u>	With future performance <u>Deposits/work</u>
Permit 7307 (5 year)	71,661		Jan. 31, 2007	Jan. 31, 2012	
Permit 7306 (5 year)**	71,661		Jan. 31, 2007	Jan. 31, 2011	Lapsed
Permit 7305 (5 year)**	71,661		Jan. 31, 2007	Jan. 31, 2011	Lapsed
Permit 7311 (3 year)	36,217		Jan. 31, 2007	Jan. 31, 2012	
Permit 7309 (3 year)	36,217		Jan. 31, 2007	Jan. 31, 2012	
Permit 7308 (3 year)*	36,217	\$14,486.80	Jan. 31, 2007	Jan. 31, 2012	Jan. 31, 2013
Permit 7310 (3 year)*	36,217	\$14,486.80	Jan. 31, 2007	Jan. 31, 2012	Jan. 31, 2013
Permit 7312 (3 year)*	36,217	\$14,486.80	Jan. 31, 2007	Jan. 31, 2012	Jan. 31, 2013
Permit 7313 (3 year)*	36,217	\$14,486.80	Jan. 31, 2007	Jan. 31, 2012	Jan. 31, 2013
Permit 7618 (3 year)*	36,217	\$21,730.20	Jan. 31, 2008	Jan. 31, 2012	Jan. 31, 2014
Permit 7619 (3 year)*	36,217	\$21,730.20	Jan. 31, 2008	Jan. 31, 2012	Jan. 31, 2014
Permit 7620 (3 year)*	36,217	\$21,730.20	Jan. 31, 2008	Jan. 31, 2012	Jan. 31, 2014
Permit 7621 (3 year)*	36,217	<u>\$21,730.20</u>	Jan. 31, 2008	Jan. 31, 2012	Jan. 31, 2014
Total		144,868.00\$			

Note : * A 1 year extension to January 31, 2012 without an additional cash deposit was granted on permits 7308, 7310, 7312, 7313, 7618, 7619, 7620 and 7621 in the Sahtu Settlement Area. Further extensions are unlikely.

** Permits 7305 and 7306 were allowed to lapse on January 31, 2011.

A cash deposit of \$28,664.40 was made on permit 7307. This cash deposit will be refunded after an equal amount of assessment work has been submitted to and accepted by the Mining Recorder.

Contingencies

The Company's exploration activities are subject to various federal and provincial laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

Flow-Through Renunciation

The Company renounced flow-through expenditures in the amount of \$60,000 to investors with an effective date of December 31, 2010. All of these expenditures were incurred as at September 30, 2011. The Company had agreed to indemnify the subscribers of its flow-through shares for any tax-related amounts that became payable by them, if the Company failed to meet its expenditure commitments.

Variance to Original Budget of M. Millard (2005)

Budget M. Millard (2005)			Actual R. Davies assessment work reports (2008 & 2009)	
Phase 1 [minimum required to determine whether to continue to phase 2]				
Airborne survey	9000 line k @ \$35	\$315,000	10,196 line k	\$352,258.59
Process 2004 fine fractions	120 @ \$150	\$18,000	117 fine fractions	\$12,267.00
Claim staking	36 claims @ \$1,000	\$36,000	50 claims	\$50,461.83
	Contingency @ 10%	\$36,000		
Exploration sub-total		\$405,000		\$414,987.42
Administration		\$100,000	2007 expenses	\$169,778.00
Total		\$505,000		\$584,765.42
Phase 2a [assumes encouragement from phase 1]				
Till sampling [follow-up, target evaluation]	200 samples @ \$1000	\$200,000	178 [target evaluation]	\$316,403.30
Stream samples [follow-up]	50 @ \$1500	\$75,000		
Ground magnetic survey	8 targets @ \$6,000	\$48,000	10 anomalies	\$25,130.73
	Contingency @ 20%	\$32,000		
Exploration sub-total		\$355,000		\$341,534.03
Administration		\$100,000	2008 expenses to Dec. 31	\$148,946.00
Total		\$455,000		\$490,480.03
Phase 2b [assumes continued encouragement]				
Drilling	4 targets @ \$80,000	\$320,000		
	Contingency @ 20%	\$66,000		
Exploration sub-total		\$386,000		
Administration		\$50,000		
Total		\$436,000		
Exploration Total		\$1,146,000		\$756,521.45
Administration Total		\$250,000		\$318,724.00
Grand Total		\$1,396,000		\$1,075,245.45

Table continued

	2009 Field Program on	
	Staking 125 claims	59,936
	Airborne magnetic survey – 865 line ks	99,525
	Sampling – 51 samples collected	<u>189,665</u>
Exploration sub-total		\$349,126
Administration Expenses sub-total		<u>\$111,444</u>
	Total	\$460,570

	2010 Data Evaluation and Reporting	
	Staking	32,581
	Sample sorting and analysis	22,701
	Geophysics	<u>25,303</u>
Exploration sub-total		\$80,585
Administration Expenses sub-total		<u>\$118,084</u>
	Total	\$198,669

	2011 Data Evaluation and Reporting	
	Staking	4,556
	Travel – Accommodation and Meals etc	10,900
	Sample sorting and analysis	14,259
	Conference	124
	Field Reporting and assessment	37,725
	Wages	4,200
	Equipment rental	10,540
	Freight	780
	Communication	1,072
	Helicopter and Fixed wing	83,320
	Accommodation and food	6,755
	Ground geophysics	9,600
	Program planning	3,450
	Office services	710
	Legal services	1,789
	Exploration – Professional Services	<u>32,952</u>
Exploration sub-total to Sept. 30, 2011		<u>222,732</u>
Administration Expenses sub-total		<u>160,646</u>
	Total	<u>383,378</u>

Grand Total (with 2010 - 2011 Programs)	\$2,117,862
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Phase 1 exploration costs were very much on budget with higher airborne survey cost due to higher line kilometers flown and higher staking cost due to greater number of claims staked.

Administration costs in 2007 were higher than budget because of the amalgamation of Talmora Resources Limited and Canadian Diamind Limited. [\$44,762 legal, \$30,000 accounting, \$10,000 other].

Administration costs in 2008 were lower than in 2007 but are higher than budget. These costs reflect the real costs of administering the company.

As a result of the financial crisis of 2008 funds were not available for the drilling proposed as Phase 2b. However, funding in 2009 enabled Talmora to fly an airborne magnetic survey over potential kimberlite targets on new ground that came open February 1, 2009 and to stake 125 additional claims. Administration costs were down and at a normal level.

2010 exploration expenses include evaluation and reporting of sampling and geophysical surveys carried out the previous year. Included in staking is a \$28,664 cash deposit required to hold permit 7307 until January 31, 2012. Administration costs in 2010 were again at a normal level.

There are a lot more kimberlite targets than expected and Talmora proposes a more extensive drill program than the small Phase 2b budget above.

Summary of Quarterly results for Talmora Diamond Inc.

(a) Year	2011	2011	2011	2011
(b) Quarter	December 31	September 30	June 30	March 31
Cash, Cash Equivalent		175,077	121,862	\$72,318
Working Capital		106,640	84,587	\$30,247
Interest Revenue		322	-	-
Administrative Expenses		33,430	47,544	\$67,723
Mineral Exploration Expenditures		175,981	46,751	\$33,551
Cash in (out) flow		(70,234)	(23,449)	(\$72,993)
Net Income (Loss)		(213,399)	(173,042)	(\$106,861)
Net Income (Loss) (per share)		(\$0.000)	(\$0.000)	(\$0.000)
Total Assets		302,487	233,293	\$186,616
Total Liabilities		68,437	60,312	\$67,975

Note: 2009 figures are reflected under Canadian GAAP and 2010 are in accordance with IFRS.

(a) Year	2010	2010	2010	2010
(b) Quarter	December 31	September 30	June 30	March 31
Cash, Cash Equivalent	\$145,311	\$24,889	\$18,839	\$133,365
Working Capital	\$135,962	\$55,279	\$83,519	\$136,565
Interest Revenue	\$45	\$630	\$81	-
Administrative Expenses	\$14,079	\$18,687	\$38,897	\$23,141
Mineral Exploration Expenditures	\$17,687	\$9,729	\$14,212	\$10,292
Cash in (out) flow	\$120,422	\$6,050	(\$114,526)	(\$39,513)
Net Income (Loss)	(\$31,939)	(\$49,932)	(\$59,113)	(\$33,788)
Net Income (Loss) (per share)	(\$0.001)	(\$0.001)	(\$0.002)	(\$0.001)
Total Assets	\$245,566	\$123,212	\$182,365	\$216,385
Total Liabilities	\$21,210	\$8,204	\$39,117	\$20,091

(a) Year	2009	2009	2009	2009
(b) Quarter	December 31	September 30	June 30	March 31
Cash, Cash Equivalent	\$172,878	\$26,322	\$16,997	\$16,937
Short Term investments	\$0	\$0	\$280,000	\$30,000
Working Capital	\$170,075	\$42,110	\$285,418	\$41,105
Interest Revenue	\$0	\$432	\$821	\$1,768
Expenses	\$48,301	\$19,946	\$34,486	\$8,711
Mineral Exploration Expenditures	\$99,988	\$223,794	\$20,552	\$4,793
Cash in (out) flow	\$146,556	\$9,325	\$60	(\$21,669)
Net (Loss)	(\$31,000)	(\$19,514)	(33.665)	(\$6,943)
Net (Loss) (per share)	(\$0.0009)	(\$0.0008)	(\$0.0014)	(\$0.0003)
Total Assets	\$1,564,973	\$1,289,936	\$1,324,658	\$1,065,268
Total Liabilities	\$24,594	\$10	\$15,218	\$20,693

The mineral exploration costs in the third quarter of 2011 were \$175,981 (\$46,751, in June and \$33,551 in March 2011 quarter). The uptick in exploration expenditures in the third quarter is essentially the field program carried out during August 2011 (fixed wing support \$30,606, helicopter charter \$43,462, field reporting and assessment \$26,400, and professional services \$8,238). Administrative expenses of \$33,430 in the third quarter ended September 30, 2011 are down from the previous quarters (\$47,544 for June quarter and 67,723 for the first quarter of 2011).

The net loss of \$213,399 in the third quarter (\$66,181 in the second quarter of 2011, \$106,861 in the first quarter of 2011) reflects an increase in administrative expenses and the additional exploration expenditures for the field program. Net loss has also increased upon adoption of IFRS as a result of expensing exploration and evaluation expenditures rather than capitalizing. This difference reflects a change in the treatment of mineral exploration costs from Canadian GAAP (capitalized) to IFRS requirements (expensed).

The balance sheet shows an increase in working capital from \$84,587 as at June 30, 2011 to \$106,640 as at September 30, 2011, due to the receipt of private placement funds of \$400,000 and a decrease in administrative expenses.

Liquidity

Substantially all of the Company's efforts are devoted to financing and developing its properties. There has been no determination whether the Company's interests in mineral properties contain mineral reserves, which are economically recoverable.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title.

Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

The business of exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

Financing

Talmora is dependent on management obtaining financing to continue operations and to fund its exploration property expenses. If such financing is unavailable for any reason, Talmora may become unable to carry out its business plan. Talmora intends to fund all future commitments with cash on hand, or through any other financing alternative it may have available to it at the time in question. As Talmora has no business undertaking, there can be no assurance that it will be profitable. In the interim, Talmora has no source of cash flow to fund its expenditures and its continued existence depends on its ability to raise further financing for working capital as the need may arise. The length of time needed to identify a new business, is indeterminate and the amount of resulting income, if any, is impossible to predict. Talmora does not expect to receive any income in the foreseeable future.

Talmora's success is dependent on the knowledge and expertise of its management and employees and their ability to identify and advance attractive business opportunities.

Other than as discussed herein, Talmora is not aware of any trends, demands, commitments, events or uncertainties that may result in Talmora's liquidity or capital resources either materially increasing or decreasing at present or in the foreseeable future. Material increases or decreases in Talmora's liquidity and capital resources will be substantially determined by the success or failure of any new proposed business of Talmora and its ability to obtain equity financing.

The continuing global financial uncertainty through 2009 and 2010 made a major funding difficult. Private placements of \$305,929 (June 2009) and \$289,459 (November, 2009) to cover administrative expenses and to carry out a limited field exploration program were completed. A small private placement of \$165,000 to cover administration and exploration in early November was completed in December 2010. A major funding of up to \$1,250,000 was announced in May 2011 and would have included some drilling. Unfortunately the situation in Greece caused the subscriptions to stall after half the amount had been reached and soon thereafter many subscriptions were withdrawn. \$119,509 were partial subscriptions received to June 30th. At the closing on July 8, 2011 only \$400,000 had been raised. Some of these funds were used to stake and carry out a limited exploration program in August 2011.

As at September 30, 2011 there are 44,982,679 common shares issued and outstanding. 11,694,586 Common shares subject to issuance are comprised of 8,544,586 warrants and 3,150,000 management incentive options.

- a) 3,059,286 June 2009, (*Series IV*) warrants entitle the holder to acquire one common share per warrant for \$0.16 and expire June 04, 2011. Consequently, the warrants expired.
- b) 2,894,586 November 2009, (*Series V*) warrants entitle the holder to acquire one common share per warrant for \$0.16 and expire November 13, 2011.
- c) 1,650,000 December 2010, (*Series VI*) warrants entitle the holder to acquire one common share per warrant for \$0.16 and expire December 29, 2012.
- d) 4,000,000 July 8, 2011, (*Series VII*) warrants entitle the holder to acquire one common share per warrant for \$.10 and expire July 9, 2013.

The 1,600,000 management incentive options (No.1) are exercisable at \$0.10 and expire April 25, 2012.

The 50,000 management incentive options (No.2) are exercisable at \$0.05 and expire March 1, 2015.

The 1,400,000 management incentive options (No.3) are exercisable at \$0.05 and expire June 9, 2015.

The 1,400,000 management incentive options (No.3) are exercisable at \$0.05 and expire June 9, 2015.

The 100,000 management incentive options (No.4) are exercisable at \$0.05 and expire May 1, 2016.

An analysis of the liquidity of Talmora Diamond Inc. is provided below:

Talmora had cash, cash equivalents and short term investments in the amount of \$175,077 as at September 30, 2011 compared to \$121,862 as at June 30, 2011, \$72,318 as at March 31, 2011, \$145,311 as at December 31, 2010, \$24,889 as at September 30, 2010, \$18,839 as at June 30, 2010 and \$133,365 as at March 31, 2010.

As at September 30, 2011 Talmora had a working capital in the amount of \$106,640 compared to \$84,587 as at June 30, 2011, \$30,247 as at March 31, 2011, \$135,962 as at December 31, 2011, \$55,729 as at September 30, 2010, \$83,519 as at June 30, 2010; and \$136,565 as of March 31, 2010. The increase in working capital is essentially the net difference of proceeds in the current quarter from a private placement of \$400,000 and the cost of administering the Company.

There were interest revenues of \$322 for the quarter ending September 30, 2011 (as compared to \$Nil for June 30, 2011 and March 31, 2011; \$45 for December 31, 2010, \$630 for September 31, 2010 \$81 for June 30, 2010 and \$Nil for the quarter ended March 31, 2010) as cash on hand was invested.

Administrative expenses (including bank charges and stock-based compensation) for the quarter ending September 30, 2011, were \$151,528. This compares to administrative expenses for the quarter ended June 30, 2011, \$117,572, March 31, 2011 of \$68,887; December 31, 2010, of \$14,297; \$40,473 for the quarter ended September 31, 2010; \$44,982 for the quarter ended June 30, 2010; and \$23,496 for the quarter ended March 31, 2010.

The net cash decrease for the quarter ended September 30, 2011 was \$70,234, and reflects the net difference between the proceeds in the current quarter from a private placement of \$400,000 and the cost of administering the Company. The net cash decrease for the quarter ended June 30, 2011 was \$23,449, and for the quarter ended March 31, 2011, was \$72,993. The net cash inflow for the quarter ended December 31, 2010, was \$120,422 resulting from the net proceeds of a private placement. This is compared to an increase of \$6,050 for the quarter ended September 30; a net outflow of \$114,526 for the quarter ended June 30; and a net outflow of \$39,513 for the quarter ended March 31. These amounts reflect the net effect of cash flows for normal administrative expenses and exploration costs and offset by cash inflow of \$69,619 from the redemption of the \$100,000 GIC established in the previous quarter and \$165,000 proceeds from the December 2010 placement.

Mineral exploration costs for the quarter ended September 30, were \$175,981. Mineral exploration costs for the quarter ended June 30, 2011, were \$46,751. March 31, 2011, were \$33,551. December 31, 2010, were \$17,687. The slight decrease as compared to December 31, 2010 as compared to expenditures of \$9,729 for the quarter ended September 30, 2010 were are up due to the reporting and recording of previously incurred expenditures. Expenditures for the quarter ended June 30, 2010 totalled \$14,212 and for the quarter ended March 31 they were \$10,292.

On December 28, 2010, the Company closed a private placement financing for 2,100,000 non-flow-through units and 1,200,000 flow-through units at price of \$0.05 per unit for total gross proceeds of \$165,000. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole common share purchase warrant is exercisable at \$0.16 per common share until December 28, 2012. (*Series VI*)

The grant date fair value of the warrants of \$16,300 or \$0.01 per whole warrant, was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 97%; risk free interest rate of 1.69%; and expected life of two years.

On July 8, 2011 the Company closed a private placement financing for 8,000,000 Units, comprised of 4,000,000 units non flow-through units and 4,000,000 flow-through units that were sold at \$0.05 per Unit, for gross proceeds of \$400,000. Each Unit consists of one common share and one-half of one common share purchase warrant. Each whole common share purchase warrant exercisable at \$0.10 per common share until July 8, 2012 (*SeriesVII*)

The grant date fair value of the warrants of \$69,200 or \$0.10 per whole warrant was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 97%; risk free interest rate of 1.69%; and expected life of two years.

Funds are sufficient to meet ongoing administrative expenses and meet current liabilities. The December 2010 financing will maintain the Company through the middle of 2011 and the new 2011 financing should maintain the Company into the middle of 2012.

Subsequent to December 31, 2010, the Company renounced flow-through expenditures in the amount of \$60,000 to investors with an effective date of December 31, 2010. All of these expenditures were incurred as at September 30, 2011. The Company has agreed to indemnify the subscribers of its flow-through shares for any tax-related amounts that become payable by them, if the Company fails to meet its expenditure commitments.

Options

The Company has a stock option plan under which officers, directors, employees, and consultants are eligible to receive stock options. The aggregate number of shares to be issued upon exercise of all options granted under the plan may not exceed 10% of the outstanding shares of the Company. Options granted under the plan generally have a term of five years and vest at terms to be determined by the directors at the time of grant. The exercise price of each option is fixed by the board of directors but shall not be less than the price permitted by any stock exchange on which the Company's common shares may be listed which is generally the trading price of the Company's stock at or about the grant date of the options.

A summary of changes in stock options is as follows:

	Options	Weighted Average Exercise Price
	#	\$
Balance, January 1, 2010	1,600,000	0.10
Granted, March 1, 2010	50,000	0.05
Granted, June 9, 2010	<u>1,400,000</u>	0.05
Balance, December 31, 2010	3,050,000	
Granted May 1, 2011	<u>100,000</u>	0.05
Balance, September 30, 2011	<u><u>3,150,000</u></u>	0.075

As at September 30, 2011, the following options were issued and outstanding

Options Granted	<u>Options Exercisable</u>	Exercise Price	Expiry date	Remaining Contractual Life (years)
#	#	\$		
1,600,000	1,600,000	0.10	April 25, 2012	.569
50,000	41,666	0.05	March 1, 2015	3.40
1,400,000	933,326	0.05	June 9, 2015	3.69
<u>100,000</u>	<u>0</u>	0.05	May 1, 2016	<u>4.58</u>
<u><u>3,150,000</u></u>	<u><u>2,574,992</u></u>			<u><u>2.13</u></u>

The weighted average exercise price of options exercisable at September 30, 2011 is \$0.075 (December 31, 2010 - \$0.10, January 1, 2010 - \$0.10)

On March 1, 2010, the Company granted stock options to acquire 50,000 common shares of the Company at an exercise price of \$0.05 per share, which expire on March 1, 2015 and vest as to 16.67% every three months beginning June 2010 and ending September 2011.

On June 9, 2010, the Company granted stock options to acquire 1,400,000 common shares of the Company at an exercise price of \$0.05 per share, which expire on June 9, 2015 and vest as to 16.67% every three months beginning September 2010 and ending December 2011.

The weighted average grant date fair value of the options issued during the period ended June 30, 2011, is \$.037 (December 31, 2010 - \$0.0055). The fair value of the options was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 163.89%; risk free interest rate of 2.34%; and expected life of five years.

Share-based payment reserve

	Amount
	\$
Balance, January 1, 2010	121,600
Employee stock compensation	<u>5,524</u>
Balance, December 31, 2010	127,124
Employee stock based compensation	<u>3,685</u>
Balance, September 30, 2011	<u>130,809</u>

RELATED PARTY DISCLOSURES

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. Related party transactions conducted in the normal course of operations are measured at the transaction amount.

Remuneration of directors and key management of the Company was as follows:

	Nine months ended September 30	
	2011	2010
	\$	\$
Salaries and benefits	172,762	69,022

The amount of \$172,762 in 2011 reflects time charges incurred by key management personnel. The increase is mainly due to the field program carried out and assessment report preparation during 2011.

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of these unaudited condensed interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These unaudited condensed interim financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the unaudited condensed interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- the recoverability of sundry receivables that are included in the condensed interim statement of financial position;
- the inputs used in accounting for share-based payment transactions;
- Management assumption of no material restoration, rehabilitation and environmental obligations, based on the facts and circumstances that existed during the period; and
- Management's position that there is no income tax considerations required within these unaudited condensed interim financial statements.

Subsequent Events

A major funding of up to \$1,250,000 was announced in May 2011 and would have included some drilling. Unfortunately the situation in Greece caused the subscriptions to stall after half the amount had been reached and soon thereafter many subscriptions were withdrawn. At the closing on July 8, 2011 only \$400,000 had been raised. Some of these funds were used to stake and carry out a limited exploration program in August 2011

A report on the airborne geophysics and sampling carried out in 2009 has been submitted to the Mining Recorder on November 05, 2011 to fulfill the assessment work requirements of the 125 claims with current expiry date of August 13, 2011 which should keep them in good standing for at least another year.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for accounting periods beginning after January 1, 2011, or later periods. Updates that are not applicable or are not consequential to the Company have been excluded from the list below.

IFRS 7 Financial instruments - Disclosures ("IFRS 7") was amended by the IASB in October 2010 and provides guidance on identifying transfers of financial assets and continuing involvement in transferred assets for disclosure purposes. The amendments introduce new disclosure requirements for transfers of financial assets including disclosures for financial assets that are not derecognized in their entirety, and for financial assets that are derecognized in their entirety but for which continuing involvement is retained. The amendments to IFRS 7 are effective for annual periods beginning on or after July 1, 2011.

IFRS 9 Financial Instruments ("IFRS 9") was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted.

IFRS 13 Fair Value Measurement converges IFRS and US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.

The Company has not yet determined the impact of the above standards on its financial statements.

SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of these unaudited condensed interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These unaudited condensed interim financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the unaudited condensed interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- the recoverability of sundry receivables that are included in the condensed interim statement of financial position;
- the inputs used in accounting for share-based payment transactions;
- Management assumption of no material restoration, rehabilitation and environmental obligations, based on the facts and circumstances that existed during the period; and
- Management's position that there is no income tax considerations required within these unaudited condensed interim financial statements.

Form 52-109FV2
Certification of interim filings
Venture Issuer Basic Certificate

I, Raymond Davies, President and Chief Executive Officer, Talmora Diamond Inc., certify the following:

1. ***Review:*** I have reviewed the interim financial reports and interim MD&A (together, the “interim filings”) of Talmora Diamond Inc. (the “issuer”) for the interim period ended September 30, 2011.
2. ***No misrepresentations:*** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.
3. ***Fair presentation:*** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

Date: **25 November 2011**

/s/ “Raymond Davies”

Raymond Davies
President and Chief Executive Officer

NOTE TO READER

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 *Certification of Disclosure in Issuers’ Annual and Interim Filings* (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s GAAP.

The issuer’s certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Form 52-109FV2
Certification of interim filings
Venture Issuer Basic Certificate

I, Robert Owen , Chief Financial Officer, Talmora Diamond Inc., certify the following:

1. ***Review:*** I have reviewed the interim financial reports and interim MD&A (together, the “interim filings”) of Talmora Diamond Inc. (the “issuer”) for the interim period ended September 30, 2011.
2. ***No misrepresentations:*** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.
3. ***Fair presentation:*** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

Date: **25 November 2011**

/s/ “Robert Owen”

Robert Owen
Chief Financial Officer

NOTE TO READER

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 *Certification of Disclosure in Issuers’ Annual and Interim Filings* (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s GAAP.

The issuer’s certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.