TALMORA DIAMOND INC
6 Willowood Court, Toronto, Ontario M2J 2M3
Management's Discussion & Analysis
For the quarter ending June 30, 2012

Date: August 28, 2012

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the audited financial statements of the Corporation for the year ended December 31, 2011.

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") issued by the International Accounting Standards Board and Interpretations of the International Financial Reporting Interpretations Committee.

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 Corporation at the time the statements were made.

IFRS

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board and Interpretations of the International Financial Reporting Interpretations Committee. The unaudited interim condensed financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS. Information contained herein is presented as of August 28, 2012, unless otherwise indicated.

Overall Performance

Talmora is a diamond exploration company with one property consisting of 68,784.15 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. $1,726,837 has been spent on exploration of the property to June 30, 2012.

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. Chemistry of KIMs on the Talmora property match that of the widespread KIMs with accompanying diamonds found by others within the Cretaceous basin to the west.

The Talmora property was ready for drilling in 2008 but the global financial crisis made financing difficult. The climate for financing diamond projects seemed to improve in early 2011 and an attempt to raise $1.2 million in a private placement for a drill program was undertaken. The Greek crisis in 2011 caused many investors to back out after more than half the target amount had been assured. The private placement financing closed at $400,000 on July 8, 2011 which was used to do some necessary staking and some exploration for assessment work purposes. A small private placement financing of $150,000 for administration and ongoing exploration was closed on April 16, 2012. An attempt to raise $500,000 for a small drill program in a second private placement financing was unsuccessful. The financing closed at $280,000 on July 24, 2012 and an alternate summer field program was mobilized to use the funds to obtain assessment work credits on certain claims. A Packsack drill will be used to collect till samples and to test the thickness of overburden near magnetic anomalies with characteristics of kimberlite pipes. An attempt will be made to test the kimberlite targets but the drill will probably not be strong enough.

Since 2009 management has focused on asset preservation and acquisition by staking of highly prospective new ground adjoining the Company's original claims and staking anomalies within permits due to lapse.

The Company's most prospective magnetic anomalies must be tested by drilling. A major program costing $2,000,000 - $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. A major financing for a drill program must be pursued.

Talmora is dependent on management obtaining financing to continue operations and to fund its exploration property expenses.

Selected Annual Information

As at June 30, 2012 , the Company had cash, and cash equivalents totaling $14,123 and working capital of $110,912.

A second financing of $280,000 closed following the end of the quarter and will be used essentially for exploration. Funds are sufficient to meet ongoing administrative expenses and meet current liabilities during 2012.

Talmora Diamond Inc.		
	6 Months ended June 30 , 2012 ($)	Year ended December 31, 2011 ($)
Cash, Cash Equiv.	$14,123	$36,172
Working Capital	$110,912	$135,962
Mineral Exploration	$126,776	$260,066
Total assets	$130,912	$180,579
Total liabilities	$20,000	$21,210
Interest Revenues	$59	$703
Admin. Expenses (incl. bank charges)	$60,271	$169,533
Professional Fees	$11,218	$44,950
Net (Loss)	($225,691)	($483,031)
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 $2,520,000 since August 2004 and on which it has expended $1,726,837 on exploration to June 30, 2012.

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 added to the database. KIMs on the Talmora property match the widespread KIMs with accompanying diamonds found by others within the Cretaceous basin to the west.

The Talmora property was ready for drilling in 2008 but the global financial crisis made financing difficult. The climate for financing diamond projects seemed to improve in early 2011 and an attempt to raise $1.2 million in a private placement for a drill program was undertaken. The Greek crisis in 2011 caused many investors to back out after more than half the target amount had been assured. The private placement financing closed at $400,000 on July 8, 2011 which was used to do some necessary staking and some exploration for assessment work purposes. It is unfortunate that a drill program when Talmora was ready in 2008 would have satisfied most of the assessment work requirements. A small private placement financing of $150,000 for administration and ongoing exploration was closed on April 16, 2012. An attempt to raise $500,000 for a small drill program in a second private placement financing in 2012 was unsuccessful. The financing closed at $280,000 on July 24, 2012 and an alternate summer field program was mobilized to use the funds to obtain assessment work credits on certain claims. A Packsack drill will be used to collect till samples and to test the thickness of overburden near magnetic anomalies with characteristics of kimberlite pipes. An attempt will be made to test the kimberlite targets but the drill will probably not be strong enough.

Since 2009 management has focused on asset preservation and acquisition by staking of highly prospective new ground adjoining the Company's original claims and to stake anomalies on permits due to lapse.

The Company's most prospective magnetic anomalies must be tested by drilling. A major program costing $2,000,000 - $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. A major financing for a drill program must now be pursued.

Talmora is dependent on management obtaining financing to continue operations and to fund its exploration property expenses.

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.

After the 2011 financing fell short of what was needed for drilling a limited program of staking within a permit due to lapse on January 31, 2012 was carried out. At the same time samples were collected and spectra of soil, rocks and vegetation recorded as part of the ground truthing of ASTER satellite images that show interesting relations between mineral spectra and ponds coincident with magnetic anomalies. The spectral data has been submitted as assessment work that should result in the return of certain cash deposits on lapsing permits and provide credits that will be applied to claims within those lapsing permits.

Part of the 2012 financings will be used to sample and test thickness of overburden near magnetic anomalies with a small Packsack drill. An attempt will be made to test the magnetic anomalies but the drill will probably not be strong enough.

Sanatana's 2006 assessment work south of 68ºN 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 claims 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 $2,000,000 - $4,000,000 should establish the potential of the property for hosting kimberlites and confirm whether or not kimberlites are present.

Budget

Staking 75,000 acres @ $2/acre (contract staker cost)	$150,000	
Data Processing & planning	100,000	
Drill Program		
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
Airborne Magnetic Survey - 12,000 line kilometers		425,000
Sampling Program		
Transport – samples & personnel	45,000	
Camp costs	15,000	
Helicopter	120,000	
Sample processing & probing	150,000	
Expediting	5,000	
Contingency	40,000	
Total Sampling Program		375,000
Supervision & support		500,000
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

At June 30, 2012, the Company held 211 claims (68,784.15 acres) in the Horton River area, south of Paulatuk in the Northwest Territories. All eleven permits it held at last year end lapsed or were allowed to lapse on January 31, 2012. Most of the claims (207 covering 63,619.15 acres) are in the Inuvialuit Settlement Area and 4 of the claims (5,165 acres) are in the adjoining Sahtu Settlement Area. All are on crown land.

The Crown owns both mineral and surface rights to the 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.

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 68ºN latitude and 1 year south of 68ºN 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.

Work done on the older claims prior to 2009 was approved and credits amounting to $36,669 were applied to certain of the older claims. Application has been made to apply credits, for work done in 2009 and 2011, to certain permits and claims and if approved should result in the refund of cash deposits amounting to $88,394 on permits and keep the newer claims in good standing for various lengths of time but at least to August 2013. Current expiry dates on the claims are shown below:

Claims

	Property Units		Size acres	Record Date	Current Expiry Date
	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
	31	claims	17,495.70	Oct. 11, 2007	Oct. 11, 2017
Total	211		68,784.15		

* Assessment work has been submitted for approval that should extend the expiry date.

Permits

Property units	Size acres	Future performance deposits/work	Grant date	Current expiry date	With future performance deposits/work
Permit 7307 (5 year)	71,661		Jan. 31, 2007	Jan. 31, 2012	
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	$21,730.20	Jan. 31, 2008	Jan. 31, 2012	Jan. 31, 2014
Total	577,153	$230,861.20			

Note : * At January 31, 2012, permits 7307, 7309 and 7311 lapsed and subsequent to December 31, 2011, permits 7308, 7310, 7312, 7313, 7618, 7619, 7620 and 7621 were allowed to lapse. Claims were staked within permits 7307, 7312 and 7313 during the year ended December 31, 2011.

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.

Subsequent to December 31, 2011, the Company renounced flow-through expenditures in the mount of $200,000 to investors with an effective date of December 31, 2011. Of this amount, $171,600 was incurred to December 31, 2011. The balance of $28,400 was incurred by June 30, 2012. The Company 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.

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**

Grand Total		$1,075,245
	2009 Field Program on New Ground	
	Staking 125 claims	59,936
	Airborne magnetic survey – 865 line ks	99,525
	Sampling – 51 samples collected	189,665
Exploration sub-total		349,126
Administration Expenses sub-total		111,444
	Total	$460,570
	2010 Data Evaluation and Reporting	
	Staking	32,581
	Sample sorting and analysis	22,701
	Geophysics	25,277
Exploration sub-total		80,585
Administration Expenses sub-total		118,084
	Total	$198,669
	2011 Field Program, Evaluation & Reporting	
	Staking	40,678
	ASTER image ground trothing	219,388
Exploration sub-total		260,066
Administration Expenses sub-total		169,533
	Total	$429,599
	2012 Field Program, Evaluation & Reporting	
Explration sub-total	Assessment Reporting	126,776
Administration Expenses sub-total		60,271
	Total	187,047
Grand Total as at June 2012 Program		**$2,351,130**

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.

2011 expenses were essentially to acquire additional claims and to do work not contemplated in the original budget but necessary to maintain the claims in good standing. Exploration costs in the first quarter of 2012 are for evaluation and reporting of the 2011 program.

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

(a) Year	**2012**	**2012**	**2012**	**2012**
(b) Quarter	December 31	September 30	June 30	March 31
Cash, Cash Equivalents			$14,123	$89,890
Working Capital			$110,912	$162,368
Interest Revenue			$59	$59
Admin. Expenses			$33,585	$16,419
Exploration and Evaluation Expenditures			$87,450	$39,326
Cash in (out) flow			($22,049)	$53,718
Net (Loss)			($141,664)	($84,027)
Net (Loss) (per share)			($0.00)	($0.00)
Total Assets			$130,912	$194,398
Total Liabilities			$20,000	$32,030

(a) Year	**2011**	**2011**	**2011**	**2011**
(b) Quarter	December 31	September 30	June 30	March 31
Cash, Cash Equivalents	$36,172	$175,077	$121,862	$72,318
Working Capital	$160,579	$145,656	$84,587	$30,247
Interest Revenue	$381	$322	-	-
Admin. Expenses	$21,886	$33,430	$47,544	$67,723
Exploration and Evaluation Expenditures	$37,334	$175,981	$13,200	$33,551
Cash in (out) flow	$38,905	($46,785)	$49,544	($72,993)
Net (Loss)	($ 85,187)	($213,399)	($66,181)	($106,861)
Net (Loss) (per share)	($0.00)	($0.00)	($0.00)	($0.00)
Total Assets	$180,579	$302,487	$233,293	$186,616
Total Liabilities	$20,000	$68,437	$60,312	$67,975

The mineral exploration and evaluation costs in the second quarter of June 30, 2012, were $87,450, ($39,326 for March 31, 2012, $37,334 in December 31, 2011, $175,981 in September 2011 quarter; $46,751 for June 2011; $33,551 for March 2011.) The exploration expenditures in the second quarter of 2012 were for assessment reporting as were those in the first quarter of 2012. The major field costs (helicopter, fuel etc.) of the 2011 program were paid in the September quarter. Administration expenses have steadily dropped to $33,517 in the second quarter of 2012, $16,419 in the first quarter 2012 from an extreme high of $67,723 in the first quarter of 2011 ($21,886 in the final quarter of 2011) as the cost of the change from GAAP to IFRS accounting has eased.

The net loss of $141,664 in the second quarter of 2012 as compared to $84,027 as of March 31, 2012, as compared to December 2011 fourth quarter $85,187 compared to a net loss of $213,399 for the quarter ended September 30, 211 reflects a combination of the decrease in administrative expenses and exploration expenditures in the 2012 first two quarters and in the 2011 fourth quarter as noted above.

Finally, the balance sheet indicates a slight decrease in working capital in the second quarter to $110,912, compared to the increase in working capital in the first quarter $162,368 ($160,579 as at December 31, 2011, compared to $145,656 as at September 31, 2011) due in part to the reclassification as a current asset of the outstanding deposits of $88,394 that are refundable in the coming year.

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 the 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 made a major funding in 2011 difficult. A private placement of $400,000 that closed July 8, 2011 was insufficient for a drill program but enabled Talmora to stake claims on a permit that was to lapse on January 31, 2012 and to do exploration in order to recover cash deposits on lapsing permits and to obtain credits that will keep certain claims in good standing.. A small private placement of $150,000 to cover administration and exploration in 2012 was completed in April and a second private placement of $280,000 was completed in July, 2012. The Company will concentrate on maintaining the property in good standing until funding of a major drill program is achieved.

As at June 30, 2012, there are 48,431,679 common shares issued and outstanding.
11,641,000 Common shares subject to issuance are comprised of:
7,150,000 warrants (a), and 4,491,000 management incentive options (b), (c)

Subsequent to the financing that closed April 16, 2012, another financing closed July 24, 2012 resulting in 54,031,679 common shares issued and outstanding.
17,341,000 Common shares subject to issuance comprised of:
12,750,000 warrants (a), and 4,591,000 management incentive options (b)

As at the date of this MD&A details of the common shares subject to issuance were:

Warrants:

a) During the year ended December 31, 2011, 3,059,286 June 2009(Series IV) warrants and 2,894,586 November 2009 warrants exercisable at $0.16 per share expired unexercised.

   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.

   4,000,000 July 2011, (Series VII) warrants entitle the holder to acquire one common share per warrant for $0.10 and expire July 9, 2013.

   1,500,000 April 16, 2012 (Series VIII) warrants entitle the holder to acquire one common share per warrant for $0.10 and expire April 17, 2014

   5,600,000 July 24, 2012 (Series IX) warrants entitle the holder to acquire one common share per warrant for $0.05 and expire July 25, 2013.

Options:

b) 1,600,000 management incentive options were exercisable at $0.10 and expired April 25, 2012 unexercised.

   50,000 management incentive options are exercisable at $0.05 and expire March 1, 2015.

   951,000 management incentive options are exercisable at $0.05 and expire June 9, 2015.

   100,000 management incentive options are exercisable at $0.05 and expire May 1, 2016.

   1,500,000 management incentive options are exercisable at $0.05 and expire Dec. 16, 2016.

1,890,000 management incentive options are exercisable at $0.05 and expire June 29, 2017.

100,000 management incentive options are exercisable at $0.05 and expire July 20, 2017.

c) During the year ended December 31, 2011, 449,000 management incentive options were exercised at $0.05.

Off-Balance- Sheet Arrangements

The Company does not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on its results of operations or financial condition, including, without limitation, such considerations as liquidity, capital expenditures and capital resources that would be considered material to investors.

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

Talmora had cash and cash equivalents and short term investments in the amount of $14,123 as at June 30, compared to $89,960 as at March 31, 2012 compared to $36,172 as at December 31, 2011, $175,077 as at September 30, 2011; $121,862 as at June 30, 2011; $72,318 as at March 31, 2011. The rise in September reflects the influx of funds from the July 2011 private placement of $400,000 which was largely reduced by major field expenditures in August.

As at June 30, 2012, Talmora has working capital in the amount of $110,912 as compared to $162,368 as at March 31, 2012, compared to $160,579 at December 31, 2011, compared to the September 30, 2011, amount of $145,656; $84,587 as of June 30, 2011; and $30,247 as of March 31, 2011. The working capital mirrors the cash and cash equivalents for the first three quarters. The high working capital at year-end includes HST refunds $46,681 and expected return of deposits of $88,394 for work done on certain permits. Included in amounts receivable as at June 30, 2012 is $5,418 (December 31, 2011, is $9,260 and January 1, 2011 - $Nil), advanced to an officer of the Company. This amount is unsecured, non-interest bearing and due on demand.

There were no interest revenue in the second quarter of 2012 as compared to $59 for the quarter ending March 31, 2012, December 31, 2011, $322 for Q3, $Nil for Q2 and $Nil in Q1 as cash from the July Private Placement was invested.

Administrative expenses (including bank charges and stock based compensation) for the quarter ending June 30, 2012 were $33,585, compared to March 31, 2012 amount of $16,419. December 31, 2011 were $21,886. This is compared to Q3 charges of $33,430, Q2 charges of $47,544 and Q1 charges of $67,723. The extremely high expenses in the first quarter of 2011 reflect the cost of the change from GAAP to IFRS accounting which steadily decreased to year-end.

The net cash outflow for the quarter ended June 30, 2012 was $22,049 compared to a cash inflow for the quarter ended March 31, 2012 of $53,718; December 31, 2011, was $38,905. This compares to a decrease of $46,785 for the quarter ended September 30; a net inflow of $49,544 for the quarter ended June 30; and a net outflow of $72,993 for the quarter ended March 31. These amounts reflect the net effect of cash flows for normal administrative expenses and exploration costs and from a cash inflow of $69,619 from the redemption of the $100,000 GIC established in the previous quarter and $400,000 proceeds from the July 2011 placement.

The net loss for the second quarter of $141,664 compared to $ 84,027 for the first quarter of 2012, compared to $85,187 for the fourth quarter of 2011 compared to a net loss of $213,399 for the quarter ended September 30, 211 reflects a combination of the decrease in administrative expenses and exploration expenditures in the fourth quarter as noted above.

Finally, the balance sheet indicates a slight decrease of working capital in the second quarter to $110,912 as compared to a balance of $162,368 in the first quarter ($160,579 as at December 31, 2011) compared to $145,656 as at September 31, 2011, due in part to the reclassification as a current asset of the outstanding deposits of $88,394 that are refundable in the coming year.

Mineral exploration and evaluation costs for the quarter ended June 30, 2012 were $92,450 as compared to the March 31, 2012, amount of $39,326 (December 31, 2011, were $37,334.) The drop as compared to expenditures of $175,981 for the third quarter of 2011 reflects the payment of the major costs (helicopter, fuel etc.) of the August field program in the second quarter. Expenditures for the second quarter totalled $13,200 and for the first quarter totalled $33,551.

Funds are sufficient to meet ongoing administrative expenses and meet current liabilities. The small financing in April 2012 and a further financing in July 2012 will enable exploration to continue.

During the year ended December 31, 2011, the Company renounced flow-through expenditures in the amount of $60,000 with respect to flow-through financings that occurred during the year ended December 31, 2010. The $60,000 of expenditures were incurred to December 31, 2011

Subsequent to December 31, 2011, the Company renounced flow-through expenditures in the amount of $200,000 to investors with an effective date of December 31, 2011. Of this amount, $171,600 was incurred to December 31, 2011. The remaining balance of $28,400 of exploration expenditures were incurred to March 31, 2012.

In April 2012 the Company renounced flow-through expenditures in the amount of $90,000. Of this amount $80,434 was incurred to June 30, 2012. The remaining balance of $9,657 of exploration expenditures is to be spent by December 31, 2012.

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.

	Options	Weighted Average Exercise Price
	#	$
Balance, December 31, 2010	3,050,000	
Granted May 1, 2011	100,000	0.05
Exercised December 9, 2011	(449,000)	0.05
Granted December 16, 2011	1,500,000	0.05
Balance, December 31, 2011	4,201,000	
Expired April 25, 2012	(1,600,000)	0.10
Granted June 29, 2012	1,890,000	0.05
Balance, June 30, 2012	4,491,000	0.05

As at June 30, 2012, the following options were issued and outstanding:

Options Granted	Options Exercisable	Exercise Price	Expiry date	Remaining Contractual Life (years)
#	$	$		
50,000	50,000	0.05	March 1, 2015	2.57
951,000	951,000	0.05	June 9, 2015	2.84
100,000	83,333	0.05	May 1, 2016	3.74
1,500,000	499,994	0.05	December 16, 2016	4.36
1,890,000	315,003	0.05	June 29, 2017	4.90
4,491,000	1,899,330	0.05		3.68

The weighted average exercise price of options exercisable at June 30, 2012 is $0.05 (March 31, 2012 - $0.05 (2011 - $0.08). The grant date 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 159% ; risk free interest rate of 1.25%; and expected life of five years.

Share-based payment reserve

	Amount
Balance, December 31, 2011	133,144
Employee share-based compensation	27,525
Balance, June 30, 2012	160,669

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:

	Years ended June 30,	
	2012	2011
	$	$
Salaries and benefits	115,932	95,685

The amount of $115,932 in 2012 reflects cumulative time incurred by key management personnel.

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.

Included in amounts receivable as at June 30, 2012, is $5,506, (March 31, 2012, $7,721; December 31, 2011 $9,260), advanced to an officer of the Company. This amount is unsecured, non-interest bearing and due on demand.

On July 8, 2011, the Company closed a private placement financing for 8,000,000 units, comprised of 4,000,000 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. Directors and officers of the Company acquired a total of 2,549,820 units pursuant to this financing, for gross proceeds of $127,491.

On April 16, 2012, the Company closed a private placement financing for 3,000,000 units, comprised of 1,200,000 non-flow-through units and 1,800,000 flow-through units that were sold at $0.05 per unit, for gross proceeds of $150,000. Directors and officers of the Company acquired a total of 1,500,000 units units pursuant to this financing, for gross proceeds of $75,000.

SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of these 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 financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the 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 statements 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 financial statements.

Recent Accounting Pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after December 31, 2011 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded from the table below. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

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, 2015, with earlier adoption permitted. Management anticipates that this standard will be adopted in the Company's financial statements for the period beginning January 1, 2015.

IFRS 11 Joint Arrangements ("IFRS 11") replaces the guidance in IAS 31 Interests in Joint Ventures. Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. IFRS 11 essentially carves out of previously jointly controlled entities, those arrangements which although structured through a separate vehicle, such separation is ineffective and the parties to the arrangement have rights to the assets and obligations for liabilities and are accounted for as joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, under IFRS 11, joint ventures are stripped of the free choice of equity accounting or proportionate consolidation; these entities must now use the equity method.

Upon application of IFRS 11, entities which had previously accounted for joint ventures using proportionate consolidation shall collapse the proportionately consolidated net asset value (including any allocation of goodwill) into a single investment balance at the beginning of the earliest period presented. The investment's opening balance is tested for impairment in accordance with IAS 28 Investments in Associates and IAS 36 Impairments of Assets. Any impairment losses are recognized as an adjustment to opening retained earnings at the beginning of the earliest period presented. The Company intends to adopt IFRS 11 in its financial statements for the annual period beginning January 1, 2013.

IFRS 13 Fair Value Measurement ("IFRS 13") 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 intends to adopt IFRS 13 in its financial statements for the annual period beginning January 1, 2013.

IAS 1 Presentation of Financial Statements ("IAS 1") was amended by the IASB in June 2011 in order to align the presentation of items in other comprehensive income with US GAAP standards. Items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012. The Company intends to adopt IAS 1 in its financial statements for the annual period beginning January 1, 2013.

Categories of financial instruments and fair value measurement

The Company defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an arm's length transaction between market participants at the measurement date. When appropriate, the Company adjusts the valuation models to incorporate a measure of credit risk.

The Company classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). The Company does not have any Level 3 financial instruments.

The Company's financial instruments that are carried at fair value consist of cash equivalents and are classified as Level 2 within the fair value hierarchy.

The fair values of the Company's financial assets and financial liabilities represent management's estimates of the current market value at the financial position reporting date and are shown below with their carrying values as of the same date. The financial assets and financial liabilities are presented according to the categorization of the financial instruments:

	As at June 30, 2012 Carrying Value	Approximate fair value	As at December 31, 2011 Carrying Value	Approximate fair value	As at December 31, 2010 Carrying Value	Approximate fair value
	$	$	$	$	$	$
Loans and receivables						
Cash	14,123	14,123	36,172	36,172	134,930	134,930
Sundry receivables	28,395	28,395	56,013	56,013	11,861	11,861
Deposit	88,394	88,394				
Other financial liabilities						
Accounts payable and accrued liabilities	20,000	20,000	20,000	20,000	21,210	21,210

The Company is exposed to a variety of financial risks: credit risk, liquidity risk and market risk, including price risk, interest rate and currency risk, as explained below. Risk management is carried out by the Company's management team with guidance from the Audit Committee and the Board of Directors. There were no changes in the Company's policies and procedures for managing risk during the years ended December 31, 2011 and December 31, 2010.

Liquidity Risk
The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2012, , the Company had a cash and cash equivalents balance of 14,123 compared to the March 31, 2012, balance of $89,890 (December 31, 2011 - $36,172; December 31, 2010 - $146,311) to settle current liabilities of $20, 000 compared to the March 31, 2012 balance of $32,030 (December 31, 2011 - $20,000; December 31, 2010 - $21,210).

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. See Subsequent Event note for a private placement financing that closed subsequent to June 30, 2012.

Credit Risk
The Company's credit risk is primarily attributable to cash equivalents and sundry receivables. The Company has no significant concentration of credit risk arising from operations. Cash equivalents consist of guaranteed investment certificates, which have been invested with reputable financial institutions, from which management believes the risk of loss to be remote. Financial assets included in sundry receivables consist of an amount due from an officer of the Company and sales tax due from the Federal Government of Canada. Management believes that the credit risk concentration with respect to these financial instruments included in cash equivalents and sundry receivables is remote.

Market Risk
(a) Interest Rate Risk
The Company has cash equivalent balances subject to fluctuations in the prime rate. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. Currently, the Company does not hedge against interest rate risk.

(b) Foreign Currency Risk
The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk. The Company does not hold balances in foreign currencies to give rise to exposure to foreign exchange risk.

(c) Price Risk
The Company is exposed to price risk with respect to diamond prices. The Company closely monitors diamond prices to determine the appropriate course of action to be taken by the Company. As the Company's mineral properties are in the exploration stage and do not contain any mineral resources or mineral reserves, the Company does not hedge against price risk.

Property risk

The Company's significant mineral exploration property is the Horton River property. Unless the Company acquires or develops additional significant properties, the Company will be solely dependent upon the Horton River property. If no additional mineral exploration properties are acquired by the Company, any material development affecting the Horton River property could have a material effect on the Company's financial condition and results of operations.

Sensitivity Analysis

The Company does not anticipate any material fluctuations as a result of changes in interest or foreign currency rates.

SUBSEQUENT EVENT

Subsequent to March 31, 2012, the Company completed the balance of a private placement of 3,000,000 units comprised of 1,200,000 hard-dollar units and 1,800,000 flow-through units at $0.05 per unit for gross proceeds of $150,000. $69,998 was collected in the quarter ended March 31, 2012, and the balance in April. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to acquire one common share for $0.10 until April 16, 2014. Directors and officers of the Company acquired a total of 1,500,000 units in the financing. The Company paid a cash commission of $1,500 on the brokered portion of the placement.

On July 25, 2012, the company announced that it had completed a part brokered and part non-brokered private placement of 5,600,000 Units, comprised of 1,700,000 Hard Dollar Units and 3,900,000 Flow-Through Units, that were sold at $0.05 per Unit, for gross proceeds of $280,000 effective July 24, 2012. Each Unit consists of one common share and one common share purchase warrant. Each common share purchase warrant ("Warrant") entitles the holder to acquire one common share for $0.05 until July 24, 2013. Directors and officers of the Company acquired a total of 2,740,000 Units in the financing. The Company paid a cash commission of $2,500 on the brokered portion of the placement.