

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

Date: November 27, 2012

This Management Discussion and Analysis ("MD&A") should be read in conjunction with our financial statements and the accompanying notes for the nine months ended September 30, 2012, as well as our audited financial statements 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 November 27, 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. \$2,570,637 has been spent on exploration of the property to September 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.

Part of the 2012 financings was used to sample and test thickness of overburden near magnetic anomalies with a small Packsack drill. Attempts to reach the magnetic targets resulted in three of five holes penetrating the glacial till and ending in dark brown clay. Drill cutting of the till and clay have been submitted for chemical and mineralogical analyses. In addition to sampling with the Packsack drill surface till samples (77 sites) were collected down-ice of a number of magnetic anomalies and will be examined for kimberlite indicator minerals (KIMs).

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 regular 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 September 30, 2012, the Company had cash and cash equivalents totaling \$93,570 and working capital of \$154,858.

A major financing is required for a drill program in 2013 and to cover administration costs into the new year.

Talmora Diamond Inc.		
	9 Months ended Sept. 30, 2012 (\$)	Year ended December 31, 2011 (\$)
Cash, Cash Equiv.	\$93,570	\$36,172
Working Capital	\$154,858	\$135,962
Mineral Exploration	\$325,075	\$260,066
Total assets	\$228,143	\$180,579
Total liabilities	\$73,286	\$21,210
Interest Revenues	\$59	\$703
Admin. Expenses (incl. bank charges)	\$81,291	\$169,533
Professional Fees	\$25,228	\$44,950
Net (Loss)	(\$468,041)	(\$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 generally utilizes helicopters and/or fixed wing aircraft 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 \$2,800,838 since August 2004 and on which it has expended \$2,570,637 on exploration to September 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. Part of the 2012 financings was used to sample and test thickness of overburden near magnetic anomalies with a small Packsack drill. Attempts to reach the magnetic targets resulted in three of five holes penetrating the glacial till and ending in dark brown clay. Drill cutting of the till and clay have been submitted for chemical and mineralogical analyses. In addition to sampling with the Packsack drill surface till samples (77 sites) were collected down-ice of a number of magnetic anomalies and will be examined for kimberlite indicator minerals (KIMs).

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.

\$430,000 from two financings in 2012 again fell short of the \$650,000 required for a small drill program. Following closing of the second financing on July 24, 2012 an alternate summer field program was mobilized to use the funds to obtain assessment work credits on certain claims. Mobilization and servicing of the field crew was by float plane and transport within the property was by ATV.

Till samples were collected down-ice of magnetic anomalies at 77 sites and have been submitted to a laboratory for the recovery of KIMs. A Packsack drill was used to collect till samples and to test the thickness of overburden near five magnetic anomalies with characteristics of kimberlite pipes. An attempt was made to penetrate the overburden and reach the kimberlite targets. The Packsack drill is rated for a maximum of 100' and was pushed to its limit. In three cases a hard boulder till was penetrated (28.50', 39.00' & 23.25') and the drill entered a soft clay that could not be cored but produced dark brown cuttings (holes reached 30.50', 43.00' & 25.25' respectively). In two cases the hole was abandoned in boulder till at 16.8' and 72'.

Samples of cuttings from the till and underlying clay have been submitted for chemical analysis and concentrates of the clay cuttings have been submitted for mineralogical analysis. The analytical results are expected by yearend and may indicate whether the clay is a highly altered and deeply weathered top of a kimberlitic pipe.

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 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	
<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
<i>Sampling Program</i>		
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
<i>Supervision & support</i>		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

As at September 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 the end of last year 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 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.

Work done in 2007 on the older claims staked 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)*	<u>36,217</u>	<u>\$21,730.20</u>	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 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 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)

Phase 1 [minimum required to determine whether to continue to phase 2]		
Airborne survey	9000 line k @ \$35	\$315,000
Process 2004 fine fractions	120 @ \$150	\$18,000
Claim staking	36 claims @ \$1,000	\$36,000
	Contingency @ 10%	\$36,000
Exploration sub-total		\$405,000
Administration		<u>\$100,000</u>
	Total	\$505,000

Phase 2a [assumes encouragement from phase 1]		
Till sampling [follow-up, target evaluation]	200 samples @ \$1000	\$200,000
Stream samples [follow-up]	50 @ \$1500	\$75,000
Ground magnetic survey	8 targets @ \$6,000	\$48,000
	Contingency @ 20%	\$32,000
Exploration sub-total		\$355,000
Administration		<u>\$100,000</u>
	Total	\$455,000

Phase 2b [assumes continued encouragement]		
Drilling	4 targets @ \$80,000	\$320,000
	Contingency @ 20%	\$66,000
Exploration sub-total		\$386,000
Administration		<u>\$50,000</u>
	Total	\$436,000

Exploration Total **\$1,146,000**
Administration Total \$250,000

Grand Total

\$1,396,000

Actual R. Davies assessment work reports (2008 & 2009)

10,196 line k \$352,258.59
117 fine fractions \$12,267.00
50 claims \$50,461.83

2007 expenses \$169,778.00
\$584,765.42

178 [target evaluation] \$316,403.30

10 anomalies \$25,130.73

2008 expenses to Dec. 31 \$148,946.00
\$490,480.03

\$756,521.45
\$318,724.00

\$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	<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>25,277</u>
Exploration sub-total		80,585
Administration Expenses sub-total		<u>118,084</u>
	Total	\$198,669
	2011 Field Program, Evaluation & Reporting	
	Staking	40,678
	ASTER image ground trothing	<u>219,388</u>
Exploration sub-total		260,066
Administration Expenses sub-total		<u>169,533</u>
	Total	\$429,599
	2012 Field Program, Evaluation & Reporting	
Exploration sub-total	Reporting, Packsack drilling, sampling	325,075
Administration Expenses sub-total		<u>81,478</u>
	Total	406,553
Grand Total as at September 30, 2012 Program		\$2,570,637

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. Administration costs in 2011 reflect the high cost of switching from GAAP to IFRS accounting.

Exploration costs in the first quarter of 2012 are for evaluation and reporting of the 2011 program. Exploration costs in the third quarter are part of the cost of the Packsack drill and surface sampling program for assessment work purposes.

There are a lot more kimberlite targets than expected and Talmora proposes a more extensive drill program than the small Phase 2b budget above. Until a major drill program is initiated the property will be maintained with less expensive exploration such as sampling and ground geophysics.

Summary of Quarterly Results

(a) Year	2012	2012	2012	2012
(b) Quarter	December 31	September 30	June 30	March 31
Cash, Cash Equivalents		93,570	\$14,123	\$89,890
Working Capital		154,858	\$110,912	\$162,368
Interest Revenue		0	\$0	\$59
Admin. Expenses		31,729	\$33,585	\$16,419
Exploration and Evaluation Expenditures		198,299	\$87,450	\$39,326
Cash in (out) flow		57,398	(\$22,049)	\$53,718
Net (Loss)		(242,350)	(\$141,664)	(\$84,027)
Net (Loss) (per share)		(\$0.00)	(\$0.00)	(\$0.00)
Total Assets		228,143	\$130,912	\$194,398
Total Liabilities		73,286	\$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 third quarter ended September 30, 2012, were \$198,299 (June 30, 2012, for \$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 higher exploration expenditures in the third quarter of 2012 were for the July/August field program compared to mostly assessment reporting in the first and second quarter of 2012. The major field costs (helicopter, fuel etc.) of the 2011 program were paid in the September quarter of that year. Administration expenses have steadily dropped to \$31,729 in the third quarter of 2012 (\$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 \$242,350 in the third quarter of 2012, (as compared to \$141,664 in the second quarter of 2012, \$84,027 in the first quarter of, 2012, \$85,187 in the fourth quarter of 2011, \$213,399 for the third quarter of 2011) reflects the field programs of 2012 and 2011 respectively.

Finally, the balance sheet indicates a slight decrease in working capital in the third and second quarters (\$154,858 and \$110,912 respectively) compared to the higher working capital of \$162,368 in the first quarter which reflects the higher than expected cost of mobilising the 2012 field program.

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 September 30, 2012, there are 54,031,679 common shares issued and outstanding.
17,341,000 Common shares subject to issuance are comprised of:
12,750,000 warrants (a), and 4,591,000 management incentive options (b), (c)

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 VT*) 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 \$93,570 as at September 30, compared to \$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 2012 private placement of \$280,000 which was largely reduced by major field expenditures in August.

As at September 30, 2012, Talmora has working capital in the amount of \$154,858 as compared to \$110,912 as at June 30, 2012, 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. Included in amounts receivable as at September 30, 2012 is \$3,892 (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 and third quarters of 2012 as compared to \$59 for the quarter ending March 31, 2012, \$381 for the quarter ending December 31, 2011, and \$322 for the quarter ending September 30, 2011, (\$Nil for Q2 and \$Nil in Q1 of 2011). Cash was needed to pay invoices soon after the 2012 financings closed.

Administrative expenses (including bank charges and stock based compensation) for the quarter ending September 30, 2012 were \$40,596 compared to \$33,585 at June 30, 2012, \$16,419 at March 31, 2012, \$21,886 at December 31, 2011, \$33,430 at September 30, 2011, \$47,544 at June 30, 2011 and \$67,723 at March 31, 2011. 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. While Q3 of 2012 is a little high the average for the nine months is normal.

The net cash inflow for the quarter ended September 30, 2012, was \$57,398 compared to a net outflow of \$22,049 for the quarter ended June 30, 2012, a cash inflow of \$53,718 for the quarter ended March 31, 2012, a cash inflow of \$38,905 for the quarter ended December 31, 2011, a cash outflow of \$46,785 for the quarter ended September 30, 2011, a net inflow of \$49,544 for the quarter ended June 30, 2011 and a net outflow of \$72,993 for the quarter ended March 31, 2011. 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 third quarter of \$242,350 (compared to \$141,664 for the second quarter and \$84,027 for the first quarter of 2012, \$85,187 for the fourth quarter, \$213,399 for the third quarter, \$66,181 for the second quarter and \$106,861 for the first quarter of 2011) reflects a combination of the decrease in administrative expenses and high exploration expenditures coinciding with field programs in the third quarters of both years as noted above.

Finally, the balance sheet indicates a slight increase in working capital in the third quarter to \$154,858 compared to \$110,912 working capital in the second quarter and \$162,368 in the first quarter of 2012 and \$160,579 in the fourth quarter and \$145,656 in the third quarter of 2011 respectively, 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 September 30, 2012 were \$198,299 as compared to \$87,451 at June 30, 2012, \$39,326 at March 31, 2012, \$37,334 at December 31, 2011 and \$175,981 for the third quarter of 2011 reflects the payment of the major costs of the July/August field programs in the third quarter of each year. Expenditures for the second quarter of 2011 totalled \$13,200 and for the first quarter \$33,551.

Funds are sufficient to meet ongoing administrative expenses and meet current liabilities. The small financing in April 2012 and the 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 prior to December 31, 2011. *Series VI.*

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. *Series VII*

In April 2012 the Company renounced flow-through expenditures in the amount of \$90,000. \$90,000 of expenditures were incurred to September 30, 2012. *Series VIII*

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.

In July 2012 the Company renounced flow-through expenditures in the amount of \$195,000. Of this amount \$187,762 of expenditures were incurred from July 24 to September 30, 2012. The remaining balance of \$7,238 is required to be spent by December 31, 2012. *Series IXI*

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	<u>1,500,000</u>	<u>0.05</u>
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
Granted July 20, 2012	<u>100,000</u>	<u>0.05</u>
Balance, September 30, 2012	<u><u>4,591,000</u></u>	<u><u>0.05</u></u>

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

<u>Options Granted #</u>	<u>Options Exercisable \$</u>	<u>Exercise Price \$</u>	<u>Expiry date</u>	<u>Remaining Contractual Life (years)</u>
50,000	50,000	0.05	March 1, 2015	2.42
951,000	951,000	0.05	June 9, 2015	2.69
100,000	83,333	0.05	May 1, 2016	3.58
1,500,000	749,995	0.05	December 16, 2016	4.21
1,890,000	630,006	0.05	June 29, 2017	4.75
<u>100,000</u>	<u>0</u>	0.05	July 20, 2012	<u>4.81</u>
<u>4,591,000</u>	<u>2,464,334</u>	0.05		<u>4.10</u>

The weighted average exercise price of options exercisable at September 30, 2012 is \$0.05 (June 30, 2012 - \$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 157%; risk free interest rate of 1.18%; and expected life of five years.

Share-based payment reserve

	Amount
Balance, December 31, 2011	133,144
Employee share-based compensation	<u>36,319</u>
Balance, September 30, 2012	<u>169,463</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:

	Years ended September	
	2012 \$	2011 \$
Salaries and benefits	181,323	172,762

The amount of \$181,323 in 2012 reflects cumulative time incurred by key management personnel. The increase is mainly due to the field program carried out during 2012 and assessment reports preparation in 2012.

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 September 30, 2012 is \$3,892 (June 30, 2012 - \$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. *Series VII*

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 pursuant to this financing, for gross proceeds of \$75,000. *Series VIII*

On July 24, 2012, the Company closed a private placement financing for 5,600,000 units, comprised of 1,700,000 non-flow-through units and 3,900,000 flow-through units that were sold at \$0.05 per unit, for gross proceeds of \$280,000. Directors and officers of the Company acquired a total of 2,740,000 units pursuant to this financing, for gross proceeds of \$137,000. *Series IX*.

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 Sept. 30, 2012		As at December 31, 2011		As at December 31, 2010	
	Carrying Value	Approximate fair value	Carrying Value	Approximate fair value	Carrying Value	Approximate fair value
	\$	\$	\$	\$	\$	\$
<i>Loans and receivables</i>						
Cash	93,570	93,570	36,172	36,172	134,930	134,930
Sundry receivables	46,179	46,179	56,013	56,013	11,861	11,861
Deposit	88,394	88,394				
<i>Other financial liabilities</i>						
Accounts payable and accrued liabilities	73,286	73,286	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 September 30, 2012, the Company had a cash and cash equivalents balance of \$93,570 (December 31, 2011 - \$36,172; December 31, 2010 - \$146,311) to settle current liabilities of \$73,286 (December 31, 2011 - \$20,000; December 31, 2010 - \$21,210).

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 September 30, 2012, a director of the Company exercised 200,000 warrants (Series IX) and 526,000 incentive stock options (No.5) at \$0.05 per share to net the Company \$36,300.