

TALMORA DIAMOND INC
6 Willowood Court,
Toronto, Ontario M2J 2M3
Management's Discussion & Analysis
For the quarter ending December 31, 2012

Date: April 24, 2013

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the audited financial statements of the Talmora Diamond Inc. (the "Company" or "Talmora") for the year ended December 31, 2012 and 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"). The Company's public filings can be found under the Company's profile on the SEDAR website (www.sedar.com).

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 Canadian Accounting Standards Board requires publicly accountable enterprises such as the Company to adopt IFRS for fiscal years beginning on or after January 1, 2011. Accordingly, the Company's annual financial statements for the year ended December 31, 2012 have been prepared in accordance with IFRS as published by the International Accounting Standards Board.

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. \$1,974,102 has been spent on exploration of the property to December 31, 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 financing closed at \$400,000 on July 8, 2011 and 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.

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.

2012 Exploration Program

Part of the 2012 financings was used to sample and test thickness of overburden near magnetic anomalies with a small Packsack drill. The magnetic anomalies in dolomite bedrock have been deeply scoured by ice and are covered by bouldery till, which in turn is overlain by various thicknesses of lake sediment. 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).

The Packsack drill was able to penetrate through the till overburden in three of five holes and ended 0.5 – 1.0m in a rusty dark brown clay. Drill cutting of the till and clay were submitted for chemical and mineralogical analyses. While the clay cuttings have lost fines and are contaminated by till and perhaps marine sand they show many characteristics of weathered kimberlite including anomalous numbers of locally derived KIMs in one hole.

It remains for the many magnetic anomalies to be tested by a larger drill when the economic situation permits the raising of sufficient funds. 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 December 31, 2012, the Company had cash and cash equivalents totaling \$31,380 and working capital of \$107,106.

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

	Year ended December 31, 2012 (\$) (IFRS)	Year ended December 31, 2011 (\$) (IFRS)	Year ended December 31, 2010 (\$) (Canadian GAAP)
Cash and Cash Equiv.	31,380	36,172	145,311
Working Capital	107,106	160,579	135,962
Mineral Exploration— cum.tot.	1,974,102	1,600,061	1,339,995
Total assets	207,360	180,579	245,566
Total liabilities	67,011	20,000	21,210
Interest Revenues	59	703	756
Admin. Expenses	100,568	169,533	94,798
Exploration and evaluation expenditures	374,041	260,066	51,920
Professional Fees	38,403	44,950	23,286
Net (Loss)	(555,247)	(471,628)	(174,772)
Net (Loss) Per Share	(0.01)	(0.01)	(0.01)

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 \$2,877,138 since August 2004 and on which it has expended \$1,974,102 on exploration to December 31, 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 were 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).

Regional Diamond Exploration

Published information on neighbouring properties has been reviewed. Assessment work reports of Darnley Bay and Sanatana and the web sites of Sanatana and Diamondex have been especially useful in evaluating the mineral chemistry and the regional distribution of KIMs and how it relates to Talmora.

The mineral chemistry of KIMs in the two large areas sampled by Sanatana and Diamondex west of the Talmora property is remarkably similar. There is very little variation within subareas of the Sanatana property except on their Greenhorn claims southeast of Talmora where they discovered the very diamondiferous Dharma kimberlites. It is unusual for the mineral chemistry of KIMs from so large an area constituting most of the Lena West diamond district to vary so little and it suggests a common and more restricted source area for the KIMs.

The only known primary source of KIMs in the Lena West district are the Darnley Bay kimberlites in the NE corner and the Dharma kimberlites in the SE corner of the district. The mineral chemistry of KIMs from neither of these areas matches that of the KIMs west of Talmora. However, the KIMs on the Talmora property, allowing for the destruction of some silicate KIMs during Eocene “lateritization”, do match those to the west.

Diamondex showed that many of their KIMs were from the base of the Cretaceous sediments and that the primary source was to the east. Most of the Sanatana property also lies within the Cretaceous basin. It is significant that most of the Talmora property is outside the Cretaceous basin.

Geology of Talmora Property

Most of the Talmora 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.

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. A report on the work has been approved and cash deposits of \$30,447 have been refunded. Assessment work credits will be applied to new claims.

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 was submitted as assessment work and 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.

2012 Exploration Program

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. The magnetic anomalies in dolomite bedrock have been deeply scoured by ice and are covered by boulder till, which in turn is overlain by various thicknesses of lake sediment. An attempt was made to penetrate the till 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 the hard boulder till was penetrated (28.50', 39.00' & 23.25') and the drill entered a soft clay that could not be cored except for a small piece of clay mixed with dolomite fragments at the till/clay interface in one hole. The clay produced dark brown cuttings in the three holes that reached 30.50', 43.00' & 25.25' respectively. In two cases the hole was abandoned in boulder till at 16.8' and 72'. 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).

Cuttings were collected but there was loss of suspended fines in the return water from the till (mostly dolomite component) and considerably greater loss of fines in the return water from the clay (most of the clay minerals). Drill cutting of the till and clay were submitted for chemical and mineralogical analyses.

Chemical analyses of the till cuttings show a 80-90% loss of Ca & Mg (dolomite) and lesser amounts of Al, Fe, Mn, Ti, K, Na and P (probably chlorite, limonite, mica) compared to the average till in the area. As a result of the loss of fines there was a 45% increase in Si (quartz sand).

Analyses of the clay cuttings show the same relation as the till cuttings to the average till of the area. However, the clay cuttings compared to the till cuttings show slightly higher values for all major elements except Si. The Si is still high in the clay cuttings indicating probable contamination from the overlying till. The clay section had to be re-drilled after each run because of hole collapse.

Of great significance are the elevated values of minor elements in the clay cuttings. There is twice as much Cr and Mo; three times as much Fe, Mn, Ni, Zn, Pb and Sb; ten times as much Cu and Co; fifteen times as much W; and high Ag, As and Sn. All these elements except W are typically high in weathered kimberlite. The high W in the clay cuttings may be contamination from the drill bits.

A very small piece of clay trapped in the core barrel between fragments of quartz filled and coated vugs in dolomite may be representative of the clay horizon. The composition of the clay is similar to the weathered lateritic alkaline ultramafic rocks at Errabiddy in Australia. However, high SiO₂ (67.4%) in the clay is probably contamination by 1) quartz from vuggy dolomite that trapped it in the core barrel, 2) quartz from the overlying till or 3) quartz from marine sediments that would have filled depressions above weathered kimberlite. The most striking characteristic of the clay compared to the average <80 mesh till in the area is high Al, low Ca and Mg together with relatively high LOI (loss on ignition), relatively high Ti, Nb, Cr, Li, V, As, Ce, Cs, Ga, Ge, La, Lu, Pr, Rb, Sb, Ta, Th, U and very high Pb. Low Fe and related Mn and Ni are unexpected because there is evidence of laterite weathering in the area. However, the Fe, Mn and Ni values

of the clay are similar to those of African kimberlitic calcretes. The dolomite fragments that trapped the clay may have provided a local calcrete environment.

The clay cuttings include very little of the clay. Much of the fine clay has been lost and there has been considerable dilution of the cuttings by coarse sand. Nevertheless, concentrates from the three holes that penetrated till and ended in clay were submitted for kimberlite indicator mineral (KIM) analysis. THD-3 contained no KIMs. THD-4 contained 6 chromites and one picroilmenite (10.23% MgO; 3.24% Cr₂O₃) in the clay cuttings and 8 chromites in the overlying till cuttings. The chromites lie on a relatively narrow compositional trend line indicating a single population and one grain plots in the Argyle chromite field. The clay cuttings of THD-4 contained notable galena. THD-5 contained one picroilmenite (9.73% MgO; 0.39% Cr₂O₃) and a significant amount of sulphides in the clay cuttings.

Conclusion

While the clay cuttings have lost fines and are contaminated by till and marine sand they show many characteristics of weathered kimberlite including anomalous numbers of locally derived KIMs in THD-4.

Recommendation

The Company's most prospective magnetic anomalies must be tested with a larger drill. 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.

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

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 December 31, 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 when approved should result in the refund of cash deposits (performance bond) 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 recently been approved that will extend the expiry date

Subsequent to December 31, 2012, work done in 2009 was approved and a performance bond of \$30,447 was refunded to the Company. Work credits will be applied to certain claims.

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 and Commitments

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 (Series VII) 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 March 31, 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

On April 16, 2012, the Company completed a private placement of 3,000,000 units comprised of 1,200,000 hard-dollar units and 1,800,000 flow-through units (Series VIII) at \$0.05 per unit for gross proceeds of \$150,000

The Company agreed to renounce flow-through expenditures in the amount of \$90,000 to investors with an effective date of December 31, 2012. \$90,000 of expenditures were incurred from April 16 to July 31, 2012. The Company had agreed to indemnify the subscribers of its

flow-through shares for any tax-related amounts that become payable by them, if the Company failed to meet its expenditure commitments.

On July 24, 2012, the company completed a private placement of 5,600,000 units comprised of 1,700,000 hard-dollar units and 3,900,000 flow-through units (Series IX) that were sold at \$0.05 per unit for gross proceeds of \$280,000 effective July 24, 2012.

The Company agreed to renounce flow-through expenditures in the amount of \$195,000 to investors with an effective date of December 31, 2012. . Of this amount, \$187,762 was incurred from July 24 to September 30, 2012. The balance of \$7,238 of expenditures were incurred by October 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.

Flow-Through

The Company agreed to renounce flow-through expenditures in the amount of \$285,000 to investors with an effective date of December 31, 2012 pursuant to private placement financings that occurred during the year ended December 31, 2012. As at December 31, 2012, the Company had fulfilled its flow-through expenditure requirement. The Company has agreed to indemnify the subscribers of its flow-through shares for any tax-related consequences that become payable by them, if the Company failed to meet its expenditure commitment.

Environmental Contingencies

The Company's exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company 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

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		<u>\$100,000</u>	2007 expenses	<u>\$169,778.00</u>
	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		<u>\$100,000</u>	2008 expenses to Dec. 31	<u>\$148,946.00</u>
	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		<u>\$50,000</u>		
	Total	\$436,000		
Exploration Total		\$1,146,000		\$756,521.45
Administration Total		<u>\$250,000</u>		<u>\$318,724.00</u>
Grand Total		\$1,396,000		\$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	374,041
Administration Expenses sub-total		<u>100,568</u>
	Total	474,609
Grand Total as at December 31, 2012 Program		\$2,638,692

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.

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 second, third and fourth quarters 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 and cash equivalents	\$31,380	\$93,570	\$14,123	\$89,890
Working capital	\$107,106	\$154,857	\$110,912	\$162,368
Interest revenue	-	-	-	\$59
Admin. expenses	\$18,703	\$31,802	\$33,585	\$16,478
Exploration and evaluation expenditures	\$48,966	\$198,299	\$87,450	\$39,326
Cash in (out) flow	(62,190)	\$79,447	(\$22,049)	\$53,718
Net (Loss)	(87,206)	(\$242,350)	(\$141,664)	(\$84,027)
Net (Loss) per share	(0.00)	(\$0.00)	(\$0.00)	(\$0.00)
Total assets	\$207,360	\$228,143	\$130,912	\$194,398
Total liabilities	\$67,011	\$73,286	\$20,000	\$32,030

(a) Year	2011	2011	2011	2011
(b) Quarter	December 31	September 30	June 30	March 31
Cash and 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 quarter ended December 31, 2012 were \$48,966 (\$198,299 for September 30, 2012, \$87,450 for June 30, 2012, \$39,326 for March 31, 2012, \$37,334 for December 31, 2011, \$175,981 for September 30, 2011, \$13,200 for June 30, 2011 and \$33,551 for March 31, 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 \$18,703 in the fourth quarter of 2012 (\$31,802 in the third quarter of 2012, \$33,585 in the second quarter of 2012, \$16,478 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 \$87,206 in the fourth quarter of 2012, \$242,350 in the third quarter of 2012, \$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 reflect the field programs of 2012 and 2011 respectively.

Finally, the balance sheet indicates a slight decrease in working capital in the fourth quarter of \$107,106, compared to the higher working capital of \$154,858 in the third quarter, \$110,912 in the second quarter and \$162,368 in the first quarter respectively

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 December 31, 2012, there are 55,557,679 common shares issued and outstanding.

14,185,000 Common shares subject to issuance are comprised of:

10,100,000 warrants (a), and 4,025,000 management incentive options (b)

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

a) Warrants:

During the year ended December 31, 2012, 1,650,000 warrants exercisable at \$0.16 per share expired unexercised.

During the year ended December 31, 2012, 1,000,000 warrants were exercised at \$0.05.

4,000,000 warrants entitling the holder to acquire one common share per warrant for \$0.10 expire July 8, 2013.

1,500,000 warrants entitling the holder to acquire one common share per warrant for \$0.10 expire April 16, 2014.

4,600,000 warrants entitle the holder to acquire one common share per warrant for \$0.05 expire July 24, 2013.

b) Options:

1,600,000 management incentive options exercisable at \$0.10 expired April 25, 2012 unexercised.

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

During the year ended December 31, 2012, 526,000 management incentive options were exercised at \$0.05.

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.

914,000 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.

20,000 management incentive options are exercisable at \$0.05 and expire Nov. 1, 2017

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 \$31,380 as at December 31, 2012, compared to \$93,570 as at September 30, 2012, \$14,123 as at June 30, 2012, \$89,890 as at March 31, 2012, \$36,172 as at December 31, 2011, \$175,077 as at September 30, 2011, \$121,862 as at June 30, 2011 and \$72,318 as at March 31, 2011. The decrease in cash in the fourth quarter of 2012 and the rise in third quarter of 2012 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 December 31, 2012, Talmora has working capital in the amount of \$107,106, as compared to September 30, 2012, \$154,857 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 December 31, 2012 is \$1,773, (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, third and fourth 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) for the quarter ended December 31, 2012 were \$18,703, compared to \$31,802 for the quarter ended September 30, 2012, \$33,585 for the quarter ended June 30, 2012, \$16,478 for the quarter ended March 31, 2012, \$21,886 for the quarter ended December 31, 2011, \$33,430 for the quarter ended September 30, 2011, \$47,544 for the quarter ended June 30, 2011 and \$67,723 for the quarter ended 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 the administrative expenses in Q3 of 2012 is a little high the average for the nine months ended September 30, 2012 is normal.

The net cash increase outflow for the quarter ended December 31, 2012 was \$62,190 compared to inflow of \$79,447 for the quarter ended September 30, 2012, outflow of \$75,767 for the quarter ended June 30, 2012, inflow of \$53,718 for the quarter ended March 31, 2012, inflow of \$38,905 for the quarter ended December 31, 2011, outflow of \$46,785 for the quarter ended September 30, 2011, inflow of \$49,544 for the quarter ended June 30, 2011 and 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 fourth quarter of 2012 of \$87,206, compared to \$242,350 for the third quarter of 2012, \$141,664 for the second quarter of 2012 and \$84,027 for the first quarter of 2012, \$85,187 for the fourth quarter of 2011, \$213,399 for the third quarter of 2011 \$66,181 for the second quarter of 2011 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 decrease in working capital in the fourth quarter to \$107,106 compared to third quarter from \$154,857, 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 December 31, 2012 were \$48,966 as compared to \$198,299 at September 30, 2012 as compared to \$87,450 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.

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.

During the year ended December 31, 2012, the Company renounced flow-through expenditures in the amount of \$90,000 with respect to flow-through financing of April 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.

During the year ended December 31, 2012, the Company renounced flow-through expenditures in the amount of \$195,000 with respect to flow-through financing of July 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.

A summary of changes in stock options is as follows:

	Options	Weighted Average Exercise Price
	#	\$
Balance, December 31, 2010	3,050,000	0.08
Granted, May 1, 2011	100,000	0.05
Exercised	(449,000)	0.05
Granted, December 16, 2011	1,500,000	0.05
Balance, December 31, 2011	4,201,000	0.07
Expired, April 25, 2012	(1,600,000)	0.10
Granted, June 29, 2012	1,890,000	0.05
Granted, July 20, 2012	100,000	0.05
Granted, November 1, 2012	20,000	0.05
Forfeited	(60,000)	0.05
Exercised	(526,000)	0.05
Balance, December 31, 2012	4,025,000	0.05

As at December 31, 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	2.16
951,000	951,000	0.05	June 9, 2015	2.44
100,000	100,000	0.05	May 1, 2016	3.33
914,000	441,778	0.05	December 16, 2016	3.96
1,890,000	630,000	0.05	June 29, 2017	4.50
100,000	16,667	0.05	July 20, 2017	4.55
20,000	-	0.05	November 1, 2017	4.83
4,025,000	2,189,444			

The weighted average exercise price of options outstanding and exercisable at December 31, 2012 is \$0.05 (December 31, 2011 – \$0.08). The options outstanding and exercisable as at December 31, 2012 have a weighted average remaining contractual life of 3.83 years and 3.39 years (2011 – 2.81 years and 1.55 years), respectively.

On May 1, 2011, the Company granted stock options to acquire 100,000 common shares of the Company at an exercise price of \$0.05 per share, which expire on May 1, 2016 and vest as to 16.67% every three months beginning August 1, 2011 and ending November 2012.

On December 9, 2011, 449,000 stock options were exercised at \$0.05 for cash proceeds of \$22,450.

On December 16, 2011, the Company granted stock options to acquire 1,500,000 common shares of the Company at an exercise price of \$0.05 per share, which expire on December 16, 2016 and vest as to 16.67% every three months beginning March 16, 2012 and ending June 16, 2013.

On June 29, 2012, the Company granted stock options to acquire 1,890,000 common shares of the Company at an exercise price of \$0.05 per share, which expire on June 29, 2017 and vest as to 16.67% every three months beginning September 29, 2012, and ending December 29, 2013.

On July 20, 2012, the Company granted stock options to acquire 100,000 common shares of the Company at an exercise price of \$0.05 per share, which expire on July 20, 2017 and vest as to 16.67% every three months beginning October 20, 2012 and ending January 20, 2014.

On November 1, 2012, the Company granted stock options to acquire 20,000 common shares of the Company at an exercise price of \$0.05 per share, which expire on November 1, 2017 and vest as to 16.67% every three months beginning February 1, 2013 and ending May 1, 2014.

The weighted average grant date fair value of the options issued during the year ended December 31, 2012 is \$0.004 (2011 – \$0.03). The grant date fair value of the options was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: expected dividend yield of 0% (2011 – 0%); expected volatility of 158% (2011 – 156%), risk free interest rate of 1.18% (2011 – 1.27%); and expected life of 5 years (2011 – 5 years).

Share-based payment reserve

	Amount
Balance, December 31, 2011	133,144
Employee share-based compensation	<u>(93,925)</u>
Balance, December 31, 2012	<u><u>39,219</u></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 December	
	2012	2011
	\$	\$
Salaries and benefits	238,918	200,326
Share-based payments	34,197	5,059

During the year ended December 31, 2012, \$181,251 (2011 – \$97,925) of the salaries and benefits noted in the above table, were included in exploration and evaluation expenditures, with the balance of \$57,667 (2011 – \$102,401) charged to administration expense.

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.

The amount of \$238,918 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 report preparation.

Included in sundry receivables as at December 31, 2012 is \$1,773 (2011 – \$9,260) advanced to an officer of the Company. This amount is unsecured, non-interest bearing and due on demand.

Included in accounts payable and accrued liabilities as at December 31, 2012 is \$16,456 (2011 – \$nil) owing to an officer of the Company. This amount is unsecured, non-interest bearing and due on demand.

Related party private placement subscriptions

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. 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 July 8, 2013. If during the term of the warrants, the common shares of the Company trade at or above \$0.20 for a period of 20 consecutive trading days, the Company may notify the warrant holder to exercise the warrants at a date no later than 30 calendar days after this notification date or forfeit any unexercised warrants at that time.

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. 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. If during the term of the warrants, the common shares of the Company trade at or above \$0.20 for a period of 20 consecutive trading days, the Company may notify the warrant holder to exercise the warrants at a date no later than 30 calendar days after this notification date or these unexercised warrants will expire at that time.

The grant date fair value of the warrants of \$34,768 or \$0.02 per whole warrant 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 1.23%; and expected life of two years. A cash commission of \$1,500 was paid on the brokered part of the financing.

Directors and officers of the Company acquired a total of 1,500,000 units pursuant to this financing, for gross proceeds of \$75,000.

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. Each unit consisted of one common share and one common share purchase warrant. Each whole common share purchase warrant entitles the holder to acquire one common share for \$0.05 until July 24, 2013. If during the term of the warrants, the common shares of the Company trade at or above \$0.10 for a period of 20 consecutive trading days, the Company may notify the warrant holder to exercise the warrants at a date no later than 30 calendar days after this notification date or these unexercised warrants will expire at that time.

The grant date fair value of the warrants of \$86,278 or \$0.015 per whole warrant was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 145%; risk free interest rate of 0.96%; and expected life of one year. A cash commission of \$2,500 was paid on the brokered part of the financing.

Directors and officers of the Company acquired a total of 2,740,000 units pursuant to this financing, for gross proceeds of \$137,000.

Equipment acquired through finance lease

During the year ended December 31, 2012, the Company entered into a lease for exploration equipment for a term ending October 31, 2013, with a corporation controlled by a shareholder, who is also an officer of the Company.

	Cost \$	Depreciation \$	Net Book Value \$
Balance, December 31, 2010 and 2011	-	-	-
Additions	35,913	2,670	33,243
Balance, December 31, 2012	35,913	2,670	33,243

The Company is required to make minimum stand-by lease payments of \$2,693 per month plus taxes. When the equipment is in use, the operating rental amount is \$5,926 per month plus taxes. As at December 31, 2012, the finance lease payable balance was \$22,755, all due within the next year.

BASIS OF PRESENTATION

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

The policies applied in the financial statements are based on IFRS issued and outstanding as of December 31, 2012.

The financial statements have been prepared on the historical cost basis. In addition, the financial statements have been prepared using the accrual basis of accounting except for cash flow information.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or “IFRIC that are mandatory for accounting periods beginning on or after January 1, 2013. Updates that are not applicable or are not consequential to the Company have been excluded from the list below.

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.

IAS 32 Financial Instruments: Presentation (“IAS 32”) was amended by the IASB in December 2011 to clarify certain aspects of the requirements on offsetting. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014 with earlier adoption permitted. The Company intends to adopt IAS 32 in its financial statements for the annual period beginning January 1, 2014.

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

SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the 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. The 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 and refundable performance bonds included in the statements of financial position. In the determination of carrying values and impairment charges, management looks at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.
- The inputs used in accounting for share-based payment transactions. Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.
- Management assumption of no material restoration, rehabilitation and environmental obligations, based on the facts and circumstances that existed during the period. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.
- In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities,

expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

The accounting policies set out below have been applied consistently to all periods presented in the financial statements.

Functional and presentation currency

The Company's presentation and functional currency is the Canadian dollar ("C\$"). The Company does not have any foreign operations. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at period end exchange rates are recognized in the statement of loss and comprehensive loss.

Flow-through shares

The Company finances a portion of its Horton River project exploration and evaluation activities through the issuance of flow-through shares. Under the terms of the flow-through common share issues, the tax attributes of the related expenditures are renounced to investors and deferred income tax expense and income tax liabilities are increased by the estimated income tax benefits renounced by the Company to the investors. On the date of issuance of the flow-through shares, the premium relating to the proceeds received in excess of the fair value of the Company's common shares is allocated to liabilities. The premium liability is reduced during the period of renunciation. The reduction to the premium liability in the period of renunciation is recognized through operations.

Where the Company has unused tax benefits on loss carry forwards and tax pools in excess of book value available for deduction, the Company offsets the increase in deferred tax liabilities resulting in an offsetting recovery of deferred income taxes being recognized through operations in the reporting period.

Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. The Company currently operates in one business segment, being the exploration and evaluation of resource properties. All of the Company's assets are located in Canada.

Share-based payment

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in the stock options and share-based payment reserve note (Note 9).

The fair value is measured at the grant date and each tranche is recognized on a graded-vesting basis over the period in which options vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For those options and warrants that expire after vesting, the recorded value is transferred to deficit.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the

same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares. The issued and outstanding stock options and warrants were not included in the calculation of diluted loss per share for the periods presented, as their effect would be anti-dilutive.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position are comprised of cash at banks, on hand, short-term deposits with an original maturity of three months or less, and guaranteed investment certificates which are readily convertible into a known amount of cash. The Company's cash and cash equivalents are invested with major financial institutions in business accounts and guaranteed investment certificates that are available on demand by the Company for its programs. The Company does not invest in any asset-backed deposits/investments. As at December 31, 2012 and 2011, the Company did not have any cash equivalents.

Share capital

Common shares are classified as equity. Costs directly attributable to the issue of new shares and warrants are shown in equity as a deduction, net of tax benefits received, if any, from proceeds.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The timing of recognition and quantification of the liability requires the application of judgment to existing facts and circumstances, which can be subject to change. A change in estimate of a recognized provision or liability would result in a charge or credit to operations in the period in which the change occurs, with the exception of decommissioning and restoration costs described below.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money. Where discounting is used, the increase in the provision due to the passage of time referred to as "unwinding of discount" is recognized within finance costs.

Decommissioning and restoration provisions

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed or the ground / environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets to the extent that it was incurred prior to the production of related ore. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the statement of loss and comprehensive loss as a finance cost.

Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognized immediately in the statement of loss and comprehensive loss.

The Company does not currently have any such significant legal or constructive obligations and therefore no decommissioning liabilities have been recorded as at December 31, 2012 and December 31, 2011.

Contingent assets are not recognized in the financial statements but they are disclosed by way of note if they are deemed probable.

Contingent liabilities are possible obligations whose existence will only be confirmed by future events not wholly within the control of the Company. Contingent liabilities are recognized in the financial statements unless the possibility of an outflow of economic resources is considered remote, in which case they are disclosed in the notes to the financial statements.

Exploration and evaluation expenditures

The Company expenses exploration and evaluation expenditures as incurred. Exploration and evaluation expenditures include acquisition costs of mineral properties, property option payments and evaluation activity.

Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit.

Equipment

On initial recognition, equipment is valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items.

Equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses. Depreciation is based on the cost of an asset less its residual value. Depreciation is recognized in profit or loss over the estimated useful life of the exploration equipment on a 20% declining balance basis.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

The cost of replacing part of an item of equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of equipment are recognized in profit or loss as incurred.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Leases

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability is included in the statement of financial position as a finance lease payable.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Financial assets

Financial assets are classified at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or derivatives. The Company determines the classification of its financial assets at initial recognition. The Company's cash, sundry receivables and refundable performance bonds have been classified as loans and receivables.

Financial assets at fair value through profit or loss are initially recognized at fair value with changes in fair value recorded through net loss and comprehensive loss. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. Loans and receivables are carried at amortized cost less any impairment.

Financial liabilities

Financial liabilities are classified at fair value through profit or loss, other financial liabilities, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. The

Company has classified its accounts payable and accrued liabilities and finance lease as other financial liabilities.

All financial liabilities are recognised initially at fair value and in the case of other financial liabilities, plus directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest and any transaction costs over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition.

Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted.

Evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- the likelihood that the borrower will enter bankruptcy or financial re-organization.

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 Company does not have any financial statements that are carried at fair value.

The carrying values of the Company's financial assets and financial liabilities approximate fair values given their short-term nature.

The Company is exposed to a variety of financial risks: credit risk, liquidity risk, property 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, 2012 and 2011.

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 December 31, 2012		As at December 31, 2011	
	Carrying Value \$	Approximate fair value \$	Carrying Value \$	Approximate fair value \$
<i>Loans and receivables</i>				
Cash	31,380	31,380	36,172	36,172
Sundry receivables	54,343	54,343	56,013	56,013
Deposit	88,394	88,394		
<i>Other financial liabilities</i>				
Accounts payable and accrued liabilities	44,256	44,256	20,000	20,000
Finance Lease	22,755	22,755	-	-

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 December 31, 2012, the Company had a cash balance of \$31,380 (2011 – \$36,172) to settle current liabilities of \$67,011 (2011 – \$20,000).

Credit Risk

The Company's credit risk is primarily attributable to sundry receivables. The Company has no significant concentration of credit risk arising from operations. Cash equivalents, when applicable, consist of guaranteed investment certificates, which will be 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 may have 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 December 31, 2012, an application for the refund of the performance bond was approved and \$30,447 was received by the Company.

The refund of input tax credit on HST in the amount of \$52,570 was received by the Company in February 2013.