

**TALMORA DIAMOND INC.**  
**6 Willowood Court, Toronto, Ontario M2J 2M3**

**Management's Discussion & Analysis**  
**For the quarter ending March 31, 2011**

Date: June 29, 2011

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

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

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

**Listing on CNQ/CNSX**

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

**General**

The Board of Talmora consists of four members, including;

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

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

## Overall Performance

Talmora is a diamond exploration company with one property consisting of 577,153 acres of permits and 54,787 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. \$1,461,940 has been spent on exploration of the property to March 31, 2011 including deposits on permits of \$88,394.

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

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

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

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

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

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

The Company's most prospective magnetic anomalies must be tested by drilling. A 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 has been initiated.

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

### Selected Annual Information

As at March 31, 2011, the Company had cash and cash equivalents totaling \$72,318 and working capital of \$30,247.

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

<b>Talmora Diamond Inc.</b>		
	3 Months ended March 31, 2011 (\$)	Year ended December 31, 2010 (\$)
Cash, Cash Equiv.	\$72,318	\$145,311
Working Capital	\$30,247	\$135,962
Mineral Exploration	\$33,551	\$51,920
Total assets	\$186,616	\$245,566
Total liabilities	\$67,975	\$21,210
Interest Revenues	-	\$756
Admin. Expenses (incl. bank charges)	\$67,741	\$94,798
Professional Fees	\$4,423	\$23,286
Net (Loss)	(\$106,861)	(\$174,772)
Net (Loss) Per Share	(\$0.003)	(\$0.001)

### Factors Causing Variations

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

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

## **Results of Operations**

### **Horton River Project, NWT**

Talmora has one significant project for which it has raised \$1,948,388 since August 2004 and on which it has expended \$1,461,940 on exploration to March 31, 2011 including deposits for permits of \$88,394.

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

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

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

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

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

## **Geology**

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

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

### **Cu-Au-U Targets**

Along one of the "dykes" on the west side of Talmora's property are 4 strongly magnetic circular structures or "blows" which have model widths of about 700-1300m and appear to be at the same depth as the "dyke". The "blows" may be related to the "dykes" in the same way that the "large magnetic anomaly" at Paulatuk may be related to the "dykes" at that location. The "blows" may be

the feeder pipes of an intrusive similar to that which is believed to be the cause of the “large magnetic anomaly” at Paulatuk or of an extrusive that has subsequently been eroded.

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

### ***Kimberlite Targets***

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

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

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

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

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

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

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

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

A program costing \$2,000,000 - \$4,000,000 should establish the potential of the new permits for hosting kimberlites and confirm whether or not kimberlites are present on the part of the property explored to date.

### ***Budget***

Staking 75,000 acres @ \$2/acre (contract staker cost)	\$150,000	
Data Processing & planning	100,000	
<b><i>Drill Program</i></b>		
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
<b><i>Airborne Magnetic Survey</i></b> - 12,000 line kilometers		425,000
<b><i>Sampling Program</i></b>		
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
<b><i>Supervision &amp; support</i></b>		
		500,000
<b>Total</b>		<b>\$4,050,000</b>

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

## Property Commitments

The Company at March 31, 2011 held eleven prospecting permits (433,831 acres) and 175 claims (54,787 acres) in the Horton River area, south of Paulatuk in the Northwest Territories. One of the permits (71,661 acres) and all of the claims are in the Inuvialuit Settlement Area and ten of the permits (362,170 acres) are in the adjoining Sahtu Settlement Area. All are on crown land.

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

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

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

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

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

Property Units		Size <u>Acres</u>	Record <u>Date</u>	Current <u>Expiry Date</u>
125	claims	12,860.85	Aug. 13, 2009	Aug.13, 2011
9	claims	23,242.50	Oct. 11, 2007	Oct. 11, 2013
10	claims	1,187.95	Oct. 11, 2007	Oct. 11, 2016
<u>31</u>	claims	17,495.70	Oct. 11, 2007	Oct. 11, 2017
175		54,787.00		

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

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

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

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

### Contingencies

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

### Flow-Through Renunciation

The Company renounced flow-through expenditures in the amount of \$60,000 to investors with an effective date of December 31, 2010. Of this amount, \$33,551 of expenditures were incurred to March 31, 2011. The Company is committed to incur the balance of \$26,448 prior to December 31, 2011 on a best efforts basis. 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.



## Variance to Original Budget of M.Millard (2005)

Budget M. Millard (2005)			Actual R. Davies assessment work reports (2008 & 2009)	
<b>Phase 1</b> [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		
<b>Exploration sub-total</b>		<b>\$405,000</b>		<b>\$414,987.42</b>
<b>Administration</b>		<b>\$100,000</b>	2007 expenses	<b>\$169,778.00</b>
	Total	<b>\$505,000</b>		<b>\$584,765.42</b>
<b>Phase 2a</b> [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		
<b>Exploration sub-total</b>		<b>\$355,000</b>		<b>\$341,534.03</b>
<b>Administration</b>		<b>\$100,000</b>	2008 expenses to Dec. 31	<b>\$148,946.00</b>
	Total	<b>\$455,000</b>		<b>\$490,480.03</b>
<b>Phase 2b</b> [assumes continued encouragement]				
Drilling	4 targets @ \$80,000	\$320,000		
	Contingency @ 20%	\$66,000		
<b>Exploration sub-total</b>		<b>\$386,000</b>		
<b>Administration</b>		<b>\$50,000</b>		
	Total	<b>\$436,000</b>		
<b>Exploration Total</b>		<b>\$1,146,000</b>		<b>\$756,521.45</b>
<b>Administration Total</b>		<b>\$250,000</b>		<b>\$318,724.00</b>
<b>Grand Total</b>		<b>\$1,396,000</b>		<b>\$1,075,245.45</b>

## 2009 Field Program on

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

	<b>2010 Data Evaluation and Reporting</b>	
	Staking	32,581
	Sample sorting and analysis	22,701
	Geophysics	<u>25,303</u>
Exploration sub-total		\$80,585
Administration Expenses sub-total		<u>\$118,084</u>
	Total	\$198,669
	<b>2011 Data Evaluation and Reporting</b>	
	Travel – Accommodation and Meals etc	1,368
	Travel – airline, and taxi	986
	Sample sorting and analysis	10,565
	Conference	124
	Field Reporting and assessment	2681
	Exploration – Professional Services	17,438
	Legal and Licences	<u>390</u>
Exploration sub-total		33,552
Administration Expenses sub-total		<u>72,164</u>
	Total	105,716
Grand Total (with 2010-11 Programs)		<u>\$1,840,200</u>

Phase 1 exploration costs were very much on budget with higher airborne survey cost due to higher line kilometers flown and higher staking cost due to greater number of claims staked.

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

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

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

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

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

## Summary of Quarterly results for Talmora Diamond Inc

<b>(a) Year</b>	<b>2011</b>	<b>2011</b>	<b>2011</b>	<b>2011</b>
<b>(b) Quarter</b>	December 31	September 30	June 30	March 31
Cash, Cash Equivalent				\$72,318
Working Capital				\$30,247
Interest Revenue				-
Administrative Expenses				\$67,723
Mineral Exploration Expenditures				\$33,551
Cash in (out) flow				(\$72,993)
Net Income (Loss)				(\$106,861)
Net Income (Loss) (per share)				(\$0.003)
Total Assets				\$186,616
Total Liabilities				\$67,975

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

<b>(a) Year</b>	<b>2010</b>	<b>2010</b>	<b>2010</b>	<b>2010</b>
<b>(b) Quarter</b>	December 31	September 30	June 30	March 31
Cash, Cash Equivalent	\$145,311	\$24,889	\$18,839	\$133,365
Working Capital	\$135,962	\$55,279	\$83,519	\$136,565
Interest Revenue	\$45	\$630	\$81	-
Administrative Expenses	\$14,079	\$18,687	\$38,897	\$23,241
Mineral Exploration Expenditures	\$17,687	\$9,729	\$14,212	\$10,292
Cash in (out) flow	\$120,422	\$6,050	(\$114,526)	(\$39,513)
Net Income (Loss)	(\$31,939)	(\$49,932)	(\$59,113)	(\$33,788)
Net Income (Loss) (per share)	\$0.001	(\$0.001)	(\$0.002)	(\$0.001)
Total Assets	\$245,566	\$123,212	\$182,365	\$216,385
Total Liabilities	\$21,210	\$8,204	\$39,117	\$20,091

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

The mineral exploration costs in the first quarter 2011 were \$33,551 (\$17,687 in December 2010 quarter). The uptick in exploration expenditures in the first quarter is essentially the \$10,565 for sample sorting and analysis and \$17,438 for field reporting and assessment. Administrative expenses of \$67,164 in the first quarter ended March 31, 2011 (fourth quarter 2010, \$14,079 in the third quarter, \$18,681 in the second quarter 2010) are up due to delayed invoicing of normal expenses.

The net loss of \$106,861 in the first quarter of 2011 (\$31,939 for the fourth quarter 2010; \$49,932 loss in the third quarter, \$59,113 loss for the June 30, 2010 quarter) reflects an increase in administrative expenses. Net loss has also increased upon adoption of IFRS as a result of expensing exploration and evaluation expenditures rather than capitalizing. This difference reflects a change in the treatment of mineral exploration costs from Canadian GAAP (capitalized) to IFRS requirements (expensed).

The balance sheet shows a decrease in working capital from \$135,962 as at December 31, 2010, to \$30,247 as at March 31, 2011, due to the delayed payment of invoices.

## **Liquidity**

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

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

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

## Financing

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

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

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

The continuing global financial uncertainty through 2009 and 2010 is making a major funding at this time difficult. Private placements of \$305,929 (June 2009) and \$289,459 (November, 2009) to cover administrative expenses and to carry out a limited field exploration program were completed. A small private placement of \$165,000 to cover administration and exploration in early November was completed in December 2010. A major funding of up to \$1,250,000 has been initiated and will cover the cost of testing some of the Company's magnetic targets, staking within current prospecting permits, and the administrative expenses into 2012.

As at March 31, 2011 there are 36,982,679 common shares issued and outstanding. 10,653,872 common shares subject to issuance are comprised of 7,603,872 warrants and 3,050,000 management incentive options.

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

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

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

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

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

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

As at March 31, 2011, Talmora had a working capital in the amount of \$30,247 compared to the December 31, 2010, amount of \$135,962; \$55,729 as at September 30, 2010, \$83,519 as at June 30, 2010; and \$136,565 as of March 31, 2010. The reduction in working capital is essentially the cost of administering the Company.

There were no interest revenues for the quarter ending March 31, 2011 (as compared to December 31, 2010, amount of \$45; September 31, 2010 of \$630, June 30, 2010, of \$81, and \$Nil for the quarter ended March 31, 2010) as cash on hand was invested.

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

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

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

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

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

In connection with the financing, the Company incurred legal fees of \$1,200.

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

Subsequent to December 31, 2010, the Company renounced flow-through expenditures in the amount of \$60,000 to investors with an effective date of December 31, 2010. Of this amount \$33,551 of expenditures were incurred to March 31, 2011. The Company is committed to incur the balance of \$26,449 prior to December 31, 2011 on a best efforts basis. 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:

	<u>Options</u> #	<u>Weighted Average</u> <u>Exercise Price</u> \$
Balance, December 31, 2009	1,600,000	0.10
Granted March 1, 2010	50,000	0.05
Granted June 9, 2010	<u>1,400,000</u>	0.05
Balance, December 31, 2010 and March 31, 2011	<u>3,050,000</u>	

As at March 31, 2011, the following options were issued and outstanding

<u>Options Granted</u> #	<u>Options</u> <u>Exercisable</u> \$	<u>Exercise Price</u> \$	<u>Expiry date</u>	<u>Remaining</u> <u>Contractual</u> <u>Life (years)</u>
1,600,000	1,600,000	0.10	April 25, 2012	1.07
50,000	42,154	0.05	March 1, 2015	3.92
<u>1,400,000</u>	<u>964,861</u>	0.05	June 9, 2015	<u>4.19</u>
<u>3,050,000</u>	<u>2,607,015</u>			<u>2.55</u>

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

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

The weighted average grant date fair value of the options issued during the period ended March 31, 2011, is \$Nil, (December 31, 2010 - \$0.0055). The fair value of the options was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 105%; risk free interest rate of 2.65%; and expected life of five years.

#### Share-based payment reserve

	Amount
	\$
Balance, January 1, 2010	121,600
Employee stock compensation	<u>5,524</u>
Balance, December 31, 2010	127,124
Employee stock based compensation	<u>1,146</u>
<b>Balance, March 31, 2011</b>	<b><u>128,270</u></b>

#### 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:

	Three months ended March 31	
	2011	2010
	\$	\$
Salaries and benefits	71,321	19,184

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

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



## **SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

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

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

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

## **Subsequent Events**

A Private Placement to raise up to \$1,250,000 has been initiated. Most of the placement is proposed to be brokered on which the Company will pay a cash commission to be negotiated.

## **NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED**

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

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

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

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

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

## **SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

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

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

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

## **FIRST TIME ADOPTION OF IFRS**

### **Notes to the IFRS reconciliation above**

#### **a) Exploration and evaluation expenditures**

On transition to IFRS, the Company elected to expense exploration and evaluation expenditures as incurred. Previously, the Company's Canadian GAAP policy was to capitalize exploration and evaluation expenditures as incurred. As a result of expensing exploration and evaluation expenditures, the deferred tax impact of temporary differences related to the capitalized exploration and evaluation expenditures were derecognized. In addition, on transition the Company reclassified certain exploration and evaluation expenditures related to permits as deposit. As at the Transition Date and as at December 31, 2010 capitalized exploration and evaluation expenditures decreased by \$1,347,804 and \$1,428,389 respectively with an increase to deposit by \$59,729 as at the Transition Date and \$88,394 as at December 31, 2010. The Company's net loss and comprehensive loss for twelve month period decreased by \$51,920 and accumulated deficit increased by \$1,339,995 and opening deficit as of January 1, 2010 increased by \$1,288,075.

#### **b) Flow through shares**

On transition to IFRS, the Company elected to follow US GAAP whereby flow-through proceeds are allocated between the offering of the common shares and the sale of tax benefits when the common shares are offered. The allocation is made based on the difference between the market value of the common shares and the amount the investor pays for the flow-through shares. A liability is recognized for the premium paid by the investors and is then recognized in operations in the period of renunciation. If flow-through shares are sold at a discount, this policy does not apply and the flow-through shares issued follow applicable IFRS guidance. Previously, the Company's Canadian GAAP policy was to adopt the recommendations of EIC 146 with respect to the accounting for flow-through shares. This resulted in the Company reducing the net proceeds of the flow through share issuance by the future tax liability of the Company resulting from the renunciation of the exploration and development expenditures in favor of the flow-through share subscribers. As at the Transition Date, share capital increased by \$119,000, deferred tax asset decreased by \$22,500 and the accumulated deficit increased by \$141,500. As at December 31, 2010, share capital increased by \$165,475, deferred tax liability decreased by \$14,200, income tax recovery decreased by \$29,425, warrant reserve increased by \$19,650 and accumulated deficit increased by \$185,125.

#### **c) Reclassification within equity section**

IFRS requires an entity to present for each component of equity, a reconciliation between the carrying amount at the beginning and end of the period, separately disclosing each change. The Company examined its "contributed surplus" account and concluded that as at the Transition Date, the expired unexercised warrants and stock options would be reclassified to accumulated deficit with the remaining balance being classified as share-based payment reserve representing stock options exercisable. As at the Transition Date and December 31, 2010, share-based payment reserve decreased by \$175,250 and the accumulated deficit decreased by \$175,250.