

TALMORA DIAMOND INC
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Management's Discussion & Analysis
For the period ending March 31, 2017

Date: May 27, 2017

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the audited financial statements of Talmora Diamond Inc. (the "Company" or "Talmora") for the year ended December 31, 2016.

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 Company at the time the statements were made.

The technical information contained in this release was compiled by Alan W. Davies, P.Eng. P.G., who is the Vice-President of Exploration for Talmora. Alan W. Davies is a qualified person as defined by National Instrument 43-101.

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, 2016 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 56,026.80 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. \$3,097,339 has been spent on exploration (including administration) of the property to March 31, 2017.

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.

- 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. \$430,000 raised in 2012 was used to carry out assessment work required on certain claims. Since 2012 the commodities market has been bad and Talmora has not been able to raise sufficient funds to test the numerous targets on its property.

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 have been 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 cuttings 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 a minimum of \$1,000,000 - \$2,000,000 should confirm whether diamondiferous 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 March 31, 2017, the Company had cash totaling \$8,004 and working capital of \$1,432. A major financing is required for a drill program in 2017-2018, and to cover future administration costs

	3 Months ended March 31, 2017 (\$)	Year ended Dec. 31, 2016 (\$)
Cash	8,004	13,187
Working Capital	1,432	22,513
Mineral Exploration— cum. Total	2,108,269	2,107,115
Total assets	15,492	29,162
Total liabilities	9,073	-
Interest Revenues		14
Admin. Expenses	10,747	60,046
Professional Fees	9,180	9,180
Net (Loss)	(22,743)	(93,725)
Net (Loss) Per Share	(0.001)	(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 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.

Since 2012 there has been no field work and work related to the property has been more evenly spread throughout the year.

Results of Operations

Horton River Project, NWT

Talmora has one significant project for which it has raised \$3,267,017 since August 2004 and on which it has expended cumulative expenditures of \$2,108,269 on exploration to March 31, 2017.

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. 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 cuttings 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 were examined for kimberlite indicator minerals (KIMs).

A small piece of clay was recovered in one packsack drill hole and allowing for some quartz contamination has characteristics of tropically weathered kimberlite. KIMs recovered from the cuttings include chromite, Mn-ilmenite and picro-ilmenite.

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 significant diamondiferous Dharma kimberlites (13 diamonds >0.85mm weighing 0.9 carats recovered from 1457.37 kg of core by caustic fusion) ⁽¹⁾. 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 ⁽²⁾. 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 by the Geological Survey of Canada 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 120km 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.

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.

\$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 have been 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 is probably 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. When the Talmora clay is calculated on a quartz-free basis it closely matches analyses of Sierra Leone weathered kimberlites calculated on the

same basis. 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 and all contained KIMs. Hole THD-3 contained 2 Mn-ilmenites (or altered ilmenites) including 1 with diamond inclusion composition, hole THD-4 contained 12 Mn-ilmenites (or altered ilmenites) including 6 with diamond inclusion composition, 14 spinels and 1 picro-ilmenite (10.23% MgO; 3.24% Cr₂O₃) and THD-5 contained 3 Mn-ilmenites (or altered ilmenites) and 1 picro-ilmenite (9.73% MgO; 0.39% Cr₂O₃). The chromites lie on a relatively narrow compositional trend line indicating a single population and one grain plots in the Argyle chromite field. THD-4 contained notable galena and THD-5 contained a significant amount of sulphides.

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 (minimum 1,000,000 - \$2,000,000) should confirm whether or not diamondiferous 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.

References

- (1) *www.SEDAR.ca postings: Sanatana Diamonds Inc. Dec 20, 2007 and Jul 16, 2008*
- (2) *Agashev, A.M. , Kuligin, S.S., Orihashi, Y., Pokhilenko, N.P., Vavilov, M.A. & Clarke, D. (2008): The ages of zircons from the Jurassic sediments of Bluefish River slope, NWT Canada and the age of kimberlite activity Lena West. 9th International Kimberlite Conference, Extended Abstract No. 9IKC-A00170, 3 p.*

Property Commitments

As at March 31, 2017, the Company held 90 claims (56,026.80 acres) in the Horton River area, south of Paulatuk in the Northwest Territories. All eleven permits it held at the end of 2011-lapsed or were allowed to lapse on January 31, 2012. Most of the claims (88 covering 50,965.10 acres) are in the Inuvialuit Settlement Area and 2 of the claims (5,061.7 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.

A report on the work carried out in 2012 was approved and extended the life of 9 claims to October 11, 2016.

All performance bonds on permits where work had been performed have been refunded and there are none outstanding.

Certain claims with insufficient work credits, have lapsed at December 31, 2016 (121 claims, 127,757.5 acres). 40 Claims on which sufficient work has been done will be taken to lease before October 11, 2017. Application was made to take 40 claims, (40,738.20 acres) to lease which have a current expiry date of October 11, 2017

Current expiry dates on the claims are shown below:

Property Units	Size Acres	Record Date	Current Expiry Date
40 Claims	40,738.20	Oct. 11, 2007	Oct. 11, 2017
6 Claims	7,644.20	Sept.22, 2011	Sept. 22, 2018
14 Claims	1,291.25	Aug. 13, 2009	Aug. 13, 2019
30 Claims	6,353.15	Sept.22, 2011	Sept. 22, 2021
90 claims	56,026.80 acres		

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		<i>\$100,000</i>	2007 expenses	\$169,778.00
	Total	\$505,000		\$584,765.42
Phase 2a [assumes encouragement from phase 1]				
Till sampling [follow-up, target evaluation]	200 samples @ \$1000	\$200,000	178 [target evaluation]	\$316,403.30
Stream samples [follow-up]	50 @ \$1500	\$75,000		
Ground magnetic survey	8 targets @ \$6,000	\$48,000	10 anomalies	\$25,130.73
	Contingency @ 20%	\$32,000		
Exploration sub-total		\$355,000		\$341,534.03
Administration		<i>\$100,000</i>	2008 expenses to Dec. 31	\$148,946.00
	Total	\$455,000		\$490,480.03
Phase 2b [assumes continued encouragement]				
Drilling	4 targets @ \$80,000	\$320,000		
	Contingency @ 20%	\$66,000		
Exploration sub-total		\$386,000		
Administration		<i>\$50,000</i>		
	Total	\$436,000		
Exploration Total		\$1,146,000		\$756,521.45
Administration Total		<i>\$250,000</i>		<i>\$318,724.00</i>
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	189,665
Exploration sub-total		349,126
Administration Expenses sub-total		111,444
	Total	\$460,570

2010 Data Evaluation and Reporting

	Staking	32,581
	Sample sorting and analysis	22,701
	Geophysics	25,277
Exploration sub-total		80,585
Administration Expenses sub-total		118,084
	Total	\$198,669

2011 Field Program, Evaluation & Reporting

	Staking	40,678
	ASTER image ground truthing	219,388
Exploration sub-total		260,066
Administration Expenses sub-total		169,533
	Total	\$429,599

2012 Field Program, Evaluation & Reporting

Exploration sub-total	Reporting, Packsack drilling, sampling	374,041
Administration Expenses sub-total		100,568
	Total	\$474,609

2013 Field Program, Evaluation & Reporting

Exploration sub-total	Reporting, sample sorting/analyses, assessment	95,616
Administration Expenses sub-total		89,880
	Total	\$185,496

2014 Field Program, Evaluation & Reporting

Exploration sub-total	Professional Services& licences	21,107
Administration Expenses sub- total		81,475
	Total	\$102,582

Sub-total to end December 31, 2014 ALL \$2,955,133**2015 Field Program, Evaluation & Reporting**

Exploration sub-total	Professional Services. analyses & Licences *	4,791
Administration Expenses sub- total		<u>53,969</u>
	Total	58,760

Sub-total to end December 31, 2015 ALL \$3,013,893**2016 Field Program, Evaluation & Reporting**

Exploration sub-total to December 31, 2016		11,499
Administration Expenses sub- total		<u>60,046</u>
	Total	71,545

2017 Field Program, Evaluation & Reporting

Exploration sub-total to March 31, 2017		1,154
Administration Expenses sub- total		<u>10,747</u>
	Total	11,901

Grand Total as at March 31, 2017, Program**3,097,339**

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 Diamond 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 of 2012 and for first, second and third quarters of 2013 are part of the cost of the Packsack drill and surface sampling program for assessment work purposes.

2014 expenses during the year were for evaluation and reporting.

2015 exploration expenses were \$4,791. An accrued liability of \$9,780 was deducted from the total exploration expenses of \$14,571. The adjustment was due to a 2013 accrued liability billing estimate that was reversed in June, 2015. Administrative costs were at less than normal level.

2016 exploration expenses were \$11,499. Administrative costs were at less than 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. Until a major drill program is initiated the property will be maintained with less expensive exploration such as sampling and ground geophysics.

2017 exploration expenses were \$1,154. Administrative costs were at less than normal level

SUMMARY OF QUARTERLY RESULTS

(a) Year	2017	2017	2017	2017
(b) Quarter	December 31	September 30	June 30	March 31
Cash and cash equivalents				8,004
Working capital				1,432
Interest revenue				0
Admin. Expenses				10,747
Exploration and evaluation expenditures				1,154
Cash in (out) flow				(5,179)
Net (Loss)				(22,743)
Net (Loss) per share				
Total assets				15,492
Total liabilities				9,073

(a) Year	2016	2016	2016	2016
(b) Quarter	December 31	September 30	June 30	March 31
Cash and cash equivalents	13,187	40,554	58,630	6,443
Working capital	22,513	41,698	63,365	8,131
Interest revenue	-	-	-	14
Admin. Expenses	8,296	21,667	26,156	3,928
Exploration and evaluation expenditures	10,889	-	610	-
Cash in (out) flow	(27,367)	30,216	48,282	(3,895)
Net (Loss)	27,212	23,329	(28,428)	(14,756)
Net (Loss) per share	0.001	0.001	0.001	0.001
Total assets	29,162	56,413	73,338	19,766
Total liabilities	-	6,404	-	-

There were little administrative exploration expenditures in the first quarter of 2017 as funds were low. There were no exploration expenditures in the first quarter of 2016, \$610 in minor exploration expenditures in the second quarter and none in the third quarter as funds were low. There were small exploration expenditures in the 2016 fourth quarter in the amount of \$11,499.

Administration expenses of \$10,747 in the first quarter ended March 31, 2017, compared to \$8,296 in the fourth quarter ended December 31, 2016, compared to \$21,667 in the third quarter ended

September 30, 2016, compared to \$26,156 in the second quarter ended June 30, 2016 compared to \$3,928 for the first quarter ended March 31, 2016. Funds raised in May 2016 allowed the payment of invoices not paid in the first quarter of 2016.

Finally, the balance sheet indicates a balance in working capital of \$1,432 at March 31, 2017, compared to \$22,509 at December 31, 2016 compared to 41,698 at September 30, 2016 compared to \$63,365, at June 30, 2016, compared to \$8,131, at March 31, 2016.

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.

A financing was initiated in August 2013, however, the Company closed the non-brokered private placement financing on September 16, 2013, before its planned completion in order to distribute the results of kimberlite indicator mineral (KIM) analyses received from De Beers Analytical Services, Johannesburg, South Africa. Subscriptions received prior to receipt of sample results amounted to 903,789 Units, comprised of 526,509 Hard Dollar Units that were sold at \$0.03 per Unit and 377,280 Flow-through Units that were sold at \$0.04 per Unit, for gross proceeds of \$30,886. Reopening of the Financing was postponed to early 2014.

On March 21, 2014, the Company closed a non-brokered private placement financing for 3,307,333 units, comprised of 3,180,053 Hard Dollar Units that were sold at \$0.03 per Unit and 127,280

Flow-through Units that were sold at \$0.04 per Unit, for gross proceeds of \$100,493. Parts of the proceeds were used to cover exploration report writing and part administrative charges. (Series-12.)

On May 4, 2016, the Company closed a non-brokered private placement of 4,100,000 common shares at \$0.02 per unit for gross proceeds of \$82,000. Each unit consisted of one common share (Series-13.) Proceeds were used to cover exploration report writing and part administrative charges.

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

Talmora had cash in the amount of \$8,004 for the quarter ended March 31, 2017, compared to \$13,183 for the quarter ended December 31, 2016, compared to \$40,554 for the quarter ended September 30, 2016, compared to \$58,630 for the quarter ended June 30, 2016, compared to \$6,443 for the quarter ended March 31, 2016

The decrease in cash in the first quarter was due to normal administration costs as compared to \$13,183 in the fourth quarter of 2016, and the increase in cash in the second quarter of June 30, 2016 and third quarter of September 30, 2016 was due to the May 4, 2016 private placement financing of \$82,000, as compared to the decrease in cash in the first quarter of March 31, 2016, reflects the dwindling of cash, mainly used to pay for ongoing administrative charges.

As at March 31, 2017, Talmora had working capital of \$1,432 compared to \$22,509 as of December 31, 2016, compared to \$41,698 compared to September 30, 2016, compared to \$63,365, at June 30, 2016 compared to \$8,131 at March 31, 2016. There was no interest revenue in the fourth, third, second and first quarters of 2016, however there was \$14 (CRA refund) in the first quarter of 2016.

Administrative expenses for the first quarter 2017 was slightly higher than the fourth quarter 2016 which was at less than normal level as costs were reduced, as compared to funds in the third quarter of September 30, 2016 compared to second quarter of June 2016 was at normal level as compared to the first quarter of March 2016 which was less than normal as expenditures were reduced due to tight cash. A small financing will be required for ongoing expenses.

SHARE CAPITAL AND WARRANT RESERVE

Authorized

The authorized share capital consists of an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

Common shares issued

	NUMBER #	AMOUNT \$
Balance, December 31. 2014	61,198,801	2,885,678
Warrants exercised (iii)	2,100,000	126,687
Balance, December 31, 2015 and March 31, 2016	63,298,801	3,012,365
Common shares issued for cash (v)	4,100,000	82,000
Balance, December 31, 2016 and March 31, 2017	<u>67,398,801</u>	<u>3,094,365</u>

As at March 31, 2017, details of the common shares subject to issuance were:

There are 67,398,801 Common shares issued and outstanding.

5,630,000 Common shares subject to issuance are comprised of management incentive options

(i) On March 21, 2014 the Company closed a non-brokered private placement of 3,307,333 units comprised of 3,180,053 non-flow-through units at \$0.03 per unit and 127,280 flow-through units at \$0.04 per unit, for gross proceeds of \$100,493. Each unit consisted of one common share and one common share purchase warrant. Each whole common share purchase warrant entitles the holder to acquire a common share at a price of \$0.05 until March 21, 2015.

The grant date fair value of the warrants of \$34,156 or approximately \$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 201%; risk free interest rate of 0.48%; and a life of one year.

Directors and officers of the Company acquired a total of 2,750,000 units pursuant to this financing, for gross proceeds of \$83,000.

(ii) On August 8, 2014, a director of the Company exercised 250,000 warrants at \$0.05 per share to net the Company \$12,500.

(iii) During the year ended December 31, 2015, certain directors and officers of the Company exercised 2,100,000 warrants at \$0.05 per share to net the Company \$105,000. The warrants that were issued pursuant to the private placement on March 21, 2014 with an exercise price of \$0.05 per common share were extended for 12 months to March 21, 2016. All other terms of the warrants remained the same.

(iv) On March 21, 2016, the remaining 1,207,333 warrants of March 21, 2014 private placement (Series-12) expired, unexercised.

(v) On May 4, 2016, the Company closed a non-brokered private placement of 4,100,000 common shares at \$0.02 per share for gross proceeds of \$82,000. Each share consisted of one common share purchase. There were no common share purchase warrants attached to this subscription. (Series-13.)

Directors and officers of the Company acquired a total of 3,300,000 units pursuant to this financing, for gross proceeds of \$66,000.

A summary of changes in warrants is as follows:

	Warrant #	Weighted Average Exercise Price \$	Value \$
Balance, December 31, 2014	3,307,333	0.05	34,156
Exercised	(2,100,000)	0.05	(21,687)
Balance, December 31, 2015	1,207,333	0.05	12,469
Expired	(1,207,333)	0.05	(12,469)
Balance December 31, 2016 and March 31, 2017	-	-	-

As at March 31, 2017 the following warrants expired March 21, 2016, unexercised.

Number of Warrants #	Exercise Price \$	Value \$	Expiry Date
(1,207,333)	0.05	(12,469)	March 21, 2016

STOCK OPTIONS AND SHARE-BASED PAYMENT RESERVE

The Company has a stock option plan under which officers, directors, employees, and consultants of the Company 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, 2013 and December 31, 2014	5,368,000	0.05
Expired March 1, 2015	(50,000)	0.05
Expired June 9, 2015	(951,000)	0.05
Balance December 31, 2015 and March 31, 2016	4,367,000	0.05
Expired May 1, 2016	(100,000)	0.05
Expired December 16, 2016	(914,000)	0.05
Granted December 16, 2016	2,300,000	0.05
Balance December 31, 2016 and March 31, 2017	5,653,000	0.05

As at March 31, 2017, the following options were issued and outstanding:

Options Granted #	Options Exercisable #	Exercise Price \$	Expiry Date	Remaining Contractual Life (years)	Value \$
1,890,000	1,890,000	0.05	June 29, 2017	0.244	7,589
100,000	100,000	0.05	July 20, 2017	0.301	397
20,000	20,000	0.05	November 1, 2017	0.504	36
1,343,000	1,343,000	0.05	July 2, 2018	1.247	23,397
2,300,000	2,300,000	0.05	December 16, 2021	3.709	6,365
5,630,000	5,630,000	0.05			37,784

On December 16, 2016, the Company granted 2,300,000 stock options to directors, officers and consultants at \$0.05 until December 16, 2021. The stock options were assigned a value of \$6,365 or approximately \$0.0028, using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 120%; risk free interest rate of 1.21%; and an expected life of 5 years.

The weighted average exercise price of options outstanding and exercisable at March 31, 2017 is \$0.05 (2015 - \$0.05.) The options outstanding and exercisable as at March 31, 2017 have a weighted average remaining contractual life 1.201 years (2016 – 2.55 years).

Options were issued during December 31, 2016 and none for year ended December 31, 2015.

On December 16, 2016, the Company closed a non-brokered private placement of which Directors and officers of the Company acquired a total of 3,300,000 units pursuant to this financing, for gross proceeds of \$66,000, expiring on December 16, 2021. There were no common share purchase warrants attached to this subscription.

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.

Capital Management

When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to maintain appropriate returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary, in order to support the acquisition, exploration and development of its projects. The Board of Directors does not establish criteria for quantitative return on capital for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company considers its capital to be equity, which comprises share capital, warrant reserve and share-based payment reserve. The properties in which the Company currently has an interest are at

the exploration stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned project related development activities and pay for exploration and administrative costs, the Company will spend its existing working capital and plans to raise additional funds as needed.

The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate.

There was no change to the Company's approach to capital management during the years ended December 31, 2016 and 2015. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body.

Financial Instruments and Financial Risk Management

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 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, 2016 and 2015.

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 March 31, 2017, the Company had a cash balance of \$8,004 (2016 – \$6,643) to settle current liabilities of \$9,073 (2016 – NIL).

Credit Risk

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. Management believes that the credit risk 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 in its financial assets and liabilities as a result of changes in interest or foreign currency rates.

RELATED PARTY DISCLOSURES

Related parties include the Board of Directors, officers and members of close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

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. 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 March 31, 2017,	
	2016	2015
	\$	\$
Salaries and benefits	\$6,131	\$10,625
Share-based payments	-	-

As at March 31, 2017 the total exploration and evaluation expenditures included in the above table was \$1,069 (2016 - \$NIL) of which the balance of \$5,063 (2016 – NIL) charged to administration expense.

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

Included in accounts payable and accrued liabilities is \$9,072.91 as at March 31, 2017, (2016 – NIL)

See Share Capital and Warrant Reserve, page 17 and page 19, for details on related party private placement subscriptions and related warrant exercises.

Transactions Business Purpose:

Raymond Davies:	President. Planning and direction. Head office administrative and exploration work.
Alan W. Davies:	V-P Exploration, Planning and direction. Head office administrative and exploration work.
Robert Owen:	CFO, preparation of Financial and MDA reports.
Maria Grimes:	Corp. Secretary and bookkeeping.

All are self-employed. Time charges for Administrative and exploration work as well as expenses incurred on behalf of the Company are invoiced to Talmora Diamond Inc.

Related party subscription transaction

On May 4, 2016, the Company closed a non-brokered private placement of which Directors and officers of the Company acquired a total of 3,300,000 units pursuant to this financing, for gross proceeds of \$66,000. There were no common share purchase warrants attached to this subscription. (Series-13.)

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 September 30, 2013, with a corporation controlled by a shareholder, who is also an officer of the Company.

	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Balance, December 31, 2015	35,913	22,615	13,298
Additions in 2016	-	6,648	(6,648)
Balance December 31, 2016	35,913	22,615	13,298
Additions in 2017	-	1,662	(1,662)
Balance, March 31, 2017	35,913	30,926	4,987

BASIS OF PRESENTATION

The 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 these financial statements are based on IFRS issued and outstanding as of December 31, 2016.

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

New Accounting Standards and Interpretations Not Yet Adopted

During the year ended December 31, 2016, the Company adopted the amendment to the existing standard, IAS 1 – Presentation of Financial Statements (“IAS 1”). This amended standard did not have any material impact on the Company’s financial statements.

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2017 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of

the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

Significant Accounting Judgements and Estimates

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

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

- The 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. These assumptions are based largely on historical trends and management's expectations of the future. 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 Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

Significant Accounting Policies

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 net loss.

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 net loss 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.

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 March 31, 2017 and December 31, 2016 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, 2016 and December 31, 2015.

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, uncertain, difficult to quantify or the events giving rise to such contingent liabilities occur subsequent to the reporting date. In these cases 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, has 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.

Commitments and Contingencies**Flow-Through**

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. The company had no flow-through expenditure requirements in 2016

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 conducts its operations 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 Events

Application was made to take 40 claims, 40,738.20 acres to lease which have a current expiry date of October 11, 2017.

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

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

1. **Review:** I have reviewed the interim financial reports and interim MD&A (together, the “interim filings”) of Talmora Diamond Inc. (the “issuer”) for the interim period ended March 31, 2017.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.
2. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

Date: **29 May, 2017**

/s/ “Raymond Davies”

Raymond Davies

President and Chief Executive Officer

NOTE TO READER

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

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

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

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

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

3. **Review:** I have reviewed the interim financial reports and interim MD&A (together, the “interim filings”) of Talmora Diamond Inc. (the “issuer”) for the interim period ended March 31, 2017.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

Date: **29 May 2017**

/s/ “Robert Owen”

Robert Owen
Chief Financial Officer

NOTE TO READER

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

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
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