**TALMORA DIAMOND INC**
**6 Willowood Court**
**Toronto, Ontario M2J 2M3**
**Management's Discussion & Analysis**
**For the period ending June 30, 2018**

**Date: August 25, 2018**

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, 2017.

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, 2017 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 three prospecting permits covering 86,042.28 hectares and 81 claims covering 16,360.62 hectares 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. $3,216,360 has been spent on exploration (including administration) of the property to June 30, 2018.

An airborne magnetic survey has detected numerous 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.

Following the market crash of 2008 management focused on asset preservation and acquisition of new ground adjoining the Company's original claims and has had drill ready targets since 2012. The commodities market has been bad and it has not been possible to raise sufficient funds to conduct a drill program. However, Talmora has continued to review the public record as assessment work on adjacent properties has been made public.

In the fall of 2017 a study of multi-element ICP analyses of glacial tills NW of the Talmora property revealed a large well-defined train of kimberlite pathfinder elements focussed on a large magnetic anomaly first identified by Sanatana Resources Inc. in 2007 on an airborne magnetic survey flown at 400 m line spacing. The pathfinder train coincides with an anomalous train of chromites, picro-ilmenites and Mn-ilmenites. Some of the Mn-ilmenites have diamond inclusion compositions. The large anomaly initially received little attention presumably because only 4 pyrope garnets were found in 3 samples near the anomaly and none further down-ice but there were numerous pyropes further west where a number of magnetic anomalies were tested by Sanatana unsuccessfully. At the time the destructive effect of Eocene weathering on garnets was not recognised nor was the usefulness of Mn-ilmenites recognised as a KIM and one resistant to tropical weathering. Little weight was given to chromites alone as many had compositions in the overlap field between kimberlites and layered complexes and they seemed ubiquitous. Anomalous KIMs were described as a cloud rather than a train. If the anomalous KIMs in samples spaced 10 kilometers defined a train the source would have to be exceptionally large.

Having recognised the large magnetic anomaly with its pathfinder and KIM train Talmora applied for three prospecting permits over the area. These were granted on February 1, 2018. They give the Company exclusive rights for 5 years provided certain expenditures are made. A performance deposit of $21,672.49 was made at the time of the grant and increasing deposits will be made at the end of years 2 ($43,344.98) and 4 ($86,689.96) all of which are refunded after an equivalent amount of work has been done. The large size of the anomaly is a game changer for Talmora and the presence of Mn-ilmenites is indicative of large high value superdeep diamonds.

On July 6, 2018 signed an agreement with Olivut Resources Ltd. in which with Olivut can earn a 50% interest in one of the permits and 29 of the claims by spending $1.2 million over two years and making a cash payment to Talmora of $200,000. The plan is to define the new magnetic anomaly for drilling as early as possible.

**Selected Annual Information**

As at June 30, 2018, the Company had cash totaling $7,139 and working capital of 12,502 A major financing is required for a drill program in 2018-2019, and to cover future administration costs

| | 6 Months ended June 30, 2018 ($) | Year ended Dec. 31, 2017 ($) |
|---|---|---|
| Cash | 7,139 | 5,681 |
| Working Capital | 12,502 | 8,341 |
| Mineral Exploration– cum. Total | 2,137,098 | 2,137,285 |
| Total assets | 12,502 | 13,736 |
| Total liabilities | - | 5,395 |
| Additional income/interest | 152 | - |
| Admin. Expenses | 13,151 | 51,969 |
| Professional Fees | 9,180 | 9,180 |
| Net (Loss) | (43,989) | (112,972) |
| Net (Loss) Per Share | (0.00) | (0.00) |

**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 $3,392,317 since August 2004 and on which it has expended cumulative expenditures of $2,137,098 on direct exploration to June 30, 2018.

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. Cluster analysis of the mineral chemistry of KIMs from neither of these areas matches that of the KIMs west of Talmora. However, the KIMs on the Talmora property, allowing for the destruction of some silicate KIMs during Eocene "lateritization", do match those to the west.

Diamondex showed that many of their KIMs were from the base of the Cretaceous sediments and that the primary source was to the east. Most of the Sanatana property also lies within the Cretaceous basin. It is significant that most of the Talmora property occupies an upland plateau outside the Cretaceous basin. The plateau was subjected to tropical weathering during the Eocene thermal maximum and much of the weathered zone has been preserved.

**Geology of Talmora Property**

Most of the Talmora property is underlain by limestone of Ordovician age with a thin cover of glacial drift. An outcrop of Cretaceous sediment is preserved in a dolomite gully on a tributary of the Horton River in the northern part of the property 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.

**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". 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 Packsack Drill 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.

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. When the Talmora clay analysis 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. 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.

**Exploration Bear Market (2011 to present) and Seahorse Lake Anomalies**

During a difficult market for financing diamond exploration projects Talmora's management has reviewed assessment work files on neighbouring properties as they have been released to the public. Most of the work done across Lena West is now a part of the public record.

The field and laboratory work across Lena West is of high quality having been done by Nik Pokhilenko's Russian Team/Diamondex, De Beers/Pure Gold, Kennecott/Sanatana, De Beers/Darnley Bay and De Beers/Talmora. Diamondex collected stream samples whereas the others collected similar sized till samples.

Talmora's work during this time of limited funds has focused on evaluating the probability of the Horton area being the source of the Lena West KIMs and associated diamonds. The Horton area appears to be favourable for diamonds but there is the question why it is deficient in pyrope garnets relative to other areas.

Structural Studies

Evidence was presented in 2012 at the 10th International Kimberlite Conference (10IKC) to show that the Horton area lies on a "zone of anomalous mantle" that was the northern extension of the Slave dimondiferous kimberlite trend displaced on a major fault(s) parallel to the north arm of Great Bear Lake. It also coincides with a favourable morphostructure that straddles the "zone of anomalous mantle".

Evidence for the Great Bear fault zone was presented at the joint 13th South African Geophysical Association (SAGA) Biennial / 6th International Conference in Airborne Electromagnetics (AEM) Conference in 2015, the 43th Annual Yellowknife Geoscience Forum in 2015 and 35th International Geological Congress in 2016.

Paleo-weathering Studies

Evidence of laterite and tropical weathering in the Horton area was recognized during the first field season. It explained the near absence of pyrope garnets and chrome diopside while there were anomalous numbers of chromites and ilmenites. The evidence was presented at the 39th Annual Yellowknife Geoscience Forum in 2011, 10th International Kimberlite Conference in 2012, 44th Yellowknife Geoscience Forum in 2016 and 8th Oppenheimer De Beers Group Research Conference in 2017.

Eocene (55 Ma) tropical weathering affected all of the Canadian north but generally the weathered zone has been eroded and any remnants have been removed by glaciation. In the Horton area post-Eocene erosion was minimal and because of the area's location on the flank of the unglaciated Melville Hills glaciation had little or no effect and the weathered zone has been preserved.

Studies relating Lena West KIMs to the Horton Area

The similarity of Lena West ilmenites to those of the Horton area and how they differ from those in the Darnley Bay and Dharma areas was first presented at the 39th Annual Yellowknife Geoscience Forum in 2011. Cluster analysis of the chromites showing the same relation was presented at the 35th International Geological Congress in 2016 and cluster analysis of the pyrope garnets was presented at the 8th Oppenheimer De Beers Group Research Conference in 2017.

All the Lena West KIMs match those of the Horton area but differ from those of the Darnley Bay and Dharma areas and because the Diamondex team showed that most if not all of the Lena West KIMs were derived from concentrates at the base of the Cretaceous basin the most likely source of the Lena West KIMs is the Horton area which lies outside the basin.

Kimberlite Pathfinder Element Studies

Dolomite covers most of the Horton area so that tracing kimbelite pathfinder elements in glacial till could be a useful tool for discovering kimberlite pipes. Talmora and Sanatana have multielement analyses on all till samples and the initial study showed anomalous pathfinder elements down-ice of the Horton area supporting a presence of a kimberlite cluster. This was presented at the 42nd Annual Yellowknife Geoscience Forum in 2014.

The pathfinder data was reviewed in late 2017 and reinterpretation of the glacial dispersion revealed a kimberlite pathfinder train focused on a magnetic anomaly that Sanatana had selected as a possible kimberlite on a survey with 400 meter line spacing. The anomaly was never tested presumably because there were only 4 pyrope garnets in three samples near the anomaly but no pyrope garnets in samples further down-ice but there were many pyropes further west where Sanatana drilled a number of targets unsuccessfully. Anomalous KIMs coincide with the pathfinder train and considering the 10 kilometer spacing of samples the source of the train must have exceptional size. After Talmora secured the ground the reinterpreted pathfinder data was presented at the 4th International Diamond School in January 2018.

Mn-ilmenite Study

Mn-ilmenites have not generally been considered a KIM. However they have been found as inclusions in superdeep diamonds, from Venezuela and Brazil. Kaminsky and Belousova in 2008 recommended that they be considered a KIM.

Talmora recognized that Mn-ilmenites had been picked from Lena West samples as possible black oxide KIMs by Talmora, Sanatana and Darnley Bay sorters. Many had compositions that match those included in diamonds. The significance of these mineral grains in the Lena West region was presented at the International Mineralogical Association (IMA) in 2014 and The Kimberley Diamond Symposium and Trade Show in 2014.

In 2017 Smith, Shirey and Wang described the evidence for the superdeep origin of the world's biggest diamonds thus making Mn-ilmenites found as inclusions in superdeep diamonds a possible indicator of large diamonds.

Conclusions

Talmora has tested the evidence at a variety of conferences and concludes that it is generally sound and has increased the probability of the Horton area being the source of most of the KIMs and diamonds found widespread across Lena West.

**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.

On July 6, 2018 Talmora signed an agreement with Olivut Resources Ltd. that gives Olivut the option to earn a 50% interest in one of Talmora's three permits and 29 of the 81 claims by spending $1.2 million over a two year period and making a cash payment to Talmora of $200,000. Exercise of the option will result in the formation of a Joint Venture to continue exploration of the

jointly owned property. Talmora will continue to explore the remainder of the Horton property which it owns 100%.

A major financing will be required for a major drill program if the Talmora/Olivut Joint Venture is successful. 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 | |
| ***Drill Program*** | | |
| Permitting cost | 75,000 | |
| Drilling 2500m @ $250/m | 625,000 | |
| Contract labour | 135,000 | |
| Camp construction | 150,000 | |
| Camp costs – labour & board | 130,000 | |
| Fuel | 120,000 | |
| Helicopter & fixed-wing – 3 months | 560,000 | |
| Accommodation & transport | 120,000 | |
| Ground geophysics | 150,000 | |
| Caustic laboratory | 240,000 | |
| Reports | 20,000 | |
| Contingency | 175,000 | |
| Total Drilling &Camp | | $2,750,000 |
| ***Airborne Magnetic Survey*** - 12,000 line kilometers | | 425,000 |
| ***Sampling Program*** | | |
| Transport – samples & personnel | 45,000 | |
| Camp costs | 15,000 | |
| Helicopter | 120,000 | |
| Sample processing & probing | 150,000 | |
| Expediting | 5,000 | |
| Contingency | 40,000 | |
| Total Sampling Program | | 375,000 |
| ***Supervision & support*** | | 500,000 |
| **Total** | | **$4,050,000** |

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

(1) *www.SEDAR.ca postings: Sanatana Diamonds Inc. Dec 20, 2007 and Jul 16, 2008*

**Property Commitments**

As at June 30, 2018, the Company held 81 claims, 16,360.62 hectares in the Horton River area, south of Paulatuk in the Northwest Territories. Three permits covering 86,042.28 hectares were granted on February 1, 2018. Most (77) of the claims (14,270.42 hectares) are in the Inuvialuit Settlement Area and 4 of the claims (2,090.20 hectares) 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.

Performance bonds of $21,260.76 on the three permits will be refunded when an equivalent amout of work has been performed.

29 Claims (10,048.30 hectares) on which sufficient work has been done can be taken to lease provided a survey has been completed before August 10, 2018 otherwise they will expire on October 11, 2018. 6 Claims (3,093.50 hectares) will expire on September 22, 2018.

Current expiry dates on the claims are shown below:

| Property Units | Size Hectares | Record Date | Current Expiry Date |
|---|---|---|---|
| 29 Claims | 10,048.30 | Oct. 11, 2007 | Oct. 11, 2018 |
| 6 Claims | 3,093.50 | Sept.22, 2011 | Sept. 22, 2018 |
| 16 Claims | 647.94 | Aug. 13, 2009 | Aug. 13, 2019 |
| 30 Claims | 2,570.88 | Sept.22, 2011 | Sept. 22, 2021 |
| 81 Claims | 16,360.62 | *[40,426.54 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** | | *$100,000* | 2007 expenses | $169,778.00 |
| | Total | **$505,000** | | **$584,765.42** |
| **Phase 2a** [assumes encouragement from phase 1] | | | | |
| Till sampling [follow-up, target evaluation] | 200 samples @ $1000 | $200,000 | 178 [target evaluation] | $316,403.30 |
| Stream samples [follow-up] | 50 @ $1500 | $75,000 | | |
| Ground magnetic survey | 8 targets @ $6,000 | $48,000 | 10 anomalies | $25,130.73 |
| | Contingency @ 20% | $32,000 | | |
| **Exploration sub-total** | | **$355,000** | | **$341,534.03** |
| **Administration** | | *$100,000* | 2008 expenses to Dec. 31 | $148,946.00 |
| | Total | **$455,000** | | **$490,480.03** |
| **Phase 2b** [assumes continued encouragement] | | | | |
| Drilling | 4 targets @ $80,000 | $320,000 | | |
| | Contingency @ 20% | $66,000 | | |
| **Exploration sub-total** | | **$386,000** | | |
| **Administration** | | *$50,000* | | |
| | Total | **$436,000** | | |
| **Exploration Total** | | **$1,146,000** | | $756,521.45 |
| **Administration Total** | | $250,000 | | $318,724.00 |
| **Grand Total** | | **$1,396,000** | | **$1,075,245** |

**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 |
| | **2015 Field Program, Evaluation & Reporting** | |
| Exploration sub-total | Professional Services. analyses & Licences * | 4,791 |
| Administration Expenses sub- total | | 53,969 |
| | Total | 58,760 |
| | **2016 Field Program, Evaluatiom & Reporting** | |
| Exploration sub-total to December 31, 2016 | | 11,499 |
| Administration Expenses sub- total | | 60,046 |
| | Total | 71,545 |
| | ***Sub-total to end December 31, 2016 ALL $3,085,438*** | |
| | **2017 Field Program, Evaluatiom & Reporting** | |
| Exploration sub-total to December 31, 2017 | | 30,170 |
| Administration Expenses sub- total | | 51,969 |
| | Total | 82,139 |
| | **2018 Field Program, Evaluatiom & Reporting** | |
| Exploration c/r March 2018 | | 60 |
| * Refund (partial) re Permits application | | -$250 |
| Exploration sub-total to June 30, 2018 | | - 190 |
| Administration Expenses sub- total | | 35,151 |
| | **Total** | **34,961** |
| **Grand Total as at June 30, 2018, Program** | | **3,216,360** |

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 exploration expenses during the year were for evaluation of data in assessment work files that will add value to the Horton project. Administrative costs are to maintain the Company's interest in the Horton project.

2015 exploration expenses were for evaluation of data in assessment work files that will add value to the Horton project. Administrative costs are to maintain the Company's interest in the Horton project and have been reduced from previous years.

2016 exploration expenses of $11,499 were for evaluation of data in assessment work files that will add value to the Horton project. Administrative costs are to maintain the Company's interest in the Horton project and have been maintained at a reduced level.

2017 exploration expenses of $30,170 were for permit applications, travel, and presentations at Geoscience Forum in Yellowknife and for evaluation of data in assessment work files that will add value to the Horton project. Administrative costs are to maintain the Company's interest in the Horton project and have been maintained at a minimum level.

2018 exploration expenses for annual NWT prospectors licences for $60 in March, 2018 was negated by ($250), the result of a partial refund from permit applications. Administrative costs are to maintain the Company's interest in the Horton project and have been maintained at a minimum level.

There are more kimberlite targets than expected and some of these will be tested by Olivut to earn its 50% interest in part of the property. If the Olivut earn-in program is successful a more extensive drill program will be required than the small Phase 2b budget above.

**SUMMARY OF QUARTERLY RESULTS**

| **(a) Year** | **2018** | **2018** | **2018** | **2018** |
|---|---|---|---|---|
| **(b) Quarter** | December 31 | September 30 | June 30 | March 31 |
| Cash and cash equivalents | | | 7,139 | 16,102 |
| Working capital | | | 12,502 | 18,991 |
| Additional income | | | 0.00 | 152 |
| Admin. Expenses | | | 21,389 | 13,762 |
| Exploration and evaluation expenditures | | | (250) | 60 |
| Cash in (out) flow | | | (8,964) | 10,421 |
| Net (Loss) | | | (21,138) | (22,850) |
| Net (Loss) per share | | | (0.00) | (0.00) |
| Total assets | | | 12,502 | 18,991 |
| Total liabilities | | | - | - |

| **(a) Year** | **2017** | **2017** | **2017** | **2017** |
|---|---|---|---|---|
| **(b) Quarter** | December 31 | September 30 | June 30 | March 31 |
| Cash and cash equivalents | 5,681 | 6,616 | 17,959 | 8,004 |
| Working capital | 8,341 | 12,088 | 21,615 | 1,432 |
| Interest revenue | 0 | 0 | 0 | 0 |
| Admin. Expenses | 14,929 | 15,226 | 11,067 | 10,747 |
| Exploration and evaluation expenditures | 27,816 | 300 | 900 | 1,154 |
| Cash in (out) flow | (1,500) | (10,778) | 9,955 | (5,179) |
| Net (Loss) | (58,846) | (18,253) | (13,130) | (22,743) |
| Net (Loss) per share | (0.001) | (0.001) | (0.001) | (0.001) |
| Total assets | 13,736 | 13,751 | 24,940 | 15,492 |
| Total liabilities | 5,395 | 0.00 | 0.00 | 9,073 |

Administrative exploration expenditures in the second quarter were ($250) the result of a partial refund from permt applications, compared to the first quarter March 31, 2018 were $60 due to NWT annual prospectors licences fees. In the fourth quarter of 2017 administrative exploration expenditures were $27,816 due to permit applications and professional fees. There were little administrative exploration expenditures in the first, second and third quarters of 2017 as funds were low.

Administration expenses of $21,389 in the second quarter of 2018 were more than the $13,762 in the first quarter of 2018, the $14,929 in the fourth quarter of 2017, the $15,226 of the third quarter 2 017, the $11,067 of the second quarter of 2017 and the $10,747 of the first quarter of 2017.

Finally, the balance sheet indicates a balance in working capital of $12,502 at June 30, 2018 compared to $18,991 at March 31, 2018, $8,341 at December 31, 2017, $12,088 at September 30, 2017, $21,615 at June 30, 2017and $1,432 at March 31, 2017.

**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 makes major funding difficult. However, the results of the work that will be done by Olivut to earn its interest in part of the Company's project will determine the likelihood of future funding. The Company will concentrate on maintaining the property in good standing until funding of a major drill program is achieved.

In 2017, 1,543,000 Options were exercised at $0.05 per common share by a director and an officer for a total of $77,150. Proceeds were used to pay for three permit applications and to cover operating costs.

In 2018, 963,000 options were exercised as follows:

(vi) On March 13, 2018, a Director exercised 600,000 options at $0.05 netting the Company $30,000.
(vii) On March 13, 2018, an officer exercised 30,000 options, at $0.05 netting the Company $1,500.
(viii) On March 13, 2018, an officer exercised 40,000 options, at $0.05 netting the Company $2,000.
(ix) On June 27, 2018, an officer exercised 94,000 options, at $0.05 netting the Company $4,700.
(x) On June 27, 2018, a Director exercised 93,000 options, at $0.05 netting the Company $4,650.
(xi) On June 27, 2018, a Drector exercised 106,000 options, at $0.05 netting the Company $5,300.

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

Talmora had cash in the amount of $7,139 for the second quarter ended June 30, 2018 compared to $16,102 for the first quarter ended March 31, 2018, $5,681 for the quarter ended December 31, 2017, $6,616 at September 30, 2017, $17,959 at June 30, 2017 and $8,004 at March 31, 2017.

The increase in cash in the first quarter of 2018 and second quarter of 2017 reflects the receipt of cash on exercise of options.

As at June 30, 2018, Talmora had working capital of $12,502 compared to $18,991 at March 31, 2018, $8,341 at December 31, 2017, $12,088 for September 30, 2017, $21,615 for June 30, 2017 and $1,432 for March 31, 2017. There was no interest revenue for June 30, 2018 and March 31, 2018 however during March 2018 income of $152 was received on the closing of a bank account. There were no interest in the fourth, third, second and first quarters of 2017

Administrative expenses of $21,389 in the second quarter was higher than the $13,762 in the first quarter of 2018 and the $14,929 in the fourth quarter of 2017. Expenditures have been kept to a minimum.

The $200,000 cash received as part of the Talmora/Olivut Option Agreement will ease the squeeze on Administrative 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, 2015** | 63,298,801 | 3,012,365 |
| Common shares issued for cash (i) | 4,100,000 | 82,000 |
| **Balance, December 31, 2016** | 67,398,801 | 3,094,365 |
| Options exercised (ii) | 643,000 | 34,731 |
| Options exercised (iii) | 120,000 | 7,065 |
| Options exercised (iv) | 680,000 | 45,847 |
| Options exercised (v) | 100,000 | 5,277 |
| **Balance, December 31, 2017** | 68,941,801 | 3,187,285 |
| Options No.10, exercised (vi) | 600,000 | 31,660 |
| Options No.10, exercised (vii) | 30,000 | 1,583 |
| Options No.11, exercised (viii) | 40,000 | 2,195 |
| **Balance, March 31, 2018** | 69,611,801 | 3,222,723 |
| Options No.9 exercised (ix) | 94,000 | 6,338 |
| Options No.9 exercised ( x) | 93,000 | 6,270 |
| Options No.9 exercised (xi) | 106,000 | 7,147 |
| **Balance, June 30, 2018** | 69,904,801 | 3,242,478 |

(i) 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. There were no common share purchase warrants attached to this subscription.

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

On March 13, 2018, 670,000 options (No.9) were exercised as follows:
(vi) On March 13, 2018, a Director exercised 600,000 options at $0.05 netting the Company $30,000.
(vii) On March 13, 2018, an officer exercised 30,000 options, at $0.05 netting the Company $1,500.
(viii) On March 13, 2018, an officer exercised 40,000 options, at $0.05 netting the Company $2,000.

*On June 27, 2018, 293,000 options (No.9) were exercised as follows:
(ix) On June 27, 2018, an officer exercised 94,000 options, at $0.05 netting the Company $4,700.
(x) On June 27, 2018, a Director exercised 93,000 options, at $0.05 netting the Company $4,650.
(xi) On June 27, 2018, a Director exercised 106,000 options, at $0.05 netting the Company $5,300.
* Amount: amount for common shares issued on exercise of options includes an amount related to share-based payment reserve (see page 3 of Financial Statements, Statement of Change in Equity.

**Warrants** A summary of changes in warrants is as follows:

| | Warrants # | Weighted Average Exercise Price $ | Value $ |
|---|---|---|---|
| **Balance, December 31, 2016** | 1,207,333 | 0.05 | 12,469 |
| Expired | (1,207,333) | 0.05 | (12,469) |
| **Balance December 31, 2017, and March 31, 2018 and June 30, 2018** | - | - | - |

## 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, 2015 | 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 |
| Exercised May 23, 2017 | (643,000) | 0.05 |
| Expired June 29, 2017 | (1,247,000) | 0.05 |
| Expired July 20, 2017 | (100,000) | 0.05 |
| Exercised September 13, 2017 | (120,000) | 0.05 |
| Exercised October 5, 2017 | (680,000) | 0.05 |
| Expired November 1, 2017 | (20,000) | 0.05 |
| Granted November 28, 2017 | 3,071,000 | 0.05 |
| Exercised December 29, 2017 | (100,000) | 0.05 |
| **Balance, December 31, 2017** | 5,814,000 | 0.05 |
| Exercised, March 13, 2018 | (670,000) | 0.05 |
| Exercised June 27, 2018 | (293,000) | 0.05 |
| **Balance, June 30, 2018** | 4,851,000 | 0.05 |

As at June 30, 2018, the following options were issued and outstanding:

| Options Granted # | Options Exercisable # | Exercise Price $ | Expiry Date | Remaining Contractual Life (years) | Value $ |
|---|---|---|---|---|---|
| 320,000 | 320,000 | 0.05 | July 2, 2018 | .005 | 5,575 |
| 1,500,000 | 1,500,000 | 0.05 | December 16, 2021 | 3.463 | 4,152 |
| 3,071,000 | 3,071,000 | 0.05 | November 28, 2022 | 4.413 | 14,809 |
| 4,851,000 | 4,851,000 | 0.05 | | 3.82 | 24,536 |

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.

On November 28, 2017, the Company granted 3,071,000 stock options to directors, officers and consultants at $0.05 until November 28, 2022. The stock options were assigned a value of $15,004 or approximately $0.0049 per share using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 237%; risk free interest rate of 1.62%; and an expected life of 5 years.

The weighted average exercise price of options outstanding and exercisable at December 31, 2017 is $0.05 (2016- $0.05) The options outstanding and exercisable as at December 31, 2017 have a weighted average remaining contractual life 4.10 years (2016 – 2.55 years).

Options were issued during December 31, 2017 and for year ended December 31, 2016.

**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, 2017 and 2016. 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, 2017 and 2016.

**Liquidity Risk**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2018, the Company had a cash balance of $7,139 (June 30, 2017 – $17,959) to settle current liabilities of $Nil (2017 – $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 June 30, | |
|---|---|---|
| | 2018 | 2017 |
| | $ | $ |
| Salaries and benefits | $12,206 | $10,181 |
| Share-based payments | 0 | 0 |

As at June 30,2018, the total exploration and evaluation expenditures included in salaries and , benefits in the above table was $Nil, (2017 - $1,969.) . The balance of $12,206 (2017 – $8,212) was 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 is $Nil at June 30, 2018 (2017 – $NIL.) This amount is unsecured, non-interest bearing with no fixed terms of repayment.

See Share Capital and Warrant Reserve, pages 17 -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.

Maria Grimes Corporate Secretary and Interim CFO, Bookkeeping
preparation of Financial and MDA reports

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.

**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 | 29,263 | 6,650 |
| Additions in 2017 | - | 6,650 | (6,650) |
| Balance, December 31, 2017 | 35,913 | 35,913 | - |
| No additions in 2018 | - | - | - |
| Balance, March 31, 2018 And June 30, 2018 | - | - | - |

## 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, 2017.

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**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2018 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.

**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 ("$"). 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 June 30, 2018, December 31, 2017 September 30, 2017, June 30, 2017, March 31, 2017, 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, 2017 and December 31, 2016.

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 2017

**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

- On July 2, 2018, 320,000 Options (No.9), at $0.05/unit have expired, unexercised.

- On July 6, the Company announced that it had signed an Option Agreement granting Olivut Resources Ltd. the right to earn a 50% interest in Talmora's Horton Project , located in the Inuvialuit Settlement Region of Canada's Northwest Territories, by spending $1,200,000 over two years and making a payment of $200,000 payment to Talmora which has been received. The Horton Project includes magnetic targets previously sampled by Talmora and a newly acquired Prospecting Permit covering a "new anomaly" identified in the fall of 2017. A summer field season of helimag and follow-up drilling is planned to test multiple targets. Talmora will retain a 100% interest and will independently explore two adjoining Prospecting Permits and a number of claims on which very little work has been done.