

TALMORA DIAMOND INC.
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Management's Discussion & Analysis
For the period ending March 31, 2021

Date: May 22, 2021

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, 2020.

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. 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, 2020 have been prepared in accordance with IFRS as published by the International Accounting Standards Board.

Overall Performance

As at March 31, 2021, Talmora is a diamond exploration company with one property (Horton property) consisting four prospecting permits covering 113,597.71 hectares and 30 claims covering 2,570.88 hectares on the Horton River, 120 kilometres south of Paulatuk in the Northwest Territories. It holds a 50% interest with Olivut Resources in the adjoining Seahorse property consisting of three prospecting permits covering 86,513.57 hectares. The two properties straddle a major linear structure believed favourable for the occurrence of diamondiferous kimberlites. \$3,502,921 has been spent by Talmora on exploration (including administration) to March 31, 2021.

Horton Project

An airborne magnetic survey of the Horton property 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 had been bad and it was not 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 \$43,344.98 was made at the end of year 2 \$86,689.96 will be required by the end of year 4. All deposits are refunded after an equivalent amount of work has been done. The large size of the anomaly was a game changer for Talmora and the presence of Mn-ilmenites is indicative of large high value superdeep diamonds.

Olivut Option

On July 6, 2018, Talmora signed an agreement with Olivut Resources Ltd. that gave Olivut the option to earn a 50% interest in one of Talmora's three permits and certain adjoining lands (Seahorse Project) by spending \$1.2 million over a two-year period and making a cash payment to Talmora of \$200,000. Exercise of the option would result in the formation of a Joint Venture to continue exploration of the

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

Olivut made the cash payment of \$200,000 on July 19, 2018 and initiated a field program of helimag geophysical surveying and preparations for a drill program were initiated. The geophysical survey was curtailed by unseasonable bad weather. The geophysical survey was completed in 2019 and a number of targets were tested during a follow-up drill program. Downhole samples were collected and have been analysed. On December 9, 2019 Olivut notified Talmora that it had incurred the minimum work cost requirement of \$1,200,000 (\$1,295,256 to October 31, 2019) Total Olivut earn in work costs to July 2, 2020 were \$1,388,867. On July 6, 2020 Olivut exercised its option to earn 50% of the Seahorse Project in accordance with the terms of the Option Agreement. Talmora and Olivut are joint (50/50) owners of the assets. Talmora retains a 1% NSR on certain land. The Company and Olivut have not yet entered into a new formal joint venture company structure and Olivut has not yet submitted to Talmora the comprehensive report inclusive of all results of the work undertaken by Olivut during the Option Period as contemplated in the Option Agreement.

Selected Annual Information

As at March 31, 2021, the Company had continuing losses, cash and cash equivalents totaling \$43,495 and working capital of \$46,275. A major financing will be required for a drill program in 2020 and to cover future administration costs.

	3 Months ended March 31, 2021 (\$)	Year ended Dec. 31, 2020 (\$)
Cash and cash equivalents	43,495	9,268
Working capital	46,275	17,270
Mineral Exploration— cum. Total	2,246,469	2,243,953
Total assets	46,275	17,270
Total liabilities	-	-
Interest on investment	709	229
Other income	-	-
Admin Expenses	8,988	45,745
Professional Fees	10,200	10,200
Net Gain (Loss)	(20,995)	(162,574)
Net Gain (loss) per share	(0.0003)	(0.002)

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 \$3,531,217 since August 2004 and on which it has expended cumulative expenditures of \$2,246,469 on direct exploration to March 31, 2021

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 during Bear Market (2011 to present)

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 diamondiferous 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 kimberlite 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.

The Company's most prospective magnetic anomalies needed to 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 should 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.

Seahorse Project

On July 6, 2018, Talmora signed an agreement with Olivut Resources Ltd. that gave Olivut the option to earn a 50% interest in one of Talmora's three permits and certain other lands by spending \$1.2 million over a two year period and making a cash payment to Talmora of \$200,000. Talmora will continue to explore the remainder of the Horton property which it owns 100%.

Olivut successfully completed a helimag geophysical program during April and May 2019. Detailed, low-level, 50 metre line spacing magnetic information was collected and analyzed over multiple anomalies previously identified from regional geophysics.

During August and September 2019 six holes were drilled to test certain regional geophysical targets that had been confirmed and further delineated by the detailed helimag program. The holes were drilled to a maximum depth of 316' (96.3 metres) using a reverse circulation, heli-portable drill.

Beneath tills, each of the holes intersected varying depths of extremely fine-grained clays that did not appear to be derived from the dolomite country rock that is exposed proximal to the targets. Down hole drilling conditions were exceptionally challenging, as was the recovery of drill sample material, due primarily to the nature of these intersected clays. Samples were collected from each of the holes and sent for analysis to Saskatchewan Research Council ("SRC").

Preliminary visual inspection, as well as further microscopic examination of many of the collected samples, could not specifically identify the host rock from which the clay material is derived. Sulphides, including pyrite, galena and sphalerite, as well as other mafic minerals were easily identified in many downhole samples. Subsequently, whole rock and multi-element geochemical results defined a distinct homogeneous clay in the lower part of 4 of the 6 holes. This clay is notably dark grey to black, with an oily feel and is chemically complex but fairly homogeneous and characterised by elevated Rare Earth Element ("REE") content and relatively low silica content. These REE levels are generally higher than, or consistent with, levels of REE detected in clays found to occur over some identified kimberlites in some locations of the world (e.g. Western Australia and Namibia). Above the homogeneous clay are clays with lower REE and higher silica content that grade into the homogeneous clay and overlying glacial tills

The homogeneous clays have lead isotope ratios ($Pb206/204$ vs $Pb207/204$) that average that of rocks derived from the mantle. The range of values is a little more than the mantle rock values indicating that there may have been re-deposition of mantle material at the surface into a single secondary geological unit such as re-deposition of a volcanic tuff ring into a crater.

The Seahorse Project area underwent periods of extreme warming and laterization that destroyed silicate indicator minerals as evidenced from regional till sampling results. However, some opaque oxide indicator minerals and diamonds survive this type of weathering.

To determine the potential presence of any kimberlitic indicator minerals ("KIM"), additional samples from five drill holes, four of which included sections of the deeper homogeneous clay, were submitted for heavy mineral analysis to SRC. Chromites, ilmenites (some manganese bearing) and abundant pseudorutile (an alteration product of ilmenite which is common in intensely weathered kimberlite) are present. Although the chromites and ilmenites are not unequivocally kimberlitic, they have compositions that match those of some inclusions in type 2a diamonds. A few definite KIMs (G-9 pyropes and picroilmenites) were recovered from beach sand concentrates taken from a lake in the vicinity of the drill holes.

A surprising result of the heavy mineral analysis is the number of microfossils and the abundance of various forms of pyrite (some replacing organic material and microfossils) found in the concentrates. Also present are spherules (tiny bead-like features) believed to be associated with a meteorite impact. Microfossils and pyrite indicate marine deposition associated with anoxic (low oxygen) conditions for some of the clay. Given the results to date, there are a number of possible scenarios that could explain the genesis of these clays and further work is required to obtain more information before arriving at a conclusion.

In addition to the drilling program described above, limited regional prospecting was conducted. A large gossan zone was identified on the property comprising the Seahorse Project that appears to have a strike length of approximately eight kilometres. Very limited sampling was conducted due to budget and fuel constraints. Some of these samples returned trace amounts of gold which may be significant given the limited number of samples collected. Further work is required to obtain more information before arriving at a conclusion. The linear gossan zone occurs within the dolomite country rock and likely represents a sulphide bearing fault zone.

Olivut exercised its option on July 6, 2020 after spending \$1,388,867 and is preparing a comprehensive report on the work completed during the option period. The Joint Venture Company contemplated by the Option Agreement has not yet been formed.

The Coronavirus pandemic and its effects particularly on planning and work in the Northwest Territories prevented any field work being conducted in 2020.

The Company considers the Seahorse Project to have the potential to host diamondiferous kimberlite bodies of significant size and perhaps other mineral deposits, based on a combination of: 2019 program results as described above; favourable diamond stability indicator minerals found regionally and locally, including 18 macro diamonds found in regional samples to the west and northwest; specific geophysical targets; regional and local faults that would favour kimberlite emplacement; occurrence of diamondiferous kimberlites to the north and southeast, as well as other geochemical data in the area.

A major financing will be required for a drill program to test the main Seahorse target that could not be tested in the 2019 drill program.

Property Commitments

As at March 31, 2021, the Company held 5 prospecting permits (142,118.28 hectares) and 30 claims (2,570.88 hectares) in the Horton River area, south of Paulatuk in the Northwest Territories. 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 will be refunded when an equivalent amount of work has been performed and reported.

Property Summary

Current Permits

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

Performance bonds will be refunded when an equivalent amount of work has been performed and reported.

Current Permits

Permit	NTS	QTR	Hectares	Yrs	Area	Issue Date	Deposit Due Date
Talmora 100%							
NP-8464	097A05	SW	27,716.00	5	Inuvialuit Settlement Region	01-Feb-19	31-Jan-22
NP-8465	097A05	NW	28,360.00	5	Inuvialuit Settlement Region	01-Feb-19	31-Jan-22
NP-8438	097B08	SE	28,593.46	5	Inuvialuit Settlement Region	01-Feb-18	31-Jan-22
NP-8436	097B01	SE	28,520.57	5	Inuvialuit Settlement Region	01-Feb-18	31-Jan-22
Sub-total			113,190.03 Hectares (100% Talmora)				

Talmora 50% of J.V. with Olivut. Held in Trust by Talmora for Joint Venture

NP-8437	097B01	NE	28,928.25	5	Inuvialuit Settlement Region	01-Feb-18	31-Jan-22
Total			142,118.28 Hectares Talmora				

Olivut 50% of J.V. with Talmora. Held in Trust by Olivut for Joint Venture

NP-8439	097B01	SW	28,928.25	5	Inuvialuit Settlement Region	01-Feb-18	31-Jan-22
NP-8440	097B01	NW	28,928.25	5	Inuvialuit Settlement Region	01-Feb-18	31-Jan-22
Total			57,856.50 Hectares Olivut				

Deposits of \$43,032.15 for the second two year period were applied to three permits NP-8436, NP-8437 and NP-8438 and will keep them in good standing to Jan. 31, 2022. (An additional \$86,046.30 deposit will keep them good to 2023). The two permits NP8464 and NP8465 were granted a one year extension to the first 2 year period because of the Coronavirus pandemic and are now in good standing

to Jan. 31, 2022. A \$28,038.00 additional deposit will keep them good to 2024 and an additional \$56,076.00 will keep them good to 2025).

Current expiry dates on the claims are shown below:

Property Units	Size Hectares	Record Date	Current Expiry Date
30 Claims	2,570.88	Sept 22, 2011	Sept. 22, 2021
<hr/>			
30 claims	Total Hectares	2,570.88 Hectares	
<hr/>			
Total Permits and Claims 144,689.16 hectares			

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		\$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	<u>189,665</u>
Exploration sub-total		349,126
Administration Expenses sub-total		<u>111,444</u>
	Total	\$460,570
	2010 Data Evaluation and Reporting	
	Staking	32,581
	Sample sorting and analysis	22,701
	Geophysics	<u>25,277</u>
Exploration sub-total		80,585
Administration Expenses sub-total		<u>118,084</u>
	Total	\$198,669
	2011 Field Program, Evaluation & Reporting	
	Staking	40,678
	ASTER image ground truthing	<u>219,388</u>
Exploration sub-total		260,066
Administration Expenses sub-total		<u>169,533</u>
	Total	\$429,599
	2012 Field Program, Evaluation & Reporting	
Exploration sub-total	Reporting, Packsack drilling, sampling	374,041
Administration Expenses sub-total		<u>100,568</u>
	Total	\$474,609
	2013 Field Program, Evaluation & Reporting	
Exploration sub-total	Reporting, Packsack drilling, sampling	95,616
Administration Expenses sub-total		<u>89,880</u>
	Total	\$185,496
	2014 Field Program, Evaluation & Reporting	
Exploration sub-total	Professional Services, analyses & Licences	21,107
Administration Expenses sub-total		<u>81,475</u>
	Total	\$101,582
	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
	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
	<i>Sub-total All to end December 31, 2016- \$3085,438</i>	

	2017 Field Program, Evaluation & Reporting	
Exploration sub-total to December 31, 2017		30,170
Administration Expenses sub- total		<u>51,969</u>
	Total	\$82,139
	2018 Field Program, Evaluation & Reporting	
Exploration sub-total to December 31, 2018		29,610
Administration Expenses sub- total		<u>91,559</u>
	Total	\$121,169
	2019 Field Program, Evaluation & Reporting	
Exploration sub-total to December 31, 2019		24,010
Administration Expenses sub- total		<u>75,788</u>
	Total	\$99,798
	2020 Field Program, Evaluation & Reporting	
Exploration sub-total to December 31, 2020		\$53,048
Administration Expenses sub- total		<u>\$55,745</u>
	Total	\$108,793
	2021 Field Program, Evaluation & Reporting	
Exploration sub-total to March 31, 2021		\$ 2,516
Administration Expenses sub- total		<u>\$19,188</u>
	Total	\$21,704

Grand Total as at March 31, 2021	\$3,502,921
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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. \$2,025 Exploration expenses for September 2018 was for professional exploration work done on the Horton property. Administrative costs are to maintain the Company's interest in the Horton project. In the third quarter, the administrative costs were higher than normal due to payment of time and expenses submitted. The fourth quarter had exploration expenditures of \$27,775 consisting of conference, travel costs, supplies for presentations, and permit applications, as well as professional fees relating to the Horton project. Administrative costs of \$14,910 are to maintain the Company's interest in the Horton project which has been maintained at a minimum level.

2019 March exploration expenses for annual NWT prospectors licences for \$60 and \$1,800 for professional exploration work done on the Horton property. Administrative costs of \$26,814 are to maintain the Company's interest in the Horton project which has been maintained at a minimum level. In the second quarter of June 2019, exploration expenses of \$2,288 was for professional exploration work done on the Horton property. Administrative costs of \$27,773 are to maintain the Company's interest in the Horton project and have been maintained at a normal level. In the third quarter September 2019, exploration expenses of \$9,138 was for professional exploration work done on the Horton property. Administrative costs of \$10,572 are to maintain the Company's interest in the Horton project and have been maintained at less than normal level. The fourth quarter had exploration expenditures of \$10,725 consisting of permit applications and professional fees relating to the Horton project. Administrative costs of \$10,629 are to maintain the Company's interest in the Horton project which has been maintained at less than normal level.

2020 March exploration expenses were \$57,580 covering the annual NWT prospectors licences \$60; \$43,092 representing the deposit for the second two-year period for three permits, \$7,250 was for another permit which was refunded, and 7,425 for professional exploration work done on the Horton property. Administrative costs of \$24,262 are to maintain the Company's interest in the Horton project which has been maintained at a minimum level. In the second quarter of June, 2020, exploration expenses were \$1,031 representing professional exploration work done on the Horton property. Administrative costs of \$741 are to maintain the Company's interest in the Horton project which has been maintained at a less than minimum level. In the third quarter of September 2020, exploration expenses were \$225 representing professional exploration work done on the Horton property. Administrative costs of \$11,901 are to maintain the Company's interest in the Horton project which has been maintained at less than normal level. In the fourth quarter of December, 2020, exploration expenses were (5,788) representing professional exploration work done on the Horton property. Administrative costs of \$8,841 are to maintain the Company's interest in the Horton project which has been maintained at less than normal 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.

2021 March exploration expenses were \$2,516 covering the annual NWT prospectors licences \$60; and \$2,456 for professional exploration work done on the Horton property. Administrative costs of \$19,188 are to maintain the Company's interest in the Horton project which has 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	2020	2021	2021	2021
(b) Quarter	December 31	September 30	June 30	March 31
Cash and cash equivalents				43,495
Working capital				46,275
Additional income				709
Admin. Expenses				19,188
Exploration and evaluation expenditures				2,516
Cash in (out) flow				43,495
Net Gain (Loss)				(20,995)
Net (Loss) per share				(0.0003)
Total assets				46,275
Total liabilities				-

(a) Year	2020	2020	2020	2020
(b) Quarter	December 31	September 30	June 30	March 31
Cash and cash equivalents	9,268	8,389	5,737	19,054
Working capital	17,270	15,074	(24,200)	(12,228)
Additional income	(7,250)	-	-	7,480
Admin. Expenses	8,841	11,901	741	24,262
Exploration and evaluation expenditures	(5,788)	225	1,031	57,580
Cash in (out) flow	879	2,652	(13,317)	(46,129)
Net Gain (Loss)	(64,113)	(12,126)	(11,972)	(74,363)
Net (Loss) per share	(0.002)	(0.001)	(0.001)	(0.001)
Total assets	17,270	15,074	10,807	22,779
Total liabilities	-	-	35,007	35,007

Administrative **exploration** expenditures in the first quarter of March 31, 2021 were \$2,516 (covering the annual NWT prospectors' licences of \$60, and \$2,456 for professional exploration work done on the Horton property.)

As at March 31, 2021, administration expense of \$19,188 were more than \$8,841 administration expense at December 31, 2020, were more than \$11,901 for the third, were much higher than June 30, 2020 expenses of \$741 were less than \$24,262 at March 31, 2020 and consisted of normal business activities.

Finally, the balance sheet indicates a balance in working capital of \$46,275 in the first quarter of March 31, 2021, compared to \$17,270 in the fourth quarter ended December 31, 2020, , compared to \$15,074 in the third quarter quarter ended September 30, 2020, compared to (\$24,200) in the second quarter ended June 2020, compared to (\$12,228) in the first quarter of March 31, 2020.

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 2019, 500,000 options were exercised as follows:

- (i) On June 26, 2019, a Director exercised 200,000 options, at \$0.05 netting the Company \$10,000.
- (ii) On June 26, 2019, a Director exercised 300,000 options, at \$0.05 netting the Company \$15,000.

In 2020, 1,278,000 options were exercised as follows:

- *(iii) On July 14, 2020, a Director exercised 1,028,000 options at \$0.05 netting the Company \$51,400.
- *(ix) On December 15, 2020, a director exercised 250,000 options at \$0.05 netting the Company \$12,500.

In 2021, 1,000,000 options were exercised as follows:

- *(v) On March 9, 2021, a Director exercised 1,000,000 options at \$0.05 netting the Company \$50,000.

*Amount for common shares issued on exercise of options includes an amount related to share-based payment reserve.

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

As at March 31, 2021, Talmora had cash and cash equivalents in the amount of \$43,495. The increase in cash in the first quarter of March 31, 2021 and fourth and third quarters of 2020 reflect the receipt of cash on exercise of options and the decrease in cash, in the second quarter of June 30, 2020 was due to payment of continuing expenses. At March 31, 2020, Talmora had cash and cash equivalents in the amount of \$19,054

As at March 31, 2021, Talmora had working capital \$46,275, compared to \$17,270 at December 31, 2020, compared to \$15,074 at September 30, 2020, \$15,074, compared to (\$24,200) at June 30, 2020, compared to (\$12,228), at March 31, 2020.

At March 31, 2021, there was \$709 interest received from a GIC. On December 31, 2020, September 30, 2020 and June 30, 2020 quarters, there were no interest received. At March 31, 2020, interest of \$229 was received

During March 31, 2020 quarter, GNWT reimbursement of \$7,250 funds were received re (NWT) deposit on a disqualified permit application and \$725 deposit regarding 29 claims, allowed to lapse

before October 11, 2019. This \$7,250 was reclassified to exploration expenses in the fourth quarter of 2020.

As at March 31, 2021 administration expense of \$19,188 were more than \$8,841 administration expense at December 31, 2020, were more than \$11,901 for the third quarter were much higher than June 30, 2020 quarter, expenses of \$741, were less than \$24,262 at March 31, 2020 quarter, due to expenses being reclassified to professional fees. March 31, 2020, expenses were higher due to increased expenses uarter of March 31, 2019 were due to increased expenses. Expenditures have been kept to a minimum.

SHARE CAPITAL

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, 2018	69,904,801	3,242,477
Options No.10 exercised (i)	200,000	10,553
Options No.11 exercised (ii)	300,000	16,466
Balance, December 31, 2019	<u>70,404,801</u>	<u>3,269,496</u>
Options exercised (iii)	1,028,000	56,424
Options exercised (iv)	250,000	18,637
Balance, December 31, 2020	<u>71,682,801</u>	<u>3,344,557</u>
*Options exercised (v)	1,000,000	69,929
Balance, March 31, 2021	<u>72,682,801</u>	<u>3,414,486</u>

(i) On June 26, 2019, 200,000 options were exercised by a Director, at \$0.05 netting the Company \$10,000.

(ii) On June 26, 2019, 300,000 options were exercised by a Director, at \$0.05 netting the Company \$15,000.

(iii) On July 7, 2020 a director exercised 1,028,000 options at \$0.05 netting the Company \$51,400.

*(iv) On December 15, 2020, a director exercised 250,000 options at \$0.05 netting the Company \$12,500.

*(v) On March 9, 2021, a director exercised 1,000,000 options at \$0.05 netting the Company \$50,000

* 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.)

STOCK OPTION 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, 2018	6,381,000	0.05
Exercised June 26, 2019	(200,000)	0.05
Exercised June 26, 2019	(300,000)	0.05
Balance, December 31, 2019	5,881,000	0.05
Exercised July 7, 2020	(1,028,000)	0.05
Expired September 30, 2020	(421,000)	(0.05)
Exercised December 15, 2020	(250,000)	(0.05)
Granted, December 29, 2020	2,700,000	(0.05)
Balance December 31, 2020	6,882,000	0.05
Exercised, March 9, 2021	(1,000,000)	0.05
Balance, March 31, 2021	5,882,000	0.05

As at March 31, 2021, the following options were issued and outstanding:

Options Granted #	Options Exercisable #	Exercise Price \$	Expiry Date	Remaining Contractual Life (years)	Value \$
1,100,000	1,100,000	0.05	December 16, 2021	0.71	3,045
1,482,000	1,482,000	0.05	November 28, 2022	1.66	7,240
1,600,000	1,600,000	0.05	August 31, 2023	2.42	39,280
1,700,000	1,700,000	0.05	December 29, 2025	4.72	33,880
5,882,000	5,882,000	0.05			83,445

On December 29, 2020, the Company granted 2,700,000 stock options to directors, officers and consultants at \$0.05 until December 29, 2025. The stock options were assigned a value of \$53,809 or approximately \$0.02 per option, using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 273%; share price of \$0.02, risk free interest rate of 0.41%; and an expected life of 5 years.

The weighted average exercise price of options outstanding and exercisable at December 31, 2020 is \$0.05 (2019 - \$0.05). The options outstanding and exercisable as at December 31, 2020 have a weighted average remaining contractual life 3.14 years (2019 – 2.93 years).

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 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, 2020 and 2019. 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's financial instruments carried at fair value which consists of cash equivalents, are classified as level 2 within the fair value hierarchy.

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, 2020 and December 31, 2019.

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, 2021, the Company had cash and cash equivalents in the amount of \$43,495 (2020 - \$19,054) to settle current liabilities of \$Nil (2020 - -\$35,008.)

Credit Risk

The Company has no significant concentration of credit risk arising from operations. Cash equivalents, when applicable, consist of guaranteed investment certificates, which are 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 has cash equivalent balances subject to fluctuations in the prime rate. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its

banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. Currently, the Company does not hedge against interest rate risk.

(b) Foreign Currency Risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk. The Company does not hold balances in foreign currencies to give rise to exposure to foreign exchange risk.

(c) Price Risk

The Company is exposed to price risk with respect to diamond prices. The Company closely monitors diamond prices to determine the appropriate course of action to be taken by the Company. As the Company's mineral properties are in the exploration stage and do not contain any mineral resources or mineral reserves, the Company does not hedge against price risk.

Property Risk

The Company's significant mineral exploration property is the Horton River property. Unless the Company acquires or develops additional significant properties, the Company will be solely dependent upon the Horton River property. If no additional mineral exploration properties are acquired by the Company, any material development affecting the Horton River property could have a material effect on the Company's financial condition and results of operations.

Sensitivity Analysis

The Company does not anticipate any material fluctuations 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:

	Three months ended March 31,	
	2021	2020
	\$	\$
Salaries and benefits	\$5,812	12,581
Share-based payments		

For the March 31, 2021 quarter, the total exploration and evaluation expenditures included in salaries and benefits in the above table was \$2,456 (2020 - \$7,425). The balance of \$3,358 (2020 - 5,156) was

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 March 31, 2021 is \$ nil (2020 - \$35,008 owing to a director.) This amount is unsecured, non-interest bearing with no fixed terms of repayment.

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.

STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION

These financial statements of the Company have been prepared in accordance with International Financial Accounting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Committee ("IFRIC"). These policies set out in the financial statements were consistently applied to all periods unless otherwise noted.

These 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.

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 periods. 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 reporting date. 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 reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the reporting date. 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.

Flow through shares

The Company finances a portion of its project exploration and evaluation activities through the issuance of flow-through shares. Under the terms of the flow-through common share issuances, 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 through 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

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 in the statement of loss as a finance cost.

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 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.

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, 2020, and December 31, 2019.

Contingent assets are not recognized in the financial statements but they are disclosed by way of a 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 exploration 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.

Farm-outs in the exploration and evaluation phase the Company does not record any expenditures made by the farmee on its account. Any cash consideration received directly from the farmee is credited to the statement of loss.

Financial assets and liabilities

Financial assets

Initial recognition and measurement

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as “financial assets at fair value”, as either Fair Value through Profit or Loss (“FVPL”) or Fair Value through Other Comprehensive Income (“FVOCI”), and “financial assets at amortized costs”, as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company’s business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost. The Company has classified sundry receivables at amortized cost.

Subsequent measurement – financial assets at amortized cost

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate (“EIR”) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any

fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in statement of (loss)

Subsequent measurement – financial assets at FVPL

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the statements of financial position with changes in fair value recognized in other income or expense in the statement of (loss). The Company's cash equivalents are classified as financial assets at FVPL.

Subsequent measurement – financial assets at FVOCI

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the statements of comprehensive (loss). When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

Dividends from such investments are recognized in other income in the statements of (loss) when the right to receive payments is established.

Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

Impairment of financial assets

The Company's only financial assets subject to impairment are sundry receivables, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, sundry receivables have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

Financial liabilities

Initial recognition and measurement

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include accounts payable and accrued liabilities, which are measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

Subsequent measurement – financial liabilities at amortized cost

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the statement of (loss).

Classification of financial instruments

The following table shows the classification under IFRS 9 for the Company's financial instruments:

	Classification
Cash	Amortized cost
Cash equivalents	FVPL
Sundry receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

Accounting standards issued but not yet applied

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2020. 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.

IAS 1 – Presentation of Financial Statements (“IAS 1”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2021.

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 2020 and 2019.

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.

COVID-19

The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.

SUBSEQUENT EVENT

In memory: Richard McCrae Hogarth, Chairman and Director of Talmora Diamond Inc.
December 21, 1930 – April 18, 2021