

TALMORA DIAMOND INC.

FINANCIAL STATEMENTS

December 31, 2023 and 2022
(Expressed in Canadian Dollars)

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Independent Auditor's Report

To the Shareholders of Talmora Diamond Inc.

Opinion

We have audited the financial statements of Talmora Diamond Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of (loss) and comprehensive (loss), statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2023. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material uncertainty related to going concern section, we have determined that there were no additional key audit matters to communicate in our report.

Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner of the audit resulting in this independent auditor's report is Nicole Louli.

McGovern Hurley LLP

A handwritten signature in black ink that reads "McGovern Hurley LLP". The signature is written in a cursive, flowing style.

**Chartered Professional Accountants
Licensed Public Accountants**

Toronto, Ontario
March 27, 2024

TALMORA DIAMOND INC.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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	Notes	2023 \$	2022 \$
ASSETS			
Current			
Cash and cash equivalents		66,962	13,062
Sundry receivables		10,754	7,737
Total assets		77,716	20,799
LIABILITIES			
Current			
Accounts payable and accrued liabilities	11	113	-
Total liabilities		113	-
SHAREHOLDERS' EQUITY			
Share capital	7	3,757,817	3,519,117
Share-based payment reserve	8	122,061	82,650
Warrant reserve	7	81,600	-
Deficit		(3,883,875)	(3,580,968)
Total shareholders' equity		77,603	20,799
Total liabilities and shareholders' equity		77,716	20,799

Going concern (Note 1)
Commitments and contingencies (Notes 6 and 12)
Subsequent event (Note 14)

Approved on behalf of the Board of Directors:

/s/ Raymond Davies
Director

/s/ Toby Strauss
Director

The accompanying notes are an integral part of these financial statements.

TALMORA DIAMOND INC.
STATEMENTS OF (LOSS) AND COMPREHENSIVE (LOSS)
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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	Notes	2023 \$	2022 \$
Administration	11	68,322	45,410
Exploration and evaluation expenditures	6, 12	174,481	3,809
Share-based payments	8, 11	84,900	22,200
Professional fees		13,910	12,600
Loss before interest and other income		341,613	84,019
Interest income		<u>(17)</u>	<u>(3)</u>
Net (loss) before income tax		<u>(341,596)</u>	<u>(84,016)</u>
Deferred tax (recovery)	13	<u>(8,000)</u>	<u>-</u>
Net (loss) comprehensive (loss) for the year		(333,596)	(84,016)
Net (loss) and comprehensive (loss) per share – basic and diluted		(0.004)	(0.001)
Weighted average number of shares outstanding – basic and diluted		78,307,367	73,949,924

The accompanying notes are an integral part of these financial statements

TALMORA DIAMOND INC.
STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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	Notes	Capital	Share-Based Payment Reserve	Warrants Reserve	Deficit	Total
			\$		\$	
Balance at December 31, 2021		3,414,486	107,201	-	(3,514,072)	7,615
Exercised stock options	7	104,631	(29,631)	-	-	75,000
Share-based payments	8	-	22,200	-	-	22,200
Expired stock options	8		(17,120)	-	17,120	-
Net (loss) and comprehensive (loss)		-	-	-	(84,016)	(84,016)
Balance at December 31, 2022		3,519,117	82,650	-	(3,580,968)	20,799
Private Placement	7	181,900	-	81,600	-	263,500
Premium allocated to flow-through shares	7	(8,000)	-	-	-	(8,000)
Exercised stock options	8	64,800	(14,800)	-	-	50,000
Expired stock options	8	-	(30,689)	-	30,689	-
Share-based payments	8	-	84,900	-	-	84,900
Net (loss) and comprehensive (loss)		-	-		(333,596)	(333,596)
Balance at December 31, 2023		3,757,817	122,061	81,600	(3,883,875)	77,603

The accompanying notes are an integral part of these financial statements.

TALMORA DIAMOND INC.
STATEMENTS OF CASH FLOW
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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	Notes	2023 \$	2022 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss) for the year		(333,596)	(84,016)
Changes not involving cash:			
Share-based payments		84,900	22,200
Flow-through share premium renunciation		(8,000)	-
Changes in non-cash working capital balances:			
Change in sundry receivables		(3,017)	(344)
Change in accounts payable and accrued liabilities		113	-
Cash flows used in operating activities		(259,600)	(62,160)
CASH FLOWS FROM FINANCING ACTIVITIES			
Option exercises	8	50,000	75,000
Private Placement	7	263,500	-
Cash flows from financing activities		313,500	75,000
Increase in cash		53,900	12,840
Cash, beginning of year		13,062	222
Cash, end of year		66,962	13,062

The accompanying notes are an integral part of these financial statements

1. CORPORATE INFORMATION AND GOING CONCERN

Talmora Diamond Inc. (the "Company" or "Talmora") was incorporated on April 18, 1996 under the Canada Business Corporations Act. The Company is publicly traded with its shares listed on the Canadian Securities Exchange. The Company's registered and head office is located at 6 Willowood Court, Toronto, Ontario, Canada, M2J 2M3.

These financial statements were reviewed, approved and authorized for issue by the Board of Directors on March 27, 2024.

The Company is in the business of exploring and evaluating mineral exploration properties. There has been no determination whether the Company's interest's in mineral properties contain mineral reserves, which are economically recoverable. Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, government licensing requirements or regulations, social licensing requirements and non-compliance with regulatory requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts and political uncertainty.

The business of exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

As at December 31, 2023, the Company had continuing losses, cash totaling \$66,962 (2022 - \$13,062) and working capital of \$77,603 (2022 - \$20,799). The Company's ability to continue operations and working fund its exploration property expenditures is dependent on management's ability to secure additional financing. Management is actively pursuing such additional sources of financing, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. Because of this material uncertainty there is significant doubt about the ability of the Company to continue as a going concern. These financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financing Reporting Committee ("IFRC"). 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.

3. 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

- 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.
- Contingencies (see Note 12)

4. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in the stock options and share-based payment reserve (Note 8).

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

and outstanding stock options and warrants were not included in the calculation of diluted loss per share for the periods presented, as their effect would be anti-dilutive.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position are comprised of cash at banks, on hand, short-term deposits with an original maturity of three months or less, and guaranteed investment certificates which are readily convertible into a known amount of cash. The Company's cash and cash equivalents are invested with major financial institutions in business accounts and guaranteed investment certificates that are available on demand by the Company for its programs. The Company does not invest in any asset-backed deposits/investments. As at December 31, 2023, the Company had cash of \$66,962 (2022 \$13,062).

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions (cont'd)

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, 2023 and December 31, 2022.

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 cash and sundry receivables at amortized cost.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 does not measure any 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 financial 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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
Sundry receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

5. NEW AND FUTURE ACCOUNTING STANDARDS

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on January 1, 2023. Many are not applicable or do not have a significant impact to the Company and have been excluded.

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2024. 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") was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2024.

IFRS 10 - Consolidated Financial Statements ("IFRS 10") and IAS 28 – Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

6. EXPLORATION AND EVALUATION EXPENDITURES

The exploration and evaluation expenditures incurred by the Company are as follows:

	Total Expenditures \$
Total December 31, 2021	2,248,700
Permits and licences (recovered)	(7,404)
Professional exploration fees	11,213
Total December 31, 2022	2,252,509
Permits and licences	7,348
Professional exploration fees	167,133
Total December 31, 2023	2,426,990

As at December 31, 2023, the Company held two prospecting permits in the Inuvialuit Settlement Region of the Northwest Territories.

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 these 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 require their approval.

Olivut Option

On July 6, 2018, Talmora signed an agreement with Olivut Resources Ltd. ("Olivut") that gave Olivut the option to earn a 50% interest in one of Talmora's permits and other lands 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 will continue to explore the remainder of the Horton property of which it owns 100%.

Olivut made the cash payment of \$200,000 on July 19, 2018. On July 6, 2020, Olivut exercised its option. Olivut has prepared and submitted to Talmora the comprehensive report inclusive of all results and expenses of the work undertaken by Olivut during the option period. The Company and Talmora have not yet entered into a new formal joint venture company structure as contemplated in the Option Agreement.

7. 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.

	Number #	Amount* \$
Common shares issued		
Balance, December 31, 2021	72,682,801	3,414,486
Options exercised (i)	1,000,000	69,666*
Options exercised (ii)	500,000	34,965*
Balance, December 31, 2022	74,182,801	3,519,117
Options exercised (iii)	1,000,000	64,800*
Common shares Issued for cash (iv)	10,233,333	173,900
Balance, December 31, 2023	85,416,134	3,757,817

*(i) On January 13, 2022, a director exercised 1,000,000 options at \$0.05 netting the Company \$50,000.

*(ii) On May 24, 2022, a director exercised 500,000 options at \$0.05 netting the Company \$25,000.

*(iii) On April 18, 2023, a director exercised 1,000,000 options at \$0.05 netting the Company \$50,000.

(iv) On August 31, 2023, the Company closed a non brokered private placement of 10,233,333 units comprised of hard-dollar units of 8,700,000 units at \$0.025 per unit and 1,533,333 flow-through units at \$0.03, for gross proceeds of \$263,500. Each hard dollar unit consisted of one common share and one common share purchase warrant. Each flow-through unit consisted of one flow-through common share and one common share purchase warrant. Each whole common share purchase warrant entitles the holder to acquire a common share at a price of \$0.05 until August 31, 2024. The valuation of the warrants were estimated in the amount of \$81,600 using the Black-Scholes option pricing model. The following assumptions were used in the Black-Scholes option pricing model calculations: estimated share price of \$0.02, expected dividend yield rate of 0%, expected volatility of 191% based on historical share data, risk free interest rate of 4.68% and an expected life of 1 year.

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

A summary of warrants is as follows:

	Warrants #	Weighted Average Exercise Price \$	Value \$	Expiry Date
Balance December 31, 2022 and 2021		-	-	-
Warrants issued, August 31, 2023	10,233,333	0.05	81,600	Aug.31, 2024
Balance, December 31, 2023	10,233,333	0.05	81,600	

8. 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, 2021	6,132,000	0.05
Exercised, January 13, 2022	(1,000,000)	(0.05)
Exercised, May 24, 2022	(500,000)	(0.05)
Granted, May 29, 2022	1,500,000	0.05
Expired, November 28, 2022	(1,432,000)	(0.05)
Expired, December 31, 2022	(450,000)	(0.05)
Balance, December 31, 2022	4,250,000	0.05
Exercised, April 18, 2023	(1,000,000)	(0.05)
Granted, July 14, 2023	4,250,000	0.05
Expired, August 31, 2023	(1,250,000)	(0.05)
Granted, November 27, 2023	1,800,000	(0.05)
Balance, December 31, 2023	8,050,000	0.05

The weighted average share price at the time of option exercises was \$0.015.

As at December 31, 2023, the following options were issued and outstanding:

Options Outstanding #	Options Exercisable #	Exercise Price \$	Expiry Date	Remaining Contractual Life (years)	Value \$
1,000,000	1,000,000	0.05	December 29, 2025	2.00	19,929
500,000	500,000	0.05	December 16, 2026	2.96	9,832
500,000	500,000	0.05	May 29, 2027	3.41	7,400
4,250,000	4,250,000	0.05	July 14, 2028	4.54	60,800
1,800,000	1,800,000	0.05	November 27, 2028	4.91	24,100
8,050,000	8,050,000	0.05		4.14	122,061

On May 29, 2022, the Company granted 1,500,000 stock options to a director at \$0.05 until May 29, 2027. The stock options were assigned a value of \$22,200 or approximately, 0.015 per share using the Black-

8. STOCK OPTIONS AND SHARE-BASED PAYMENT RESERVE (continued)

Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 239%; share price of \$0.015, risk free interest rate of 2.61%, and an expected life of 5 years.

On July 14, 2023, the Company granted 4,250,000 stock options to directors, officers and consultants at \$0.05 until July 14, 2028. The stock options were assigned a value of \$60,800 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 196% based on historical share data; share price of \$0.015, risk free interest rate of 3.76%, and an expected life of 5 years.

On November 27, 2023, the Company granted 1,800,000 stock options to directors, officers and consultants at \$0.05 until November 27, 2028. The stock options were assigned a value of \$24,100 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 164% based on historical share data; share price of \$0.015, risk free interest rate of 3.76%, and an expected life of 5 years.

9. 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, 2023 and 2022. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body.

10. 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.

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

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 did not have any financial instruments carried at fair value as at December 31, 2023 and 2022.

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, 2023 and December 31, 2022.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2023, the Company had cash of \$66,962 (2022- 13,062) to settle current liabilities \$113 (2022 - \$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 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'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

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

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.

11. RELATED PARTY DISCLOSURES

Related parties include officers and members of the Board of Directors, 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. Remuneration of directors and key management of the Company was as follows:

	2023 \$	2022 \$
Salaries and benefits	33,988	23,450
Share-based payments	84,900	22,200

For the year ended December 31, 2023, the total exploration and evaluation expenditures included in salaries and benefits in the above table was \$9,919 (2022 - \$8,625). The balance of \$24,069 (2022 - \$14,825) 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.

As at December 31, 2023, the accounts payable and accrued liabilities \$Nil (2022 - \$NIL) was owing to directors and officers of the Company.

The Chief Executive Officer of the Company subscribed for 7,733,333 shares for gross proceeds of \$200,000 in the August 31, 2023 private placement.

See also Notes 7 and 8.

12. 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. On August 31, 2023 the Company received \$46,000 (2022 - \$nil) through the issue of flow-through shares and believes the Company incurred qualifying exploration expenditures to meet these flow-through obligations as at December 31, 2023.

Environmental Contingencies

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

13. INCOME TAXES

a) Provision for Income Taxes

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2022 - 26.5%) were as follows:

	2023 \$	2022 \$
(Loss) before income taxes	(341,596)	(84,016)
Expected income tax recovery based on statutory rate	(91,000)	(22,000)
Adjustment to expected income tax benefit:		
Share-based payments	22,000	6,000
Flow-through renunciation	12,000	-
Change in benefit of tax assets not recognized	49,000	16,000
Deferred income tax provision (recovery)	(8,000)	-

b) Deferred Income Tax

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	2023 \$	2022 \$
Mineral exploration property costs	2,425,000	2,309,000
Non-capital losses	456,000	175,000
Total	2,881,000	2,484,000

13. INCOME TAXES (continued)

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

The Company has non-capital losses of \$456,000 which will expire between 2039 and 2043.

14. SUBSEQUENT EVENTS

Northwest Territories

- NP 8464 Permit, 100% owned by Talmora was allowed to lapse on January 31, 2024.
- NP-8508 Permit was issued February 1, 2024, expiring on January 31, 2026. The permit is 100% owned by Talmora.
- NP 8436 Permit, 50% held in Trust by Talmora for Joint Venture was granted an extension for one year, and expires in January 31, 2025.