

Talmora Resources Inc.
Financial Statements
December 31, 2006 and 2005

Collins Barrow Calgary LLP
1400 First Alberta Place
777 - 8th Avenue S.W.
Calgary, Alberta, Canada
T2P 3R5

T. 403.298.1500
F. 403.298.5814

email: calgary@collinsbarrow.com

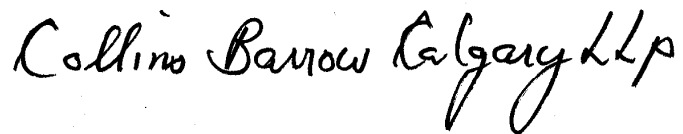
Auditors' Report

To the Shareholders
Talmora Resources Inc.

We have audited the balance sheets of Talmora Resources Inc. as at December 31, 2006 and 2005 and the statements of loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



CHARTERED ACCOUNTANTS

Calgary, Alberta
April 5, 2007

Talmora Resources Inc.
Balance Sheets
December 31, 2006 and 2005

	2006	2005
Assets		
Current assets		
Cash and cash equivalents	\$ 87,899	\$ 178,090
GST receivable	<u>5,655</u>	<u>2,225</u>
	93,554	180,315
Deferred qualifying transaction costs (note 3)	<u>57,168</u>	<u>-</u>
	<u>\$ 150,722</u>	<u>\$ 180,315</u>
Liabilities		
Current liability		
Accounts payable and accrued liabilities	\$ <u>15,571</u>	\$ <u>10,323</u>
Shareholders' Equity		
Share capital (note 4)	330,936	330,936
Deficit	<u>(195,785)</u>	<u>(160,944)</u>
	<u>135,151</u>	<u>169,992</u>
	<u>\$ 150,722</u>	<u>\$ 180,315</u>

Approved by the Board,

(signed) "Raymond Davies" _____, Director

(signed) "Richard M. Hogarth" _____, Director

Talmora Resources Inc.
Statements of Loss and Deficit
Years Ended December 31, 2006 and 2005

	2006	2005
Interest revenue	\$ 4,217	\$ 3,320
General and administrative expenses	<u>39,058</u>	<u>33,147</u>
Net loss	(34,841)	(29,827)
Deficit, beginning of year	<u>(160,944)</u>	<u>(131,117)</u>
Deficit, end of year	<u>\$ (195,785)</u>	<u>\$ (160,944)</u>
Net loss per share (note 4[e]) - basic and diluted	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>

Talmora Resources Inc.
Statements of Cash Flows
Years Ended December 31, 2006 and 2005

	2006	2005
Cash (used in) provided by:		
Operating activities		
Interest receipts	\$ 4,217	\$ 3,320
Operating payments	<u>(37,240)</u>	<u>(28,315)</u>
	<u>(33,023)</u>	<u>(24,995)</u>
Financing activity		
Deferred qualifying transaction costs	<u>(57,168)</u>	<u>-</u>
Cash outflow	(90,191)	(24,995)
Cash and cash equivalents, beginning of year	<u>178,090</u>	<u>203,085</u>
Cash and cash equivalents, end of year	<u>\$ 87,899</u>	<u>\$ 178,090</u>
Cash and cash equivalents is comprised of:		
Balances with banks	\$ 12,803	\$ 2,211
Money market funds	<u>75,096</u>	<u>175,879</u>
	<u>\$ 87,899</u>	<u>\$ 178,090</u>

Talmora Resources Inc.
Notes to Financial Statements
December 31, 2006 and 2005

1. Nature of operations

Talmora Resources Inc. (the "Company") was incorporated under the Business Corporation's Act (Alberta) on May 7, 1996 as 693888 Alberta Ltd. and changed its name to Talmora Resources Inc. pursuant to Articles of Amendment dated August 12, 1996.

The Company is classified as a Capital Pool Company under the regulations of the Alberta Securities Commission ("ASC") and The TSX Venture Exchange ("TSX-V"). The Company is required to complete a Qualifying Transaction.

The Company intends to identify and evaluate assets or businesses with a view to their potential for acquisition or participation therein. To date, the Company has not completed a Qualifying Transaction and is considered to be in the development stage (see note 7).

The Company's shares were suspended from trading on the TSX-V on March 15, 1999 for failure to complete a Qualifying Transaction within the required time. As of October 29, 1999, the TSX-V delisted the shares of the Company.

2. Significant accounting policies

(a) Cash and cash equivalents

Cash and cash equivalents consist of balances with banks and short-term investments in highly liquid money market funds. The short-term investments earn interest at an effective rate of 3.11% (2005 - 1.82%).

(b) Revenue recognition

Interest revenue from short-term investments is recognized on an accrual basis.

(c) Stock-based compensation

Stock-based compensation and other stock-based payments granted to directors, officers, employees and consultants are accounted for using the fair value method. Under this method, stock-based compensation expense is recognized when an option is granted, based on the fair value of the option at the date of the grant. The fair value of options granted are estimated using the Black-Scholes option pricing model and compensation expense is recorded over the vesting period as general and administrative expense with a corresponding increase in contributed surplus. As the options are exercised, the consideration paid, together with the amount previously recognized in contributed surplus, is recorded as an increase in share capital. The Company has not incorporated an estimated forfeiture rate for stock options that will vest, but accounts for actual forfeitures as they occur.

Talmora Resources Inc.
Notes to Financial Statements
December 31, 2006 and 2005

(d) Income taxes

Income taxes are accounted for using the liability method of income tax allocation. Under the liability method, income tax assets and liabilities are recorded to recognize future income tax inflows and outflows arising from the settlement or recovery of assets and liabilities at their carrying values. Income tax assets are also recognized for the benefits from tax losses and deductions that cannot be identified with particular assets or liabilities, provided those benefits are more likely than not to be realized. Future income tax assets and liabilities are determined based on the tax laws and rates that are anticipated to apply in the period of realization.

(e) Net loss per share

Basic net loss per share is calculated by dividing the net loss by the weighted average number of common shares outstanding during the year. The Company applies the treasury stock method for the calculation of diluted net loss per share, whereby it is assumed that proceeds from the exercise of stock options and warrants are used to repurchase common shares of the Company at the weighted average market price during the year.

3. Deferred qualifying transaction costs

Costs relating to the proposed qualifying transaction have been deferred. Costs will be included as part of the cost of the qualifying transaction upon completion of the amalgamation of Talmora Resources Inc. and Canadian Diamind Ltd. (see note 7).

The recoverability of amounts shown as deferred qualifying transaction costs is dependent on the ability of the Company to obtain the necessary financing to operate Talmora Diamond Inc. and the generation of sufficient income through future sales and services.

The valuation of the deferred qualifying transaction costs is based on management's best estimate of the future recoverability of these assets. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements from changes in such estimates in future periods could be significant.

4. Share capital

(a) Authorized

Unlimited number of voting common shares
Unlimited number of First Preferred shares
Unlimited number of Second Preferred shares

The First and Second Preferred shares may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions and conditions to the shares of each series.

Talmora Resources Inc.
Notes to Financial Statements
December 31, 2006 and 2005

(b) Issued	2006		2005	
	Number	Stated Value	Number	Stated Value
Common shares				
Balance, beginning and end of year	<u>5,142,105</u>	<u>\$ 330,936</u>	<u>5,142,105</u>	<u>\$ 330,936</u>

The stated value is net of share issuance costs of \$83,274 (2005 - \$83,274).

(c) Stock-based compensation

The Company has a stock option plan under which officers, directors, employees and consultants are eligible to receive stock options. The aggregate number of shares to be issued upon exercise of all options granted under the plan may not exceed 10% of the outstanding shares of the Company. Options granted under the plan generally have a term of five years and vest at terms to be determined by the directors at the time of grant. The exercise price of each option is fixed by the board of directors but shall be not 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.

No stock options were outstanding during 2006 or 2005.

(d) Escrow shares

As at December 31, 2006 2,142,105 (2005 - 2,142,105) common shares issued for \$114,210 (2005 - \$114,210) are held in escrow and may not be traded prior to receiving approval from the Executive Director of the ASC, subject to any earlier automatic releases which may be permitted by the ASC and the TSX-V.

(e) Per share amounts

Net loss per share has been calculated based on the weighted average number of common shares outstanding during the year of 5,142,105 (2005 - 5,142,105).

Talmora Resources Inc.
Notes to Financial Statements
December 31, 2006 and 2005

5. Income taxes

- (a) Income taxes differ from that which would be expected from applying the combined effective Canadian federal and provincial corporate income tax rate of 32.49% (2005 - 33.62%) to the net loss as follows:

	2006	2005
Expected income tax recovery	\$ (11,320)	\$ (10,028)
Non-capital loss expiring during the year	6,664	14,100
Future income tax benefit not recognized in previous years	(6,664)	(14,100)
Change in future taxes from tax rate reductions	1,999	-
Qualifying transaction costs	(13,930)	-
Future income tax benefit not recognized	<u>23,251</u>	<u>10,028</u>
	<u>\$ -</u>	<u>\$ -</u>

- (b) The components of future income tax asset at December 31, 2006 and 2005 are as follows:

	2006	2005
Non-capital loss carryforwards	\$ 63,041	\$ 63,434
Qualifying transaction costs	12,955	-
Other	68	82
Valuation allowance	<u>(76,064)</u>	<u>(63,516)</u>
	<u>\$ -</u>	<u>\$ -</u>

At December 31, 2006 and 2005, the Company did not consider it more likely than not that it would be able to realize a future income tax asset and as a result, no future income tax asset was recorded.

Talmora Resources Inc.
Notes to Financial Statements
December 31, 2006 and 2005

- (c) The amounts and expiry dates of the non-capital loss carryforwards included above are as follows:

Amount	Year of Expiry
\$ 19,930	2007
25,213	2008
18,663	2009
42,136	2010
20,387	2011
29,844	2015
<u>37,858</u>	2016
<u>\$ 194,031</u>	

6. Financial instruments

Fair values

The fair value of cash and cash equivalents, GST receivable and accounts payable and accrued liabilities approximate their carrying amounts due to their short-term nature.

7. Subsequent event

Effective January 23, 2007, pursuant to a letter of intent dated June 30, 2005 and a definitive amalgamation agreement dated July 31, 2006, the Company amalgamated with Canadian Diamind Limited ("CDL"), a private company that was incorporated pursuant to the laws of Ontario, and the amalgamated entity will continue under the name Talmora Diamond Inc. ("Amalco"). The Company was delisted from the TSX Venture Exchange on July 3, 2001 for failure to complete listing requirements. Pursuant to the amalgamation agreement, shares of Amalco were issued on the basis of one post-amalgamation share for each pre-amalgamation share of the Company and one post-amalgamation share for every five pre-amalgamation shares of CDL. Holders of common share purchase warrants in the capital of CDL received 3,250,000 common share purchase warrants in the capital of Amalco. Each whole Amalco warrant entitles the holder to acquire one Amalco share for \$0.16 until June 30, 2008.

Immediately after amalgamation, former shareholders of the Company held 31.3% of the common shares of the amalgamated company. Former shareholders of CDL held 68.6% of the common shares of the amalgamated company. CDL was named the acquirer for accounting purposes. The substance of the transaction is a capital transaction and will be accounted for as a reverse takeover.

Talmora Resources Inc.
Notes to Financial Statements
December 31, 2006 and 2005

This transaction is a "related party transaction" for the purposes of Ontario Securities Commission Rule 61-501 as the President and director of the Company is also a director of CDL and owns 14.4% and 10.9% of the issued and outstanding shares of the Company and CDL, respectively. The transaction is exempt from the related party valuation and minority securityholder approval requirements of the OSC Rule on the basis that no securities of the Company were listed or quoted on any specified markets.