

**TALMORA DIAMOND INC.**  
**6 Willowood Court, Toronto, Ontario M2J 2M3**

**Management's Discussion & Analysis**  
**For the quarter ended June 30, 2009**

Date: August 27, 2009

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the audited financial statements of the Corporation for the year ended December 31, 2008 and the year ended December 31, 2007 and the audited financial statements of the predecessor companies, Canadian Diamond Limited. and Talmora Resources Inc. for the year ended December 31, 2006.

The Corporation's reporting currency is the Canadian dollar and all amounts in this MD&A are expressed in Canadian dollars. The Corporation reports its financial position, results of operations and cash flows in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

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 Corporation at the time the statements were made

**Listing on CNQ/CNSX**

The common shares of Talmora Diamond Inc. commenced trading on the Canadian Trading and Quotation System Inc. ("CNQ") on May 14, 2007 under the trading symbol "TALM". The trading symbol was changed to "TAI" on September 19, 2008. (The "CNQ" was relaunched as the Canadian National Stock Exchange "CNSX" on November 6, 2008.

***Overall Performance***

Talmora is a diamond exploration company with one property consisting of 577,153 acres of permits and 41,939 acres of claims on the Horton River, 120 kilometres south of Paulatuk in the Northwest Territories. The property straddles a major linear structure believed favourable for the occurrence of diamondiferous kimberlites. \$1,024,022 has been spent on exploration of the property to June 30, 2009.

An airborne magnetic survey has detected anomalies with the characteristics of kimberlite pipes. Till samples taken down-ice of the magnetic anomalies contain 37 times as many

kimberlite indicator minerals (KIMs) as till samples taken at random. There is a strong correlation between KIMs and magnetic anomalies.

The magnetic anomalies must be tested by drilling. A program costing \$2,000,000 - \$4,000,000 should confirm whether or not kimberlites are present on the property. Micro-diamond analyses of initial kimberlite samples will determine whether further investigation is warranted in which case an additional budget in the order of \$10,000,000 - \$15,000,000 would be required.

The global financial crisis has made the funding of a major program difficult without heavily diluting present shareholders. Management is therefore focusing on preservation of assets and completed a small Private Placement of \$305,929 on June 3, 2009 to fund administration costs and to carry out a small field program of staking, sampling and magnetic surveying in June/July 2009. A major financing for a drill program will be pursued when enthusiasm for exploration improves.

Talmora is dependent on management obtaining financing to continue operations and to fund its exploration property expenses. Working capital at June 30, 2009 is \$235,413.

### ***Selected Annual Information***

As at June 30, 2009, Talmora had cash and cash equivalents of \$216,997 and working capital of \$235,413.

Funds are sufficient to meet ongoing administrative expenses and meet current liabilities. However, additional financing will be required to maintain the company beyond midyear.

Talmora Diamond Inc.					
		3 Months ended June 30, 2009 (\$)	3 Months ended June 30, 2008 (\$)	6 Months ended June 30, 2009 (\$)	6 Months ended June 30, 2008 (\$)
Cash, Cash	Equiv.	16,997	25,808	16,997	25,808
Short Term	Invest.	280,000	120,000	280,000	120,000
Net	Receiv./ (Pay.)	(11,579)	(23,258)	(11,579)	(23,258)
Working Capital		285,418	122,560	285,418	122,560
Interest	Revenues	821	32	2,589	72
Admin.	Expenses incl. bank charges	34,486	28,067	43,917	90,266
Professional	Fees	-	-	-	11,106
Mineral	Exploration Expenses	20,551	38,114	25,344	103,688

Deferred				
Cash Inflow (outflow)	60	(215,479)	(21,609)	(310,615)
Net Income (Loss)	(33,665)	(36,254)	(40,609)	(71,600)
Net Income (Loss) Per Share	(0.0014)	(0.0021)	(0.0018)	(0.0042)
Total assets	1,324,658	1,065,268	1,324,658	1,140,279
Total liabilities	15,218	20,693	15,218	39,514

Talmora Diamond Inc.			
	3 Months ended March 31, 2009 (\$)	Year ended December 31, 2008 (\$)	Year ended December 31, 2007 (\$)
Cash, Cash Equiv.	16,937	38,606	336,423
Short Term Invest.	30,000	30,000	0
Acc. Receiv./ (Pay.)	(5,832)	(15,766)	(11,830)
Working Capital	26,244	52,840	324,593
Interest Revenues	1,768	1,423	11,830
Admin. Expenses incl. bank charges	8,711	123,158	104,311
Professional Fees	-	25,788	65,467
Mineral Exploration	4,793	998,677	874,447
Cash Inflow (outflow)	(21,669)	(297,817)	(87,440)
Net (Loss)	(6,943)	(132,798)	(223,084)
Net Income (Loss) Per Share	(0.0003)	(0.006)	(0.013)
Total assets	1,065,268	1,080,868	1,260,949
Total liabilities	20,693	29,351	46,909

### 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 utilizes helicopters 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.

### Results of Operations

## **Horton River Project, NWT**

Talmora has one significant project for which it has raised \$1,493,929 since June 2006 and on which it has expended \$1,024,022 on exploration to June 30, 2009.

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.

Four new permits (144,868 acres) were granted to Talmora on February 1, 2008 but on February 28, 2008 “The Sahtu Secretariat Inc.” and a number of other “Applicants” in the Sahtu Settlement Region applied for a judicial review of the decision of the Supervising Mining Recorder to issue 60 prospecting permits within the Sahtu Settlement Region on February 1, 2008 including the 4 issued to Talmora Diamond Inc.

The “Applicants” claim that they were insufficiently consulted and accommodated by the Supervising Mining Recorder before the permits were issued. The Minister Of Indian Affairs And Northern Development and the Supervising Mining Recorder are opposing the application. The application does not affect the adjoining 9 permits (432,285 acres) and 50 claims (41,939.8 acres) held by Talmora.

The June 2009 private placement enabled the Company to stake 125 claims (11,260 acres) between June 28 and July 13 over potential kimberlite targets on ground that came open February 1, 2009.

### ***Geophysics***

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. A number of magnetic dyke-like structures 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 120k to the NNW. The latter “dykes” have a spatial relation to the Darnley Bay kimberlites.

### ***Cu-Au-U Targets***

Along one of the “dykes” on the west side of Talmora’s property are 4 strongly magnetic circular structures or “blows” which have model widths of about 700-1300m and appear to be at the same depth as the “dyke”. The “blows” may be related to the “dykes” in the same way that the “large magnetic anomaly” at Paulatuk may be related to the “dykes” at that location. The “blows” may be the feeder pipes of an intrusive similar to that which is believed to be the cause of the “large magnetic anomaly” at Paulatuk or of an extrusive that has subsequently been eroded.

Darnley Bay Resources has demonstrated that they have relatively shallow (300-500m) gravity anomalies above their deep magnetic anomaly suggesting that the gravity anomalies may be Olympic Dam type (U-Cu-Au) deposits. The magnetic “blows” on the Talmora property may be similarly capped by gravity anomalies indicating Olympic Dam targets. and a gravity survey over the “blows” is recommended.

### ***Kimberlite Targets***

Anomalies of low magnetic susceptibility are of interest as kimberlite targets. Many of these anomalies coincide with small lakes and are concentrated along the “dykes” especially the “dyke” with the circular “blows”. Some of them were ground truthed in the field program carried out in the later half of August, 2007. The field program included staking of the kimberlite targets and sampling of the tills for kimberlite indicator minerals down-ice of the magnetic targets.

Both coarse and fine (-0.50+0.25mm) fractions of all 178 till samples collected in 2007 have now been examined for kimberlite indicator minerals (KIMs) and microprobe analyses of all of the KIMs identified visually have been received. These samples were specifically collected down-ice of pipe-like magnetic anomalies in order to prioritize the anomalies for drill testing.

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.

Magnetic anomalies that have anomalous KIMs down-ice will be tested by drilling and additional magnetic anomalies must be sampled. An airborne magnetic survey and reconnaissance sampling of the new permits should proceed at the same time. A more extensive program is required than any carried out by the company to date and a major funding is essential.

A program costing \$2,000,000 - \$4,000,000 should establish the potential of the new permits for hosting kimberlites and confirm whether or not kimberlites are present on the part of the property explored to date. Micro-diamond analysis of initial kimberlite samples will determine whether further investigation is warranted in which case a budget in the order of \$10,000,000 - \$15,000,000 would be required.

## Budget

Staking 75,000 acres @ \$2/acre (contract staker cost)	150,000
Data Processing & planning	100,000
<b><i>Drill Program</i></b>	
Permitting cost	75,000
Drilling 2500m @ 250/m	625,000
Contract labour	135,000
Camp construction	150,000
Camp costs – labour & board	130,000
Fuel	120,000
Helicopter & fixed-wing – 3 months	560,000
Accommodation & transport	120,000
Ground geophysics	150,000
Caustic laboratory	240,000
Reports	20,000
Contingency	175,000
Total Drilling & Camp	2,500,000
<b><i>Airborne Magnetic Survey</i></b> - 12,000 line kilometers	425,000
<b><i>Sampling Program</i></b>	
Transport – samples & personnel	45,000
Camp costs	15,000
Helicopter	120,000
Sample processing & probing	150,000
Expediting	5,000
Contingency	40,000
Total	375,000
<b><i>Supervision &amp; support</i></b>	500,000
Total	<b>\$4,000,000</b>

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

## **Property Commitments**

The Company currently holds thirteen prospecting permits (577,153 acres) and 50 claims (41,939.8 acres) in the Horton River area, south of Paulatuk in the Northwest Territories. Three of the permits (214,983 acres) are in the Inuvialuit Settlement Area and ten of the permits (362,170 acres) are in the adjoining Sahtu Settlement Area. All are on crown land.

Between June 28 and July 13 the Company staked 125 additional claims (11,260 acres) on open Crown Land in the Inuvialuit Settlement Area west of the present property. Application to the Mining Recorder to record these claims will be made in August and they are therefore not included in the discussion and list of claims below.

The Crown owns both mineral and surface rights to the permit and 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, create environmental agencies and related procedures, and provide the Inuvialuit and Sahtu with equal representation on the agencies. Those who conduct economic activity in the Region need their approval.

The 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.

Application has been made for credits for work done on the current claims amounting to \$36,669, which together with current excess credits will keep the current claims in good standing until the dates shown in the table below.

The Company currently has performance deposits on the permits amounting to \$59,729.35 which will be refunded after an equal amount of work has been done. Refunds of previous deposits on 6 of the permits amounting to \$53,148.36 were received in 2008 after expenditures made in 2007 were accepted by the Mining Recorder. If no further work is done on the property performance deposits amounting to \$230,861.20 will be required to hold the current permits until their expiry dates shown below:

Property Units	Size acres	Expected & excess credits	Record date	Current expiry date	Expected expiry date with credits
6 Claims	15,495.00	\$38,496.79	Oct. 11, 2007	Oct. 11, 2012	Oct. 11, 2013
15 Claims	774.75	\$7,747.50	Oct. 11, 2007	Oct. 11, 2012	Oct. 11, 2017
3 Claims	7,747.50		Oct. 11, 2007	Oct. 11, 2013	
6 Claims	1,239.60	\$4,958.40	Oct. 11, 2007	Oct. 11, 2015	Oct. 11, 2017
11 Claims	10,898.15	\$21,814.90	Oct. 11, 2007	Oct. 11, 2016	Oct. 11, 2017
8 Claims	5,733.15		Oct. 11, 2007	Oct. 11, 2017	
1 Claim Pending	51.65	\$1,033.00	Oct. 11, 2007	?	Oct. 11, 2017

Property units	Size Acres	Future performance deposits/work	Grant date	Current expiry date	With future performance deposits/work
Permit 7307(5 year)	71,661	\$28,664.40	Jan. 31, 2007	Jan. 31, 2011	Jan. 31, 2012
Permit 7306(5 year)	71,661	\$28,664.40	Jan. 31, 2007	Jan. 31, 2011	Jan. 31, 2012
Permit 7305(5 year)	71,661	\$28,664.40	Jan. 31, 2007	Jan. 31, 2011	Jan. 31, 2012
Permit 7311(3 year)	36,217		Jan. 31, 2007	Jan. 31, 2011	
Permit 7309(3 year)	36,217		Jan. 31, 2007	Jan. 31, 2011	
Permit 7308(3 year)	36,217	\$14,486.80	Jan. 31, 2007	Jan. 31, 2010	Jan. 31, 2011
Permit 7310(3 year)	36,217	\$14,486.80	Jan. 31, 2007	Jan. 31, 2010	Jan. 31, 2011
Permit 7312(3 year)	36,217	\$14,486.80	Jan. 31, 2007	Jan. 31, 2010	Jan. 31, 2011
Permit 7313(3 year)	36,217	\$14,486.80	Jan. 31, 2007	Jan. 31, 2010	Jan. 31, 2011
Permit 7618(3 year)	36,217	\$21,730.20	Jan. 31, 2008	Jan. 31, 2010	Jan. 31, 2012
Permit 7619(3 year)	36,217	\$21,730.20	Jan. 31, 2008	Jan. 31, 2010	Jan. 31, 2012
Permit 7620(3 year)	36,217	\$21,730.20	Jan. 31, 2008	Jan. 31, 2010	Jan. 31, 2012
Permit 7621(3 year)	36,217	\$21,730.20	Jan. 31, 2008	Jan. 31, 2010	Jan. 31, 2012
Total		\$230,861.20			

## Contingencies

The Company's exploration activities are subject to various federal and provincial 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 so as to protect public health and the environment and 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.

On February 28, 2008, the Sahtu Secretariat Inc. and a number of other applicants (collectively, the "Applicants") in the Sahtu Settlement Region applied for a judicial review of the decision of the Supervising Mining Recorder to issue 60 prospecting permits within the Sahtu Settlement Region on February 1, 2008. Four of the permits were those issued to Talmora. The Applicants claim that they were insufficiently consulted and accommodated by

the Supervising Mining Recorder before the permits were issued. The Minister of Indian Affairs and Northern Development and the Supervising Mining Recorder are opposing the application. This application does not affect the adjoining nine permits and 50 claims held by Talmora.

**Variance to Original Budget of M.Millard (2005)**

<b>Budget M. Millard (2005)</b>		<b>Actual R. Davies assessment work reports (2008 &amp; 2009)</b>		
<b>Phase 1</b> [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		
<b>Exploration sub-total</b>		<b>\$405,000</b>		<b>\$414,987.42</b>
<b>Administration</b>		<b>\$100,000</b>	2007 expenses	\$169,778.00
	<b>Total</b>	<b>\$505,000</b>		<b>\$584,765.42</b>
<b>Phase 2a</b> [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		
<b>Exploration sub-total</b>		<b>\$355,000</b>		<b>\$341,534.03</b>
<b>Administration</b>		<b>\$100,000</b>	2008 expenses to Dec. 31	\$148,946.00
	<b>Total</b>	<b>\$455,000</b>		<b>\$490,480.03</b>
<b>Phase 2b</b> [assumes continued encouragement]				
Drilling	4 targets @ \$80,000	\$320,000		
	Contingency @ 20%	\$66,000		
<b>Exploration sub-total</b>		<b>\$386,000</b>		
<b>Administration</b>		<b>\$50,000</b>		
	<b>Total</b>	<b>\$436,000</b>		
<b>Exploration Total</b>		<b>\$1,146,000</b>		<b>\$756,521.45</b>
<b>Administration Total</b>		<b>\$250,000</b>		<b>\$318,724.00</b>
<b>Grand Total</b>		<b>\$1,396,000</b>		<b>\$1,075,245.40</b>

Phase 1 exploration costs were very much on budget with higher airborne survey cost due to higher line k 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 and Canadian Diamond. [\$44,762 legal, \$30,000 accounting, \$10,000 other]

Phase 2a exploration costs were on budget but cost per sample was higher than budget because sampling was all target evaluation requiring greater use of helicopter per sample. In addition the fine fractions of all samples were examined.

Administration costs in 2008 were lower than in 2007 but are higher than budget. These costs reflect the real costs of administering the company.

Funds were not available for the drilling proposed as Phase 2b. There are a lot more targets than expected and Talmora proposes a more extensive drill program than the Phase 2b budget above.

### Summary of Quarterly Results

The following is a summary of the quarterly results for Talmora Diamond Inc.:

(a) Year	2009	2009	2009	2009
(b) Quarter	December 31	September 30	June 30	March 31
Revenue			821	1,768
Working Capital			285,418	26,244
Expenses			34,486	8,711
Mineral Exploration (deferred costs)			20,551	4,793
Cash in- (out-)flow			60	(21,669)
Net Income (Loss)			(33,665)	(6,943)
Net Income (Loss) (per share)			(0.0014)	(0.0003)

(a) Year	2008	2008	2008	2008
(b) Quarter	December 31	September 30	June 30	March 31
Revenue	\$890	\$461	\$32	\$41
Working Capital	\$52,840	\$64,457	\$122,560	\$193,893
Expenses	\$8,053	\$57,495	\$33,286	\$79,837
Mineral Exploration (deferred costs)	\$6,117	\$14,345	\$38,114	\$65,654
Cash in- (out-)flow	(\$59)	\$12,857	(\$215,479)	(\$95,136)
Net Income (Loss)	(\$4,164)	(\$57,034)	(\$36,254)	(\$35,346)
Net Income (Loss) (per share)	(\$0.0002)	(\$0.003)	(\$0.002)	(\$0.002)

(a) Year	2007	2007	2007	2007
(b) Quarter	December 31	September 30	June 30	March 31
Revenue	\$484	\$1,273	\$4,058	\$5,304
Working Capital	\$324,593	\$34,844	\$387,990	492,295
Expenses	\$115,528	\$27,252	\$85,194	33,679
Mineral Exploration (deferred costs)	\$60,505	\$327,167	\$181,271	\$94,056
Cash in- (out-)flow	\$266,725	(\$284,702)	(\$135,576)	\$66,113
Net Income (Loss)	(\$164,694)	(\$25,979)	(\$45,036)	\$12,625
Net Income (Loss) (per share)	(\$0.009)	(\$0.001)	(\$0.003)	\$0.001

The 2009 second quarter numbers reflect an uptick in exploration expenditures as preparations were made for a field program that ran from June 28 to July 13, 2009. No field work was carried out in 2008 and in early 2009 prior to the June 3rd financing.

The deferred mineral exploration costs in the second quarter 2009 are \$20,551 (\$4,793 in first quarter) consisting primarily of equipment purchases and a deposit required by a service provider. Administrative expenditures of \$34,486 in the second quarter 2009 were closer to the expected average (\$8711 in first quarter 2009 and \$8053 in fourth quarter 2008 were down because they included refunds totaling \$60,382 of cash deposits on prospecting permits). The increased net loss of \$33,665 reflects the increased administrative expenditures.

The balance sheet shows an increase in working capital from \$26,244 as at March 31, 2009 to \$285,418 as at June 30, 2009 as a result of the June 3, 2009 financing.

### ***Liquidity***

The Company is a development stage company as defined by CICA Accounting Guideline 11 “Enterprises in the Development Stage” and currently has interests in exploration and development properties in Canada. Substantially all of the Company’s efforts are devoted to financing and developing these properties. There has been no determination whether the Company's interests 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 and non-compliance with regulatory requirements.

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 recoverability of the carrying value of exploration properties and 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. Changes in future conditions could require material write-downs of the carrying values.

### ***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 global financial crisis is making a major funding at this time difficult and would dilute current shareholders heavily. A small private placement of \$305,929 to cover administrative expenses and to carry out a limited exploration program was completed in June 2009. The Company will concentrate on maintaining the property in good standing until the financial climate improves.

There are currently 27,893,506 common shares issued and outstanding and 6,699,286 common shares subject to issuance including 5,099,286 warrants and 1,600,000 management incentive options. Each of 2,040,000 warrants entitles the holder to acquire one common share for \$0.20 and these warrants expire December 28, 2009. Each of the remaining 3,059,286 warrants entitles the holder to acquire one common share for \$0.16 and these warrants expire June 4, 2011. 3,250,000 Warrants expired June 30, 2008 and 650,000 warrants expired April 18, 2009, unexercised. The options are exercisable at \$0.10 and expire April 25, 2012.

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

Talmora Diamond Inc. had cash, cash equivalents and short term investments in the amount of \$296,997 as at June 30, 2009, compared to \$46,937 as at March 31, 2009 and \$68,606 as at December 31, 2008 which reflects the June 2009 Private Placement. As at June 30, 2009, Talmora Diamond Inc. had working capital in the amount of \$285,418, compared to working capital of \$41,105 as at March 31, 2009 and \$52,840 as at December 31, 2008. The increase in working capital is the result of the recent Private Placement.

Interest revenues of \$821 for quarter ending June 30, 2009, \$1,768 for quarter ending March 31, 2009 and \$1,423 for year ending December 31, 2008, (\$11,119 in all 2007; \$10,755 in all 2006) reflects a decrease of working capital prior to the recent Private Placement. Administration expenses of \$34,486 for quarter ending June 30, 2009 compared to \$8,711 for quarter ending March 31, 2009 (\$123,158 in all 2008 and \$104,311 in all 2007) are in line with past expenses. The March 2009 quarter number appears to be down but includes a cash

refund of \$7,233 and first quarter administrative expenses of \$16,251 are included in Payables and accrued liabilities.

The net cash inflow of \$60 in the second quarter (outflow of \$21,669 in the first quarter of 2009) reflects the net inflow from the June 2009 financing less the outflows from operating and investing activities. The net cash outflow of \$59 in the fourth quarter of 2008 reflects the refund of cash deposits following assessment work approval. The cash outflow of \$215,479 and \$95,136 in the first two quarters of 2008 reflect the exploration expenditures (till sampling, ground magnetic surveying and staking incurred in the second half of 2007 and the early part of 2008) and the administrative costs of \$148,946. The net cash inflow of \$12,857 in the third quarter of 2008 reflects the partial cash-in of \$90,000 of a short term investment. In 2007 cash outflow of \$135,576 and \$284,702 occurred in the 2<sup>nd</sup> and 3<sup>rd</sup> quarters as a result of exploration expenditures but was followed by a cash inflow of \$266,725 in the 4<sup>th</sup> quarter after completion of a private placement in December. There were no financings of Talmora during 2008.

The increased mineral exploration deferred costs of \$20,551 for the quarter ending June 30, 2009 compared to \$4,793 for the quarter ending March 31, 2009 (\$6,117, \$14,345, \$38,114 & \$65,654 for the 4<sup>th</sup>, 3<sup>rd</sup>, 2<sup>nd</sup> & 1<sup>st</sup> quarters of 2008 respectively) is the result of preparations for a field program that commenced in June 2009. The increase of \$124,230 in 2008 was the cost of processing samples and reporting the work done in 2007.

Funds are sufficient to meet ongoing administrative expenses and meet current liabilities. However, additional financing will be required to maintain the company beyond year-end.

During the year ended December 31, 2007, the Company renounced flow-through expenditures in the amount of \$370,000 with respect to a flow-through financing that occurred during the year ended December 31, 2006, creating a future income tax liability of \$120,250, of which \$68,550 was allocated as a cost of issuing the flow-through shares and \$51,700 was allocated as a cost of issuing warrants.

In April 2007, the Company closed a private placement financing for 170,000 non-flow-through units and 1,130,000 flow-through units at a price of \$0.10 per unit for total gross proceeds of \$130,000. (See Note 12) Each unit consists of one common share and one-half of one common share purchase warrant. Each whole common share purchase warrant will be exercisable at \$0.16 per common share until April 18, 2009.

The fair value of the warrants of \$21,000 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 100%; risk free interest rate of 4.1%; and expected life of two years.

On December 28, 2007, the Company closed another private placement financing for 3,160,000 non-flow-through units and 920,000 flow-through units at a price of \$0.10 per unit for total gross proceeds of \$408,000. . Each unit consists of one common share and one-half of one common share purchase warrant. Each whole common share purchase warrant will be exercisable at \$0.20 per common share until December 28, 2009.

The fair value of the warrants of \$59,200 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 100%; risk free interest rate of 4.1%; and expected life of two years.

On June 12, 2007, shareholders of the Company entered into an escrow agreement relating to 5,654,935 common shares of the Company and 525,000 common share purchase warrants. The escrowed securities will be released as follows: 1/10 on the listing date, 1/6 of the remaining escrowed securities 6 months after the listing date, 1/5 of the remaining escrowed securities 12 months after listing date, 1/4 of the remaining escrowed securities 18 months after the listing date, 1/3 of the remaining escrowed securities 24 months after the listing date, 1/2 of the remaining escrowed securities 30 months after the listing date and the remaining escrowed securities, 36 months after the listing date.

During the year ended December 31, 2008, the Company renounced flow-through expenditures in the amount of \$205,000 (2007 - \$370,000) with respect to flow-through financings that occurred during the year ended December 31, 2007, creating a future income tax liability of \$59,450 (2007 - \$120,250), of which \$50,450 (2007 - \$68,550) was allocated as a cost of issuing the flow-through shares and \$9,000 (2007 - \$51,700) was allocated as a cost of issuing warrants.

On June 3, 2009, the Company closed another private placement financing for 3,318,571 non-flow-through units and 2,800,000 flow-through units at a price of \$0.05 per unit for total gross proceeds of \$305,929. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole common share purchase warrant will be exercisable at \$0.16 per common share until June 3, 2011.

The fair value of the warrants of \$40,383 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 100%; risk free interest rate of 2.25%; and expected life of two years.

## **Options**

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 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:

<u>Value</u>	<u>Weighted Average Options</u>	<u>Exercise Price</u>	
	#	\$	\$
Balance, December 31, 2005 and 2006			-
Issued	<u>1,600,000</u>	0.10	<u>33,102</u>
Balance , June 30, 2009	<u>1,600,000</u>	0.10	<u>33,102</u>

The weighted average grant date fair value of the options issued during the year ended December 31, 2007 is \$0.076. The fair value of the options was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 100%; risk free interest rate of 4.1%; and expected life of five years

The expiry date of all the options is April 25, 2012.

16.67% of these options vested every 3 months beginning July 25, 2007. As at December 31, 2008, all 1,600,000 of these options had vested.

### **Contributed Surplus**

	Amount
	\$
Balance, December 31, 2008	225,650
Employee stock based compensation	Nil
Non-employee stock based compensation	Nil
Expiration of warrants	21,000
Balance, March 31, 2009	<u>246,650</u>

### **Related Party Transactions**

During the three month period ended June 30, 2009 administration expenses of \$12,996 (2008 - \$23,056 [recalculated]) of which \$2,879 (2008 -\$3,812 [recalculated]) was for out-of-pocket expenses, were charged by two officers of the Company .

During the three month ended June 30, 2009 an amount of \$2,238 (2008 - \$5,231) was charged to deferred mineral exploration costs for services provided by an officer of the Company.

The above transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

During the quarter ended June 30, 2009, directors and officers of the Company and a spouse of an officer subscribed for 700,000 non-flow-through units and 1,000,000 flow-through units for gross proceeds of \$85,000 pursuant to the private placement described in Note 7(b)(v). A spouse of an officer of the Company charged a consultant's fee of \$1,999 with respect to this financing which was included in accounts payable as at June 30, 2009. This amount is unsecured, non-interest bearing with no fixed terms of repayment.

During the quarter ended June 30, 2009, a corporation of which a director and officer of the Company holds a significant interest subscribed for 200,000 non-flow-through units for gross proceeds of \$10,000 pursuant to the private placement described in Note 7(b)(v).

### **Subsequent Events**

Between June 28 and July 13, 2009, the Company completed a small field program of staking, sampling and airborne magnetic surveying which was funded by the June 3, 2009 Private Placement.

### ***Changes in Accounting Policies including Initial Adoption***

#### **New Accounting Pronouncements:**

#### **Capital Disclosures**

In December 2006, the CICA issued Section 1535, "Capital Disclosures", which establishes guidelines for the disclosure of information on an entity's capital and how it is managed. Effective January 1, 2008, this enhanced disclosure enables users to evaluate the entity's objectives, policies and processes for managing capital. The Company has included this disclosure in Note 11 to the financial statements.

#### **Financial Instruments - Disclosure and Presentation**

In December 2006, the CICA issued Section 3862, "Financial Instruments - Disclosure", and Section 3863, "Financial Instruments – Presentation" to replace the existing Section 3861 "Financial Instruments – Disclosure and Presentation". Section 3862 requires enhanced disclosure on the nature and extent of financial instrument risks and how an entity manages those risks. Section 3863 carries forward the existing presentation requirements and provides additional guidance for the classification of financial instruments. These sections are effective January 1, 2008. The Company has included this disclosure in Note 12 to the financial statements.

### **Mining Exploration Costs**

On March 27, 2009, the AcSB issued EIC-174 “Mining Exploration Costs”. In this EIC the Committee provided additional guidance for an enterprise that has initially capitalized exploration costs and has an obligation in the current and subsequent accounting periods to test such costs for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The EIC should be applied to financial statements issued after March 27, 2009. The Company has adopted EIC-174 in these financial statements.

### **Future Accounting Pronouncements:**

#### **International Financial Reporting Standards (“IFRS”)**

In January 2006, the CICA Accounting Standards Board (“ACSB”) adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies are expected to converge with IFRS by the end of 2011. The Company continues to monitor and assess the impact of the convergence of Canadian GAAP and IFRS.

#### **Credit Risk and the Fair Value of Financial Assets and Financial Liabilities**

In January 2009, the CICA approved EIC 173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 12, 2009. The Company is continually evaluating its counterparties and their credit risks.

### **Other Accounting Notes**

#### **Critical Accounting Estimates**

In the resource exploration sector, critical accounting estimates used in the preparation of the financial statements would include the Corporation’s estimate of recoverable value of its mineral properties and related deferred exploration expenditures as well as the value of any stock-based compensation. Both of these estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Corporation’s control.

The Corporation’s recoverability of its recorded value of its mineral properties and associated deferred exploration expenses is based on current market conditions for minerals, underlying mineral resources associated with the properties and future costs that may be required for ultimate realization through mining operations or by sale. The Corporation operates in an industry that is dependent on a number of factors including environmental, legal and political risks, the existence of economically recoverable reserves, the ability of the Corporation and its subsidiaries to obtain necessary financing to complete the development, and future profitable production or the proceeds of disposition thereof.

The factors affecting stock-based compensation include estimates of when stock options might be exercised and stock price volatility. The timing for exercise of options is out of the Corporation's control and will depend on a variety of factors, including the market value of the Corporation's shares and financial objectives of the stock-based instrument holders. The Corporation used historical data to determine volatility in accordance with the Black-Scholes model. However, the future volatility is uncertain and the model has its limitations.

### **Disclosure Controls**

The Corporation's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Corporation's disclosure controls and procedures, including adherence to the Disclosure Policy adopted by the Corporation. They are assisted in this responsibility by the Chairperson of the Audit Committee who serves as an independent director of the Corporation. All three individuals sit on the Corporation's Disclosure Policy Committee ("DPC"). The Disclosure Policy requires all staff to keep the DPC fully apprised of all material information affecting the Corporation so that they may evaluate and discuss this information and determine the appropriateness and timing for public release. Access to such material information by the DPC is facilitated by the small size of the Corporation's senior management.

The Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the Corporation's disclosure controls and procedures as of December 31, 2007, have concluded that the Corporation's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Corporation and its subsidiaries would have been known to them.

### **Management's Responsibility for Financial Statements**

The information provided in this Listing Statement, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the financial statements.

Management maintains a system of internal controls to provide reasonable assurance that the Corporation's assets are safeguarded and to facilitate the preparation of relevant and timely information.

### **Sensitivity Analysis**

As at December 31, 2008, the carrying and fair value amounts of the Company's financial instruments are approximately the same. The Company does not anticipate any material fluctuations as a result of changes in interest or foreign currency rates.

### ***Financial Instruments and Other Instruments***

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.

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.

The Company does not hedge against any other risks.

**Form 52-109F2R**  
**Certification of refiled interim filings**

This certificate is being filed on the same date that Talmora Diamond Inc. (the “issuer”) has refiled the interim financial statements and interim MD&A (together the interim filings) for the interim period ending June 30, 2009.

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

1. **Review:** I have reviewed the interim financial statements and interim MD&A (together, the “interim filings”) of the issuer for the interim period ended **June 30, 2009**.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

Date: **August 27, 2009**

“Raymond Davies”

Raymond Davies,  
President and Chief Executive Officer

**NOTE TO READER**

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

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

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

**Form 52-109F2R**  
**Certification of refiled interim filings**

This certificate is being filed on the same date that Talmora Diamond Inc. (the “issuer”) has refiled the interim financial statements and interim MD&A (together the interim filings) for the interim period ending June 30, 2009.

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

1. **Review:** I have reviewed the interim financial statements and interim MD&A (together, the “interim filings”) of the issuer for the interim period ended **June 30, 2009**.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

Date: **August 27, 2009**

“Robert Owen”

Robert Owen,  
Chief Financial Officer

**NOTE TO READER**

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

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