

TALMORA DIAMOND INC.
INTERIM FINANCIAL STATEMENTS
THREE MONTHS ENDED
MARCH 31, 2024
(UNAUDITED)

(Expressed in Canadian Dollars)

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TALMORA DIAMOND INC.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
(UNAUDITED) FOR THE THREE MONTHS ENDED MARCH 31, 2024

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	Notes	2024 \$	2023 \$
ASSETS			
Current			
Cash and cash equivalents		14,140	66,962
Sundry receivables		12,980	10,754
Total assets		27,120	77,716
LIABILITIES			
Current			
Accounts payable and accrued liabilities	11	115	113 -
Total liabilities		115	-
SHAREHOLDERS' EQUITY			
Share capital	7	3,961,480	3,757,817
Share-based payment reserve	8	-	122,061
Warrant reserve	7	-	81,600
Deficit		(3,934,474)	(3,883,875)
Total shareholders' equity		27,006	77,603
Total liabilities and shareholders' equity		27,120	77,716

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)
(UNAUDITED) FOR THE THREE MONTHS ENDED MARCH 31, 2024

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	Notes	2024 \$	2023 \$
Administration	11	9,514	16,100
Exploration and evaluation expenditures	6, 12	30,383	60
Share-Based payments	8, 11	-	-
Professional fees		<u>10,700</u>	<u>12,840</u>
Loss before interest and other income		<u>50,597</u>	<u>29,000</u>
Interest income		-	-
Net (loss) comprehensive (loss) for the period		<u>50,597</u>	<u>(29,000)</u>
Net (loss) and comprehensive (loss) per share – basic and diluted		<u>(0.004)</u>	<u>(0.001)</u>
Weighted average number of shares outstanding – basic and diluted		<u>78,307,367</u>	<u>74,182,801</u>

The accompanying notes are an integral part of these financial statements

STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)
(UNAUDITED) FOR THE THREE MONTHS ENDED MARCH 31, 2024

	Notes	Capital	Share-Based Payment Reserve	Warrants Reserve	Deficit	Total
			\$		\$	
Balance at December 31, 2022		3,519,117	82,650	-	(3,580,968)	20,799
Net (loss) and comprehensive (loss)		-	-	-	(29,000)	(29,000)
Balance at March 31, 2023		3,519,117	82,650	-	(3,609,968)	(8,201)
Balance at December 31, 2023		3,519,117	122,061	81,600	(3,883,877)	(8,201)
Balance at March 31, 2024		3,961,480	-	-	(3,934,474)	27,006

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

STATEMENTS OF CASH FLOW
(Expressed in Canadian Dollars)
(UNAUDITED) FOR THE THREE MONTHS ENDED MARCH 31, 2024

	Notes	2024 \$	2023 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss) for the year		(50,597)	(29,000)
Changes not involving cash:			
Share-based payments		-	-
Flow-through share premium renunciation		-	-
Changes in non-cash working capital balances:			
Change in sundry receivables		(3,017)	(2,724)
Change in accounts payable and accrued liabilities		113	21,327
		<u>113</u>	<u>21,327</u>
Cash flows used in operating activities		<u>(259,600)</u>	<u>(10,397)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Option exercises	8	-	-
Private Placement	7	-	-
		<u>-</u>	<u>-</u>
Cash flows from financing activities		<u>-</u>	<u>-</u>
Increase (decrease) in cash		53,900	(10,397)
Cash, beginning of year		<u>66,963</u>	<u>13,062</u>
Cash, end of period		<u>14,141</u>	<u>2,665</u>

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 May 24, 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 March 31, 2024, the Company had continuing losses, cash totaling \$14,140 (2023- \$2,665) and working capital of \$27,120 (2023 - \$8,201). 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 condensed interim 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 condensed interim 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 condensed interim 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 March 31, 2024, the Company had cash of \$14,140 (2023 \$2,665.)

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 March 31, 2024 and December 31, 2023.

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, 2022	2,252,509
Permits and licences	7,348
Professional exploration fees	167,133
Cumulative expenditures end of year December 31, 2023	2,426,990
J.V funds	228
J/V Sample Sorting/Analyses	25,883
J/V Consulting	2,285
J/V Admin fee	1,447
Expenditures for the period March 31, 2024	30,383
Cumulative expenditures end of period	2,457,373

As at March 31, 2024, 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 Talmora's Seahorse Project (Seahorse Project") by spending \$1.2 million over a two-year period and making a cash payment to Talmora of \$200,000. Exercise of the option would result in the formation of a Joint Venture to continue exploration of the jointly owned property. Talmora 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.

Common shares issued	Number #	Amount* \$
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 and March 31, 2024	<u>85,416,134</u>	<u>3,757,817</u>

*(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.

WARRANTS

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
Balance, December 31, 2023			
And March 31, 2024	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 and March 31, 2024	8,050,000	0.05

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

As at March 31, 2024, 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	1.75	19,929
500,000	500,000	0.05	December 16, 2026	2.71	9,832
500,000	500,000	0.05	May 29, 2027	3.16	7,400
4,250,000	4,250,000	0.05	July 14, 2028	3.29	60,800
1,800,000	1,800,000	0.05	November 27, 2028	4.67	24,100
8,050,000	8,050,000	0.05		3.12	122,061

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

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 March 31, 2024, the Company had cash of \$14,140 (2023- \$2,665) to settle current liabilities \$115 (2023 \$21,327).

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.

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

(c) Price Risk

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

Property Risk

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

Sensitivity Analysis

The Company does not anticipate any material fluctuations in its financial assets and liabilities as a result of changes in interest or foreign currency rates.

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:

	2024	2023
	\$	\$
Salaries and benefits	\$1,163	\$6,879
Share-based payments	-	-

For the period ended March 31, 2024, the total exploration and evaluation expenditures included in salaries and benefits in the above table was \$Nil (2023 - \$60). The balance of \$1,163 (2023 - \$6,819) 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 March 31, 2024 the accounts payable and accrued liabilities \$Nil (2023 - \$21,327) was owing to directors and officers of the Company.

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 March 31, 2024.

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.

14. SUBSEQUENT EVENTS

500,000 (Series 13) Warrants were exercised into shares on April 9, 2024 at \$0.05 per warrant.