



Table of Contents

1.1 Description of Business and Report Date..... - 20 -

1.2 Company Overview and Projects - 20 -

 (a) Highlights for the Three Months Ended June 30, 2008 - 21 -

 (b) Events Subsequent to June 30, 2008 - 21 -

 (c) Amaruk Project – Nunavut, Canada - 22 -

 (i) Ualliq option to International Samuel Exploration Corp. - 23 -

 (ii) Sakari joint venture with Shear Minerals Ltd..... - 23 -

 (iii) Siku joint venture with Arctic Star Diamond Corp. - 24 -

 (iv) Tunerq - Amaruk Nickel Project (100% owned)..... - 24 -

 (d) Hepburn Project – Northwest Territories, Canada - 24 -

 (e) Banks Island Project – Northwest Territories, Canada - 25 -

 (f) Mineral Property Expenditures Table..... - 26 -

1.3 Results of Operations - 27 -

 (a) Current Quarter - 27 -

 (b) Six Months Ended June 30, 2008 vs. Six Months Ended June 30, 2007 - 27 -

1.4 Summary of Quarterly Results - 28 -

1.5 Liquidity - 29 -

1.6 Capital Management..... - 29 -

1.7 Off-Balance Sheet Arrangements..... - 29 -

1.8 Related Party Transactions..... - 30 -

1.9 Proposed Transactions - 30 -

1.10 Changes in Accounting Policies - 30 -

1.11 New Accounting Pronouncements..... - 31 -

1.12 Financial Instruments - 32 -

1.13 Certification of Interim Filings..... - 32 -

1.14 Other MD&A Requirements..... - 33 -



1.1 Description of Business and Report Date

Diamonds North Resources Ltd. (“the Company”) is an exploration stage company engaged in the acquisition and exploration of diamond mineral properties in Canada. The principal properties are located in northern Canada throughout Nunavut (“NU”) and the Northwest Territories (“NWT”). The Company trades as a Tier One company on the TSX Venture Exchange (“Exchange”) under the symbol “DDN” and is a reporting issuer in British Columbia and Alberta. The following discussion and analysis of the financial position and results of operations for the Company should be read in conjunction with the consolidated financial statements and the notes thereto for the six months ended June 30, 2008.

This Management Discussion and Analysis (“MD&A”) may contain forward-looking statements that involve risks and uncertainties. Words such as “anticipate,” “believe,” “estimates,” “expects,” and similar expressions are used throughout this report to identify these statements. Forward-looking statements in this MD&A are only made as of August 26, 2008 (the “Report Date”). Please keep in mind that statements which describe the Company’s proposed plans, objectives, and budgets may differ materially from actual results. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploration success, continued availability of capital, and general economic, market or business conditions.

Bruce Kienlen (P.Geol) and Graham Gill (P. Geo) are the Company's qualified persons reviewing the exploration projects described throughout the MD&A. They are responsible for the design and conduct of the exploration programs and the verification and quality assurance of analytical results.

1.2 Company Overview and Projects

As of the Report Date, the Company has completed the following on its 100% owned Amaruk property:

- Over 5,000 metres of diamond drilling was completed on the Tuktu and Qavvik kimberlites to collect drill core for a composite mini-bulk sample. The final portions of the samples are in transit to the laboratory for diamond analysis using dense media separation. Sample weights as reported by the laboratory have not yet been received by the company.
- The percussion drills have been utilized for testing new targets and delineation drilling of Tuktu and Qavvik. The discovery of 3 new kimberlites have been reported.
- Over 130 ground geophysical grids completed.
- More than 600 till samples have been collected on the property.
- At Tunerq, mapping is complete and an IP survey is near completion at the Report Date.



(a) Highlights for the Three Months Ended June 30, 2008

- On May 27th, the Company reported diamond counts from the Tuktu-1B kimberlite with 2,850 diamonds recovered from a 412.15kg sample collected by percussion drill, at a depth of approximately 24.5 metres to 91 metres, table below.

Table 1 – Diamond Sieve Data for Tuktu-1B

Kimberlite Name	Date Reported	Weight (in kg)	Sieve Sizes (mm)							Total	Diamonds per kg
			0.106	0.150	0.212	0.300	0.425	0.600	0.850		
1 Tuktu-1B	May 27	412.15	1,693	695	270	83	70	33	6	2,850	6.9

- On June 13th, the Company reported four drill holes have intersected substantial nickel grades on it's 100% owned Tunerq Amaruk nickel project.

Table 2 – Tunerq Drill Results

Hole #	From (m)	To (m)	Interval (m)	Ni %	Cu %	Co %
08TUR001	0.9	23.8	22.9	0.83	0.19	0.02
<i>including</i>	0.9	13.1	12.2	1.20	0.26	0.03
08TUR002	1.8	36.6	34.8	1.05	0.26	0.02
<i>including</i>	1.8	6.1	4.3	1.46	0.4	0.03
<i>including*</i>	24.4	33.5	9.1	2.49	0.56	0.05
08TUR004	0.0	7.3	7.3	1.50	0.29	0.03
<i>including</i>	0.0	5.8	5.8	1.86	0.36	0.04
08TUR005	0.0	22.6	22.6	0.44	0.14	0.01
<i>including</i>	1.2	5.8	4.6	0.72	0.25	0.02
<i>including</i>	10.7	14.9	4.2	0.84	0.17	0.02

**Includes nickel values of 3.95%, 3.0%, 2.67%, 2.35% each over 1.5m*

(b) Events Subsequent to June 30, 2008

- On July 7th, the Company completed a \$12.5 million bought deal financing, led by Canaccord Capital Corporation and including Dundee Securities Corporation, GMP Securities L.P. and Haywood Securities Inc. (collectively, the "Underwriters") that consisted of 3,833,600 units (the "Units") at a price of \$1.05 per Unit and 7,083,700 flow-through common shares ("Flow-Through Shares") at a price of \$1.20 per Flow-Through Share for aggregate proceeds of \$12,525,720 (the "Offering"). A Unit consists of one common share and one-half of one transferable common share purchase warrant (a "Warrant"). Each whole warrant entitles the holder to purchase one additional common share at a price of \$1.30 for a period of one year from the date of closing.

In consideration for their efforts, the Underwriters were paid a cash commission of \$751,543 and received 655,038 non-transferable Underwriters' warrants ("Underwriters' Warrants"). Each Underwriters' Warrant entitles the holder to purchase one common share for a period of twelve months from the closing at a price of \$1.30 per share.

Concurrently, the Company closed the first tranche of the non-brokered private placement for gross proceeds of \$2,946,799 from the issuance of 1,391,666 Flow-Through Shares and 1,216,000 Units. Finders' fees were paid consisting of \$22,140 cash and the issuance of share purchase warrants

Management Discussion and Analysis
For the Six Months Ended June 30, 2008

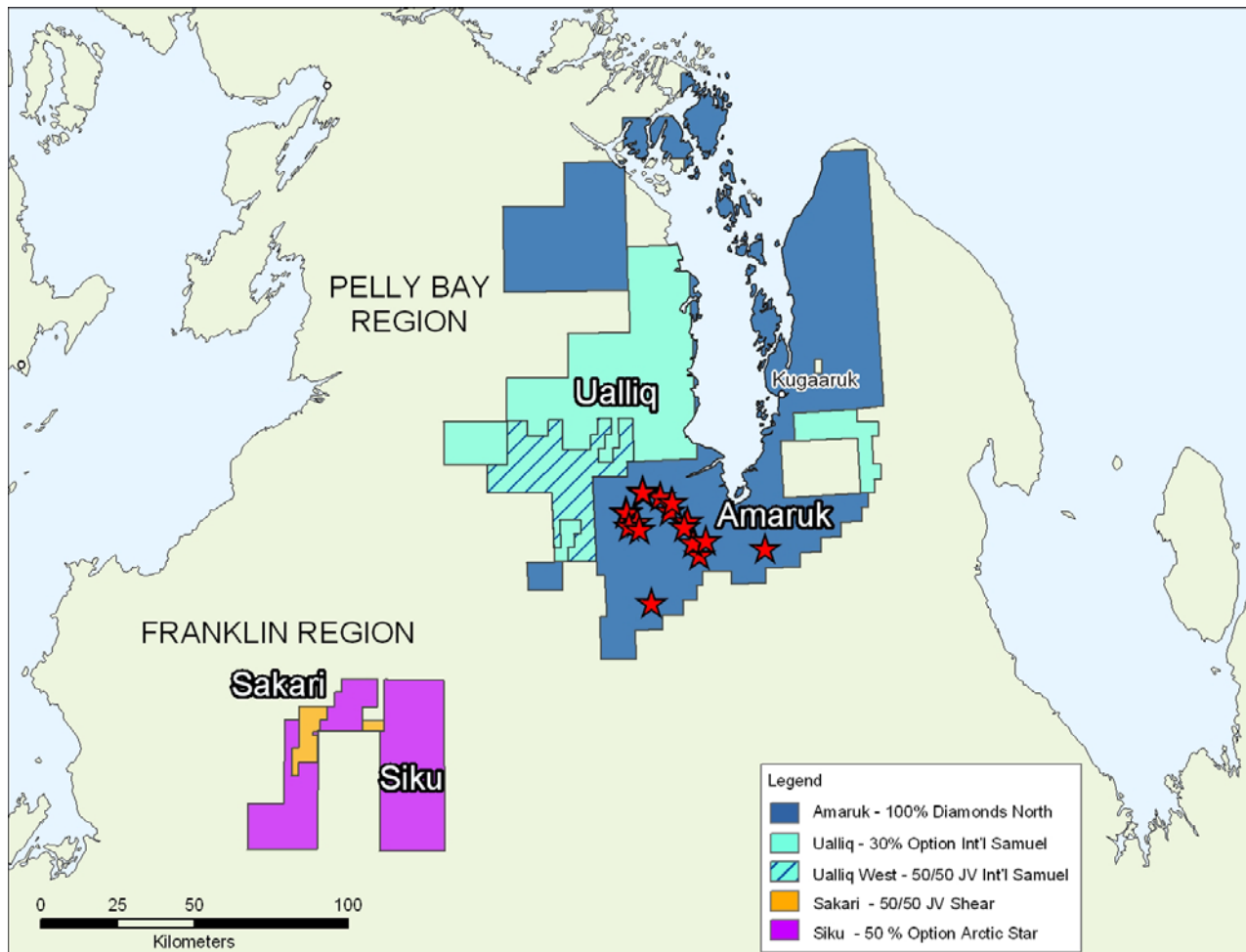
entitling finders to purchase up to 24,000 common shares for a period of one year from the closing at a price of \$1.30 per share.

All securities issued pursuant to the bought deal financing and the first tranche of the non-brokered private placement are subject to a statutory hold period expiring on November 8, 2008.

- On July 10th, the Company closed the second tranche of the non-brokered private placement for gross proceeds of \$552,500 from the issuance of 16,833 Flow-Through Shares and 507,000 Units. Finders' fees were paid consisting of \$30,051 cash and the issuance of share purchase warrants entitling finders to purchase up to 28,620 common shares for a period of one year from the closing at a price of \$1.30 per share. The second tranche of the non-brokered private placement are subject to a statutory hold period expiring on November 10, 2008.

(c) Amaruk Project – Nunavut, Canada

Map 1- Pelly Bay Diamond District Project Locations





Management Discussion and Analysis
For the Six Months Ended June 30, 2008

The Amaruk property and the Ualliq, Sakari and Siku projects cover approximately 3.4 million acres around the community of Kugaaruk, Nunavut. The projects are subject to a 2% gross overriding royalty on diamonds and a 2% net smelter royalty on other minerals except gold, payable to BHP Billiton Diamonds Inc. ("BHP Billiton"). Portions of the property have been optioned or in joint ventures with other diamond exploration companies as noted in the map and described separately below.

-Amaruk Exploration Program for 2008

The 2008 program will include detailed geophysics, drill testing, evaluation of known kimberlites and mini-bulk sampling. Management believes the high diamond counts from the Tuktu-1, 2, & 3 justify a larger sample. The preliminary budget of \$5 million was increased to \$9.5 million to allow for the mini-bulk samples from the Tuktu and Qavvik kimberlite clusters and for additional ground geophysics, diamond core drilling and lab processing.

The following discussion is in reference to the table in 1.2(f) Mineral Properties Expenditures:

In preparation for the 2008 Amaruk exploration program, the kitchen/mess hall and dry were destroyed in a fire. No persons were injured, as the camp was unoccupied at the time. The incident was reported to authorities and the cause unknown. Included in Amaruk Camp costs of \$1,213,551 is approximately \$230,000 for the cost of debris removal, lost equipment and kitchen/mess hall and dry reconstruction. An insurance claim was filed and a \$150,000 payment was received in August.

Property expenditures of \$392,424 include bonds and assessment fees paid to the Mining Recorder. Approximately \$278,000 in bonds have been posted in lieu of work and may be recovered in the future, if sufficient exploration work is completed and approved by the Mining Recorder.

(i) Ualliq option to International Samuel Exploration Corp.

On July 26, 2006, the Company and International Samuel Exploration Corp. ("International Samuel") entered into an agreement covering approximately 871,000 acres predominantly to the west of the Company's Amaruk project. International Samuel has an option to earn a 30% interest in the Ualliq project by issuing 2,000,000 common shares to the Company (received) and incurring \$3,000,000 in expenditures on the property on or before December 31, 2009. In addition, for each of the first four kimberlite bodies discovered on the property, International Samuel shall issue 250,000 common shares to the Company.

In 2007, the Company and International Samuel entered into a second agreement to form a 50:50 partnership on claims that were staked called the Ualliq West property. The 250,000 acres of new claims are contiguous with the Amaruk and Ualliq properties. The Company is the project operator.

-Ualliq Exploration Program for 2008

A total of 330 airborne geophysical targets have been identified, of which approximately 80 are rated as high to moderate priority. Significantly, 47 of the targets range in size from 2 to 7 hectares. The partners have approved a two phase program designed to screen targets ahead of an intensive drilling program. The entire program is budgeted at \$1 million. A camp has been established and field work is underway.

(ii) Sakari joint venture with Shear Minerals Ltd.

On July 31, 2006, the Company and Shear Minerals Ltd. ("Shear") entered into an agreement covering approximately 42,000 acres of claims located within the southwest portion of the Company's Amaruk project. Shear has earned a 50% interest in the Sakari project by making a payment of \$97,000 in refundable deposits and incurring \$185,940 in expenditures on the property before June 30, 2007. The Company is the project operator.



Management Discussion and Analysis
For the Six Months Ended June 30, 2008

-Sakari Exploration Program for 2008

The partners approved a \$310,000 budget to evaluate 10 targets with follow-up exploration including ground geophysics and percussion drill testing of up to three of the most favourable targets.

(iii) Siku joint venture with Arctic Star Diamond Corp.

On October 4, 2006, the Company and Arctic Star Diamond Corp. ("Arctic Star") entered into an agreement covering approximately 455,000 acres of claims located within the southwest portion of the Company's Amaruk project. Arctic Star has earned a 50% interest in the Siku project by issuing 1,500,000 shares to the Company, funding approximately \$956,000 in bonds on the claims and incurring \$2,500,000 in expenditures on the property on or before September 30, 2009. In addition, for each of the first five kimberlite bodies discovered on the property, Arctic Star shall issue 100,000 common shares to the Company. The Company is the project operator.

-Siku Exploration Program for 2008

The partners planned an extensive 2008 field program of percussion drill testing of 15 to 30 targets. Interpretation of geophysical data from 2007 is completed. The first phase of the field program budgeted at \$280,000 consisted of prospecting and ground magnetic was completed and 15 targets were selected for drill testing. The partners have approved the second phase of the field program for percussion drilling of 15 targets budgeted at \$860,000.

(iv) Tunerq - Amaruk Nickel Project (100% owned)

The Tunerq prospect is an oxidized sulphide bearing outcrop discovered in 2007. Some of the initial grab samples yielded high nickel values ranging from just over 1% to 1.71% nickel with associated copper and cobalt. The sulfide mineralized outcrop is approximately 20 to 30 metres wide and slopes gently into an extensive low lying area with no outcrop exposure.

-Tunerq Exploration Program for 2008

In April/May, the Company completed a detailed ground EM survey and a percussion drill program. A mapping program and Induced Polarized (IP) survey is planned for Tunerq. The drill results are disclosed under 1.2(b) Events Subsequent Events to June 30, 2008 and the highlights include:

- Hole 1 intersected 1.20% Ni, 0.26% Cu and 0.03% Co over 12.2 metres within a 22.9 metre zone containing 0.83% Ni and 0.19% Cu.
- Hole 2 intersected 2.49% Ni, 0.56 % Cu and 0.05% Co over 9.1 metres within a 34.8 metre zone containing 1.05% Ni and 0.26% Cu.
- Hole 4 intersected 1.86% Ni, 0.36 % Cu and 0.04% Co over 5.8 metres within a 7.3 metre zone containing 1.50% Ni and 0.29% Cu.

(d) Hepburn Project – Northwest Territories, Canada

The Company holds a 100% interest in the 1.3 million acre Hepburn property located approximately 400 kilometres north of Yellowknife. Based on indicator mineral data, the Company has outlined two potential kimberlite fields on the property. A portion of the property's uranium rights were transferred to Uranium North Resources Corp. ("Uranium North") and the Company continues to hold 100% interest in all diamonds and other metals, except uranium for which the Company retains a royalty.



Management Discussion and Analysis
For the Six Months Ended June 30, 2008

-Hepburn Exploration Program for 2008

For 2008, the Company has planned a program of detailed ground geophysics and till sampling to delineate drill targets for testing. The program is underway and the preliminary budget is under \$2 million.

In reference to the table in 1.2(f) Mineral Properties Expenditures under Property expenditures includes \$455,626 for bonds and assessment fees paid to the Mining Recorder. Approximately \$255,000 in bonds have been posted in lieu of work and may be recovered in the future, if sufficient exploration work is completed and approved by the Mining Recorder.

(e) Banks Island Project – Northwest Territories, Canada

The Banks Island property covers 1.2 million acres of permits in NWT which was acquired with Majescor on a 50:50 basis. On July 5, 2007, the Company acquired Majescor's 50% interest in consideration for 1 million common shares, a two year warrant to purchase up to 1 million shares at \$1.50 per share and a 1.5% royalty on diamonds, metals and other minerals of which half of the royalty may be purchased by the Company at anytime for \$1 million dollars. The warrant is only exercisable if a designated target is proven to be a kimberlite pipe of at least 200 meters in diameter and at which time the warrant will expire at the earlier of six months or July 18, 2009, the date of Exchange acceptance.

-Banks Island Exploration Program for 2008

For 2008, the Company anticipates conducting a program of additional staking and detailed ground geophysics to delineate targets for drill testing. The proposed budget is under \$1 million.



Management Discussion and Analysis
For the Six Months Ended June 30, 2008

(f) Mineral Property Expenditures Table

	Amaruk, NU	Ualliq, NU	Sakari, NU	Siku, NU	Tunerq, NU(1)	Victoria Island NU/NWT	Banks Island, NWT	Hepburn, NWT	Kidme, NWT	Northern Recon.	Other Properties	Total
Balance at												
December 31, 2007	\$ 11,319,082	\$ -	\$ 19,084	\$ -	\$ 26,064	\$ 4,145,442	\$ 1,831,525	\$ 7,157,418	\$ 447,426	\$ 270,709	\$ 272,233	\$ 25,488,983
Exploration:												
Airborne geophysics	248,911	8,144	2,109	12,321	274	-	6,331	11,469	-	-	-	289,559
Camp costs	1,213,551	209	321	40,943	94,583	-	1,780	26,159	-	-	-	1,377,546
Camp heli. (incl. fuel)	1,078,781	17,805	-	7,456	161,870	-	-	266,438	-	48,667	-	1,581,017
Drilling - Core	1,302,274	-	-	-	-	-	-	-	-	-	-	1,302,274
Drilling - RC	1,251,376	1,647	530	2,253	106,012	-	-	-	-	-	-	1,361,818
Geochemistry	61,806	142	-	1,270	2,647	-	745	25,998	-	-	-	92,608
Geology	95,166	11,022	9,179	11,931	32,556	1,874	17,581	20,508	-	2,195	-	202,012
Ground geophysics	405,438	2,908	1,122	111,897	250,131	-	41,920	222,499	-	21,369	-	1,057,284
Mobilization	15,909	2,541	2,541	2,541	2,541	-	-	-	-	-	-	26,073
Permitting	2,719	797	855	1,481	112	2,983	13,766	-	-	-	-	22,713
Prospecting	2,444	-	-	-	-	-	-	-	-	-	-	2,444
Property	392,424	159,574	4,231	26,676	5,483	5,653	87,103	455,626	-	-	-	1,136,770
	6,070,799	204,789	20,888	218,769	656,209	10,510	169,226	1,028,697	-	72,231	-	8,452,118
Less:												
Recoveries	(27,654)	(281,695)	(97)	(281,542)	-	-	-	(54,782)	-	-	-	(645,770)
Option payments	-	(40,000)	-	-	-	-	-	-	-	-	-	(40,000)
	(27,654)	(321,695)	(97)	(281,542)	-	-	-	(54,782)	-	-	-	(685,770)
Net additions	6,043,145	(116,906)	20,791	(62,773)	656,209	10,510	169,226	973,915	-	72,231	-	7,766,348
Balance at												
June 30, 2008	\$ 17,362,227	\$ (116,906)	\$ 39,875	\$ (62,773)	\$ 682,273	\$ 4,155,952	\$ 2,000,751	\$ 8,131,333	\$ 447,426	\$ 342,940	\$ 272,233	\$ 33,255,331

1. Included under "Northern Recon." in 2007.



Management Discussion and Analysis
For the Six Months Ended June 30, 2008

1.3 Results of Operations

(a) Current Quarter

The Company's cash position decreased \$1,399,798 to \$2,590,009. During the quarter, the Company received \$52,710 in cash from the exercise of 75,000 stock options; \$927,950 in share subscriptions for the financings completed in July and collected \$474,285 in accounts receivables from partners on the Siku and Sakari projects. As of the Report Date, the approximately \$300,000 of the \$468,185 receivables at June 30th remains outstanding. This amount is for GST filed in August and the Company anticipates the return to be approved.

Cash, exploration funds decreased \$2,056,983 and accounts payable and accrued liabilities related to mineral properties increased by \$1,603,212, combined to help fund the \$7,505,249 in mineral property acquisition and exploration cash expenditures. Cash, exploration funds are received from flow-through financings and used for Canadian exploration.

During the quarter, capital purchases of \$45,103 include a camp generator and two laptop computers for the Amaruk project.

(b) Six Months Ended June 30, 2008 vs. Six Months Ended June 30, 2007

Results of operations for the six months ended June 30, 2008 are discussed in comparison with the six months ended June 30, 2007. General and administrative expenses of \$1,265,239 (2007 - \$1,437,941) represents a \$172,702 decrease compared to the comparative fiscal period. Notable changes include:

- Amortization expense \$34,356 (2007 - \$18,744) increased due to exploration equipment purchased in 2007 and 2008. The Company has found it more cost effective to purchase versus renting various exploration equipment.
- Directors' fees of \$171,544 (2007 - \$178,488) reflects compensation for the four independent directors of \$20,000 in cash and \$151,544 in stock-based compensation.
- Investor relations and promotion of \$229,016 decreased as the comparative period included cost for the Genoa Management services and a BTV television show segment. A breakdown is below:

	2008	2007
Administration	\$ 3,148	\$ 2,021
Conferences and trade shows	71,663	92,369
Consulting, wages and benefits	83,310	153,776
Media	27,882	37,047
Promotion and advertising	23,156	44,133
Stock-based compensation expense	19,857	41,452
	\$ 229,016	\$ 370,798



Management Discussion and Analysis
For the Six Months Ended June 30, 2008

- Stock-based compensation expense of \$493,677 (2007 - \$541,569) was allocated to the statement of operations categories as follows:

	2008	2007
Accounting and audit	\$ 7,688	\$ 13,229
Administration	10,251	10,737
Consulting	-	30,672
Directors fees	151,544	158,488
Investor relations	19,857	41,452
Wages and benefits	304,337	286,991
	\$ 493,677	\$ 541,569

- Future income tax recovery of \$1,734,200 (2007 - \$3,502,418) reflects the renouncement of exploration expenditures to investors under its flow-through share program. In 2008, the Company renounced \$5,336,000 in flow-through financings compared to \$10,265,000 in 2007. This is a non-cash transaction.

The Company's net income for the period was \$605,447 (2007 - \$2,466,095) or \$0.01 per share (2007 - \$0.05) and largely due to the future income tax recovery noted above.

Other comprehensive loss of \$351,789 includes \$533,985 in unrealized losses on marketable securities against \$182,196 future income tax recovery. This other comprehensive income represents the decrease in the fair value of the Company's marketable securities portfolio since the beginning of the year.

1.4 Summary of Quarterly Results

	Q3 Sept. 30 2006	Q4 Dec. 31 2006	Q1 Mar. 31 2007	Q2 Jun. 30 2007	Q3 Sept. 30 2007	Q4 Dec. 31 2007	Q1 Mar. 31 2008	Q2 Jun. 30 2008
Mineral expenditures, net of recoveries	\$ 2,374,715	\$ (544,203)	\$ 2,426,298	\$ 1,052,611	\$ 6,617,447	\$ 2,470,749	\$ 1,020,663	\$ 7,505,249
G&A expense	\$ 341,588	\$ 561,539	\$ 757,347	\$ 680,594	\$ 556,125	\$ 1,033,528	\$ 700,851	\$ 564,388
Stock-based comp. exp.	\$ 177,111	\$ 177,111	\$ 309,780	\$ 231,789	\$ 249,601	\$ 459,361	\$ 311,594	\$ 182,083
Net income (loss)	\$ 1,127,390	\$ (1,845,156)	\$ 2,331,823	\$ 164,229	\$ (455,455)	\$ (3,359,807)	\$ 1,097,719	\$ (492,272)
Other comprehensive income (loss)			\$ 427,575	\$ 74,305	\$ (631,854)	\$ 151,058	\$ (174,987)	\$ (669,074)
Income (loss) per share -basic	\$ 0.03	\$ (0.04)	\$ 0.05	\$ -	\$ (0.01)	\$ (0.06)	\$ 0.02	\$ (0.01)
Weighted avg. common shares outstanding -basic	43,042,730	42,451,985	51,621,053	52,312,074	55,914,592	54,701,763	60,602,852	61,078,366

The summary of quarterly results are from the Company's financial statement which are prepared in accordance with Canadian generally accepted accounting principles and denoted in the currency of Canada.

The Company conducts diamond exploration in Canada's north, and mineral expenditures are subject to seasonal conditions with the majority of expenditures occurring in Q2 and Q3. In Q4-2006, the Company



Management Discussion and Analysis
For the Six Months Ended June 30, 2008

recovered exploration costs from the Amaruk project partners. In 2008, the Company commenced exploration earlier along with increased exploration budgets resulting in higher Q2-2008 vs. Q2-2007 expenditures.

G&A expense has increased commensurate with the growth of the Company, in mineral projects and staff. It is anticipated that G&A expenses will continue to rise with costs to comply with regulatory requirements and to retain professional staff in a highly competitive market. Stock-based compensation is a method used by junior exploration companies in retaining staff from larger producing companies which can offer more lucrative salaries.

The Company is still in the exploration stage and does not have an operating mine. Earnings per share are anomalous and reflect adjustments to future income tax and gain on sale of marketable securities. In Q1- 2007, income includes a future income tax recovery of \$3,502,418 and in Q1-2008, \$1,734,200.

Comprehensive income accounting was adopted on January 1, 2007 and is the change in shareholders' equity that results from transactions and other events from other than the Company's shareholders and includes items that would not normally be included in net income (loss). Other comprehensive income (loss) represents unrealized gains or losses on available-for-sale investments.

1.5 Liquidity

To minimize liquidity risk, the Company ensures that there is sufficient capital in order to meet annual business requirements, after taking into account administrative, property holding and exploration budgets, against cash and cash equivalent holdings. As the Company does not have operating cash flow, the Company has relied primarily on equity financings to meet its capital requirements.

The Company is in the exploration stage and commodity prices are not reflected in operating financial results. However, fluctuations in commodity prices may influence financial markets and may indirectly affect the Company. Unlike other commodities, diamonds are typically sold in private transactions and rough diamond prices are generally not publicly disclosed.

Management believes its \$2,394,174 working capital is sufficient to meet administrative and property obligations for the coming year. Exploration results reported in the spring encouraged management to pursue a more expansive exploration program requiring additional funding and raised \$16 million dollars in private placement financings noted in 1.2(b) Subsequent Events to June 30, 2008.

1.6 Capital Management

The Company considers its capital structure to include working capital and shareholders' equity. Management's objective is to ensure that there is sufficient capital to minimize liquidity risk and to continue as a going concern. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future, or that the terms of such financings will be favourable.

The Company's share capital is not subject to any external restriction and the Company did not change its approach to capital management during the period.

1.7 Off-Balance Sheet Arrangements

The Company has not entered into any off-balance sheet financial arrangements.



Management Discussion and Analysis
For the Six Months Ended June 30, 2008

1.8 Related Party Transactions

The Company has engaged a business owned by Bernard H. Kahlert, a director of the Company, to provide project management and geological consulting. During the period, the Company paid fees to this related party in the aggregate of \$9,450.

The Company paid an aggregate of \$20,000 in directors' fees to the four independent directors of the Company.

At June 30, 2008, the Company held 8.5% of the issued common shares of Uranium North, a company related by virtue of other common directors. Included in accounts receivable is \$11,794 owed by Uranium North, for mineral property and office costs.

In 2006, the Company advanced a \$300,000 working capital loan to Uranium North. The loan is repayable in whole or in part, on demand, and bears interest at 5% per annum. At any time prior to repayment, whether before or after a notice of prepayment has been given, the loan and accrued interest or any portion thereof, may be convertible at the sole discretion and option of the Company into securities of Uranium North at a per share conversion price equal to \$0.75 per share.

On March 15, 2008, the entire loan plus accrued interest was to mature. Prior to maturity, the Company and Uranium North agreed to amend the terms of the loan agreement by extending the due date for repayment of the principal and interest to December 31, 2008. The amendment further provides that the conversion price under the loan agreement be reduced from \$0.75 per share to \$0.54 per share. Uranium North will pay an administration fee in the amount of \$6,000 to the Company. The amendment to the loan agreement is subject to acceptance by the Exchange.

1.9 Proposed Transactions

The Company is in discussion with SouthernEra Diamonds Inc., the co-owners of the Kidme project, NWT, with respect to purchasing their 60% interest for \$20,000 cash. It is anticipated that the paperwork will be finalized in September.

1.10 Changes in Accounting Policies

Effective January 1, 2008, the Company adopted the following new accounting standards issued by the CICA relating to financial instruments. As required by the transitional provisions of these new standards, these new standards have been adopted on a prospective basis with no restatement to the prior period financial statements.

-Accounting Changes

CICA Section 1506.30 requires companies to provide disclosure in the financial statements when there are new accounting pronouncements which have been issued but not yet effective.

-Assessing Going Concerns

CICA Section 1400 has been amended to include requirements for management to assess and disclose an entity's ability to continue as a going concern.

-Capital Disclosures



Management Discussion and Analysis
For the Six Months Ended June 30, 2008

CICA Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. Under this standard the Company will be required to disclose the following, based on the information provided internally to the entity's key management personnel:

- qualitative information about its objectives, policies and process for managing capital;
- summary quantitative data about what it manages as capital;
- whether during the period it complied with any externally imposed capital requirements to which it is subject; and
- when the company has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

-Inventories

CICA Section 3031 (supersedes Section 3030) prescribes the accounting treatment for inventories and provides guidance on the determination of costs and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories.

-Financial Instruments Disclosures and Presentation

CICA Section 3862 and 3863 (replaces Section 3861) requires entities to provide disclosure of quantitative and qualitative information in their financial statements that enable user to evaluate:

- a) the significance of financial instruments for the entity's financial position and performance; and
- b) the nature and extent of risks arising from the financial instruments to which the entity is exposed during the period and at the balance sheet date, and management's objectives, policies and procedures for managing such risks.

Entities will be required to disclose the measurement basis or bases used and the criteria used to determine classification for different types of instruments.

1.11 New Accounting Pronouncements

Below is a summary of new Canadian GAAP pronouncements which may affect the financial disclosure and results of operations of the Company for interim and annual periods beginning after October 1, 2008.

-Goodwill and Intangible Assets

CICA Section 3064 replaces Section 3062 "Goodwill and Other Intangible Assets", and Section 3450, "Research and Development Costs". This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The new section is effective for years beginning on or after October 1, 2008. The Company is evaluating this new standard and it will not likely impact the Company.

-International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS,



Management Discussion and Analysis
For the Six Months Ended June 30, 2008

replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

1.12 Financial Instruments

The Company is exposed to credit risk with respect to its cash, cash equivalents and cash exploration funds. To minimize this risk, cash has been placed with major financial institutions. The total amount of cash is available on demand and is not invested in commercial paper or asset backed security programs.

In accordance with the new financial instruments accounting standards, the Company has recorded its assets and liabilities at 'fair value' and marketable securities have been classified as available-for-sale securities. The fair value of marketable securities at June 30, 2008 is as follows:

Marketable Securities	Carrying Value	Unrealized Gains	Fair Value
Available-for-sale	\$ 1,067,761	\$ 91,259	\$ 1,159,020

Included in the carrying value of available-for-sale marketable are 1,575,000 common shares of Uranium North, which are subject to escrow. As escrow shares are not quoted in an active market, the fair value is deemed to be cost. Once the shares are released from escrow and become "free trading", the fair value will be determined at quoted market prices. Uranium North shares resulting from the conversion of the loan receivable (note under 1.8 Related Party Transactions) are subject to the same escrow terms. At June 30, 2008, the closing price of Uranium North was \$0.28 per share.

1.13 Certification of Interim Filings

On December 31, 2007, the Company adopted BC Securities Commission 52-511 'Relief for Venture Issuers from Certification Requirements.' The relief helps small size companies like ours, where there is a lack of segregation of duties which is an ongoing internal control weakness. The Company mitigates this risk through direct involvement of senior management in day to day operations.



Management Discussion and Analysis
For the Six Months Ended June 30, 2008

1.14 Other MD&A Requirements

Additional information relating to the Company is available on SEDAR at www.sedar.com.

As of the Report Date, the Company had 75,159,308 issued common shares outstanding and the following unexercised stock options and warrants:

-Stock Options

Expiry Date	Exercise Price	Number of Shares
October 6, 2008	\$0.600	111,000
March 30, 2009	\$1.021	200,000
August 8, 2009	\$0.944	545,000
October 18, 2009	\$0.858	300,000
January 27, 2010	\$0.858	50,000
March 22, 2010	\$0.987	247,500
May 17, 2010	\$0.729	550,000
April 12, 2011	\$0.848	1,660,000
July 13, 2011	\$1.021	113,500
February 27, 2012	\$0.770	1,605,000
May 3, 2012	\$1.010	600,000
May 9, 2012	\$1.030	337,000
February 14, 2013	\$0.880	1,421,000
		7,740,000

-Warrants

Expiry Date	Exercise Price	Number of Shares
July 7, 2009	\$1.30	1,916,800
July 7, 2009	\$1.30	608,000
July 7, 2009	\$1.30	24,000
July 7, 2009	\$1.30	655,038
July 10, 2009	\$1.30	253,500
July 10, 2009	\$1.30	28,620
		3,485,958