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### 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 nine months ended September 30, 2009.

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 November 26th, 2009 (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

This summer, we collected a 6 tonne kimberlite sample from Beluga-3 and discovered a new kimberlite called Kanguq. The Amaruk project remains one of Canada's top opportunities for a significant diamond discovery, as mineral chemistry across the property suggests high diamond potential. Microdiamond data shows an anomalously high amount of carbon in the system and kimberlites with size potential have been discovered, of note, the Beluga-3 results reported on April 29th.

First pass regional prospecting of an 80 x 80 kilometre area on Amaruk identified 21 additional gold occurrences predominantly in the central part of the property including:

- 3 regions with assays greater than 1.0 g/T gold;
- 7 regions with samples yielding 100 ppb to 1.0 g/T gold; and
- 11 regions with elevated gold between 20 and 100 ppb.

Each of these gold target areas are discrete and represent an exploration target area in the order of about 5 x 5 kilometres. All regions are within 50 kilometres of the coast.

At the Amaruk ‘PB1 Gold prospect’, a continuous rock chip sample across an oxidized sulfide zone yielded 9.4 g/T gold over 3 metres, see 1.2(b) Events Subsequent to September 30, 2009. These samples are follow-up to a 5.8 g/T gold grab sample from the oxide zone reported on May 11, 2009.

Canada's under-explored north provides our shareholders with a unique opportunity. In addition to our diamond discoveries, shareholders now own 100% of the above gold prospects. Our 2009 program has demonstrated grade and size potential of the PB1 Gold prospect. Management believes PB1 will be a significant drill target to kick-off a major gold exploration campaign in 2010.

### (a) Highlights for the Three Months Ended September 30, 2009

- On July 14th, the Company announced 17 new and separate gold anomalies have been identified on it's 100% owned Amaruk project. The majority of the anomalies are defined by multiple samples containing 25 to 250 gold grains per 15 kilograms of till sampled. Surface textures on the recovered grains suggest minimal transport, estimated by the Company to be in the range of 500 to 1,000 metres from source in most cases.

- On August 4th, the Company completed a non-brokered private placement of $462,080 from the issuance of 2,888,000 flow-through shares at $0.16 per share. Finders' fees were paid consisting of $3,800 in cash. All securities are subject to a hold period which expires on December 5, 2009.

### (b) Events Subsequent to September 30, 2009

- On October 1st, the Company announced 6,780 kilograms was collected from the Beluga-3 Amaruk kimberlite pipe by drilling and diamond processing by dense media separation (DMS) is underway.

- On October 19th, the Company announced gold assay results from its PB1 Gold prospect on its 100% owned Amaruk property in Nunavut. A continuous rock chip sample across an oxidized sulfide zone yielded 9.4 g/T gold over 3 metres. A nearby grab sample of un-oxidized altered Quartz Feldspar Porphyry (QFP) devoid of sulfides contained 24 g/T gold, see 1.2(c)(i) Amaruk – Gold Prospects (100% owned).

- On October 29th, the Company announced the discovery of 21 additional gold targets on its 100% owned Amaruk property, see 1.2(c)(i) Amaruk – Gold Prospects (100% owned).

### (c) Amaruk Project – Nunavut, Canada

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. Portions of the property have been optioned or in joint ventures with other diamond exploration companies as described separately are below.

*-Amaruk Exploration Program for 2009*

In addition to the 6,780 kilograms collected from the Beluga-3, eight geophysical targets were drilled tested resulting in the discovery of the Kanguq kimberlite. A total 868 kilograms of Kanguq kimberlite was collected from one vertical drill hole. The Kanguq kimberlite is located approximately 10 kilometres north of Beluga-3 and appears to represent a new kimberlite cluster.

Under 1.2(e) Mineral Property Expenditure Table exploration for:

- Drilling – core expenditures of $205,402 relate to the demobilization of the two core rigs used in 2008;

- Drilling – percussion expenditures of $471,924 relate to the collections of the Beluga-3 and Kanguq kimberlite samples which are now in for DMS processing;

- Prospecting expenditures of $144,920 includes prospecting for gold samples; and

- Property expenditures of $43,331 relate to filing and grouping for the 2008 assessment report filed with the Mining Recorder.

*-Future Developments for Amaruk*

Subject to results of the 2009 exploration program.

### (i) Amaruk – Gold Prospects (100% owned)

**PB1** is located along a 40 kilometre long structure and is less than 10 kilometres from the coast. The oxidized sulfide zone, which was the target for gold exploration has been observed over a length exceeding 100 metres and 3 to 8 metres wide, increasing up to 20 metres wide locally. The gold bearing QFP, which was not the original target, extends laterally tens of metres beyond the oxide zone. The full extent of the QFP is not yet known. The discovery of gold in both the surrounding QFP and the oxide zone significantly increases the potential strike, width and grade of the prospect.

Two additional chip samples within the oxidized zones collected 15 metres east and 30 metres west of the 9.4 g/T sample returned 2.7 g/T over 3 metres and 1.3 g/T over 6 metres respectively. All assays have been rechecked by a second laboratory and all variances fall within acceptable levels. Coarse gold is suspected as gravimetric assay methods on the grab sample returned 24.3 g/T against 18.1 g/T using normal fire assay techniques.

As part of the prospecting program, previous holes drilled by the Company on Amaruk that intersected sulfide bearing rocks rather than kimberlite have been analyzed. Drill hole GA-5 (now named PB2) which contained gold is described below. Fifteen additional drill holes with sulfides will be reviewed for gold potential. Geological site descriptions for regions with samples yielding greater than 1.0 g/T gold are provided below:

- **PB2** - rock samples with sulfides from a reverse circulation drill hole targeting kimberlite yielded 1.4 g/T and 1.0 g/T gold over 2 separate 1.5 metre intervals. Ten additional 1.5 metre samples from the drill hole have been submitted for assay. All samples contain sulfide minerals.

- **PB3** - four grab samples were collected from rusty gossan zones in probable metasedimentary rocks. Sulfides including pyrite and chalcopyrite were observed. The best assays contain 1.2 g/T and 0.6 g/T gold and up to 49.5 g/T silver. Base metal values are elevated (0.14% Cu, 0.57% Pb and 0.29% Zn). Similar gossan zones were observed over an area spanning about 1 kilometre.

- **PB4** - abundant sulfide bearing angular boulders were identified over an area spanning approximately 1 kilometre. The source of the boulders appears to be the contact of a quartz diorite pluton intruding metasedimentary rocks. A total of five samples were collected for assay. Sample 24236 which is the closest sample to the quartz diorite contact yielded 1.0 g/T gold.

*-Future Developments for Amaruk Gold Prospects*

Planning is underway for an extensive gold exploration program to begin in the first quarter of 2010. The PB1 Gold prospect is considered high priority for drilling and plans for the other 21 gold prospects include detailed mapping and prospecting in preparation for drilling.

### (ii) 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 an area 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 100,000 common shares (post consolidation of 20 to 1) to the Company (received) and incurring $3,000,000 in expenditures on the property on or before December 31, 2010 (one year extension granted, previously 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 and contiguous with the Amaruk and Ualliq properties. The Company is the project operator.

*-Ualliq Exploration Program for 2009*

A prospecting program was completed to check airborne geophysical anomalies.

Property expenditures of $10,494 under 1.2(e) Mineral Property Expenditure Table relate to filing and grouping fees for the assessment report filed with the Mining Recorder. The Company anticipates future bond recoveries in the later part of the year.

### (ii) Sakari joint venture with Shear Minerals Ltd.

On July 31, 2006, the Company and Shear Minerals Ltd. ("Shear") entered into an agreement covering an area 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.

*-Sakari Exploration Program for 2009*

There are no exploration plans for 2009, however, costs will be incurred for demobilization of the 2008 Sakari/Siku camp.

Property expenditures of $3,579 under 1.2(e) Mineral Property Expenditure Table relate to filing and grouping fees for the assessment report filed with the Mining Recorder. The Company anticipates up to $70,000 in bond recoveries later in the year.

### (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 an area within the southwest portion of the Company's Amaruk project. Arctic Star 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 2009*

A small prospecting and till sampling program was completed to follow-up on gold anomalies based on gold grains recovered from till samples. In addition, costs will be incurred for demobilization of the 2008 Sakari/Siku camp.

Property expenditures of $15,402 under 1.2(e) Mineral Property Expenditure Table relate to filing and grouping fees for the assessment report filed with the Mining Recorder. The Company anticipates up to $190,000 in bond recoveries later in the year.

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

The Tunerq prospect is an oxidized sulphide bearing outcrop, approximately 20 to 30 metres wide and slopes gently into an extensive low lying area with no outcrop exposure. In 2008, percussion drill 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.

*-Tunerq Exploration Program for 2009*

The Company completed prospecting to follow-up on numerous other mafic and ultra-mafic intrusions on the Amaruk property. The Company is waiting for assay results.

### (d) Hepburn Project – Northwest Territories, Canada

The Company holds a 100% interest in the 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 Crop. ("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.

*-Hepburn Exploration Program for 2009*

Two historic angle drill holes from a single site drilled beneath Trench 1 intersected 13-15 metres of sulfide mineralization with high grade copper and copper-silver zones as reported in the table below. Drill hole 2 intersected 4.71 metres of 2.4% copper and 99 g/T silver including a 2.07 metre zone with 4.11% copper and 203.4 g/T (6 opt) silver.

The Company completed prospecting to determine the extent and continuity of the mineralized zone along with prospecting in similar areas to the north and south of the main block is planned.

## (e) 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 | Other Properties (1) | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Balance at December 31, 2008 | $ 22,266,482 | $ 370,686 | $ 163,246 | $ 397,141 | $ 1,276,569 | $ 4,441,629 | $ 2,513,877 | $ 9,003,735 | $ 526,110 | $ 222,255 | $ 41,181,730 |
| Additions during the period: | | | | | | | | | | | |
| Acquisition costs | - | - | - | - | - | - | - | - | - | 17,666 | 17,666 |
| Exploration: | | | | | | | | | | | |
| Airborne geophysics | 26,073 | 3,860 | - | 380 | 1,139 | - | - | 4,993 | 1,501 | 121,452 | 159,398 |
| Camp costs | 262,497 | - | 449 | 47,000 | 37,847 | 1,033 | 3,663 | 14,845 | - | 243 | 367,577 |
| Camp heli. (incl. fuel) | 229,068 | - | - | 23,597 | 10,763 | - | - | 543 | - | - | 263,971 |
| Drilling - Core | 205,402 | - | - | - | - | - | - | - | - | - | 205,402 |
| Drilling - Percussion | 471,924 | - | - | - | - | - | - | (650) | - | - | 471,274 |
| Geochemistry | 23,892 | - | - | 4,706 | - | - | 2,530 | 2,951 | - | - | 34,079 |
| Geology | 99,875 | 21,319 | 3,190 | 5,644 | 10,110 | 1,552 | 7,055 | 34,713 | 1,511 | 40,510 | 225,479 |
| Ground geophysics | 100,324 | 975 | - | - | 2,135 | - | - | 3,300 | - | 31 | 106,765 |
| Permitting | 5,476 | 535 | 535 | 7,505 | - | - | 535 | 2,139 | - | 1,955 | 18,680 |
| Prospecting | 144,920 | 6,959 | - | - | - | - | - | 79,413 | - | 29,129 | 260,421 |
| Property | 43,331 | 10,494 | 3,579 | 15,402 | - | - | - | - | 10,847 | 6,846 | 90,499 |
| | 1,612,782 | 44,142 | 7,753 | 104,234 | 61,994 | 2,585 | 13,783 | 142,247 | 13,859 | 200,166 | 2,203,545 |
| Less: | | | | | | | | | | | |
| Recoveries | (371,556) | (79,467) | - | (47,515) | - | (5,716) | (32,479) | - | - | (1,269) | (538,002) |
| Net additions | 1,241,226 | (35,325) | 7,753 | 56,719 | 61,994 | (3,131) | (18,696) | 142,247 | 13,859 | 216,563 | 1,683,209 |
| Balance at September 30, 2009 | $ 23,507,708 | $ 335,361 | $ 170,999 | $ 453,860 | $ 1,338,563 | $ 4,438,498 | $ 2,495,181 | $ 9,145,982 | $ 539,969 | $ 438,818 | $ 42,864,939 |

1. In 2008, ‘Northern Recon was disclosed as a separate project and is now combined under ‘Other Properties’.

## 1.3 Results of Operations

### (a) Current Quarter

The Company's cash position increased $616,512 to $4,343,751 and includes $2,999,997 in guaranteed investments certificates and $8,384 in money markets, both deemed to be cash equivalents. The Company completed a non-brokered private placement, increasing cash exploration funds by $462,080. In addition, the Company received $24,780 in cash from the sale of marketable securities. Subsequent to the quarter end, the Company received $3,000 from the exercise of 10,000 warrants at $0.30 per warrant.

The Company's $1,476,675 in mineral property acquisition and exploration costs was funded by $1,221,409 in cash exploration funds and a $249,159 in accounts payable related to mineral properties. Additional exploration funding was provided via $116,804 in field supplies, as the Company consumed fuel paid for in 2008 and $125,000 deposits, for funds held in-trust for the demobilization of the two core rigs used in 2008.

### (b) Nine Months Ended September 30, 2009 vs. Nine Months Ended September 30, 2008

Results of operations for the nine months ended September 30, 2009 are discussed in comparison with the nine months ended September 30, 2008. General and administrative expenses of $1,075,643 (2008 - $1,837,501) represents a $761,858 decrease compared to the comparative fiscal period. Notable changes include:

- Investor relations and promotion of $154,049 reflects a reduced presence at conferences and trade shows. A breakdown is below:

| | | 2009 | | 2008 |
|---|---|---|---|---|
| Administration | $ | 888 | $ | 4,639 |
| Conferences and trade shows | | 35,195 | | 100,628 |
| Consulting, wages and benefits | | 92,851 | | 137,245 |
| Media | | 24,322 | | 38,694 |
| Promotion and advertising (a) | | 793 | | 31,418 |
| | $ | 154,049 | $ | 312,624 |

(a) Promotion and advertising includes recoveries from participants in a Nunavut forum sponsored by the Company, however, the associated wages and administrative costs are reflected elsewhere.

- Office and miscellaneous expense of $34,098 (2008 - $69,809) reflects reduced operations and staffing.

- Rent and storage expense of $93,729 (2008 - $69,533) increased as the Company absorbed a portion of the shared office space, as another company in the office reduced its operations.

- Stock-based compensation expense of $88,496 breakdown allocated by statement of operations by expense categories:

| | | 2009 | | 2008 |
|---|---|---|---|---|
| Accounting and audit | $ | 4,028 | $ | 12,709 |
| Administration | | 2,512 | | 15,376 |
| Consulting fees | | 1,675 | | - |
| Directors' fees | | 47,778 | | 205,478 |
| Investor relations and promotions | | 4,187 | | 28,058 |
| Wages and benefits | | 28,316 | | 422,375 |
| | $ | 88,496 | $ | 683,996 |

- Realized loss on marketable securities of $45,300 resulted from the sale of Bayswater Uranium Corporation common shares. The shares were received under an option agreement and the Company is not an insider of the company. The sale resulted in the reclassification of $48,722 loss on sale of marketable securities transferred to accumulated other comprehensive loss.

- Future income tax recovery of $3,057,192 (2008 - $1,734,200) reflects the renouncement of $10,190,639 (2008 - $5,336,000) in exploration expenditures to investors who purchased flow-through shares in 2008. This is a non-cash transaction.

The Company's net income for the period was $2,053,061 (2008 - $(57,157)) or $0.03 per share (2008 - $Nil) which is not reflective of the operating deficit, due to the future income tax recovery noted above.

Other comprehensive income of $182,891 (2008 - $815,245) represents the unrealized gains on marketable securities due to the fair value increase of the Company's marketable securities portfolio since the beginning of the year.

### 1.4 Summary of Quarterly Results

| | Q4 Dec. 31 2007 | Q1 Mar. 31 2008 | Q2 Jun. 30 2008 | Q3 Sept. 30 2008 | Q4 Dec. 31 2008 | Q1 Mar. 31 2009 | Q2 Jun. 30 2009 | Q3 Sep. 30 2009 |
|---|---|---|---|---|---|---|---|---|
| Mineral expenditures, net of recoveries | $ 2,470,749 | $ 1,020,663 | $ 7,505,249 | $ 7,157,026 | $ 695,062 | $ (101,208) | $ 125,359 | $ 1,476,675 |
| G&A expense | $ 1,033,528 | $ 700,851 | $ 564,388 | $ 572,262 | $ 673,222 | $ 416,595 | $ 314,701 | $ 344,347 |
| Stock-based comp. exp. | $ 459,361 | $ 311,594 | $ 182,083 | $ 190,319 | $ 189,038 | $ 8,236 | $ 8,235 | $ 72,025 |
| Net income (loss) | $ (3,359,807) | $ 1,097,719 | $ (492,272) | $ (662,604) | $ (1,000,160) | $ 2,676,138 | $ (286,446) | $ (336,631) |
| Other comprehensive income (loss) | $ 151,058 | $ (174,987) | $ (176,802) | $ (463,456) | $ (716,981) | $ (18,366) | $ 199,357 | $ 1,900 |
| Income (loss) per share -basic | $ (0.06) | $ 0.02 | $ (0.01) | $ (0.01) | $ (0.02) | $ 0.04 | $ (0.01) | $ - |
| Weighted avg. common shares outstanding -basic | 54,701,763 | 60,602,852 | 61,078,366 | 74,231,694 | 67,814,839 | 75,159,308 | 75,159,308 | 76,948,623 |

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

Due to seasonal conditions in Canada's north, the Company conducts exploration in Q2 and Q3. The 2009 exploration programs were smaller than the previous year. In Q1-2009 includes refunded Government of Canada bond incurred as mineral property expenditures in lieu of exploration work.

G&A expense for 2009 decreased, largely to lower stock-based compensation expense. The calculated 2009 stock-based compensation expense will be lower than previous years, as a lower stock price computes into a lower call value under the Black-Scholes option pricing model. Stock-based compensation is a method used by junior exploration companies to compensate staff and directors, in an effort to conserve cash.

The Company is in the exploration stage and does not have an operating mine. Earnings per share are anomalous and reflect adjustments to future income tax. The Company renounced exploration expenditures under its flow-through share program, resulting in future income tax recovery of $1,734,200 in Q1-2008 and $3,057,192 in Q1-2009.

Comprehensive income accounting was adopted on January 1, 2007 and other comprehensive income (loss) represents unrealized gains or losses on available-for-sale investments. The positive trend in the last two quarters reflects a small recovery in the junior resource sector.

### 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.

Over the last eighteen months:

- liquidity risk increased, as other things being equal, the price of an asset will be reduced if the holder cannot sell the asset immediately. Included in marketable securities are large share positions in junior resources companies, which would be difficult to sell in depressed markets.

- credit risk increased, as service providers may not always be able to perform in accordance with the terms of a contract. To help mitigate this risk with contracts that require large advances, the Company may place funds in-trust with a lawyer.

The Company is in the exploration stage and commodity prices are not reflected in operating financial results. Fluctuations in commodity prices may influence financial markets and may indirectly affect the Company. The Company's new gold prospects have been favourable received, however, a resource has not been defined a valuation based on gold prices would be premature. Unlike other commodities, diamonds are typically sold in private transactions and rough diamond prices are generally not publicly disclosed.

In 2008, the Company implemented cash preservation measures whereby, senior employees, a consultant and mutually agreed to defer 10% of their salaries or fees and the independent directors' agreed to defer their retainer. These amounts will accrue as a debt owing by the Company and shall not bear interest. At the Company's election, this debt can be satisfied in cash and/or common shares. At September 30, 2009, the debt totalled $108,988.

Management believes its $5,056,063 in working capital is sufficient to complete the 2009 year and sufficient to meet administrative and tenure costs for 2010. The Company is still planning the 2010 exploration programs and future funding requirements have yet to be determined.

### 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. As an exploration stage company, the Company is currently unable to self-finance its operations.

As the Company does not have operating cash flow, the Company has relied primarily on equity financings to meet its capital requirements.

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.

### 1.8 Related Party Transactions

The Company has engaged a business owned by Janice Davies, an officer of the Company, to provide corporate secretarial services. During the period, the Company paid fees to this related party in the aggregate of $28,800.

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 $14,540.

At September 30, 2009, the Company held 11.3% of the issued common shares of Uranium North, a company related by virtue of other common directors. Included in accounts receivable is $25,274 owed by Uranium North, for mineral property, administrative and office costs.

### 1.9 Proposed Transactions

None.

### 1.10 Changes in Accounting Policies

Effective January 1, 2009, the Company adopted the following new accounting standard issued by the CICA relating to financial instruments.

*-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 did impact the Company.

### 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 future interim and annual periods.

*-Business Combinations, Non-controlling Interest and Consolidated Financial Statements*

In January 2009, the CICA issued Section 1582 "Business Combinations", Section 1601, "Consolidated Financial Statements" and Section 1602 "Non-controlling Interests" which replace Section 1581 "Business Combinations" and Section 1600 "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combinations accounting standard under IFRS (defined below). Section 1582 is applicable for the Company's business combinations with acquisitions dates on or after January 1, 2011. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning January 1, 2011. Early adoption of these Sections is permitted and all three Sections must be adopted concurrently. The Company is evaluating these new standards.

*-International Financial Reporting Standards ("IFRS")*

In February 2008, the Canadian Accounting Standards Board announced that 2011 is the changeover date for publicly-listed companies to use IFRS, 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. The Company has adopted a three phase approach to IFRS, consisting of:

- Phase 1 'Preliminary Planning and Scoping';
- Phase 2 'Detailed Impact and Assessment'; and
- Phase 3 'Implementation'.

The Company has completed Phase 1. Work on Phase 2 has commenced and anticipated to carry on through-out 2010. In the calculation of stock-based compensation, the Company is considering the early adoption of 'graded vesting' from straight line vesting. The Company would continue to use the Black-Scholes stock option pricing in calculating the value.

*-Fair Value Hierarchy Disclosures*

CICA Section 3862 has been amended to require disclosures about the relative inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurements. The Company's upcoming December 31, 2009 financial statement notes will include a table classifying financial instruments into three levels of fair value with:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for assets or liabilities either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

On initial assessment, it is anticipated that the Company's financial instruments will be classified as Level 1 or 2. Some securities traded on the TSX Venture Exchange may not be considered traded in an 'active market' and may result in these securities classified as Level 2.

## 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 September 30, 2009 is as follows:

| Marketable Securities | Cost | Unrealized Loss | Fair Value |
|---|---|---|---|
| Available-for-sale | $ 1,192,231 | $ (643,992) | $ 548,239 |

Included in the carrying value of available-for-sale marketable are 525,000 common shares of Uranium North, 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. At September 30, 2009, the closing price of Uranium North was $0.085 per share. The marketable securities are common shares in other junior exploration companies received via property or option agreements and from the conversion of the Uranium North loan.

### 1.13 Certification of Interim Filing

In 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.

### 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 78,057,308 issued common shares outstanding and the following unexercised stock options and warrants:

*-Stock Options*

| Expiry Date | Exercise Price | Number of Shares |
|---|---|---|
| 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 | 1,565,000 |
| May 3, 2012 | $1.010 | 600,000 |
| May 9, 2012 | $1.030 | 337,000 |
| February 14, 2013 | $0.880 | 1,271,000 |
| September 2, 2013 | $0.820 | 70,000 |
| May 28, 2014 | $0.175 | 2,150,000 |
| | | 8,614,000 |

*-Warrants*

| Expiry Date | Exercise Price | Number of Shares |
|---|---|---|
| January 9, 2010 | $0.30 | 1,906,800 |
| January 9, 2010 | $0.30 | 608,000 |
| January 9, 2010 | $0.30 | 253,500 |
| | | 2,768,300 |

The warrants are subject to a 30 day exercise period should the closing price of the Company's share exceed $0.40 for ten consecutive trading days.