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## 1.1 Description of Business and Report Date

Diamonds North Resources Ltd. (“Diamonds North” or “the Company”) is an exploration stage company engaged in the acquisition and exploration of diamond and precious metal 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 three months ended March 31, 2010.

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 May 25<sup>th</sup>, 2010 (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

For 2010, the collection of a 25 to 50 tonne bulk sample of Beluga-3 is planned to test for larger diamonds. Last years mini-bulk sample of Beluga-3 demonstrated larger diamond potential giving the Company confidence to proceed with this bulk sample (see News Release NR09-17, December 1st, 2009). Based on rough reconstructive analysis provided by Saskatchewan Research Council Laboratory, the Company estimates the largest diamond fragment recovered in 2009 to have been a diamond between 0.2 to 0.25 carats.

A comparison of garnet chemistry from the Beluga-3 kimberlite and surrounding till samples suggests that a high chrome garnet population observed in the till was not recovered in the DMS concentrate in last years sample of the Beluga-3 kimberlite. This may suggest that other high priority kimberlites occur in the immediate area or there is another phase of kimberlite present in Beluga-3 that has not yet been sampled. Additional exploration drilling is planned around Beluga-3 to test for other nearby kimberlites or other phases of kimberlite within Beluga-3.

Amaruk remains one of Canada’s top opportunities for a significant diamond discovery. To date, a total of 25 kimberlites have been discovered of which 90% are diamondiferous. Several kimberlites have shown very high diamond content; what we not seen yet is an abundance of commercial size stones.

Concurrently, Diamonds North will focus on our most advanced gold opportunities including plans to drill **HI-1** (formerly PB1) with the objective to demonstrate size and grade potential of the prospect.



**(a) Highlights for the Three Months Ended March 31, 2010**

- On March 4<sup>th</sup>, Diamonds North announced high grade copper, silver, and bismuth assays from recently discovered showings on its Hepburn copper-silver project located in the Northwest Territories. Grab samples have returned up to 19.8 % copper, 123.0 grams per tonne silver, 0.20% uranium and 0.17% bismuth, see [1.2\(d\) Hepburn Project – Northwest Territories, Canada](#).
- On March 8<sup>th</sup>, Diamonds North announced that it has signed a Letter of Intent with Minerals and Metals Group ("MMG") whereby MMG may earn 75% of the nickel and other base metals on the Amaruk Property, by spending \$6 million and completing a pre-feasibility study on any nickel or base metal deposit that might be identified on Amaruk, see [1.2\(iii\) Tunerq – Amaruk Nickel Project \(100%\) owned](#).

**(b) Events Subsequent to March 31, 2010**

- On May 8<sup>th</sup>, Diamonds North announces that it has been granted 285,000 acres of prospecting permits on the northern part of the Amaruk property in Nunavut. These permits were acquired to expand and protect prospective unexplored land surrounding 2 significant gold prospects, the Halkett Inlet projects see [1.2\(ii\) Amaruk – Gold Prospects \(100%\) owned](#).

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

The Amaruk property along with the Ualliq, Sakari, Siku and Tunerq projects cover approximately 2.5 million acres around the community of Kugaaruk, Nunavut. The projects are subject to a 2% gross overriding royalty ("GOR") on diamonds and a 2% net smelter royalty ("NSR") on other minerals except gold, payable to BHP Billiton Diamonds Inc. Portions of the property have been optioned or in joint ventures with other exploration companies.

**(i) Amaruk – Diamonds**

*-Amaruk Exploration Program for 2010*

Diamonds North jointly funded the development of a low cost, light weight bulk sampling drill that utilizes reverse circulation without percussion, in an effort to reduce and or eliminate diamond breakage. Plans to mobilize this drill for the Amaruk 2010 bulk sample of 25 to 50 tonnes are underway. Estimated collection cost with this drill rig is \$10 per kilogram in contrast with core drilling which is approximately \$150 per kilogram.

Our belief in geochemistry lead to the discovery of Beluga-3, a diamondiferous kimberlite body not identifiable in the original or secondary (tighter line spacing) airborne survives but located in area with high chrome garnet population. Due to its close proximity to camp, Diamonds North conducted ground geophysics in the area in 2008. Even with ground geophysics, Beluga-3 is a subtle mag high anomaly and characterized as a low priority target without the associated high chrome garnets.

Two areas with higher chrome garnet populations (relative to Beluga-3) require ground geophysics programs. This summer, surveying will commence in one area with the intention of identifying targets for a 2011 drill program.

Under [1.2\(e\) Mineral Property Expenditure Table](#) Amaruk exploration expenditures for:

- Camp costs expenditures of \$37,877 relate to the mobilization and start-up of the field camp; and
- Geology expenditures of \$38,710 relate to preparations and planning for the summer program.

Management Discussion and Analysis  
For the Three Months Ended March 31, 2010

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**(ii) Amaruk – Gold Prospects (100% owned)**

The Halkett Inlet projects include the **HI-1** (formerly PB-1) and the **HI-2** (formerly PB-5) prospects. The HI-1 gold prospect is located in the northwestern part of the Halkett Inlet permit block. A continuous rock chip sample across an oxidized sulfide zone in 2009 yielded 9.4 g/T gold over 3 metres. A nearby grab sample of un-oxidized altered Quartz Feldspar Porphyry (QFP) dyke devoid of sulfides contained 24.3 g/T gold.

The oxidized sulfide zone, has been observed over a length exceeding 100 metres and up to 3 to 8 metres wide, increasing up to 20 metres wide locally. The gold bearing QFP dyke is part of a larger QFP dyke swarm that extends laterally tens of metres beyond the oxide zone. The discovery of gold in both the surrounding QFP and the oxide zone significantly increases the potential strike, width and grade of the HI-1 Gold prospect.

HI-2 Gold Prospect was identified by regional prospecting. Grab samples from an iron formation with highly anomalous gold content include 3 samples greater than 0.5g/T, including one sample with 1.2 g/T gold. The iron formation was traced by helicopter prospecting and sampling for more than 6.5 kilometres and based on interpretation of airborne magnetics may extend for 13 to 18 kilometres in strike length. The iron formation measures 1 to 5 metres, wide and in areas of intense folding up to 25 metres wide. HI-2 is only 5 kilometres from tide water and 25 kilometres from HI-1.

*-Amaruk Gold Prospects Exploration Program for 2010*

Plans to mobilize a drill to HI-1 are under way. Drilling to test the extent of the gold mineralization will be the main objective. Detailed sampling, mapping and geophysical surveying are planned for HI-1 and HI-2 to develop additional targets for drilling. Regional sampling and prospecting will also be conducted to identify other target areas within the unexplored Halkett Inlet permit block.

**(iii) 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.

In March 2010, MMG, an Australian headquartered major producer of zinc, copper, lead, gold and silver with operations in Australia and South-East Asia signed a Letter of Intent with Diamonds North, whereby MMG may earn a 75% interest in the nickel and base metals on the Amaruk property by:

- Incur \$6 million in expenditures on the project within 4 years of signing the formal agreement;
- Complete and deliver to Diamonds North, a Scoping Study and a Pre-Feasibility Study on one project area within ten (10) years of signing the formal agreement; and
- Until the earn-in conditions are satisfied, MMG shall have exploration expense obligations of at least \$750,000 per year up to year 8 and \$1 million through years 9 and 10.

At any time during years 5 through 8, MMG shall have the option, at its sole discretion, to suspend, on a one time basis only, exploration expenditures for the elected year as long as the minimum expenditures are met to maintain claims in good standing. In the event that Diamonds North dilutes to 10% or less, such interest shall convert to a 2% NSR where one-half the NSR may be purchased for \$500,000.



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*-Tunerq Exploration Program for 2010*

For 2010, MMG has estimated an exploration program between \$2 to \$2.5 million consisting of:

- A +40 kilometre Crone pulse EM survey over the Tunerq prospect;
- Up to 1500 metres of NQ core drilling (optional);
- Regional prospecting to identify additional mafic and ultra-mafic bodies; and
- Detailed mapping of other mafic and ultra-mafic bodies across the property.

MMG mobilized to the Amaruk camp in March to begin preparation for an EM survey on the Tunerq prospect. The majority of costs relate to mobilization of equipment and position of supplies. The current priority is to identify and evaluate targets in preparation for a drill program.

Under [1.2\(e\) Mineral Property Expenditure Table](#) Tunerq exploration expenditures and to be recovered from MMG in Q2, are:

- Camp costs expenditures of \$255,591 relate to Cat-train cost to for the mobilization and position of supplies and start-up costs of the field camp; and
- Drilling – Core expenditures of \$24,000 for diesel purchase.

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

Diamonds North holds a 100% interest in the Hepburn property located approximately 400 kilometres north of Yellowknife. 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.

Regional exploration has identified additional copper-silver mineralization along strike for 1 kilometre and in stratigraphically similar rocks 1.5 kilometres south of the historic drill holes, noted below. In addition, 5 separate geophysical magnetic anomalies with copper-silver potential have been identified over a 12.5 kilometre long area, potentially defining a new large scale copper-silver district.

Two historic angle drill holes from a single site intersected 13-15 metres of sulfide mineralization with high grade copper and copper-silver zones including 4.71 metres of 2.4% copper and 99 g/T silver.

In 2008, trench sampling on the north flank of this geophysical anomaly returned values of up to 2.9% copper and 218.5 grams per tonne silver over three metres.

*-Hepburn Exploration Program for 2010*

At present, there are no plans for a 2010 field program. However, in house work will continue. The next exploration program for the Hepburn copper-silver project will entail ground geophysics, soil sampling and detailed mapping designed to delineate areas of mineralization for drilling.

Under [1.2\(e\) Mineral Property Expenditure Table](#) Hepburn exploration expenditures for:

- Geochemistry expenditures of \$8,641 relate to lab assay for samples collected in 2009; and
- Geology expenditures of \$9,539 relate to wages associated with the above.



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**(e) Mineral Property Expenditures Table**

	Amaruk, NU	Ualliq, NU	Sakari, NU	Siku, NU	Tunerq, NU	Victoria Island NU/NWT	Hepburn, NWT	Kidme, NWT	Other Properties	Total
Balance at										
December 31, 2009	\$ 23,986,961	\$ 365,158	\$ 171,658	\$ 450,562	\$ 1,356,804	\$ 4,440,531	\$ 9,225,385	\$ 539,969	\$ 448,925	\$ 40,985,953
Additions during the period:										
Acquisition costs	-	-	-	-	-	-	-	-	-	-
Exploration:										
Camp costs	37,877	-	-	-	255,591	-	-	-	-	293,468
Drilling - Core	595	-	-	-	24,000	-	-	-	-	24,595
Geochemistry	-	126	-	-	-	-	8,641	-	-	8,767
Geology	38,710	7,608	-	1,573	8,778	549	9,539	-	3,866	70,623
Ground geophysics	-	-	-	-	-	-	-	-	-	-
Permitting	646	-	-	-	-	8,294	1,097	-	88,963	99,000
Property	75	-	-	-	-	-	-	-	-	75
Prospecting	-	-	-	-	-	-	-	-	699	699
	77,903	7,734	-	1,573	288,369	8,843	19,277	-	93,528	497,227
Less:										
Recoveries	(10,994)	-	-	-	-	-	-	(4,742)	(70,148)	(85,884)
Net additions	66,909	7,734	-	1,573	288,369	8,843	19,277	(4,742)	23,380	411,343
Balance at										
March 31, 2010	\$ 24,053,870	\$ 372,892	\$ 171,658	\$ 452,135	\$ 1,645,173	\$ 4,449,374	\$ 9,244,662	\$ 535,227	\$ 472,305	\$ 41,397,296



### 1.3 Results of Operations

#### (a) Current Quarter

Diamonds North's cash position decreased \$367,318 to \$2,893,499 consisting of \$1,885,091 in cash and \$1,008,408 in guaranteed investments certificates and a money market fund. The largest use of cash was a \$336,343 in mineral property acquisition and exploration costs.

Cash received includes \$15,750 from the exercise of 52,500 warrants, \$4,375 from the exercise of 25,000 stock options and \$24,990 from the sale of marketable securities. Cash inflows subsequent to the quarter end include, MMG paid \$400,000 towards Tunerq exploration costs and \$4,375 from the exercise of 25,000 stock options.

#### (b) Three Months Ended March 31, 2010

Results of operations for the months ended March 31, 2010 are discussed in comparison with the three months ended March 31, 2009. General and administrative expenses of \$694,233 (2009 - \$416,595) represents a \$277,638 increase compared to the comparative fiscal period. Notable changes include:

- Investor relations and promotion of \$50,359 is broken below. Consulting, wages and benefits decreased, as the comparative period included a media consultant whose services were terminated in April 2009.

	2010	2009
Administration	\$ 424	\$ 562
Conferences and trade shows	14,419	17,096
Consulting, wages and benefits	29,071	46,731
Media	1,426	2,122
Promotion and advertising	5,019	3,819
	<u>\$ 50,359</u>	<u>\$ 70,330</u>

- Stock-based compensation expense of \$384,726 (2009 - \$8,236) increased as a greater number of options vested than in the prior period and the Company's move to graded vesting.
- Realized loss on marketable securities of \$244,126 resulted from the sale of Bayswater Uranium Corporation common shares. The shares were received under an option agreement and Diamonds North is not an insider of the company.
- Future income tax recovery of \$115,520 (2009 - \$3,057,192) largely reflects renouncement of exploration expenditures to investors who purchased flow-through shares. Diamonds North renounced \$462,080 in flow-through financings compared to \$10,190,639 in 2009. This is a non-cash transaction.

Diamonds North's net loss for the period was \$794,508 (2009 - \$2,676,138) or \$0.01 per share (2009 - \$0.04) in contrast to the comparative period which had income, due to the 2009 future income tax recovery noted above.

Other comprehensive income (loss) of \$(496,371) (2009 - \$2,657,772) includes \$241,616 reversal of previously recognized unrealized losses in connection with the sale of Bayswater common shares noted above and \$56,521 in unrealized gain on marketable securities due to the fair value increase of marketable securities over the previous quarter.



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**1.4 Summary of Quarterly Results**

	Q2 Jun. 30 2008	Q3 Sept. 30 2008	Q4 Dec. 31 2008	Q1 Mar. 31 2009	Q2 Jun. 30 2009	Q3 Sep. 30 2009	Q4 Dec. 31 2009	Q1 Mar. 31 2010
Mineral expenditures, net of recoveries	\$ 7,505,249	\$ 7,157,026	\$ 695,062	\$ (101,208)	\$ 125,359	\$ 1,476,675	\$ 93,749	\$ 336,343
G&A expense	\$ 564,388	\$ 572,262	\$ 673,222	\$ 416,595	\$ 314,701	\$ 344,347	\$ 475,171	\$ 694,233
Stock-based comp. exp.	\$ 182,083	\$ 190,319	\$ 189,038	\$ 8,236	\$ 8,235	\$ 72,025	\$ 72,025	\$ 384,726
Net income (loss)	\$ (492,272)	\$ (662,604)	\$ (1,000,160)	\$ 2,676,138	\$ (286,446)	\$ (336,631)	\$ (5,088,314)	\$ (794,508)
Other comprehensive income (loss)	\$ (176,802)	\$ (463,456)	\$ (716,981)	\$ (18,366)	\$ 199,357	\$ 1,900	\$ 204,304	\$ 298,137
Income (loss) per share -basic	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ 0.04	\$ (0.01)	\$ -	\$ (0.07)	\$ (0.01)
Weighted avg. common shares outstanding -basic	61,078,366	74,231,694	67,814,839	75,159,308	75,159,308	76,948,623	75,348,534	78,128,645

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

Due to seasonal conditions in Canada's north, Diamonds North conducts exploration in Q2 and Q3. Q1-2010 includes expenditures incurred on behalf of MMG and will be recovered in Q2-2010.

G&A expense for Q1-2010 increased, largely to higher stock-based compensation expense. For 2010, Diamonds North moved to graded vesting whereby a greater portion of expense is recorded in the first and second vesting periods compared to distributing the expense equally over all vesting period.

In Q2-2010, the Company signed a five year lease for new office premises which it will move into in Q3-2010. In an effort to control costs, the Company is moving from a Class 'A' to a Class 'B' building and will slightly decrease its square footage. In the last six years, lease rates in Vancouver have increased significantly and future rent expense is projected to be higher.

Diamonds North is in the exploration stage and does not have operating cash-flow. 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 \$3,057,192 in Q1-2009 and \$115,520 in Q1-2010.

Other comprehensive income (loss) represents unrealized gains or losses on marketable securities composed of common shares in junior resource companies. Q1-2010 includes a \$241,616 reversal of previously recognized unrealized losses for marketable securities sold during the quarter.



### 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.

Management believes its \$3,459,092 in working capital is sufficient to meet administrative and tenure costs for 2010. The 2010 exploration program is estimated at \$2 million which may be funded with a combination of existing capital and/or a future equity offering. As previously noted, nickel exploration will be funded by MMG.

Fluctuations in commodity prices may influence financial markets and commodity price risk may indirectly affect the Company. As the Company is in the exploration stage, commodity prices are not reflected in operating results. Unlike other commodities, diamonds are typically sold in private transactions and rough diamond prices are generally not publicly disclosed. Any valuation based on gold prices would likely be premature until the Company has a proven and probable reserve.

Over the last two years:

- 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 may be difficult to sell without impacting quoted market prices.
- 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 the Company has long-term relations with key vendors and if contracts require large advances, the Company may place funds in-trust.

In 2008, the Company implemented a cash preservation measure whereby, senior employees and a consultant mutually agreed to defer 10% of their salaries or fees and the independent directors agreed to defer their retainer. These amounts accrued as a debt owing by the Company and did not bear interest. At the Company's election, this debt can be satisfied in cash and/or common shares. The debts arising out of 2008 and 2009 have been paid. Commencing January 1, 2010, 10% of the senior employees' salaries will be deferred under the terms above with repayment to be reviewed later in the year.

### 1.6 Capital Management

The Company considers its capital structure to consist of the components of 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 and 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.



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### 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 \$9,600.

During the period, the Company paid an aggregate of \$15,625 in directors' fees to the four independent directors with the members of the audit committee receiving an additional \$1,875 each.

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 \$4,785.

At March 31, 2010, 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 \$11,010 owed by Uranium North, for mineral property, administrative and office costs.

### 1.9 Proposed Transactions

None.

### 1.10 Changes in Accounting Policies

None.

### 1.11 New Accounting Pronouncements

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:



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

Phase 1 has been completed and work on Phase 2 will carry on through-out 2010. The majority of adjustments required on transitions to IFRS will be made, retrospectively, against the opening deficit as of January 1, 2011 of the first comparative balance sheet presented based on standards applicable at that time.

The Canadian Accounting Standards Board (“AcSB”) has ongoing projects and intends to issue new accounting standards during the conversion period. As a result, the final impact of IFRS on the Company’s consolidated financial statements can only be measured along with the required disclosure, once all the IFRS accounting standards at the conversion date are known.

Generally, disclosure requirements under IFRS contain more breadth and depth than those required under Canadian GAAP and will result in more extensive financial statement notes.

Set out below are the most significant areas, management has identified to date, where changes in accounting policies may have the potential impact on the Company’s consolidated financial statements.

*-Share Based Payments*

IFRS and Canadian GAAP largely converge on the accounting treatment for share based transaction with only a few differences. In Q1 2010, the Company moved from ‘straight line’ to ‘graded’ vesting for the recognition of stock-based compensation expense. A greater portion of expense is recorded in the first and second vesting periods compared to distributing the expense equally over all vesting period.

*-Mineral Property Expenditures*

Under IFRS 6, a mining entity has to determine an accounting policy specifying which expenditures on exploration and evaluation activities will be recorded as assets then apply that policy consistently. It is anticipated the Company will elect under the provisions in IFRS to continue the accounting practice of capitalizing all costs related to investments in mineral property interests on a property-by-property basis.

**1.12 Financial Instruments**

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

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 in 2008. Marketable securities are carried at their fair value based on quoted market prices on the TSX Venture Exchange.

<b>Marketable securities</b>	<b>Cost</b>	<b>Unrealized Loss</b>	<b>Fair Value</b>
Available-for-sale at March 31, 2010	\$ 873,332	\$ (221,650)	\$ 651,582



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The follow table illustrates the classification of the Company's financial instruments carried at fair value within the fair value hierarchy at March 31, 2010:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash and cash equivalents	\$ 2,893,499	\$ -	\$ -	\$ 2,893,499
Marketable securities	-	651,582	-	651,582
	<b>\$ 2,893,499</b>	<b>\$ 651,582</b>	<b>\$ -</b>	<b>\$ 3,545,081</b>

As it may be difficult to sell the Company's marketable securities position without impacting the quoted market price and the market may not be considered active, the marketable securities have been classified as Level 2.

### 1.13 Certification of Annual Filing

The Company follows BC Securities Commission 52-511 'Relief for Venture Issuers from Certification Requirements' that 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](http://www.sedar.com).

As of the Report Date, the Company had 78,159,808 issued common shares outstanding and the following unexercised stock options:

#### *-Stock Options*

<b>Expiry Date</b>	<b>Exercise Price</b>	<b>Number of Shares</b>
April 12, 2011	\$0.848	220,000
July 13, 2011	\$1.021	113,500
February 27, 2012	\$0.770	177,000
February 14, 2013	\$0.880	135,000
September 2, 2013	\$0.820	10,000
May 28, 2014	\$0.175	2,100,000
December 23, 2014	\$0.300	6,260,000
		<b>9,015,500</b>