Table of Contents

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 six months ended June 30, 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 August 19th, 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

On July 13th, the Amaruk diamond exploration program to collect a 25 tonne bulk sample from the Beluga-3 kimberlite to further test for commercial size diamonds, commenced. Additional exploration drilling is planned around Beluga-3 to locate the source of this high priority garnet population observed in till that was not recovered in the Beluga-3 kimberlite. This suggests an untested phase of kimberlite is present in Beluga-3 and/or additional undiscovered kimberlites in the immediate area.

On July 16th, the Halkett Inlet Property (HI-1 and HI-2 gold prospects) exploration program commenced, consisting of mapping, prospecting, and systematic chip and channel sampling area around HI-1 with similar work on the HI-2 gold occurrence, another gold bearing iron formation that may extend for 10's of kilometres (see News Release NR10-01, January 17th, 2010).

On July 22nd, the H-1 initial gold prospecting program was completed and resulted in the discovery of additional gossan zones along strike extending HI-1, from 100 to 450 metres. HI-1 remains open to the northeast and southwest. A total of 88 rock samples have been collected and submitted for 'rush' assays to assist with drill hole locations for the HI-1 drill program.

A preliminary reconnaissance flight over the HI-1 area identified an abundance of gossan zones that strongly correlate with an interpreted trace of the iron formation from airborne magnetic geophysical data. The expected iron formation stratigraphy and gossan zones have been observed for more than 30 kilometres along strike.

On August 17th, the HI-2 initial gold prospecting program was completed and the extent of iron formation and potential gold mineralization has now been traced for at least 55 kilometres, a significant increase from the 6.5 kilometres (see News Release NR10-01, January 17th, 2010). The iron formation measures 1 to 3 metres wide and in some areas up to 20 metres wide a total of 428 geochemical samples have been collected for analysis.

(a) Highlights for the Three Months Ended June 30, 2010

- On May 8th, Diamonds North announced 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 two significant gold prospects, the Halkett Inlet projects see 1.2(ii) Amaruk – Gold Prospects (100%) owned.

- On July 5th, Diamonds North announced an increase to a non-brokered private placement originally announced on June 15th, to raise it to $1,600,000 through the sale of flow-through shares at $0.20 per share. Finders' fees of 7% of the flow-through shares may be payable in cash or shares on a portion of the financing to finders who assist in the placement. In addition, Finders' warrants will entitle the holder to purchase that number of non flow-through common shares which is equal to 7% of the number of flow-through shares sold by the Finders. The Finders' warrants will expire twelve months after the closing and the exercise price will be $0.25 per common share.

(b) Events Subsequent to June 30, 2010

- On July 8th, Diamonds North completed the first tranche of a non-brokered private placement for $882,000 from the issuance of 4,410,000 flow-through common shares at a price of $0.20 per share. Finders' fess of $31,750 and other share issue costs of $26,460 were paid. In addition, 157,850 Finders' warrants were issued and exercisable at $0.25 per warrant until July 7, 2011. All the securities issued are subject to a four month hold period and may not be traded until November 8, 2010.

- On July 14th, Diamonds North completed the second tranche of the non-brokered private placement for $470,000 from the issuance of 2,350,000 flow-through common shares at a price of $0.20 per share. Other share issue costs of $2,350 were paid. In addition, 17,500 Finders' warrants were issued and exercisable at $0.25 per warrant until July 13, 2011. All the securities issued are subject to a four month hold period and may not be traded until November 14, 2010.

- On July 22nd, Diamonds North completed the final tranche of the non-brokered private placement for $390,000 from the issuance of 1,950,000 flow-through common shares at a price of $0.20 per share. Finders' fees of $27,300 and other share issue costs of $2,450 were paid. All securities issued are subject to a four month hold period and may not be traded until November 23, 2010.

(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

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 a high chrome garnet population. Due to its close proximity to camp, Diamonds North conducted ground geophysics in the area in 2008. 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.

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.

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

- Camp costs expenditures of $148,422 relate to the mobilization and start-up of the field camp;
- Drilling – percussion expenditures of $49,545 relate to the drill contractor; and
- Geology expenditures of $89,299 relate to preparations and planning for the summer program.

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

The HI-1 Gold Prospect is located in the north-western 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 and a nearby grab sample of un-oxidized, altered quartz feldspar dyke devoid of sulfides contained 24.3 g/T gold.

The iron formations observed to date measure 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. Intensive prospecting and sampling along HI-2 will be conducted to determine areas with strong gold mineralization. The HI-1 and HI-2 prospects are within 8 to 5 kilometres of the coast respectively.

-Amaruk Gold Prospects Exploration Program for 2010

Detailed sampling, mapping and geophysical surveying are underway for HI-1 and HI-2 to develop additional targets for drilling, for recent developments see 1.2 Company Overview and Projects. The main objective will be drilling to test the extent of the gold mineralization.

Regional sampling and prospecting (outside of HI-1 and HI-2) will be conducted to identify other target areas within the unexplored Halkett Inlet permit block, announced on May 5th see 1.2(a) Highlights for the Three Months Ended June 30, 2010.

(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, Minerals and Metals Group ("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.

-Tunerq Exploration Program 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.

In the spring, MMG conducted an EM survey on the Tunerq prospect to identify and evaluate targets in preparation for a drill program. The majority of costs relate to mobilization of equipment and position of supplies.

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

- Camp costs expenditures of $323,613 relate to Cat-train cost to for the mobilization and position of supplies and start-up costs of the field camp;

- Drilling – Core expenditures of $24,000 for diesel purchase; and

- Recoveries of $564,781 include reimbursement of costs from MMG, including fuel and camp equipment purchased in prior years.

(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 Crop. ("Uranium North") and the Company continues to hold 100% interest in all diamonds and other metals, except uranium for which it retains a royalty.

Regional exploration has identified additional copper-silver mineralization along strike for 1 kilometre and in stratigraphically similar rocks located 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

In house work will continue, as present, there are no plans for a field program. 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;
- Geology expenditures of $14,718 relate to wages associated with the above; and
- Recoveries of $569,604 relate to 'in-lieu of work' bonds refunded by the Mining Recorder.

DIAMONDS NORTH RESOURCES LTD.

Notes to Consolidated Financial Statements
June 30, 2010
(Unaudited – See Notice)
(expressed in Canadian dollars)

(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
Exploration:										
Camp costs	148,422	-	-	-	323,613	315	-	-	-	472,350
Camp heli. (incl. fuel)	8,920	-	-	-	-	-	-	-	17,840	26,760
Drilling - Core	595	-	-	-	24,000	-	-	-	-	24,595
Drilling - Percussion	49,545	295	-	590	-	-	295	-	-	50,725
Geochemistry	-	126	-	-	2,533	-	8,641	-	-	11,300
Geology	89,299	8,637	-	1,573	12,528	3,636	14,718	2,573	35,654	168,618
Ground geophysics	361	-	-	-	-	-	-	-	402	763
Permitting	1,198	-	-	-	552	8,294	1,097	-	90,507	101,648
Property	75	-	-	-	-	-	-	-	-	75
Prospecting	1,910	-	-	-	-	-	-	-	4,063	5,973
	300,325	9,058	-	2,163	363,226	12,245	24,751	2,573	148,466	862,807
Less:										
Recoveries	(12,141)	-	-	-	(564,781)	-	(569,604)	(4,742)	(93,707)	(1,244,975)
Net additions	288,184	9,058	-	2,163	(201,555)	12,245	(544,853)	(2,169)	54,759	(382,168)
Balance at June 30, 2010	$ 24,275,145	$ 374,216	$ 171,658	$ 452,725	$ 1,155,249	$ 4,452,776	$ 8,680,532	$ 537,800	$ 503,684	$ 40,603,785

(expressed in Canadian dollars)

1.3 Results of Operations

(a) Current Quarter

Diamonds North's cash position increased $30,015 to $2,923,514 ($1,415,092 cash and $1,508,422 in guaranteed investments certificates and money market fund). Mineral property acquisition and exploration costs recoveries offset cash outflows, resulting in the small quarterly increase. Cost recoveries include $456,000 paid by MMG towards Tunerq exploration costs and $510,000 in Hepburn bond refunds.

On May 4th, Diamonds North entered into a new office lease, commencing on August 1, 2010 and expiring on August 31, 2015. In Q3, the Company will move from a Class 'A' to a Class 'B' building and decrease its square footage. Rent expense will be lower than if it had renewed at its previous location.

In connection with the lease, the Company used $158,893 in cash for leasehold improvements and anticipates spending a further $150,000 in Q3. These costs will be largely off-set by a tenant improvement allowance from the landlord.

(b) Six Months Ended June 30, 2010

Results of operations for the six months ended June 30, 2010 are discussed in comparison with the six months ended June 30, 2009. General and administrative expenses of $1,317,314 (2009 - $731,296) represents a $586,018 increase compared to the comparative fiscal period. Notable changes include:

- Investor relations and promotion of $99,201 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	$	707
Conferences and trade shows		26,541		29,009
Consulting, wages and benefits		58,141		82,901
Media		2,039		3,767
Promotion and advertising		12,056		(1,881)
	$	99,201	$	114,503

- Stock-based compensation expense of $700,450 (2009 - $16,471) increased as a greater number of options vested than in the prior comparative period and the Company's moved 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 $1,423,813 (2009 - $2,389,692) or $0.02 per share (2009 - $0.03) in contrast to the comparative period which had net income, due to the 2009 future income tax recovery noted above.

Other comprehensive income of $111,930 (2009 - $180,991) includes a $241,616 reversal of previously recognized unrealized losses in connection with the sale of Bayswater common shares noted above and $129,686 in unrealized losses on marketable securities due to the fair value increase of marketable securities over the previous quarter.

(expressed in Canadian dollars)

1.4 Summary of Quarterly Results

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

	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	Q2 Jun. 30 2010
Mineral expenditures, net of recoveries	$ 7,157,026	$ 695,062	$ (101,208)	$ 125,359	$ 1,476,675	$ 93,749	$ 336,343	$ (643,717)
G&A expense	$ 572,262	$ 673,222	$ 416,595	$ 314,701	$ 344,347	$ 475,171	$ 694,233	$ 623,081
Stock-based comp. exp.	$ 190,319	$ 189,038	$ 8,236	$ 8,235	$ 72,025	$ 72,025	$ 384,726	$ 315,724
Net income (loss)	$ (662,604)	$ (1,000,160)	$ 2,676,138	$ (286,446)	$ (336,631)	$ (5,088,314)	$ (794,508)	$ (629,305)
Other comprehensive income (loss)	$ (463,456)	$ (716,981)	$ (18,366)	$ 199,357	$ 1,900	$ 204,304	$ 298,137	$ (186,207)
Income (loss) per share -basic	$ (0.01)	$ (0.02)	$ 0.04	$ (0.01)	$ -	$ (0.07)	$ (0.01)	$ (0.01)
Weighted avg. common shares outstanding -basic	74,231,694	67,814,839	75,159,308	75,159,308	76,948,623	75,348,534	78,128,645	78,156,512

Due to seasonal conditions in Canada's north, Diamonds North conducts exploration in Q2 and Q3. Q2-2010 includes expenditures recovered from MMG and Hepburn bond refunds.

G&A expense for Q1-2010 and Q2-2010 increased, largely to higher stock-based compensation expense. Starting in 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 four vesting period.

Diamonds North is in the exploration stage and does not have operating cash-flow. Earnings per share in Q1-2009 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 $4,032,473 in working capital is sufficient to meet administrative and tenure costs for 2010. The 2010 exploration program is estimated at over $2 million and will be funded with existing capital and the recently completed $1.7 million non-brokered flow-though financing, see 1.2(b) Events Subsequent to June 30, 2010. 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.

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 in low volume trading.

- 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.

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 $19,200.

During the period, the Company paid an aggregate of $31,250 in directors' fees to the four independent directors with the members of the audit committee receiving an additional $3,750 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 $10,630.

As of July 7th, the Company holds less than 10.0% of the issued common shares of Uranium North, a company related by virtue of other common directors and no longer deemed to be an insider for Sedi. Included in accounts receivable is $35,149 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:

- 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.

(expressed in Canadian dollars)

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.

Marketable securities	**Cost**	**Unrealized Loss**	**Fair Value**
Available-for-sale at June 30, 2010	$ 873,232	$ (407,857)	$ 465,375

The follow table illustrates the classification of the Company's financial instruments carried at fair value within the fair value hierarchy at June 30, 2010:

	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 2,923,514	$ -	$ -	$ 2,923,514
Cash, exploration funds	436,000	-	-	436,000
Marketable securities	-	465,375	-	465,375
	$ 3,359,514	$ 465,375	$ -	$ 3,824,889

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.

(expressed in Canadian dollars)

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.

As of the Report Date, the Company had 86,869,808 issued common shares outstanding and the following unexercised stock options:

-Stock Options

Expiry Date	Exercise Price	Number of Shares
April 12, 2011	$0.848	150,000
July 13, 2011	$1.021	75,000
February 27, 2012	$0.770	97,000
February 14, 2013	$0.880	60,000
May 28, 2014	$0.175	2,100,000
December 23, 2014	$0.300	6,260,000
		8,742,000

-Warrants

Expiry Date	Exercise Price	Number of Shares
July 7, 2011	$0.25	157,850
July 13, 2011	$0.25	17,500
		175,350