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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 in the process of actively exploring its 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 condensed consolidated interim financial statements and the notes thereto for the nine months ended September 30, 2011.

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 22, 2011 (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 as defined by National Instrument 43-101, 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

Diamonds North field programs have concluded and exploration results are being compiled. The 2011 field exploration programs, as follows:

- Amaruk diamonds exploration (See [1.2\(c\)\(i\) Diamond Prospects](#));
- Halkett gold exploration (See [1.2\(c\)\(ii\) Halkett Gold Prospects](#));
- Recon – 2011 gold exploration (See [1.2\(c\)\(ii\) Recon – 2011, Southern Nunavut](#));
- Esker gold exploration (See [1.2\(f\) Esker, Nunavut](#));
- Hepburn copper and silver exploration (See [1.2\(g\) Hepburn, Northwest Territories](#)).

The 2011 exploration program was originally forecasted at \$1.1 million and later increased to \$1.35 million to provide exploration for the newly acquired Esker gold project. Gross exploration expenditures of \$1.7 million, before bond refunds and recoveries, are \$0.35 million over the revised budget. Bad weather in August and logistical issues with staff caused several projects to go over schedule. The majority of field exploration costs are variable, based on daily rates.



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(a) Highlight for the Three Months Ended September 30, 2011

- On July 6th, Diamonds North completed a non-brokered private placement to raise \$750,000 through the sale of 4,687,500 flow-through shares at a price of \$0.16 per share. Finders' fees of \$32,500 and other share issue costs of \$9,979 were paid.

(b) Events Subsequent to September 30, 2011

- On November 1, 2011, Minerals and Metals Group ("MMG") notified the Company of its withdrawal from the Tunerq Project. As MMG had not completed the earn-in conditions, no interest was earned and the Company retains a 100% interest in nickel and other base metal on Tunerq.
- On November 22, 2011, the condensed consolidated interim financial statements of Diamonds North for the nine months ended September 30, 2011 were authorized for issue in accordance with a resolution of the directors

(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. Portions of the property have been optioned or in joint ventures with other exploration companies. In 2011, no significant exploration work was performed on the Ualliq, Sakari or Siku projects.

i) Diamonds Prospects

-Amaruk Exploration Program for 2011

The 2011 Amaruk diamond exploration program focused on the identification and testing EM targets for kimberlites using a new innovative electromagnetic (EM) geophysical program. On July 19th, Diamonds North received the processed electro-magnetic (EM) data for the eastern side of the Amaruk and the data was interpreted for target selection.

On August 8th, the field program commenced with detailed till sampling in close proximity to high-priority targets identified from the EM data. Amaruk exploration costs include \$146,000 for airborne EM data processing, \$58,000 in camp costs, \$30,000 in camp helicopter & fuel and \$130,000 in geology.

Till samples have been sent to the laboratory and the Company is waiting for assay results.

The potential of this innovative EM method prompted Diamonds North's partnership with Indicator Minerals Inc. on their adjacent Barrow Property, see below. The 2011 Barrow program was an expansion of the Amaruk diamond program noted above. Barrow exploration costs have been grouped within Amaruk and will be reclassified to Barrow in the next quarter.

-Barrow Project and Exploration Program for 2011

On March 4th, Diamonds North and Indicator Minerals Inc. ("Indicator Minerals") entered into an agreement covering the diamond interest on Indicator Mineral's Barrow Property in Nunavut. The Company may earn up to sixty percent (60%) interest in any diamond discovery on the Barrow Property by incurring \$2,000,000 in expenditures on the Property over five years. To earn an initial 51% interest, the Company must incur \$1,000,000 in expenditures by December 31, 2015, of which \$50,000 must be incurred before the end of the



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current year and a total of \$200,000 must be incurred by December 31, 2013. To earn an additional 9% interest (for 60%), the Company must incur an additional \$1,000,000 in expenditures (for aggregate of \$2,000,000) by December 31, 2016.

ii) Halkett Gold Prospects (100% owned)

-H-1 Gold Prospects, Halkett Inlet

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, quartz feldspar porphyry dyke("QFP") contained 24.3 g/T gold.

- H-2 Gold Prospects, Halkett Inlet

The HI-2 prospect is located only 5 kilometres from the coast and 25 kilometres from the HI-1 prospect

- Gold Prospects Exploration Program for 2011

The Halkett gold exploration program included prospecting, sampling and mapping along with ground geophysical surveying. In addition, regional prospecting of gossanous areas located in the surrounding area was also completed. Exploration costs include \$6,000 in camp costs, \$16,000 in geology and \$40,000 in property claim fees & licenses.

(d) 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, a drill hole intersected 2.49% nickel over 9 metres within a 35 metre wide zone assaying 1% nickel (see news release May 22, 2008).

In March 2010, Diamonds North signed a Letter of Intent with MMG 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 within four years and completing a pre-feasibility study on any nickel or base metal deposit that might be identified on Amaruk within ten years. On November 1, 2011, MMG withdrew from the Tunerq Project, (See [1.2\(b\) Events Subsequent to September 30, 2011](#)).

-Tunerq Nickel Projects Exploration Program for 2011

On July 28th, MMG completed a 5,000 line kilometre airborne electro-magnetic survey targeting known mafic-ultramafic bodies and geochemical anomalies previously identified including the original Tunerq prospect. The Geotem Survey was operated by Fugro and funded by MMG

On August 12th, MMG mobilized a field crew to conduct lake-bottom sediment sampling to follow-up on preliminary EM anomalies identified from the aforementioned survey.

Although MMG has withdrawn from the Tunerq project, it has notified the Company that it will ensure its reporting commitments are honoured.



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(e) Recon - 2011, Southern Nunavut - Gold Projects (100% owned)

Over the winter, management reviewed several historical properties with high grade gold occurrences and through permitting and claim staking acquired several new gold projects in Southern Nunavut. Historical work is from assessment reports in the public domain and field work has not been verified by the Company. However, it appears to have been completed under standard best practices consistent with the time and appears to be of reasonable quality.

In 2011, Diamonds North acquired the KL, Fox, Kaminak, McQuiod and Yandle & River gold prospects and these new grass-projects are collectively grouped together and called “**Recon – 2011**”.

On July 21st, the Fox gold exploration program commenced to focus on top priority areas identified during a comprehensive independent data review. The Fox exploration costs under Recon – 2011 include \$4,000 in camp costs, \$67,000 in camp helicopter & fuel and \$32,000 in geology.

(f) Esker, Nunavut - Gold Project (100% owned)

On June 3rd, Diamonds North announced it had acquired a 100% interest in the Esker gold property that covers several kilometres of gold bearing stratigraphy. Historical drill intercepts of gold mineralization are as high as 8.2 g/T gold over 13 metres, including 17.7 g/T gold over 5.7 metres; and, 2.4 g/T gold over 71 metres which includes several high grade zones.

Historical drilling on the property identified gold mineralized veins with good grade and width characteristics. The veins are hosted by linear gabbro units, and surrounded by volcanic and sedimentary rocks. Geology, structural observation and drill results suggest potential for continuity and significant tonnage over more than 5 kilometres of folded gabbro units within an area of 1300 x 600 metres.

The Esker gold exploration program included prospecting, sampling and mapping. Expenditures on Esker include \$76,000 in camp costs, \$47,000 in camp helicopter & fuel and \$62,000 in geology.

(g) Hepburn, Northwest Territories – Copper and Silver Project (100% owned)

The Hepburn property is 100% owned by the Company and has already demonstrated high copper silver potential along with bismuth, uranium and gold credit. Initial grab samples from the property returned values up to 19.8 % copper, 123.0 grams per tonne silver, 0.20% uranium and 0.17% bismuth.

On August 17th, the Hepburn exploration program commenced to focus on delineating areas of concentrated mineralization for drilling using induced polarization (IP) surveying and prospecting. The field program was completed on September 8th and exploration costs include \$69,000 in camp costs, \$144,000 in geology and \$171,000 in ground geophysics (includes 7 bad weather days).

1.3 Results of Operations

(a) Current Quarter

Diamonds North’s cash position decreased \$264,910 to \$1,850,701, for break down of cash and cash equivalents see [1.12 Financial Instruments](#). During the quarter, the Company completed a \$750,000 gross proceed flow-through financing less \$32,500 in finders’ fees and \$9,979 in share issue costs.



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Overall receivables decreased \$7,775, as receivable collections were made in the normal course of business with the exception of the \$141,000 bond refunds receivable from the Mining Recorder. Subsequent to the quarter end, the Company received \$17,000 in bond refunds.

Accounts payables and accrued liabilities increased \$281,848, as the Company accrued \$234,237 in exploration costs for the Esker and Recon – 2011 projects incurred by Uranium North Resources Corp. (“Uranium North”), a related party.

(b) Nine Months Ended September 30, 2011

Results of operations for the nine months ended September 30, 2011 are discussed in comparison with the nine months ended September 30, 2010. General and administrative expenses of \$1,139,432 (2010 - \$1,712,776) represents a \$573,344 decrease compared to the comparative fiscal period. Notable changes include:

- Investor relations and promotion of \$104,075 is broken down below.

	2011	2010
Administration	\$ -	\$ 424
Conferences and trade shows	27,601	36,324
Consulting, wages and benefits	64,500	87,212
Media	3,646	3,085
Promotion and advertising	8,328	16,718
	\$ 104,075	\$ 143,763

- Rent and storage of \$72,717 (2010 - \$91,166) decreased as the Company’s office space has decreased in size.
- Stock-based compensation expense of \$165,976 (2010 - \$814,051) reflects the vesting of 1,445,000 stock options granted in April 2011, all vested. Additionally, another 100,000 options granted at the time is subject to vesting over one year from the grant date. The fair value as calculated by the Black-Scholes option pricing method was approximately \$0.11 per option.
- Wages and benefits of \$551,770 (2010 - \$385,796) includes an accrued severance payment of \$225,000 to be paid to the President in three instalments of \$75,000, on April 1st of 2011 (paid), 2012 and 2013.



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- Mineral property exploration of \$1,559,377 is broken below by:

Exploration Type:	2011	2010
Airborne geophysics	\$ 154,087	\$ 5,018
Camp costs	571,662	593,964
Camp helicopter & fuel	150,890	61,953
Drilling – Core	4,412	24,595
Drilling – Percussion	53,936	554,962
Geochemistry	28,840	12,567
Geology	479,816	275,966
Ground geophysics	173,353	1,357
Permitting	40,893	102,979
Property	74,046	41,563
Prospecting	2,329	417,170
	1,734,264	2,092,094
Recoveries	(174,887)	(1,384,814)
Total	\$ 1,559,377	\$ 707,280

Project Name:	2011	2010
Amaruk (a)	\$ 384,425	\$ 1,077,783
Banks Island	(10,650)	-
Barrow	187	-
Blue Ice (b)	357,142	78,592
Boothia	67,108	257,817
Esker (c)	190,430	-
Genex	(45,584)	50,091
Halkett	63,709	13,933
Hepburn (d)	385,267	(552,824)
Henik	19,444	22,103
Hyde	1,315	4,251
Kidme	-	(2,169)
Nanunk	-	(51,434)
Tunerq	4,354	(202,084)
Sakari	314	-
Siku	-	2,163
Ualliq	3,884	9,058
Recon – 2011 (e)	138,032	-
Total	\$ 1,559,377	\$ 707,280

a) Amaruk includes \$146,000 for airborne EM data processing, \$58,000 in camp costs, \$30,000 in camp helicopter & fuel and \$130,000 in geology.

b) Blue Ice costs relate to demobilization of the Tuktu exploration camp.



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- c) Esker includes \$76,000 in camp costs, \$47,000 in camp helicopter & fuel and \$62,000 in geology.
 - d) Hepburn includes \$69,000 in camp costs, \$144,000 in geology and \$171,000 in ground geophysics.
 - e) Recon – 2011 includes costs for the new projects KL, Fox, Kaminak, McQuiod and Yandle & River prospects.
- Unrealized loss of \$321,206 on marketable securities is due to the fair value decrease of marketable securities from the previous period end, June 30, 2011.

Diamonds North's loss and comprehensive loss for the nine months end September 30, 2011 was \$3,006,927 (2010 - \$2,419,299) or \$0.03 per share (2010 - \$0.03).

1.4 Summary of Quarterly Results

The limited summary of quarterly results below is from Diamonds North's financial statements and denoted in the currency of Canada. For all periods up to and including the quarter ended December 31, 2009, the Company prepared its consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP").

Diamonds North's transition date to IFRS is January 1, 2010. The rules for first-time adoption of IFRS are set out in IFRS 1, "First-time adoption of International Financial Reporting Standards". In preparing the Company's first IFRS financial statements, these transition rules have been applied to the amounts previously reported in accordance with GAAP. Historical results and balances have been restated under IFRS. The MDA should be read in conjunction with the Company's 2010 GAAP annual audited financial statements for the year ended December 31, 2010, and in consideration of the disclosure regarding the transition from Canadian GAAP to IFRS included in Note 16 of the Company's financial statements for the nine months ended September 30, 2011.

Under the previous GAAP, costs associated with mineral property exploration including but not limited to acquisition costs, airborne and ground geophysics, drilling, geochemistry, geology, and prospecting were capitalized to mineral properties. Under IFRS, mineral property exploration is expensed through the profit or loss until a technical feasibility or the commercial viability of extracting the mineral resources is demonstrable.

The Company elected to reclassify its marketable securities from available for sale to fair value through profit and loss, and accordingly, has reclassified accumulated other comprehensive income into deficit and unrealized gains and losses in other comprehensive income into net loss.

Under previous GAAP, other comprehensive income (loss) was reported as a separate component, whereas under IFRS, the amount is now included in profit or loss. This is due to the reclassification of market securities noted above. The most active component of other comprehensive income (loss) was the unrealized gain or loss on marketable securities which consists of common shares in junior resource companies. The fluctuations reflect the change in fair value of the securities at the period end date from the previous period end date.



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	Q4 - GAAP Dec. 31 2009	Q1 - IFRS Mar. 31 2010	Q2 - IFRS Jun. 30 2010	Q3 - IFRS Sep. 30 2010	Q4 - IFRS Dec. 31 2010	Q1 - IFRS Mar. 31 2011	Q2 - IFRS Jun. 30 2011	Q3 - IFRS Sep. 30 2011
Mineral expenditures, net of recoveries	\$ 93,749	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Mineral property exploration expense (recovery)	\$ -	\$ 414,561	\$ (792,482)	\$ 1,085,200	\$ 207,260	\$ 287,361	\$ 271,564	\$ 1,000,452
G&A expense	\$ 475,171	\$ 694,233	\$ 623,081	\$ 395,462	\$ 391,675	\$ 491,279	\$ 396,753	\$ 251,400
Share-based comp. exp.	\$ 72,025	\$ 384,726	\$ 315,724	\$ 113,601	\$ 46,983	\$ -	\$ 157,999	\$ 7,977
Unrealized gain (loss) on marketable securities	\$ 204,304	\$ 56,521	\$ (186,207)	\$ 100,440	\$ 501,342	\$ 395,945	\$ (701,074)	\$ (16,077)
Profit or loss	\$ (5,088,314)	\$ (1,023,233)	\$ (22,002)	\$ (1,374,064)	\$ (106,044)	\$ (380,081)	\$ (1,361,752)	\$ (1,212,174)
Profit (loss) per share -basic	\$ (0.07)	\$ (0.01)	\$ -	\$ (0.02)	\$ -	\$ -	\$ (0.02)	\$ (0.01)
Weighted avg. common shares outstanding -basic	75,348,534	78,128,645	78,156,512	85,735,902	82,256,035	86,869,808	87,419,259	94,376,603

In Q2-2010, the credit results from expenditures recovered from a project partner and Hepburn 'work in-lieu' bond refunded by the Mining Recorder of Canada.

As the Company operates in the north, the majority of mineral exploration is conducted in Q3-2010 and Q3-2011.

G&A expense for Q1-2010 and Q2-2010 increased, largely to higher share-based compensation expense. In Q1-2010, the Company 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.

G&A expense for Q1-2011 and Q2-2011 is comparable, however, the Q1-2011 includes a \$225,000 wage accrual owed under a former employment agreement whereas Q2-2011 includes \$157,999 in share-based compensation.

In Q2-2011, the fair value of marketable securities decreased from the previous quarter, resulting in a large unrealized loss.

1.5 Liquidity

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they fall due. 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 anticipates its \$2,466,400 in working capital is sufficient to meet administrative, exploration and property obligations for the remainder of 2011 and to cover fiscal 2012 administrative and tenure costs. Diamonds North will require additional capital to fund the 2012 exploration programs which has yet to be determined.



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Included in working capital is \$0.7 million in marketable securities which is based on the fair value at June 30, 2011. Financial markets have moderately declined and the fair value of marketable securities (no change in security positions) as of the Report Date is approximately \$0.57 million.

The Company currently maintains investments in certain marketable securities. There can be no assurance that the Company can exit these equity positions if required, resulting in proceeds approximating the carrying value of these marketable securities.

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.

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 \$28,800.

The four independent directors were paid an aggregate of \$30,000 in directors' fees with the members of the audit committee paid an additional \$1,875 per quarter for an aggregate of \$16,875.

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 \$12,985.

On May 17, 2011, the Company entered into a new employment agreement with Mark Kolebaba, whereby the President receives \$17,640 per month from April 1, 2011 to March 31, 2014. The agreement is subject to certain payouts if terminated without cause or in the event of a change of control.

Included in receivables at September 30, 2011 is \$2,292 owed by Commander Resources Ltd., a company related by virtue of a common director, for shared office costs



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The Company holds less than 10.0% of the issued common shares of Uranium North, a company related by virtue of other common directors. Included in accounts receivable is \$100,584 owed by Uranium North, for mineral property, administrative and office costs. Included in accounts payables and accrued liabilities is \$234,237 owed to Uranium North, for mineral property exploration costs.

1.9 Proposed Transactions

None.

1.10 Changes in Accounting Policies

None.

1.11 New Standards Yet Adopted

A summary of new standards yet adopted which may affect the financial disclosure and results of operations of the Company for future interim and annual periods.

-IFRS 9, Financial Instruments

In November 2009, the IASB published IFRS 9, "Financial Instruments," which covers the classification and measurement of financial assets as part of its project to replace IAS 39, "Financial Instruments: Recognition and Measurement." In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entities would be required to reverse the portion of the fair value change due to own credit risk out of earnings and recognize the change in other comprehensive income. IFRS 9 is effective for the Company on January 1, 2013. Early adoption is permitted and the standard is required to be applied retrospectively. There will be no significant impact the Company upon implementation of the issued standard.

In May 2011, the IASB published four new standards, as noted below. All are effective for the Company on January 1, 2013. Early adoption is permitted and the standards are required to be applied retrospectively. However, the early adoption of either IFRS 10, 11 or 12 requires the concurrent adoption of the other two standards.

-IFRS 10, Financial Instruments

IFRS 10, "Consolidated Financial Statements," establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The standard builds on the existing principles of 'control' by indentifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. There will be no significant impact the Company upon implementation of the issued standard.

-IFRS 11, Financial Instruments

IFRS 11, "Joint Arrangements," provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. The Company anticipates reviewing all existing



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arrangements for classification, particularly our mineral property agreements and may require assistance from the external auditors.

-IFRS 12, Financial Instruments

IFRS 12, “Disclosure of Interests in Other Entities”, is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. There will be no significant impact the Company upon implementation of the issued standard.

-IFRS 13, Fair Value Measurements

IFRS 13, “Fair Value Measurements”, is a new comprehensive standard on measuring and disclosing fair value and will supersede all other fair value guidance in IFRS. The Company anticipates reviewing all existing fair valued accounts and may require assistance from the external auditors.

1.12 Financial Instruments

To minimize this risk, cash and cash equivalents has been placed with major financial institutions. Short-term deposits have original maturities of three months or less or redeemable features from the date of acquisition, amounts vary depending on the cash requirements of the Company and earn interest at the respective short-term deposit rates. The Company has not invested in commercial paper or asset backed security programs.

Diamonds North cash and cash equivalents are as follows:

	September 30, 2011	December 31, 2010	January 1, 2010
Cash at bank and on hand	\$ 842,160	\$ 1,076,343	\$ 1,252,422
Demand deposits	1,000,000	1,500,000	-
Short-term deposits and guaranteed investment certificates	8,541	8,464	2,008,395
Total	\$ 1,850,701	\$ 2,584,807	\$ 3,260,817

Marketable securities consist of 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. Diamonds North marketable securities are as follows:

	September 30, 2011	December 31, 2010	January 1, 2010
Cost	\$ 880,732	\$ 880,732	\$ 1,192,231
Unrealized gain (loss)	(127,281)	193,925	(569,671)
Total	\$ 753,451	\$ 1,074,657	\$ 622,560

The fair value of the Company's receivables and accounts payable and accrued liabilities approximate their carrying values. Diamonds North's other financial instruments, being cash and cash equivalents and marketable securities, are measured at fair value using Level 1 inputs (unadjusted quoted prices in active markets for identical assets or liabilities). The Company may be subject to credit risk which is the risk of an



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unexpected loss if a customer, tenant, related party or a third party to financial instrument fails to meet its contractual obligations.

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 94,682,308 issued common shares outstanding and the following unexercised stock options:

-Stock Options

Expiry Date	Exercise Price	Number of Shares
February 27, 2012	\$0.770	97,000
February 14, 2013	\$0.880	60,000
May 28, 2014	\$0.175	1,925,000
December 23, 2014	\$0.300	5,715,000
April 14, 2016	\$0.155	1,545,000
		9,342,000