

**Description of Business and Report Date**

Diamonds North Resources Ltd. (“the Company”) is an exploration stage company engaged in the acquisition and exploration of diamond mineral properties in Canada. The principal properties are located in northern Canada throughout Nunavut (“NU”) and the Northwest Territories (“NWT”). The Company trades on the TSX Venture Exchange (“Exchange”) under the symbol “DDN” and is listed as a Tier One 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, 2007.

Forward-Looking Information

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 27, 2007 (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.

Highlights for the Three Months Ended June 30, 2007

- On April 24th, the Company reported lab results for the Char kimberlite from the 2006 RC drill program which yielded 178 diamonds including 6 macrodiamonds.
- On May 4th and 10th, the Company granted incentive stock options under the Company’s stock option plan to directors, officers, employees and consultants to purchase an aggregate of 600,000 and 337,000 treasury shares. The options are exercisable for a period of five years at a price of \$1.01 and \$1.03 per share, respectively, and subject to the policies of the Exchange.
- On May 10th, shareholders at the Company’s Annual General Meeting approved all items set forth in the proxy including an increase in the number of allowable stock options to a maximum of 10,325,500.

Events Subsequent to June 30, 2007

- On July 5th, the Company reported the acquisition of Majescor Resources Inc. (“Majescor”) interest in the Banks Island project, providing the Company with a 100% interest, see Banks Island.
- On August 16th, the Company completed the first tranche of a non-brokered private placement of 4,001,000 flow-through common shares at a price of \$1.00 per share, see Liquidity.
- On August 24th, the Company completed the second tranche of a non-brokered private placement of 550,000 flow-through common shares at a price of \$1.00 per share, see Liquidity.

Management Discussion and Analysis
For the Six Months Ended June 30, 2007

Through **clarity, diligence** and **perseverance**, the Company has developed three highly prospective diamond projects called Amaruk, Hepburn and Banks Island. **All 100% owned.** Using the proven geological tools of geochemistry and airborne geophysics, these projects have yielded numerous targets. Through RC drilling on Amaruk, the Company has verified two highly diamondiferous kimberlite fields.

The **Amaruk** project is located in the Pelly Bay diamond district. In 2006, the Company identified 580 targets within a 90 by 30 kilometre area in the central portion of the Amaruk property and confirmed two highly diamondiferous kimberlite fields, 'Char' and 'Qavvik'. For 2007, the Company plans to evaluate over 200 targets with detailed geophysics and drill test the best 60 targets.

The **Hepburn** project is located on a portion of the western margin of the Slave Craton. A combination of regional airborne magnetics and indicator mineral data has identified 204 anomalies. For 2007, the Company plans to drill test at least 20 of the best targets and complete geophysical surveys over the remaining 70% of the property.

The **Banks Island** project covers 1.2 million acres of permits in NWT. Airborne geophysics interpretation data has identified 65 targets with seven ranked as high to moderate priority. One high priority geophysical target has a size estimate of 12 to 14 hectares. For 2007, drill targets will be qualified using detailed geophysics and the remaining 90% of the property not covered by geophysics will be surveyed for additional target generations.



The Company's principal properties are located in Canada's far north, which poses an inherent risk for mineral exploration due to the remoteness from populated areas, limited season, lack of surface infrastructure, and availability of skilled labour, fuel and supplies. Exploration is heavily dependent on air transportation (fixed wing and helicopter), which is both costly and susceptible to bad weather. The unpredictability of the weather can cause delays in carrying out a planned exploration program which can result in cost overruns. The Company manages these risks by utilizing experienced project geologists who are familiar with the north and the challenges associated with working there.



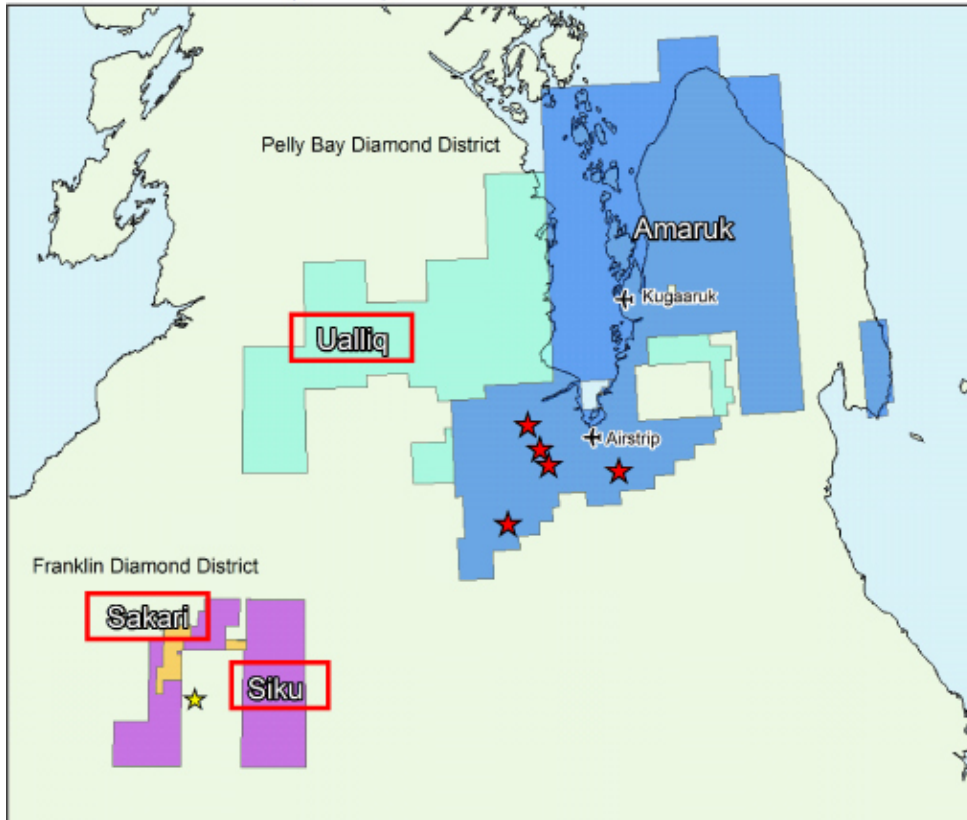
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In 2007, net mineral property expenditures of \$2,213,355 consists of \$1,200 in acquisition costs, \$6,766,060 in exploration expenditures less \$3,498,351 in recoveries and \$1,055,554 in write downs. A breakdown by key projects as follows:

	Amaruk, NU	Ualliq, NU(1)	Sakari, NU(1)	Siku, NU(1)	Victoria Island NU/NWT	Banks Island, NWT	Hepburn, NWT	Kidme, NWT	Northern Recon.	Other Properties	Total
Balance at December 31, 2006	\$4,416,007	\$ 15,393	\$ 2,162	\$ 31,931	\$4,106,319	\$ 282,598	\$ 3,905,253	\$ 447,426	\$1,549,630	\$ 1,267,063	\$16,023,782
Additions during the period:											
Acquisition costs	-	-	-	-	-	-	1,200	-	-	-	1,200
Exploration:											
Project admin.	15,619	3,184	394	1,991	113	647	10,373	-	3,679	-	36,000
Airborne geoph.	350,813	1,292	29,868	340,306	377	133,446	1,303,175	-	1,564	-	2,160,841
Camp costs	1,191,961	72,034	56,583	613,978	-	24,172	199,649	-	4,474	-	2,162,851
Drilling	473,653	435	-	75	-	-	416,435	-	-	-	890,598
Geochemistry	104,279	87,277	-	-	309	-	72,013	-	1,600	-	265,478
Geology	107,100	5,654	760	3,390	3,997	3,815	11,744	-	-	-	136,460
Ground geoph.	88,241	-	-	-	-	-	10,901	-	-	-	99,142
Mobilization	47,299	-	-	1,000	-	-	9,266	-	-	-	57,565
Permitting	386	-	-	-	-	2,075	4,464	-	-	-	6,925
Prospecting	25,825	-	-	-	-	-	-	-	-	-	25,825
Property	56,791	41,787	-	193,006	8,730	3,948	564,220	-	55,893	-	924,375
	2,461,967	211,663	87,605	1,153,746	13,526	168,103	2,602,240	-	67,210	-	6,766,060
Less:											
Recoveries	(154,978)	(1,086,476)	(171,310)	(1,994,881)	-	(66,523)	-	-	(24,183)	-	(3,498,351)
Write downs	-	-	-	-	-	-	-	-	(689,896)	(365,658)	(1,055,554)
	(154,978)	(1,086,476)	(171,310)	(1,994,881)	-	(66,523)	-	-	(714,079)	(365,658)	(4,553,905)
Net additions	2,306,989	(874,813)	(83,705)	(841,135)	13,526	101,580	2,603,440	-	(646,869)	(365,658)	2,213,355
Balance at June 30, 2007	\$6,722,996	\$ (859,420)	\$ (81,543)	\$ (809,204)	\$4,119,845	\$ 384,178	\$ 6,508,693	\$ 447,426	\$ 902,761	\$ 901,405	\$18,237,137

1. Included under "Amaruk Property" in 2006.

Pelly Bay Diamond District



Ualliq

30% option agreement with International Samuel Exploration Corp.

Sakari

50% option agreement with Shear Minerals Ltd.

Siku

50% option agreement with Arctic Star Diamond Corp.

Amaruk Project, NU

The Amaruk property covers approximately 3.6 million acres around the community of Kugaaruk, Nunavut. The Company holds a 100% interest in the project, subject to a 2% gross overriding royalty on diamonds and a 2% net smelter royalty on other minerals except gold, payable to BHP Billiton Diamonds Inc. ("BHP Billiton"). Portions of the property have been optioned to other diamond exploration companies as described under Pelly Bay Diamond District.

Amaruk Exploration Program for 2007

For 2007, the Company proposed a \$3.7 million budget to include a \$300,000 airborne survey, \$360,000 to evaluate up to 200 targets with detailed geophysics, \$500,000 for till sampling, \$1.5 million for drill testing up to 60 targets and \$1.0 million for core drilling. The Company has increased the budget by \$2.0 million dollars to collect larger mini-bulk samples from the Char and Qavvik kimberlites and to fly additional airborne geophysics.

The Company mobilized into Amaruk in April. Due to poor weather conditions which hampered exploration the Company experienced program delays. Heavy industry demand on exploration equipment resulted late arrival of the core drill rig. Mechanical difficulties caused further delays in core drilling. Core drilling is resuming after a crew change.

The RC drill has been a very productive and cost effective tool for testing geophysical targets. Currently, there are two RC drills on the property. Several new kimberlite targets have been tested and samples have been submitted to the laboratory for analysis.



Ualliq - Amaruk Project, NU

On July 26, 2006, the Company and International Samuel Exploration Corp. ("International Samuel") entered into an agreement covering more than 1 million acres predominantly within the western portion of the Company's Amaruk project. International Samuel has an option to earn a 30% interest in the Ualliq project by issuing 2,000,000 common shares to the Company (1,500,000 received) and incurring \$3,000,000 in expenditures on the property on or before December 31, 2009. In addition, for each of the first four kimberlite bodies discovered on the property, International Samuel shall issue 250,000 common shares to the Company. The Company will operate the project.

Ualliq Exploration Program for 2007

On April 18th, the Company and International and International Samuel approved a \$1,000,000 exploration budget for the Ualliq property for:

- geophysical surveying over the main Ualliq indicator mineral train, \$400,000
- detailed geophysics on up to 50 targets, \$200,000
- drill test up to 12 of the highest priority targets, \$400,000

The airborne survey has been completed and drill testing of high priority targets will commence in early September.

Sakari – Amaruk Project, NU

On July 31, 2006, the Company and Shear Minerals Ltd. ("Shear") entered into an agreement covering approximately 42,000 acres of claims located within the southwest portion of the Company's Amaruk project. Shear has an option to earn a 50% interest in the Sakari project by making a payment of \$97,000 in refundable deposits (completed) and incurring \$185,940 in expenditures on the property on or before June 30, 2007. Due to weather delays, the property expenditure will be completed before the end of the season. The Company will operate the project.

Sakari Exploration Program for 2007

On April 17th, the Company and Shear approved a \$185,000 exploration budget for the Sakari property for:

- airborne geophysics, \$100,000
- evaluating targets with detailed geophysics, \$70,000
- drill testing of high priority targets, \$15,000

The airborne survey was completed in late August and a geophysicist has commenced reviewing the data.

Siku - Amaruk Project, NU

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



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Siku Exploration Program for 2007

On May 16th, the Company and Arctic Star approved a \$1,500,000 exploration budget for the Siku property for:

- airborne geophysics,
- evaluating targets with detailed geophysics,
- drill testing of up to 12 high priority targets.

The airborne survey was completed in August and a geophysicist has commenced reviewing the data.

Hepburn, NWT

The Company holds a 100% interest in the over 1.5 million acre Hepburn property located approximately 400 kilometres north of Yellowknife. Based on indicator mineral data, the Company has outlined two potential kimberlite fields on the property. A portion of the properties' uranium rights have been transferred to Uranium North Resources Crop. ("Uranium North"). The Company will continue to hold 100% interest in all diamonds and other metals, except uranium for which the Company retains a royalty.

Hepburn Exploration Program for 2007

For 2007, the Company has proposed a \$3.0 million budget for an airborne surveying on the remaining 70% of the property, evaluating over 100 of the 200 targets with detailed geophysics, and drill testing up to 20 targets.

A total of 21 geophysical targets over a span of about 70 kilometres were tested by RC drilling and no kimberlite was intersected. This was a first pass reconnaissance program on 30% of the project and the information gathered will help assess and define future drill targets.

A total of 116 targets were surveyed with detailed geophysics out of the 204 targets identified from the 2006 airborne survey. The 2006 airborne survey only covered approximately 30% of the property and the remaining 70% of the property is currently being surveyed.

Banks Island, NWT

The Banks Island Project consists of 1.2 million acres of permits in NWT which was jointly acquired with Majescor on a 50:50 basis. Airborne geophysics interpretation data has identified 65 targets with seven ranked as high to moderate priority. One high priority geophysical target has a size estimate of 12 to 14 hectares.

On July 5th, the Company acquired Majescor's 50% interest by issuing to Majescor, 1 million common shares, a two year warrant to purchase up to 1 million shares at \$1.50 per share and a 1.5% royalty on diamonds, metals and other minerals of which half of the royalty may be purchased by the Company at anytime for \$1 million dollars. The warrant is only exercisable if a designated target is proven to be a kimberlite pipe of at least 200 metres in diameter and at which time the warrant will expire at the earlier of six months or two years from the date of issuance.

The Company will retain voting rights over 1 million common shares and any shares resulting from the exercise of the warrants. In addition, Majescor has agreed to provide 5 business days notice to the sale of any shares and will be limited to selling no more than 200,000 shares over any 2 month period. The shares are subject to a 4 month hold and the purchase agreement is subject to regulatory approval.



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Banks Island Exploration Program for 2007

The proposed 2007 Banks Island budget includes a \$710,000 airborne survey, \$220,000 in till sampling and \$170,000 in ground geophysics.

Results of Operations

-Current Quarter Results

The Company's cash position increased \$3,956,196 to \$8,296,594. The Company received \$1,042,842 from proceeds of the sale of marketable securities, \$2.7 million from partner's funding in the Pelly Bay diamonds district and \$457,641 from the exercise of stock options.

Mineral property acquisition and exploration costs used \$6,178,909 in cash which was funded by \$2.7 million from partners, a \$5,275,155 reduction in cash, flow-through exploration funds and a \$807,012 increase in accounts payable and accrued liabilities related to mineral properties.

-Six Months ended June 30, 2007 compared with the Six Months Ended June 30, 2006

General and administrative expenses of \$1,437,941 (2006 - \$949,105) represents a \$488,836 increase compared to the comparative fiscal period. Notable changes include:

- Bad debts expense of \$24,728 (2006 - \$Nil) reflects the uncollectible portion of the filing fee receivable relating the Amaruk JV terminated in 2006. On June 18, 2007, the Company collected \$84,427.
- Directors' fees of \$178,488 (2006 - \$67,279) paid to the four independent directors of the Company consisted of \$20,000 in cash and \$158,488 in stock-based compensation.
- Investor relations and promotion of \$370,798 reflects the Company's effort to broaden its corporate profile in financial markets. The contract entered into in the previous quarter with Toronto-based Genoa Management Limited has since been terminated. During the summer, a video documentary to be aired in the fall commenced and site visits to the Amaruk property was made by analysts/brokers. A breakdown is below:

	2007	2006
Administration	\$ 2,021	\$ 3,199
Conferences and trade shows	92,369	35,535
Consulting, wages and benefits	153,776	49,512
Media	37,047	22,868
Promotion and advertising	44,133	25,397
Stock-based compensation expense	41,452	11,324
	\$ 370,798	\$ 147,835



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- Stock-based compensation expense of \$541,569 (2006 - \$201,064) was allocated to the statement of operations categories as follows:

	2007		2006	
Accounting and audit	\$	13,229	\$	6,718
Administration		10,737		5,854
Consulting		30,672		14,394
Directors fees		158,488		67,279
Investor relations		41,452		11,324
Wages and benefits		286,991		95,495
	\$	541,569	\$	201,064

- Gain on sale of marketable securities of \$953,362 (2006 - \$160,643) resulted from the sale of common shares of Bayswater Uranium Corporation and Serengeti Resources Inc. The shares were received under option agreements and the Company is not an insider of either company. The sale resulted in the reclassification of \$553,301 in unrealized gains on marketable securities transferred to net income from accumulated other comprehensive income.
- Future income tax recovery of \$3,502,418 (2006 - \$853,060) resulted from the renouncement of exploration expenditures to investors under its flow-through share program. This is a non-cash transaction.

The Company's income for the period was \$2,504,302 (2005 – \$248,651) or \$0.05 per share (2006 – \$0.01), is largely due to the future income tax recovery noted above.

Other comprehensive income of \$481,106 included \$577,350 from the unrealized gains on marketable securities, a \$38,207 in unrealized loss on the convertible loan and \$58,037 in future income expense. The Company does not anticipate paying dividends in 2007.

Summary of Quarterly Results

	Sept. 30	Dec. 31	Mar. 31	Jun. 30	Sept. 30	Dec. 31	Mar. 31	Jun. 30
	2005	2005	2006	2006	2006	2006	2007	2007
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Mineral expenditures, net of recoveries	\$ 1,839,462	\$ 106,104	\$ (112,034)	\$ 1,880,861	\$ 2,374,715	\$ (544,203)	\$ 2,426,298	\$ 1,052,611
G&A Expense	\$ 340,612	\$ 419,876	\$ 321,698	\$ 627,407	\$ 341,588	\$ 561,539	\$ 757,347	\$ 680,594
Stock-based comp. exp.	\$ 102,347	\$ 107,099	\$ 41,766	\$ 159,298	\$ 177,111	\$ 177,111	\$ 309,780	\$ 231,789
Income (loss)	\$ (317,194)	\$ 790,966	\$ 431,128	\$ (679,779)	\$ 1,127,390	\$ (1,845,156)	\$ 2,331,823	\$ 164,229
Income (loss) per share								
-basic	\$ (0.01)	\$ 0.02	\$ 0.01	\$ (0.02)	\$ 0.03	\$ (0.04)	\$ 0.05	\$ -
Weighted avg. common shares outstanding								
-basic	33,686,211	32,349,717	39,542,134	39,544,655	43,042,730	42,451,985	51,621,053	52,312,074



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The Company conducts diamond exploration in Canada's far north, and mineral expenditures are subject to seasonal conditions with the majority of expenditures during Q2 and Q3. In Q1-2006, the Company's mineral recoveries exceeded expenditure due to cash received under the Blue Ice option agreement and refund of exploration bonds. In Q4-2006, the Company recovered exploration costs from the Amaruk project partners.

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

The Company is still in the exploration stage and does not have an operating mine. Earnings per share are anomalous and reflect adjustments to future income tax and gain on sale of marketable securities.

Liquidity

At June 30, 2007, the Company had \$12,226,080 in working capital, which is sufficient to achieve the Company's business objectives for fiscal 2007. The Company's primary focus will be on the Amaruk, Hepburn and Banks Island exploration projects. As of the Report Date, the Company has received \$457,641 from the exercise of 1,071,500 stock options and \$180,180 from the exercise of 210,000 warrants.

On August 16, 2007, the Company completed the first tranche of a non-brokered private placement of 4,001,000 flow-through common shares at a price of \$1.00 per share. Finder's fee of \$192,750 in cash and 231,300 in warrants to purchase up to 231,000 common shares at a price of \$1.00, expiring on August 15, 2008, were paid and issued to non-related third parties in connection with the financing. The flow-through common shares and warrants are subject to a hold period and may not be traded until December 16, 2007.

On August 24, 2007, the Company completed the second tranche of a non-brokered private placement of 550,000 flow-through common shares at a price of \$1.00 per share. Finder's fee of \$25,000 in cash and 30,300 in warrants to purchase up to 30,300 common shares at a price of \$1.00, expiring on August 23, 2008, were paid and issued to non-related third parties in connection with the financing. The flow-through common shares and warrants are subject to a hold period and may not be traded until December 24, 2007.

Capital Resources

The Company does not have operating cash flow and has relied on equity financings to meet its cash requirements. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future, or that the terms of such financings will be favourable.

Off-Balance Sheet Arrangements

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

Related Party Transaction

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



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

Mark Kolebaba and Maynard Brown are directors of the Company and Uranium North. At June 30, 2007, the Company held 15.7% of the issued common shares of Uranium North.

Given that the Company's directors and officers are engaged in a wide range of activities, the Company operates under the conflict of interest provisions found within the Business Corporations Act of British Columbia. In addition, management adopted a set of Corporate Governance policies which incorporated language from these provisions into the Company's Code of Business Conduct and Ethics.

Proposed Transactions

None.

Changes in Accounting Policies

For changes in accounting policies, see the MD&A for the three months ended March 31, 2007.

Financial Instruments

The Company is exposed to credit risk with respect to its cash. To minimize this risk, cash, cash equivalents and cash exploration funds have been placed with major financial institutions. In accordance with the new accounting standards, the Company has recorded its assets and liabilities at 'fair value' and the impact to marketable securities at June 30, 2007 is as follows:

Marketable Securities	Carrying Value	Unrealized Gains	Fair Value
Available-for-sale	\$ 1,027,743	\$ 1,177,373	\$ 2,205,116
Conversion of loan receivable	-	9,571	9,571
	\$ 1,027,743	\$ 1,186,944	\$ 2,214,687

Included in the carrying value of available-for-sale marketable are 2,265,000 common shares of Uranium North which are subject to escrow. As these shares are not quoted in an active market, the fair value is deemed to be cost. Once the shares are released from escrow and become 'free trading', the fair value will be determined at quoted market prices. Uranium North shares resulting from the conversion of the loan receivable and/or exercise of any warrants will be subject to the same escrow terms.

Disclosure Controls and Procedures - Certification of Interim Filing

Based on their knowledge, the President and Chief Financial Officer of the Company have reviewed the interim filing and certified that the interim consolidated financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the Company. The President and Chief Financial Officer are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the Company, and they believe:



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- the disclosure controls and procedures provide reasonable assurance that material information relating to the Company, including its consolidated subsidiary, are made known to them, particularly during the period in which the interim filings are being prepared; and
- the internal control over financial reporting provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Canadian generally accepted accounting principles.

There was no material changes in the Company's internal control over financial reporting that occurred during the period.

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 58,411,820 issued common shares outstanding and the following unexercised stock options and warrants:

-Stock Options

Expiry Date	Exercise Price	Number of Shares
December 19, 2007	\$0.686	50,000
February 20, 2008	\$0.686	482,200
March 4, 2008	\$0.686	100,000
May 22, 2008	\$0.686	60,000
October 6, 2008	\$0.600	111,000
March 30, 2009	\$1.021	200,000
August 8, 2009	\$0.944	560,000
October 18, 2009	\$0.858	300,000
January 27, 2010	\$0.858	50,000
March 22, 2010	\$0.987	252,500
May 17, 2010	\$0.729	550,000
April 12, 2011	\$0.848	1,660,000
July 13, 2011	\$1.021	135,000
February 27, 2012	\$0.770	1,630,000
May 3, 2013	\$1.010	600,000
May 9, 2013	\$1.030	337,000
		7,077,700

-Warrants

Expiry Date	Exercise Price	Number of Shares
February 16, 2008	\$0.850	515,789
August 15, 2008	\$1.000	231,000
August 24, 2008	\$1.000	30,300
		777,089