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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 nine months ended September 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 November 19<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

On October 13<sup>th</sup>, the 25 tonne bulk sample of the Beluga-3 kimberlite was completed and approximately 50% of the sample at the Saskatchewan Research Council Laboratory. The remaining portion of the sample is in transit and processing with Dense Media separation plant to commence in November.

On November 4<sup>th</sup>, Diamonds North reported gold values of 7.92 g/T Au over a 4.25 metre chip sample including a 16 g/T Au assay over 0.25 metres on its 100% owned HI-1 Gold Prospect located on the Halkett Inlet project, Nunavut . Refer to the Table under [1.2\(c\)\(ii\) Amaruk Gold Prospects \(100% owned\)](#).

On November 18<sup>th</sup>, the 25 tonne bulk sample of the Beluga-3 kimberlite, with a total lab weight of 24,613 kilograms is at the Saskatchewan Research Council Laboratory. A diamond concentrate will be produced using a 1 tonne per hour Bateman Dense Media Separation plant with a 0.5mm screen size cut-off. The sample is being separated into five batches for quality assurance and comparison of diamond content. Results will be reported upon receipt and final review and are anticipated mid to late December.

Diamonds North is pleased to announce the appointment of Troy Shultz as Manager of Corporate Communications. Mr. Shultz is a graduate of the University of Saskatchewan's MBA program and brings to this position experience in marketing and corporate communications. Most recently he has been a key member of the corporate communications team at Diamonds North for the past five years and has been instrumental in the development and execution of communication strategies. Prior to this he has held positions with BHP Billiton and the Federal Government. Mr. Shultz fills the corporate communications position previously held by Nancy Curry. The Board of Directors thanks Ms. Curry for her years of service and wishes her well in her future endeavours. Also, the Board of Directors welcomes Mr. Shultz to this position and anticipates a smooth transition.



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

- On July 8<sup>th</sup>, 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' fees 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.
- On July 14<sup>th</sup>, 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.
- On July 22<sup>nd</sup>, 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.

**(b) Events Subsequent to September 30, 2010**

- See project updates under [1.2 Company Overview and Projects](#)

**(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*

In addition to the 25 tonne bulk sample, three percussion RC drill holes were drilled outwards from the known Beluga-3 magnetic high to test for the presence of a non-magnetic phase of kimberlite. All three holes intersected this non-magnetic material. This potentially increases the size of the Beluga-3 body to a minimum of 1.0 hectare. These percussion RC cuttings will be processed separately to compare the kimberlite indicator mineral chemistry and microdiamonds with that of previous RC cuttings and the new RC 25 tonne bulk sample material.

This season, Diamonds North tested a time domain electromagnetic system on the property and we will continue refining kimberlite targeting methods. A total of 25 kimberlites have been discovered on the Amaruk property and 90% of the kimberlites processed for diamonds are proven to be diamondiferous. Hundreds of untested anomalies remain and numerous kimberlite indicator mineral trains remain unresolved offering high potential for additional kimberlite discovery on the property.

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

- Camp costs expenditures of \$176,264 relate to the camp costs to support the drill and prospecting programs conducted on Amaruk;

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- Drilling – percussion expenditures of \$553,782 relate to the 25 tonne bulk sample of the Beluga-3 kimberlite was drilled using a low cost, light weight bulk sampling drill that utilizes flood reverse circulation without percussion to reduce and/or eliminate significant diamond breakage; and
- Prospecting expenditures of \$251,018 relate to gold prospecting.

**(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, quartz feldspar porphyry dyke (“QFP”) contained 24.3 g/T gold.

The combined 2009 and 2010 results have now increased the length of the anomalous gold bearing zone, where exposed, from 45 metres to at least 165 metres. This gold zone is located within a 450 metre long, 100 meter wide oxidized and QFP dyke-swarmed area that remains open along strike to the east and west. The gold zone is also located adjacent to a younger felsic intrusion and is associated with a prominent northwest trending structure.

HI-1 is hosted by deformed Archaean felsic and mafic rocks adjacent to a younger, undeformed, felsic intrusion. The gold bearing unit is intruded by a swarm of QFP dykes that have also returned values of up to 1.81 g/T Au from grab samples. The significance of the gold bearing QFP should not be overlooked as many Archean gold deposits have associated QFP bodies, which are directly related to gold mineralization.

*-Amaruk Gold Prospects Exploration Program for 2010*

On July 16<sup>th</sup>, 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 22<sup>nd</sup>, the HI-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 were collected for analysis.

On August 17<sup>th</sup>, 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 were collected for analysis.

On November 4<sup>th</sup>, Diamonds North reported gold values of 7.92 g/T Au over a 4.25 metre chip sample including a 16 g/T Au assay over 0.25 metres, table below.

**Table – HI-1 Gold Prospects 2010 Results**

<b>Project</b>	<b>Sample</b>	<b>Width (m)</b>	<b>Au (g/T)</b>
HI-1	E855092	2.00	8.64
HI-1	E855093	2.00	6.19
HI-1	E855094	0.25	16.00
<b>Weighted Average</b>		<b>4.25</b>	<b>7.92</b>



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*-Amaruk Gold Prospects Future Developments*

Future work plans for 2011 on the gold prospects include detailed structural analysis prior to additional rock and soil sampling, prospecting and geophysical surveying to define drill targets in anticipation of a drill program to be initiated in summer 2011. A 2010 drill program was deferred as there was insufficient time to process and evaluate all the 2010 samples collected before the summer ended. Future exploration will focus on the areas along the Northwest trending structure and the contact zone of the younger felsic intrusion which is parallel to the strike of the known gold mineralization. These target areas extend in the Northwest-Southeast and East-West directions for at least two kilometres each.

**(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.

**(d) Ualliq – Amaruk Project, Nunavut**

On September 20, 2010, Diamonds North and International Samuel Exploration Corp. ("International Samuel") entered into an agreement whereby International Samuel will earn a fully vested 30% joint venture interest in the Ualliq Project, as the Company will accept the issuance of 50,000 common shares (received) of International Samuel and its \$2.7 million in aggregate exploration expenditures as satisfactory completion of the original \$3.0 million exploration expenditure total.



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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
Exploration:										
Airborne geophysics	5,018	-	-	-	-	-	-	-	-	5,018
Camp costs	176,264	-	-	-	336,076	66,662	-	-	14,962	593,964
Camp heli. (incl. fuel)	33,728	-	-	-	17,747	-	(7,571)	-	18,049	61,953
Drilling - Core	595	-	-	-	24,000	-	-	-	-	24,595
Drilling - Percussion	553,782	295	-	590	-	-	295	-	-	554,962
Geochemistry	50	126	-	-	3,670	-	8,641	-	80	12,567
Geology	142,015	8,637	-	1,573	19,648	3,636	14,718	2,573	33,075	225,875
Ground geophysics	1,357	-	-	-	-	-	-	-	-	1,357
Permitting	3,658	-	-	-	552	8,294	1,097	-	89,378	102,979
Property	41,305	-	-	-	-	-	-	-	258	41,563
Prospecting	251,018	-	-	-	5,058	-	-	-	161,094	417,170
	1,208,790	9,058	-	2,163	406,751	78,592	17,180	2,573	316,896	2,042,003
Less:										
Recoveries	(131,085)	-	-	-	(608,835)	-	(570,004)	(4,742)	(70,148)	(1,384,814)
Net additions	1,077,705	9,058	-	2,163	(202,084)	78,592	(552,824)	(2,169)	246,748	657,189
Balance at										
September 30, 2010	\$ 25,064,666	\$ 374,216	\$ 171,658	\$ 452,725	\$ 1,154,720	\$ 4,519,123	\$ 8,672,561	\$ 537,800	\$ 695,673	\$ 41,643,142



### 1.3 Results of Operations

#### (a) Current Quarter

Diamonds North's cash position increased \$48,882 to \$2,972,396 (\$1,463,956 cash and \$1,508,440 in guaranteed investments certificates and money market fund). The \$1,205,603 in net cash received from the flow through financing described under [1.2\(a\) Highlights for the Three Months Ended September 30, 2010](#) were used to fund the \$1,039,357 in mineral property acquisition and exploration costs.

Receivables increased \$432,924 to \$792,891 of which \$281,000 has been collected. Outstanding amounts include \$81,000 in HST, \$181,000 accrued 'shared camp costs' to be invoiced to a project partner and \$141,000 in receivables secured by bond refunds from the Mining Recorder.

Accounts payables and accrued liabilities related to mineral properties increased to \$574,045 which were paid as of the Report Date.

#### (b) Nine Months Ended September 30, 2010

Results of operations for the nine months ended September 30, 2010 are discussed in comparison with the nine months ended September 30, 2009. General and administrative expenses of 1,712,776 (2009 - \$1,075,643) represents a \$637,133 increase compared to the comparative fiscal period. Notable changes include:

- Filing fees of \$16,865 includes \$3,960 in fees paid to regulators for filing the Company's 2009 and 2010 stock option plans.
- Investor relations and promotion of \$143,763 is broken below. The 2009 promotion and advertising is net of recoveries from a company sponsored symposium on Nunavut as other costs associated with organizing the event were expensed elsewhere.

	2010	2009
Administration	\$ 424	\$ 888
Conferences and trade shows	36,324	35,195
Consulting, wages and benefits	87,212	92,851
Media	3,085	24,322
Promotion and advertising	16,718	793
	<b>\$ 143,763</b>	<b>\$ 154,049</b>

- Office and miscellaneous of \$36,598 includes a one-time costs of \$5,352 for moving and associated costs with the Company's new office at 1100 – 1111 Melville Street, Vancouver, BC.
- Stock-based compensation expense of \$814,051 (2009 - \$88,496) increased as a greater number of stock options vested than in the prior comparative period.
- 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.



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Diamonds North's net loss for the period was \$1,858,960 (2009 - \$2,053,061) 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 \$212,370 (2009 - \$182,891) includes a \$241,616 reversal of previously recognized unrealized losses in connection with the sale of Bayswater common shares noted above and \$29,246 in unrealized losses on marketable securities due to the fair value increase of marketable securities over the previous quarter.

**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.

	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	Q3 Sep. 30 2010
Mineral expenditures, net of recoveries	\$ 695,062	\$ (101,208)	\$ 125,359	\$ 1,476,675	\$ 93,749	\$ 336,343	\$ (643,717)	\$ 1,039,357
G&A expense	\$ 673,222	\$ 416,595	\$ 314,701	\$ 344,347	\$ 475,171	\$ 694,233	\$ 623,081	\$ 395,462
Stock-based comp. exp.	\$ 189,038	\$ 8,236	\$ 8,235	\$ 72,025	\$ 72,025	\$ 384,726	\$ 315,724	\$ 113,601
Net income (loss)	\$ (1,000,160)	\$ 2,676,138	\$ (286,446)	\$ (336,631)	\$ (5,088,314)	\$ (794,508)	\$ (629,305)	\$ (435,147)
Other comprehensive income (loss)	\$ (716,981)	\$ (18,366)	\$ 199,357	\$ 1,900	\$ 204,304	\$ 298,137	\$ (186,207)	\$ 100,440
Income (loss) per share -basic	\$ (0.02)	\$ 0.04	\$ (0.01)	\$ -	\$ (0.07)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Weighted avg. common shares outstanding -basic	67,814,839	75,159,308	75,159,308	76,948,623	75,348,534	78,128,645	78,156,512	85,735,902

Due to seasonal conditions in Canada's north, Diamonds North conducts exploration in Q2 and Q3. In Q2-2010, the credit results from expenditures recovered from a project partner and Hepburn 'work in-lieu' bond refunds from the Mining Recorder of Canada.

G&A expense for Q1-2010 and Q2-2010 increased, largely to higher stock-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. Accordingly in Q3-2010, the Company's stock-based compensation expense has decreased relative to the previous two quarters.

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.



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### 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 \$4,138,484 in working capital is sufficient to meet administrative and tenure costs for 2010. The 2010 exploration program is forecasted at \$1.8 million with lab processing costs to come in Q4. This year's program was under budget, as exploratory gold drilling on Amaruk was deferred until 2011.

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 \$30,675.



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The four independent directors were paid an aggregate of \$46,875 in directors' fees and the members of the audit committee receiving an additional \$5,625 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 \$13,820.

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 \$315,650 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'.



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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.

*-Related Party Disclosure*

It is anticipated that related party financial statement note disclosure will expand to include names of companies (including ownership) and individuals along with senior officer compensation. , whether the transaction are in the normal course of business or even if, no transaction occurred.

**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 September 30, 2010	\$ 873,232	\$ (307,418)	\$ 565,814



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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 September 30, 2010:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 2,972,396	\$ -	\$ -	\$ 2,972,396
Cash, exploration funds	394,073	-	-	394,073
Marketable securities	-	565,814	-	565,814
	\$ 3,366,469	\$ 565,814	\$ -	\$ 3,932,283

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 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