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Management Discussion and Analysis  
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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 six months ended June 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 August 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

On **July 19<sup>th</sup>**, Diamonds North received the electro-magnetic (EM) data for the eastern side of the Amaruk Property in the Pelly Bay Diamond District, Nunavut. The data was interpreted for target selection. On **August 8<sup>th</sup>**, the 2011 field program on the **Amaruk** Property commenced and will focus on detailed till sampling in close proximity to high-priority targets identified from the EM data recently received.

The potential of this innovative EM method prompted Diamonds North’s partnership with Indicator Minerals Inc. on their adjacent Barrow Property (See [1.2\(c\)\(i\) Diamond Prospects](#)) and provides the opportunity to expand the application of this EM targeting system over a larger prospective region.

Over the winter, management reviewed several historical properties with high grade gold occurrences and through permitting and claim staking acquired four 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. The 2011 summer program will be to verify selected occurrences through geological prospecting and possible drill testing. The new projects are ‘**KL**’, ‘**Fox**’, ‘**Yandle & River**’ and ‘**Esker**’

On **July 21<sup>st</sup>**, Diamonds North commenced the 2011 exploration program on the Fox gold property in Nunavut. The program will focus on top priority areas identified during a comprehensive independent data review.

On **July 28<sup>th</sup>**, Minerals and Metals Group (MMG) completed the 2011 airborne electro-magnetic survey targeting nickel on parts of the Tunerq property in Nunavut. The 5,000 line kilometre Geotem Survey operated by Fugro was funded by the Mineral and Metals Group. The survey focused on known mafic-ultramafic bodies and geochemical anomalies previously identified including the original Tunerq prospect. On **August 12<sup>th</sup>**, Minerals and Metals Group began mobilizing a field crew to conduct lake-bottom sediment sampling to follow-up on preliminary EM anomalies identified from the aforementioned survey.



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On **August 17<sup>th</sup>**, Diamonds North announces that the 2011 exploration program has begun on the Hepburn property in the Northwest Territories. The program will focus on delineating areas of concentrated mineralization for drilling using induced polarization (IP) surveying and prospecting.

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.

**(a) Highlights for the Three Months Ended June 30, 2011**

- On May 5<sup>th</sup>, Diamonds North announced the acquisition of the KL Property, where historical assays are as high as 709.7 g/T gold (See [1.2\(e\) KL, Nunavut – Gold Project \(100% owned\)](#)).
- On May 18<sup>th</sup>, Diamonds North announced the acquisition of exploration permits over gold showings where grab samples as high as 43.9 g/T gold were reported for the Fox Property (See [1.2\(f\) Fox, Nunavut – Gold Project \(100% owned\)](#)).
- On June 2<sup>nd</sup>, Diamonds North announced the staking of the Yandle and River gold properties in Southern Nunavut. The Yandle claims cover several prospects one of which yielded 11.2 g/T gold over 3 metres in a historical drill hole. Within the River claim block several prospects have also been reported including a grab sample that yielded 84.0 g/T gold (See [1.2\(g\) Yandle and River, Nunavut – Gold Project \(100% owned\)](#)).
- On June 3<sup>rd</sup>, 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 (See [1.2\(h\) Esker, Nunavut – Gold Project \(100% owned\)](#)).
- On June 17<sup>th</sup>, Diamonds North completed a non-brokered private placement to raise \$500,000 through the sale of 3,125,000 flow-through shares at a price of \$0.16 per share. A due diligence fee of \$25,000 and other share issue costs of \$5,734 were paid. The securities issued are subject to a four month hold and may not be traded until October 15<sup>th</sup>, 2011.

**(b) Events Subsequent to June 30, 2011**

- On July 6<sup>th</sup>, 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 \$4,553 were paid. The securities issued are subject to a four month hold and may not be traded until November 5<sup>th</sup>, 2011.
- On August 22<sup>nd</sup>, the condensed consolidated interim financial statements of Diamonds North for the six months ended June 30, 2011 were authorized for issue in accordance with a resolution of the directors



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### **(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 is planned for the Ualliq, Sakari or Siku projects.

#### **i) Diamonds Prospects**

##### *-Amaruk Exploration Program for 2011*

The 2011 Amaruk program will focus on the identification and testing EM targets for kimberlites. As noted under [1.2 Company Overview and Projects](#), the innovative electromagnetic (EM) geophysical program has commenced. Field work to true-up identified EM targets will be conducted during the summer. Early identified targets are under lakes and would ideally suit a 2012 spring drill program.

##### *-Barrow Project and Exploration Program for 2011*

On March 4<sup>th</sup>, 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 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.

The 2011 Barrow program will focus on the identification and testing EM targets for kimberlites.

#### **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*

Plans for 2011 include additional prospecting, sampling and mapping along with ground geophysical surveying. Regional prospecting of additional gossanous areas located in the surrounding area is also planned.



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**(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. A formal joint venture agreement has been finalized which was based upon the terms defined in a letter agreement signed by Diamonds North and MMG (See news release March 9, 2010).

*-Tunerq Nickel Projects Exploration Program for 2011*

Processing and interpretation of the data, from the 5,000 line kilometre Geotem Survey operated by Fugro is underway. This survey is part of the \$1.65 million 2011 budget announced on February 3, 2011 and is solely funded by MMG.

**(e) KL, Nunavut - Gold Project (100% owned)**

The KL Gold Property covers at least six historic gold occurrences in iron formation and quartz veins that were identified as a result of geophysical targeting in the late 1980s. The most impressive showing is the VG showing, where a total of 69 rock samples of quartz vein adjacent to an iron formation horizon yielded 39 samples with more than 100 ppb of which 12 samples returned values between 1.39 to 23 g/T gold. An additional 7 samples returned values between 33.8 to 709.7 g/T (20.7 opt) gold. Historic drill testing has only intersected relatively thin gold bearing zones.

Review of historic data suggests that the KL property is under-explored and targeting was strongly biased by geophysical interpretation. Since a high proportion of gold deposits have little to no magnetic or electromagnetic expression another approach may be required to thoroughly evaluate the property. In 2011, Diamonds North plans to verify selected occurrences and focus on geological prospecting rather than targeting with geophysical data.

**(f) Fox, Nunavut - Gold Project (100% owned)**

The Fox property is comprised of four permits covering an estimated 45 kilometre strike length of prospective volcanic and sedimentary rocks including iron formation. This geological package is reported to be intersected by the Pyke Fault.

Highly anomalous gold has been reported from iron formation over a 2.2 kilometre strike length at Fox. In addition to grab samples that have assayed as high as 43.9 g/T gold, chip samples across the iron formation have yielded values as high as 5.8 g/t gold over 3.4 metres, 7.8 g/t gold over 2.2 metres and 9.8 g/t gold over 1.5 metres. This gold bearing iron formation has been folded and is in close proximity to the Pyke Fault which is believed to control mineralization at the Meliadine Gold deposit (resource of more than 5 million oz gold \*).

An independent report commissioned by the company states the Fox property is underexplored and has excellent potential to host significant gold mineralization. The area is structurally complex, anomalous gold is widespread and several favourable host rocks for gold in addition to iron formations, exist on the property including volcanic / sedimentary rocks and intrusive rocks.



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The Fox property covers an estimated 45 kilometre strike length of prospective volcanic/sedimentary rocks with iron formation and intrusive rocks. Historically, prospecting on Fox focused exclusively on iron formation hosted gold. The 2011 program will further explore the iron formation and will focus on other target rocks on the property.

**(g) Yandle and River, Nunavut - Gold Project (100% owned)**

The Yandle and River prospects are both within the Kaminak Greenstone Belt, 15 kilometers apart and located near the Henik Lake air strip. The staked claims are subject to approval by the Nunavut Mining Recorder Office.

In addition to the showing where 11.2 g/T gold over 3 metres was intercepted there are at least 4 other mineralized zones reported at Yandle. Numerous grab samples from these showings returned assays above 1.0 g/T gold with assays as high as 55.41 g/T gold. Gold mineralization on the Yandle property is associated with quartz-pyrite veins hosted within gabbro formations.

At the River Property gold occurs in iron formation and sedimentary rocks. Grab samples from three showings on the property have yielded numerous rock samples greater than 1.0 g/T gold and as high as 84.0 g/T gold. There are no reports of drilling at the River Property.

**(h) Esker, Nunavut - Gold Project (100% owned)**

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.

**1.3 Results of Operations**

**(a) Current Quarter**

Diamonds North's cash position decreased \$222,753 to \$2,115,611, for break down of cash and cash equivalents see [1.12 Financial Instruments](#). During the quarter, the Company completed a \$500,000 gross proceed flow-through financing and subsequent to quarter end, another \$750,000 gross proceed flow-through financing.

Receivables decreased \$27,370, as collections were made in the normal course of business with the exception of the \$141,000 bond refunds receivable from the Mining Recorder. The Mining Recorder has approved one of the three reports filed and the Company anticipates receiving \$17,000 in the next quarter.

Prepaid expenses increased \$69,009, as the Company placed a \$75,000 deposit in trust under the Lantech Drilling Services core rig drill contract.

Accounts payables and accrued liabilities decreased \$150,279, as the Company paid the first instalment of \$75,000 relating to amounts owing to the President pursuant to a former employment agreement, see [1.8 Related Party Transactions](#). The remaining payable in two installments of \$75,000, on each of April 1<sup>st</sup> of 2012 and 2013



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**(b) Six Months Ended June 30, 2011**

Results of operations for the six months ended June 30, 2011 are discussed in comparison with the six months ended June 30, 2010. General and administrative expenses of \$888,032 (2010 - \$1,317,314) represents a \$429,282 decrease compared to the comparative fiscal period. Notable changes include:

- Investor relations and promotion of \$73,231 is broken down below.

	2011	2010
Administration	\$ -	\$ 424
Conferences and trade shows	22,516	26,541
Consulting, wages and benefits	43,000	58,141
Media	2,383	2,039
Promotion and advertising	5,332	12,056
	<b>\$ 73,231</b>	<b>\$ 99,201</b>

- Rent and storage of \$46,554 (2010 - \$69,586) decreased as the Company's office space has decreased in size.
- Stock-based compensation expense of \$157,999 (2010 - \$700,450) 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 \$451,736 (2010 - \$262,410) includes an accrued severance payment of \$225,000 to be paid to the President in three instalments of \$75,000, on April 1<sup>st</sup> of 2011 (paid), 2012 and 2013.
- Mineral property exploration of \$558,925 is broken below by:

<b>Exploration Type:</b>	2011	2010
Airborne geophysics	\$ 75,445	\$ -
Camp costs	256,205	472,351
Camp helicopter & fuel	30,220	26,760
Drilling – Core	4,412	24,595
Drilling – Percussion	53,936	50,724
Geochemistry	23,966	11,301
Geology	97,468	172,863
Ground geophysics	-	763
Permitting	39,941	101,649
Property	57,722	75
Prospecting	1,070	5,973
	<b>640,385</b>	<b>867,054</b>
Recoveries	<b>(81,460)</b>	<b>(1,244,974)</b>
<b>Total</b>	<b>\$ 558,925</b>	<b>\$ (377,920)</b>



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Project Name:	2011	2010
Amaruk (a)	\$ 292,571	\$ 280,339
Banks Island	(1,200)	-
Barrow	187	-
Blue Ice (b)	215,045	12,245
Boothia	9,322	120,369
Esker	4,661	-
Genex	(46,134)	4,248
Halkett	42,671	9,504
Hepburn	6,165	(544,853)
Henik	16,467	(17,216)
Hyde	1,315	1,381
Kidme	-	(2,169)
Nanunk	-	(51,434)
Tunerq	4,089	(201,555)
Sakari	314	-
Siku	-	2,163
Ualliq	3,884	9,058
Recon – 2011 (c)	9,568	-
<b>Total</b>	<b>\$ 558,925</b>	<b>\$ (377,920)</b>

- a) Amaruk includes \$75,000 for airborne EM data processing, \$40,000 in camp costs and \$30,000 in camp helicopter & fuel.
  - b) Blue Ice costs relate to demobilization of the Tuktu exploration camp.
  - c) Recon – 2011 includes costs for the new projects KL, Fox, and Yandle & River prospects.
- Unrealized loss of \$305,129 on marketable securities due to the fair value decrease of marketable securities from the previous period end, March 31, 2011.

Diamonds North's loss and comprehensive loss for the six months end June 30, 2011 was \$1,741,833 (2010 - \$1,045,235) or \$0.02 per share (2010 - \$0.01).

#### 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 six months ended June 30, 2011.



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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 decided 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.

	Q3 - GAAP Sep. 30 2009	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
Mineral expenditures, net of recoveries	\$ 1,476,675	\$ 93,749	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Mineral property exploration expense (recovery)	\$ -	\$ -	\$ 414,561	\$ (792,482)	\$ 1,085,200	\$ 207,260	\$ 287,361	\$ 271,564
G&A expense	\$ 344,347	\$ 475,171	\$ 694,233	\$ 623,081	\$ 395,462	\$ 391,675	\$ 491,279	\$ 396,753
Share-based comp. exp.	\$ 72,025	\$ 72,025	\$ 384,726	\$ 315,724	\$ 113,601	\$ 46,983	\$ -	\$ 157,999
Unrealized gain (loss) on marketable securities	\$ 1,900	\$ 204,304	\$ 56,521	\$ (186,207)	\$ 100,440	\$ 501,342	\$ 395,945	\$ (701,074)
Profit or loss	\$ (336,631)	\$ (5,088,314)	\$ (1,023,233)	\$ (22,002)	\$ (1,374,064)	\$ (106,044)	\$ (380,081)	\$ (1,361,752)
Profit (loss) per share -basic	\$ -	\$ (0.07)	\$ (0.01)	\$ -	\$ (0.02)	\$ -	\$ -	\$ (0.02)
Weighted avg. common shares outstanding -basic	76,948,623	75,348,534	78,128,645	78,156,512	85,735,902	82,256,035	86,869,808	87,419,259

In Q1-2010, mineral property exploration has been expensed under IFRS and reflected in the profit or loss.

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.

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.



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### 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 believes its \$3,011,426 in working capital is sufficient to meet administrative and tenure costs for 2011. Subsequent to the quarter end on July 6<sup>th</sup>, Diamonds North completed a non-brokered private placement for gross proceeds of \$750,000 [1.2\(b\) Events Subsequent to June 30, 2011](#).

The 2011 exploration program is forecasted at \$1.1 million. 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 \$0.8 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 \$19,200.

The four independent directors were paid an aggregate of \$20,000 in directors' fees with the members of the audit committee paid an additional \$1,875 per quarter for an aggregate of \$11,250.

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 \$8,215.



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On May 17, 2011, the Company entered into a new employment agreement with the President, 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 June 30, 2011 is \$2,188 owed by Commander Resources Ltd., a company related by virtue of a common director, for shared office costs

The Company holds less than 10.0% of the issued common shares of Uranium North Resources Corp. ("Uranium North"), a company related by virtue of other common directors. Included in accounts receivable is \$81,843 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 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.



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**1.12 Financial Instruments**

Credit risk is the risk of an unexpected loss if a customer, tenant, related party or a third party to financial instrument fails to meet its contractual obligations.

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:

	June 30, 2011	December 31, 2010	January 1, 2010
Cash at bank and on hand	\$ 2,107,096	\$ 1,076,343	\$ 1,252,422
Demand deposits	-	1,500,000	-
Short-term deposits and guaranteed investment certificates	8,515	8,464	2,008,395
<b>Total</b>	<b>\$ 2,115,611</b>	<b>\$ 2,584,807</b>	<b>\$ 3,260,817</b>

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:

	June 30, 2011	December 31, 2010	January 1, 2010
Cost	\$ 880,732	\$ 880,732	\$ 1,192,231
Unrealized gain (loss)	(111,204)	193,925	(569,671)
<b>Total</b>	<b>\$ 769,528</b>	<b>\$ 1,074,657</b>	<b>\$ 622,560</b>

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).

**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.



Management Discussion and Analysis  
For the Six Months Ended June 30, 2011

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

##### *-Stock Options*

<b>Expiry Date</b>	<b>Exercise Price</b>	<b>Number of Shares</b>
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