



**INTERIM REPORT**  
**FOR THE THREE MONTHS ENDED**  
**MARCH 31, 2009**

[www.diamondsnorth.com](http://www.diamondsnorth.com)



## Table of Contents

1.1 Description of Business and Report Date.....	- 18 -
1.2 Company Overview and Projects .....	- 18 -
(a) Highlights for the Three Months Ended March 31, 2009 .....	- 19 -
(b) Events Subsequent to March 31, 2009.....	- 19 -
(c) Amaruk Project – Nunavut, Canada .....	- 20 -
(i) Ualliq option to International Samuel Exploration Corp. ....	- 21 -
(ii) Sakari joint venture with Shear Minerals Ltd.....	- 21 -
(iii) Siku joint venture with Arctic Star Diamond Corp. ....	- 22 -
(iv) Tunerq - Amaruk Nickel Project (100% owned).....	- 22 -
(d) Hepburn Project – Northwest Territories, Canada.....	- 22 -
(e) Mineral Property Expenditures Table .....	- 23 -
1.3 Results of Operations .....	- 24 -
(a) Current Quarter .....	- 24 -
(b) Three Months Ended March 31, 2009 vs. Three Months Ended March 31, 2008 .....	- 24 -
1.4 Summary of Quarterly Results .....	- 25 -
1.5 Liquidity.....	- 26 -
1.6 Capital Management.....	- 26 -
1.7 Off-Balance Sheet Arrangements.....	- 26 -
1.8 Related Party Transactions.....	- 27 -
1.9 Proposed Transactions .....	- 27 -
1.10 Changes in Accounting Policies .....	- 27 -
1.11 New Accounting Pronouncements.....	- 27 -
1.12 Financial Instruments.....	- 28 -
1.13 Certification of Interim Filing .....	- 28 -
1.14 Other MD&A Requirements.....	- 29 -



Management Discussion and Analysis  
For the Three Months Ended March 31, 2009

---

### 1.1 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 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 three months ended March 31, 2009.

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 May 21, 2009 (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

The 1.07 tonne Beluga 3 sample collected in 2008 and processed by dense media separation (DMS) yielded a diamond grade of 0.2 carats per tonne, see [1.2\(b\) Events Subsequent to March 31, 2009](#). This is highly encouraging considering the sample size is very small and the grade is considerably higher than other kimberlite bodies tested to date on the property. Of significance, the Beluga 3 sample contained 2 diamonds on the 1.18mm and 8 diamonds on the 0.85mm screens.

The Company's 2009 exploration program for its 100% owned Amaruk property will include a mini-bulk sample of 5 to 10 tonnes on the high priority Beluga 3 kimberlite and drill test up to 30 new kimberlite targets. This is a significant drill program and is expected to commence in June. Further, nearly all key components are on site including drilling equipment, fuel and camp allowing for an inexpensive start-up.

The Company routinely tests till samples for other commodities. On Amaruk, a reconnaissance sample yielded a gold value of 5.8 grams per tonne, see [1.2\(b\) Events Subsequent to March 31, 2009](#). In 2009, the Company plans to verify the sample and attempt to expand the extent of the gold mineralization by prospecting along the structure and the intrusive body.

When the Company acquired the Hepburn project, research was done on publicly available data. Historic drill holes intersected zones with 1 to 4% copper and silver as high as 203 g/T. Over the last three years, the Company has expanded this target with confirmed copper and silver, to the north and south. Further, five anomalous airborne magnetic anomalies can be associated with the prospecting results.

**(a) Highlights for the Three Months Ended March 31, 2009**

- On February 24<sup>th</sup>, the Company reported diamond results from the **2008 Amaruk core drill program** yielded a total of 576 diamonds above the 0.5mm sieve, below. For expanded discussion, see [1.2\(c\) Amaruk Project – 2008 Amaruk Exploration Results](#).

Kimberlite Name	Weight (in kg)	Sieve Sizes (mm)				Total
		0.50	0.60	0.85	1.18	
Tuktu A	1,989.5	29	16	1	-	46
Tuktu B	3,443.5	46	49	10	1	106
Tuktu C	1,317.0	15	15	1	-	31
Tuktu D	1,130.0	12	8	4	1	25
Tuktu E	520.0	9	11	-	-	20
Tuktu F	1,659.0	15	12	3	-	30
Tuktu G	3,397.5	35	25	4	2	66
Tuktu H	2,058.0	18	16	2	-	36
Tuktu I	2,137.0	19	13	1	-	33
Tuktu J	1,575.0	14	15	2	1	32
Tuktu K	2,167.0	28	24	3	-	55
Qavik 4	2,944.0	15	22	7	1	45
Qavik 5a	1,700.0	2	-	-	-	2
Qavik 5b	2,653.0	10	11	3	-	24
Qavik 5c	1,597.0	7	5	1	-	13
Qavik 5d	2,265.5	3	1	2	1	7
Qavik 6	2,025.0	3	1	-	1	5
<b>Total</b>	<b>34,578.0</b>	<b>280</b>	<b>244</b>	<b>44</b>	<b>8</b>	<b>576</b>

**(b) Events Subsequent to March 31, 2009**

On April 29<sup>th</sup>, the Company reported diamond results for **7 new Amaruk kimberlites** discovered in 2008, below. The Qavik 7 kimberlite sample was collected using conventional diamond drilling while the remaining kimberlite samples were collected using reverse circulation drilling. For expanded discussion, see [1.2\(c\) Amaruk Project – 2008 Amaruk Exploration Results](#).

Kimberlite Name	Drill hole dip	Weight (kg)	Sieve Sizes (mm)				Total
			0.50	0.60	0.85	1.18	
Beluga 3	-90	1,074.0	1	21	8	2	32
CB-27	-90	1,074.0	1	7	2	2	12
Qavik-7	-65	1,139.5	7	3	-	1	11
Qavik-8	-75	1,149.5	-	3	2	-	5
Tuktu-10	-75	1,201.9	-	-	-	-	-
Qavik-10	-90	879.0	-	-	-	-	-
Qavik-10	-90	968.5	-	-	-	-	-

- On May 11<sup>th</sup>, the Company reported a single reconnaissance grab sample collected from a 3 to 5 metre wide oxidized sulfide zone exposed for 50 metres, yielded 5.8 grams per tonne gold. The prospect is located adjacent to a 2 to 3 kilometre diameter granitic intrusion that appears to have been emplaced along a major structure that extends for more than 40 kilometres on its 100% owned Amaruk property.

Management Discussion and Analysis  
For the Three Months Ended March 31, 2009

- On May 21<sup>st</sup>, the Company reported copper and silver trench samples collected from its 100% owned Hepburn property. Trench 2 sampled similar rocks which yielded 1.5% copper over 2 metres approximately 1 kilometre west of Trench 1. Trench 3 also sampled similar rocks which yielded 2.5% copper approximately 200 metres from Trench 1 (for geophysical and geological maps, see [www.diamondsnorthresources.com/s/CopperSilver.asp](http://www.diamondsnorthresources.com/s/CopperSilver.asp) ).

		Width (m)	Cu	Ag
Trench 1 *	Historic data	3.0	2.8	159.1
Trench 2	Historic data	2.0	1.5	-
Trench 1 **	2008 sample	3.0	2.9	218.5
Trench 3	2008 sample	1.0	2.5	11.0

\*Includes a 0.25m chip sample assayed 3.2% Cu, 1,613.8 g/T Ag and 0.615% U3O8.

\*\*The Company's continuous chip sampling of Trench 1 confirms historic sampling

**(c) Amaruk Project – Nunavut, Canada**

The Amaruk property and the Ualliq, Sakari and Siku projects cover approximately 3.4 million acres around the community of Kugaaruk, Nunavut. The projects are 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. Portions of the property have been optioned or in joint ventures with other diamond exploration companies as noted in the map and described separately are below.

*-2008 Amaruk Exploration Results*

Further to the **2008 core drill program** results table in [1.2\(a\) Highlights for the Three Months Ended March 31, 2009](#), the drill core was processed for macrodiamonds using DMS with a 0.50mm screen size cut-off. As a result, diamonds of less than 0.50mm were not recovered. It is noteworthy that these samples of approximately 1 tonne each are large enough to sample the microdiamond population, they are relatively small for grade prediction, and any reference to grade is an approximation of each sample not the kimberlite body.

Further to the **7 new Amaruk kimberlites** results table in [1.2\(b\) Events Subsequent to March 31, 2009](#), Beluga 3 contained 4 diamonds (two on the 1.18mm and two on the 0.85mm) classified as fragments that are less than 40% of their original size suggesting that this kimberlite contains large stones.

The Beluga 3 kimberlite also exhibits a very subtle magnetic signature which is distinctly different than the signatures of the other kimberlites found to date. The subtle nature of the geophysical signature opens up the possibility of new discoveries in the project area which will demand much more detailed magnetic data collection particularly in areas of unexplained kimberlite indicator mineral trains. This detailed data collection will be an important part of the 2009 exploration campaign.

*-Amaruk Exploration Program for 2009*

As part of the Company's re-focused targeting initiative, the mineral chemistry and geophysical characteristics of known kimberlites from the entire property have been re-evaluated. The Beluga 3 kimberlite which shows improved diamond grades and potential for larger diamonds has a subtle magnetic signature. The Company will test the possibility that kimberlites with more subtle magnetic signatures may potentially carry higher diamond concentrations.



Management Discussion and Analysis  
For the Three Months Ended March 31, 2009

---

A diamond stability field more than 25 kilometres thick has been estimated below Amaruk. This is based on a calculated minimum pressure and estimated temperature of pyrope garnet grains recovered from till samples across the property. This compares favourably with the diamond stability field beneath the Lac de Gras kimberlite field and reconfirms the potential for Amaruk.

On Amaruk, the Company continues to refine how targets are defined. To date, hundreds of anomalies have been identified. In 2009, the focus will be on testing anomalies with subtle magnetic signatures and on those with till samples containing mineral chemistry suggesting significant sampling of the diamond stability field.

*-Future Developments for Amaruk*

For the 2009 exploration plan, see [1.2 Company Overview and Projects](#).

**(i) Ualliq option to International Samuel Exploration Corp.**

On July 26, 2006, the Company and International Samuel Exploration Corp. ("International Samuel") entered into an agreement covering an area predominantly to the west 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 (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.

In 2007, the Company and International Samuel entered into a second agreement to form a 50:50 partnership on claims that were staked called the Ualliq West property and contiguous with the Amaruk and Ualliq properties. The Company is the project operator.

*-Ualliq Exploration Program for 2009*

Property expenditures of \$6,337 under [1.2\(e\) Mineral Property Expenditure Table](#) relate to filing and grouping for the 2008 assessment report filed with the Mining Recorder.

At this time, there are no plans for 2009.

**(ii) Sakari joint venture with Shear Minerals Ltd.**

On July 31, 2006, the Company and Shear Minerals Ltd. ("Shear") entered into an agreement covering an area within the southwest portion of the Company's Amaruk project. Shear has earned a 50% interest in the Sakari project by making a payment of \$97,000 in refundable deposits and incurring \$185,940 in expenditures on the property before June 30, 2007. The Company is the project operator.

*-Sakari Exploration Program for 2009*

At this time, there are no plans for 2009.



**(iii) Siku joint venture with Arctic Star Diamond Corp.**

On October 4, 2006, the Company and Arctic Star Diamond Corp. ("Arctic Star") entered into an agreement covering an area within the southwest portion of the Company's Amaruk project. Arctic Star earned a 50% interest in the Siku project by issuing 1,500,000 shares to the Company, funding approximately \$956,000 in bonds on the claims 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 is the project operator.

*-Siku Exploration Program for 2009*

At this time, there are no plans for 2009.

**(iv) Tunerq - Amaruk Nickel Project (100% owned)**

The Tunerq prospect is an oxidized sulphide bearing outcrop discovered in 2007. The sulfide mineralized outcrop is 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.

*-Tunerq Exploration Program for 2009*

No significant work program is planned specifically for Tunerq at this time with the exception of reviewing possible joint venture opportunities. The Company has identified numerous other mafic and ultra-mafic intrusions on the Amaruk property. In an attempt to demonstrate Amaruk as a nickel district many of the intrusions will be prospected for nickel-copper sulphide mineralization.

**(d) Hepburn Project – Northwest Territories, Canada**

The Company holds a 100% interest in the 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 property's uranium rights were transferred to Uranium North Resources Corp. ("Uranium North") and the Company continues to hold 100% interest in all diamonds and other metals, except uranium for which the Company retains a royalty.

*-Hepburn Exploration Program for 2008*

Regional exploration by the Company has identified additional copper-silver mineralization along strike for 1 kilometre and in stratigraphically similar rocks 1.5 kilometres south of the historic drill holes, noted below. In addition, 5 separate geophysical magnetic anomalies with copper-silver potential have been identified over a 12.5 kilometre long area, potentially defining a new large scale copper-silver district.

Two historic angle drill holes from a single site drilled beneath Trench 1 intersected 13-15 metres of sulfide mineralization with high grade copper and copper-silver zones as reported in the table below. Drill hole 2 intersected 4.71 metres of 2.4% copper and 99 g/T silver including a 2.07 metre zone with 4.11% copper and 203.4 g/T (6 opt) silver.

*-Hepburn Exploration Program for 2009*

The Company plans to conduct further prospecting to determine the extent and continuity of the mineralized zone prior to initiating a drill program. In addition, further prospecting and follow-up of samples with anomalous copper in similar areas to the north and south of the main block is planned.



Management Discussion and Analysis  
For the Three Months Ended March 31, 2009

**(e) Mineral Property Expenditures Table**

	Amaruk, NU	Ualliq, NU	Sakari, NU	Siku, NU	Tunerq, NU(1)	Victoria Island NU/NWT	Banks Island, NWT	Hepburn, NWT	Kidme, NWT	Other Properties (1)	Total
Balance at											
December 31, 2008	\$ 22,266,482	\$ 370,686	\$ 163,246	\$ 397,141	\$ 1,276,569	\$ 4,441,629	\$ 2,513,877	\$ 9,003,735	\$ 526,110	\$ 222,255	\$ 41,181,730
Exploration:											
Airborne geophysics	8,522	-	-	380	-	-	-	3,896	-	-	12,798
Camp costs	492	-	-	3,245	3,164	116	3,595	2,602	-	-	13,214
Drilling - Core	24,720	-	-	-	-	-	-	-	-	-	24,720
Drilling - Percussion	10,198	-	-	-	-	-	-	-	-	-	10,198
Geochemistry	3,736	-	-	-	-	-	2,530	1,612	-	-	7,878
Geology	42,091	6,502	1,653	2,123	2,141	1,075	1,639	12,497	-	146	69,867
Ground geophysics	2,148	-	-	-	-	-	-	3,300	-	-	5,448
Permitting	3,888	535	535	535	-	-	535	2,139	-	535	8,702
Property	283	6,337	-	-	-	-	-	-	-	-	6,620
	96,078	13,374	2,188	6,283	5,305	1,191	8,299	26,046	-	681	159,445
Less:											
Recoveries	(4,726)	(24,467)	(81)	(215)	-	(551)	(28,531)	-	-	-	(58,571)
Net additions	91,352	(11,093)	2,107	6,068	5,305	640	(20,232)	26,046	-	681	100,874
Balance at											
March 31, 2009	\$ 22,357,834	\$ 359,593	\$ 165,353	\$ 403,209	\$ 1,281,874	\$ 4,442,269	\$ 2,493,645	\$ 9,029,781	\$ 526,110	\$ 222,936	\$ 41,282,604

1. In 2008, 'Northern Recon was disclosed as a separate project and is now combined under 'Other Properties'.



### 1.3 Results of Operations

#### (a) Current Quarter

The Company's cash position decreased from \$3,602,896 to \$3,195,958. During the quarter, the Company collected \$480,000 in GST refunds and \$232,000 in Government of Canada bonds relating to mineral properties. Other cash inflows include \$391,910 cash, exploration funds. The largest use of cash was a \$949,339 reduction in accounts payable and accruals related to mineral properties for expenditures incurred in fiscal 2008. In Q1, the Mining Recorder approved an additional \$320,000 in bond refunds of which \$228,000 was received in Q2.

#### (b) Three Months Ended March 31, 2009 vs. Three Months Ended March 31, 2008

Results of operations for the three months ended March 31, 2009 are discussed in comparison with the three months ended March 31, 2008. General and administrative expenses of \$416,595 (2008 - \$700,851) represents a \$284,256 decrease compared to the comparative fiscal period. Notable changes include:

- Investor relations and promotion of \$70,330 reflects a reduced presence at the PDAC in Toronto. A breakdown is below:

	2009	2008
Administration	\$ 562	\$ 1,927
Conferences and trade shows	17,096	46,408
Consulting, wages and benefits	46,731	40,736
Media	2,122	16,146
Promotion and advertising	3,819	13,643
	<u>\$ 70,330</u>	<u>\$ 118,860</u>

- Stock-based compensation expense of \$8,236 breakdown, if it had been allocated to the statement of operations by expense categories:

	2009	2008
Accounting and audit	\$ 1,176	\$ 3,844
Administration	-	5,125
Directors fees	5,884	109,259
Investor relations	-	11,656
Wages and benefits	1,176	181,710
	<u>\$ 8,236</u>	<u>\$ 311,594</u>

- Wages and benefits of \$199,971 (2008 - \$130,818) includes a \$50,000 signing bonus paid to the President as part of his employment contract.
- Future income tax recovery of \$3,057,192 (2008 - \$1,734,200) reflects the renouncement of \$10,190,639 (2008 - \$5,336,000) in exploration expenditures to investors who purchased flow-through shares in 2008. This is a non-cash transaction.

The Company's net income for the period was \$2,657,138 (2008 - \$1,097,719) or \$0.04 per share (2008 - \$0.02) which is not reflective of the operating deficit, due to the future income tax recovery noted above.

Other comprehensive loss of \$18,366 (2008 - \$174,987) represents the unrealized losses on marketable securities due to the fair value decrease of the Company's marketable securities portfolio since the beginning of the year.



Management Discussion and Analysis  
For the Three Months Ended March 31, 2009

**1.4 Summary of Quarterly Results**

	Q2 Jun. 30 2007	Q3 Sept. 30 2007	Q4 Dec. 31 2007	Q1 Mar. 31 2008	Q2 Jun. 30 2008	Q3 Sept. 30 2008	Q4 Dec. 31 2008	Q1 Mar. 31 2009
Mineral expenditures, net of recoveries	\$ 1,052,611	\$ 6,617,447	\$ 2,470,749	\$ 1,020,663	\$ 7,505,249	\$ 7,157,026	\$ 695,062	\$ (101,208)
G&A expense	\$ 680,594	\$ 556,125	\$ 1,033,528	\$ 700,851	\$ 564,388	\$ 572,262	\$ 673,222	\$ 416,595
Stock-based comp. exp.	\$ 231,789	\$ 249,601	\$ 459,361	\$ 311,594	\$ 182,083	\$ 190,319	\$ 189,038	\$ 8,236
Net income (loss)	\$ 164,229	\$ (455,455)	\$ (3,359,807)	\$ 1,097,719	\$ (492,272)	\$ (662,604)	\$ (1,000,160)	\$ 2,676,138
Other comprehensive income (loss)	\$ 74,305	\$ (631,854)	\$ 151,058	\$ (174,987)	\$ (176,802)	\$ (463,456)	\$ (716,981)	\$ 2,657,802
Income (loss) per share -basic	\$ -	\$ (0.01)	\$ (0.06)	\$ 0.02	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ 0.04
Weighted avg. common shares outstanding -basic	52,312,074	55,914,592	54,701,763	60,602,852	61,078,366	74,231,694	67,814,839	75,159,308

The summary of quarterly results are from the Company's financial statement which are prepared in accordance with Canadian generally accepted accounting principles and denoted in the currency of Canada.

Due to seasonal conditions in Canada's north, the Company conducts diamond exploration in Q2 and Q3. In 2008, the Company completed exploration in August and the majority of de-mobilization costs were completed in Q3 unlike the previous year where costs carried into Q4. In Q1-2009 includes refunded Government of Canada bond incurred as mineral property expenditures in lieu of exploration work.

G&A expense for Q1-2009 decreased, largely to lower stock-based compensation expense.

Stock-based compensation is a method used by junior exploration companies to compensate staff and directors, in an effort to conserve cash. In Q1-2009, few stock options vested.

The Company is in the exploration stage and does not have an operating mine. Earnings per share 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 \$1,734,200 in Q1-2008 and \$3,057,192 in Q1-2009.

Comprehensive income accounting was adopted on January 1, 2007 and other comprehensive income (loss) represents unrealized gains or losses on available-for-sale investments. The current negative trend is a reflection of the declining equity markets.



Management Discussion and Analysis  
For the Three Months Ended March 31, 2009

---

### 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.

The current financial crisis increases:

- liquidity risk, 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 which would be difficult to sell in depressed markets.
- credit risk, as service providers may not always be able to perform in accordance with the terms of a contract. To help mitigate this risk with contracts that require large advances, the Company may place funds in-trust with a lawyer.

The Company is in the exploration stage and commodity prices are not reflected in operating financial results. Fluctuations in commodity prices may influence financial markets and may indirectly affect the Company. Unlike other commodities, diamonds are typically sold in private transactions and rough diamond prices are generally not publicly disclosed.

In 2008, the Company implemented cash preservation measures whereby, senior employees, a consultant and mutually agreed to defer 10% of their salaries or fees and the independent directors' agreed to defer their retainer. These amounts will accrue as a debt owing by the Company and shall not bear interest. At the Company's election, this debt can be satisfied in cash and/or common shares.

Management believes its \$6,413,390 in working capital is sufficient to meet administrative and property obligations to complete the 2009 year. The 2009 exploration program will be funded by the remaining flow-through expenditure obligations, approximately \$2 million.

### 1.6 Capital Management

The Company considers its capital structure to include working capital and 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.

As the Company does not have operating cash flow, the Company has relied primarily on equity financings to meet its capital 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. The current financial crisis has increased market volatility and placed downward pressure on stock prices.

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.



Management Discussion and Analysis  
For the Three Months Ended March 31, 2009

---

### 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 \$9,600.

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 \$4,725.

At March 31, 2009, the Company held 12.1% of the issued common shares of Uranium North, a company related by virtue of other common directors. Included in accounts receivable is \$12,542 owed by Uranium North, for mineral property, administrative and office costs.

### 1.9 Proposed Transactions

None.

### 1.10 Changes in Accounting Policies

Effective January 1, 2009, the Company adopted the following new accounting standard issued by the CICA relating to financial instruments.

#### *-Goodwill and Intangible Assets*

CICA Section 3064 replaces Section 3062 "Goodwill and Other Intangible Assets", and Section 3450, "Research and Development Costs". This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The new section did impact the Company.

### 1.11 New Accounting Pronouncements

Below is 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.



Management Discussion and Analysis  
For the Three Months Ended March 31, 2009

---

*-International Financial Reporting Standards ("IFRS")*

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB 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'.

The Company has completed Phase 1 with Phase 2 scheduled to commence in the second half of 2009.

### 1.12 Financial Instruments

The Company is exposed to credit risk with respect to its cash, cash equivalents and cash exploration funds. To minimize this risk, cash has been placed with major financial institutions. The total amount of cash is available on demand and is not invested in commercial paper or asset backed security programs.

In accordance with the new financial instruments accounting standards, the Company has recorded its assets and liabilities at 'fair value' and marketable securities have been classified as available-for-sale securities. The fair value of marketable securities at March 31, 2009 is as follows:

<b>Marketable Securities</b>	<b>Cost</b>	<b>Unrealized Loss</b>	<b>Fair Value</b>
Available-for-sale	\$ 1,405,617	\$ (925,348)	\$ 480,269

Included in the carrying value of available-for-sale marketable are 1,050,000 common shares of Uranium North, subject to escrow. As escrow 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. At March 31, 2009, the closing price of Uranium North was \$0.09 per share.

### 1.13 Certification of Interim Filing

On December 31, 2007, the Company adopted BC Securities Commission 52-511 'Relief for Venture Issuers from Certification Requirements.' The relief 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 Three Months Ended March 31, 2009

---

### 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 75,159,308 issued common shares outstanding and the following unexercised stock options and warrants:

#### *-Stock Options*

Expiry Date	Exercise Price	Number of Shares
August 8, 2009	\$0.944	545,000
October 18, 2009	\$0.858	300,000
January 27, 2010	\$0.858	50,000
March 22, 2010	\$0.987	247,500
May 17, 2010	\$0.729	550,000
April 12, 2011	\$0.848	1,660,000
July 13, 2011	\$1.021	113,500
February 27, 2012	\$0.770	1,565,000
May 3, 2012	\$1.010	600,000
May 9, 2012	\$1.030	337,000
February 14, 2013	\$0.880	1,271,000
September 2, 2013	\$0.820	70,000
		7,309,000

#### *-Warrants*

Expiry Date	Exercise Price	Number of Shares
July 7, 2009	\$1.30	1,916,800
July 7, 2009	\$1.30	608,000
July 7, 2009	\$1.30	24,000
July 7, 2009	\$1.30	655,038
July 9, 2009	\$1.30	253,500
July 9, 2009	\$1.30	28,620
		3,485,958

## HEAD OFFICE

Diamonds North Resources Ltd.  
Suite 510, 510 Burrard Street  
Vancouver, British Columbia  
Canada V6C 3A8

TEL: (604) 689-2010

TOLL FREE: 1-866-802-2010

FAX: (604) 484-7143

**www.diamondsnorth.com**  
**info@diamondsnorth.com**

## OFFICERS & DIRECTORS

Mark Kolebaba  
*President and Director*

Bernard H. Kahlert, B.Sc., P.Eng.  
*Director*

Maynard E. Brown, LL.B.  
*Director*

Yale R. Simpson, B.Sc.  
*Director*

Terry A. Lyons, B.Sc., M.B.A.  
*Director*

Bill Zimmerman, B.Sc., M.B.A.  
*Director*

Bruce Kienlen, P.GEOL  
*VP, Exploration*

Graham Gill, P.GEO  
*VP, Operations*

Nancy Curry  
*VP, Corporate Communications*

Michael Lee, C.G.A  
*Chief Financial Officer*

Janice Davies  
*Corporate Secretary*

## LISTINGS

TSX Venture Exchange: **DDN**  
Tier One

## CAPITALIZATION

(as of March 31, 2009)

Shares Authorized: Unlimited

Shares Issued: 75,159,308

## REGISTRAR & TRUST AGENT

CIBC Mellon Trust Company  
Suite 1600, The Oceanic Plaza  
1066 West Hastings Street  
Vancouver, British Columbia  
V6C 3X1

## AUDITOR

Davidson & Company  
Chartered Accountants  
1200 – 609 Granville Street  
Vancouver, British Columbia  
V7Y 1G6

## LEGAL COUNSEL

Salley Bowes Harwardt  
Barrister and Solicitors  
Suite 1750 – 1185 West Georgia Street  
Vancouver, British Columbia  
V6E 4E6

