TRUE NØRTH GEMS

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE Nine MONTH PERIOD ENDED September 30, 2013

Management's discussion and analysis ("MD&A") provides a review of the performance of True North Gems Inc.'s ("True North" or the "Company") operations and has been prepared on the basis of available information up to November 25, 2013 and should be read in conjunction the unaudited condensed interim consolidated financial statements for the nine month period ended September 30, 2013 ("Q3-2013") and the audited consolidated financial statements for the year ended December 31, 2012 and the related notes thereto ("fiscal 2012"). The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Company's reporting currency is Canadian dollars and all dollar amounts referred to in this discussion and analysis are expressed in Canadian dollars except where indicated otherwise.

Some of the statements made in this MD&A are forward-looking statements that are subject to risk factors set out in the cautionary note contained herein.

True North's common shares are listed on the TSX Venture Exchange (the "TSX-V") trading symbol – TGX.

Caution on Forward-Looking Statements

The MD&A contains certain forward-looking statements concerning anticipated development in True North's operation in future periods. Forward-looking statements are frequently, but not always identified by words such as "expects", "anticipates", "believes", "intends", "estimates", "potential", "possible" and similar expressions, or statements that events, conditions or results "will", "may", "could" or "should" occur or be achieved. The forward-looking statements are set forth principally under the heading "Outlook" in the MD&A and may include statements regarding exploration results and budgets, mineral resource estimates, work programs, capital expenditures, timelines, strategic plans, market price of gemstones or other statements that are not statement of fact. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of True North may differ materially from those reflected in forward-looking statements due to a variety of risks, uncertainties and other factors. True North's forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made, and True North does not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions should change except as required by law. For the reasons set forth above, investors should not place undue reliance on forward-looking statements. Important factors that could cause actual results to differ materially from True North's expectations include uncertainties involved in disputes and litigation, fluctuations in commodity prices and currency exchange rates; uncertainties relating to interpretation of drill results and the geology, continuity and grade of deposits; uncertainty of estimates of capital and operating costs, recovery rates, production estimates and economic return; the need for cooperation of government agencies and native groups in the exploration and development of properties and the issuance of required permits; the need to obtain additional financing to develop properties and uncertainty as to the availability and terms of future financing; the possibility of delay in exploration or development programs or in construction projects and uncertainty in meeting anticipated program milestones; uncertainty as to timely availability of permits and other government approvals and other risks and uncertainties disclosed in other information released by True North from time to time and filed with the appropriate regulatory agencies.

HIGHLIGHTS AND OUTLOOK

In the first three quarters of fiscal 2013 and to the date of this report, the following events have occurred, which has resulted in a significant improvement in the Company's financial position since its most recently completed financial year ended December 31, 2012:

- Closed a brokered private placement; whereby the Company raised $2,941,964;
- Entered into a financial agreement with Greenland Venture A/S that has provided available funds of approximately $835,700 (DKK 4,500,000); and,
- At the Company's AGM held on June 13, 2013, shareholders approved a $15,750,000 investment by Lenomi Holdings Inc. ("Lenomi"). To June 30, 2013, $2,941,964 had been received from Lenomi. The financing was brokered by Casimir Capital L.P. ("Casimir") of New York under an Agency Agreement between Casimir and

the Company, which expired on August 1, 2013. The Company is currently pursuing other sources of funding to complete the financing up to the full amount approved by the shareholders.

In addition, the Company signed an Option and related agreements with LNS Greenland A/S ("LNSG"). The most material component of the partnership enables LNSG to earn 20% of the issued and outstanding Class A shares of True North Gems Greenland A/S ("TNGG") in exchange for approximately US$23 million, the majority of the Aappaluttoq Mine capital costs. The five individual agreements lay out the strategic partnership structure for the future construction and operation of the Apppaluttoq Ruby Project in Southwest Greenland. The Letter of Intent ("LOI") entered into in November 2012 formed the framework for and is now superseded by these definitive agreements. The substantial capital investment by LNSG to earn the interest in TNGG provides the funding to complete mine support infrastructure. The Company is responsible for designing and funding the capital costs for the ore processing circuit and building, rough gem sorting and grading facility and gem marketing and sales.

FISKENAESSET RUBY PROJECT – GREENLAND

On June 6, 2011, the Company filed a draft exploitation (mining) permit application for the Company's Aappaluttoq Prospect in Greenland. The draft permit application was accompanied by a technical study, a draft socioeconomic impact assessment (SIA) and draft environmental impact assessment (EIA), all as required by the Mineral Resources Act of Greenland.

The final drafts of both the EIA and the SIA and formal translation into both Greenlandic and Danish have been completed. On June 7, 2013, the Bureau of Minerals and Petroleum (BMP) accepted both versions of the SIA and EIA and they have published the documents on the Greenland Government's public website. Management of the Company hosted a series of Information Meetings prior to the BMP's Public Hearings in August 2013. The meetings presented information on the Company's proposal and its opportunities in an open format that encouraged discussion and questions. These meetings were held in Fiskenaesset (August 12, 2013), Paamiut (August 14, 2013) and Nuuk (August 15, 2013). The legally required SIA and EIA Public Hearings were run by the Bureau of Minerals and Petroleum and took place in Fiskenaesset on August 26, 2013, Paamiut on August 28, 2013 and in Nuuk on August 29, 2013. The meetings were productive and all comments and written submissions registered with the BMP before the September 12, 2013deadline are currently being compiled by the Company into the 'White Book'. The Company has been invited to participate in the Impact Benefit Agreement (IBA) and Royalty negotiations regarding the Aappaluttoq Exploitation Permit. The royalty negotiations are with the government. The IBA negotiations are between the government, the Municipality of Sermersooq, the unions and the Employers' Associations. These negotiations represent critical components of the final stages in the permitting process. The initial meeting was held on September 23, 2013, which established the framework for the negotiations and discussions are ongoing.

2013 Work Program

The Company has been projecting and planning around final approvals of both EIA and SIA, which was received on June 7, 2013 and initiation of the Public Hearings in Greenland during the summer of 2013. As such exploration on both the Qaqqatsiaq and Fiskenaeest exploration licences was minimal, and all efforts were placed on completing the various engineering studies, gaining the required technical permits and commencing construction on the Aappaluttoq Ruby Mine. Ground engineering, camp repairs and other activities related to future construction at the Aappaluttoq site were successfully conducted during August and September, 2013. Regional exploration on the Qaqqatsiaq Licence focussed on known areas of mineralization in areas away from the main Ruby Island Trend. On-going scientific work will investigate the geochemical characteristics of the various deposits and use this to aid future exploration targeting within the Fiskenaesset Complex.

Corporate Changes

On July 16, 2013, the Company announced that W. Graham Nicholls stepped down as Executive Vice-President; he continues to provide ongoing consulting services as the Company progress through the Hearing Process and move into the Construction Phase.

BELUGA SAPPHIRE PROJECT – BAFFIN ISLAND, CANADA

The Company continues to evaluate the results of work completed to date, including the results from the regional and detailed geological mapping and prospecting work completed in 2008, in order to assess the logical next step for future exploration. To that end during 2009, the Company completed a comprehensive compilation of all available technical information to facilitate the project evaluation process. In 2011, a legal survey of the claims was completed. This legal survey will allow the Company to convert the mineral claims to a mining lease. This conversion process was initiated in December 2011. A series of assessment reports were updated and resubmitted to the Department of Indian and Northern Affairs. Consequently new work certificates have been issued by the Nunavut Mining Recorder to extend the NAIPI 5-10 claims (which comprise approximately half of the Beluga Project) through 2015. Lease applications are still underway for the remaining NAIP I to NAIPI4 claims group.

BANDITO PROJECT – YUKON, CANADA

This project is an early stage, polymetallic exploration project and has not yet advanced to a resource definition stage.

In January 2013, the Company entered into an agreement to sell its 100% interest in the Bandito project to Endurance Gold Corporation. ('Endurance") subject to a 1% net smelter return ("NSR"). Consideration was a $50,000 cash payment (paid January 29, 2013) and issue of 5,000,000 shares (received). Shares are being released in three tranches, one million are subject to the standard four month hold period, two million will be released on July 1, 2013 and the final two million will be released December 31, 2013. Endurance has the right to acquire one half of the NSR at any time for a cash payment of $1,000,000. A further cash payment of $500,000 is payable to the Company in two tranches with the initial $150,000 payable upon completion and filing of a bankable feasibility study on the Bandito project and the balance to be paid after project financing is secured.

STRAW PROJECT – YUKON, CANADA

The property comprises 43 claims located in the Finlayson District, Yukon Territory. In 2011, minor QA/QC and due diligence work was performed on-site.

In January 2013, the Company entered into an Option Agreement with Pacific Ridge Exploration Ltd. ("Pacific") whereby Pacific has the right to acquire a 100% interest in the Straw by making an initial cash payment of $15,000 (paid February 4, 2013) and issue of 250,000 shares on closing (received) and an additional cash payment of $10,000 and issue of 150,000 shares on or before January 31, 2014.

TSA DA GLISZA EMERALD PROJECT – YUKON, CANADA

Based on an internal review of the Tsa da Glisza Emerald property during the financial year ended December 31, 2009, management determined that it would not be conducting further exploration work on this project. As a result the project was written down to a nominal carrying value of $1. The Company's 2012 work program continued reclamation on the site and determined what further work will be necessary in subsequent years. This work included the dismantling of disused buildings across the site, the mechanical upkeep of equipment and the backfilling of low level trenches on Regal Ridge. The 2013 program started in late June and was completed in August. All reclamation at site has now been completed; this includes the backfilling of trenches, sealing of the underground adit and drift system, removal of the camp and exploration wash plant, and the removal of all roads and runways. Final demobilization of the heavy equipment and bulky items from camp will be completed in the winter of 2013-2014 and it is anticipated that all work on this project will be completed by the start of Q3 2014.

TRUE BLUE PROJECT– YUKON, CANADA

The property comprises 301 claims located 55 kilometres south of Ross River, Yukon. No work was performed on-site during 2012. A management review of this project will occur in 2013, and until then, the previous assessment credit is sufficient to maintain claims in good standing.

FINANCIAL POSITION

As at September 30, 2013, the Company had current assets of $1,431,022 and current liabilities of $647,448 compared to current assets of $136,733 and current liabilities of $1,105,118 as at December 31, 2012. At September 30, 2013, the Company had working capital of $783,574 compared to working capital deficit of $968,385 at December 31, 2012.

The Company had cash and cash equivalents of $831,209 at September 30, 2013 compared to $4,157 at December 31, 2012. During the nine month period ended September 30, 2013, the Company recorded cash outflows from operations of $1,223,080 compared to cash outflows of $550,792 in the comparable period of 2012.

Cash used in investing activities during the nine month period ended September 30, 2013 includes $1,508,572 being spent on the Company's projects; primarily on the Fiskenaesset Ruby Project Greenland. Also the net payable position with respect to exploration expenditures resulted in cash inflows of $63,543. Additionally, the Company purchased computer software totalling $10,531.

Cash provided by financing activities for the nine month period ended September 30, 2013 includes the loan ($746,400 (DKK 4,000,000) and equity financing ($89,300 (DKK 500,000) of True North Gems Greenland A/S by Greenland Venture A/S. As well, the Company repaid loans totalling $23,000. Capital (share capital and warrants) as at September 30, 2013 was $42,004,902 compared to $39,924,112 as at December 31, 2012. During the nine month period ended September 30, 2013, True North raised additional capital of $2,941,964 from the issue of 32,688,493 shares. Cash commissions of $147,098 were paid and 980,656 agent's warrants were issued. The capital raising costs for this placement amounted to $334,053. The fair value of the 27,257,300 warrants that expired in the current fiscal year ($591,352) was credited to contributed surplus. Additionally, 414,400 warrants were exercised for proceeds of $20,720; and, the fair value of these warrants ($5,615) was reallocated from the reserve account (warrants) to share capital.

RESULTS OF OPERATIONS

Nine month period ended September 30, 2013 (fiscal 2013) compared with nine month period ended September 30, 2012 (fiscal 2012)

(Information extracted from the Company's unaudited condensed interim consolidated financial statements)

		Fiscal 2013		Fiscal 2012
		(unaudited)		(unaudited)
Operating expenses				
Audit and related services	$	8,738	$	(1,452)
Consulting fees		135,000		145,000
Corporate financial services fees		101,400		22,500
Corporate secretarial and accounting		110,214		105,683
Depreciation		3,853		5,014
Directors fees		40,500		40,500
Exploration and evaluation expenditures		12,759		30,414
Farmout receipts		(52,500)		-
Foreign exchange loss		24,566		168
General and administrative		84,147		85,043
Investor relations		40,436		112,805
Legal fees		38,015		22,968
Loss on disposal of property, plant and equipment		-		20,292
Loss on sale of mineral property interest		47,790		-
Rent and occupancy costs		81,900		119,114
Salaries and employee benefits		-		2,375
Transfer agent and filing fees		39,204		24,701
Travel		70,094		65,607
Operating loss		(786,116)		(800,732)
Other income				
Gain on sale of available-for-sale-investments		-		18,670
Interest and other income		5,433		7,708
Interest on loans		(35,240)		-
Loss before income taxes		(815,923)		(774,354)
Income tax expense		-		(1,219)
Net loss for period		(815,923)		(775,573)
Loss attributable to :				
Shareholders	$	(793,100)	$	(775,573)
Non-controlling interest		(22,823)		-
	$	(815,923)	$	(775,573)
Loss per share - basic and fully diluted	$	(0.00)	$	(0.00)
Weighted average number of common shares - basic and fully diluted		229,010,161		195,424,466

NET LOSS

The net loss for the nine month period ended September 30, 2013 amounted to $815,923 compared to a net loss for the nine month period ended September 30, 2012 of $775,573 representing an increase in net loss of $40,350. Included in the current period's results are a gain on sale of available-for-sale-investments of $Nil (fiscal 2012 – $18,670), interest and other income of $5,433 (fiscal-2012 - $7,708) and interest on loan from Greenland Venture A/S of $35,240 (fiscal 2012-$Nil).

Operating expenses
For fiscal 2013, total operating expenses were $786,116 compared to $800,732 recorded during the same period in fiscal 2012 representing a decrease of $14,616.

Significant factors that contributed to the variances are discussed below.

Corporate financial services
In fiscal 2013, the Company paid fees of $101,400 (fiscal 2012-$22,500). Fees charged to this account represent amounts paid to third parties to source leads on behalf of the Company to procure financing for projects and variances depend on timing of equity financings.

Directors' fees
Independent directors are paid fees on a quarterly basis to compensate them for their time invested in fulfilling their duties. Fees in each of the reporting periods are consistent.

Farmout receipts
In Q1-2013, the Company entered into an Option Agreement with Pacific whereby Pacific has the right to acquire 100% interest in 43 claims located in the Finlayson District Yukon. Initial consideration was a cash payment of $15,000 and issue of 250,000 shares (fair value at date of issue $37,500). All expenditures relating to this property had been written off in a prior reporting period.

General and administration
General and administration charges were $84,147 for the nine month period ended September 30, 2013 compared to $85,043 for the comparative period. Included in this category are bank fees, communications lines (telephone, facsimile and internet, delivery, interest, office supplies and printing).

Investor relations
Investor relations charges were $40,436 for fiscal 2013 compared to $112,805 for the comparative period representing a decrease of $72,369. Due to financial constraint in fiscal 2013, expenditures on investor relations activities have been curtailed to the extent possible.

Loss on disposal of property, plant and equipment
In January 2012, True North surrendered its lease for premises. The office furniture in those premises was relinquished to the landlord.

Loss on sale of mineral property interest
Carrying cost of mineral property interest exceeded consideration received from Endurance (cash payment of $50,000 and issue of 5,000,000 shares (fair value at date of issue $175,000)) resulting in a loss on sale of mineral property interest of $47,790 being recorded.

Rent and occupancy
Rent and occupancy decreased to $81,900 for fiscal 2013 from $119,114 for the fiscal 2012. Commencing in January 2012, the Company pays rent of $8,500 per month for office space. Additionally, the Company rents vault space at a rate of $600 per month. In the prior comparative period, the Company paid one month rent for former leased premises, approximately $20,000 and a fee of approximately $31,000 to surrender previous premise lease to landlord.

Transfer agent and filing fees
Increase from fiscal 2012 total of $24,701 to $39,204 fiscal 2013 relate to costs for Extraordinary General Meeting held in June 2013 to obtain shareholders' approval of the investment by Lenomi.

Travel
Travel in fiscal 2013 totalled $70,094 compared to $65,607 in fiscal 2012. Financial constraints in the current

financial year have necessitated that travel be curtailed to the extent possible.

Three month period ended September 30, 2013 (Q3-2013) compared with three month period ended September 30, 2012 (Q3-2012)

(Information extracted from the Company's unaudited condensed interim consolidated financial statements)

	Q3-2013	Q3-2012
	(unaudited)	(unaudited)
Operating expenses		
Audit and related services	$ 5,250	$ -
Consulting fees	45,000	45,000
Corporate financial services fees	71,400	-
Corporate secretarial and accounting	35,794	31,322
Depreciation	1,343	1,622
Directors fees	13,500	13,500
Exploration and evaluation expenditures	630	24,626
Foreign exchange loss (gain)	10,821	(454)
General and administrative	36,312	29,700
Investor relations	15,374	27,003
Legal fees	22,966	15,646
Rent and occupancy costs	27,300	27,300
Salaries and employee benefits	-	622
Transfer agent and filing fees	3,662	7,806
Travel	40,304	8,252
Operating loss	(329,656)	(231,945)
Other income		
Interest and other income	2,553	367
Interest on loans	(18,399)	-
Loss before income tax expense	(345,502)	(231,578)
Income tax expense	-	-
Net loss for period	(345,502)	(231,578)
Loss attributable to :		
Shareholders	$ (337,934)	$ (231,578)
Non-controlling interest	(7,568)	-
	$ (345,502)	$ (231,578)
Loss per share - basic and fully diluted	$ (0.00)	$ (0.00)
Weighted average number of common shares - basic and fully diluted	257,651,287	200,175,177

NET LOSS

The net loss for Q3-2013 amounted to $345,502 compared to a net loss for Q3- 2012 of $231,578 representing an increase of $113,923. Included in Q3-2013 results are interest and other income of $2,553 (Q3- 2012 - $367) and interest on loan from Greenland Venture A/S of $18,399 (Q3- 2012 -$Nil). The fluctuations in line item amounts are due to the same factors discussed in the 2013 year-to-date analysis.

CAPITAL EXPENDITURES

(Information extracted from the Company's condensed interim consolidated financial statements)

During fiscal 2013, the Company spent $1,458,572 (fiscal 2012-$931,524) on its capital spending program. Capital expenditures by project and category are as follows:

	Fiscal 2013	Fiscal 2012
Acquisition, net of non-cash consideration of $Nil (fiscal 2012 - $50,000)		
Greenland Property - Ruby	$ 173,930	$ 9,903
Exploration, net of non-cash items totalling $92,249 (fiscal 2012-$92,291)		
Greenland Property - Ruby	1,284,863	908,963
Baffin Island Property - Sapphire	-	(724)
Other Yukon Property	10	6,623
	1,284,873	914,862
Less - Farm out receipts	(50,000)	(50,000)
Plus - gemstone test marketing study	49,769	56,759
	1,284,642	921,621
Total capital expenditures	$ 1,458,572	$ 931,524

SUMMARY OF QUARTERLY RESULTS - UNAUDITED

The following table details the Company's quarterly results (excluding attributable to non-controlling interest):

Quarter Ended	Net revenues	Net income (loss)*	Loss per share - basic	Loss per share - diluted
	$'s	$'s	$'s	$'s
30-Sep-13	-	(337,934)	(0.00)	(0.00)
30-Jun-13	-	(269,046)	(0.00)	(0.00)
31-Mar-13	-	(186,120)	(0.00)	(0.00)
31-Dec-12	-	(343,295)	(0.00)	(0.00)
30-Sep-12	-	(231,578)	(0.00)	(0.00)
30-Jun-12	-	(185,277)	(0.00)	(0.00)
31-Mar-12	-	(358,719)	(0.00)	(0.00)
31-Dec-11	-	(783,868)	(0.00)	(0.00)

* Values may not add to reported amount for the years then ended due to rounding

There are no meaningful trends evident from analysis of the summary of quarterly financial information over the last eight quarters. The Company carries out exploration activities in Greenland and Canada. The Company's exploration activities are seasonal in nature and programs tend to start late spring and end early fall.

Factors that can cause fluctuations in the Company's quarterly results are the timing of stock option grants, mineral property impairments and sales of available-for-sale investments. The Company's properties are not yet into production.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2013, the Company had cash and cash equivalents (collectively referred to as "cash") of $831,209 and working capital of $783,575.

Based on the financial position at September 30, 2013, after completion of the debt ($746,400 (DKK 4,000,000)) and equity financings (TGX - $2,941,964/TNGG - $89,300 (DKK 500,000) in fiscal 2013, available funds are considered adequate to meet requirements for the next twelve months based on budgeted expenditures for operations and project exploration.

At the Company's AGM held on June 13, 2013, shareholders approved a $15,750,000 investment by Lenomi Holdings Inc. ("Lenomi"). To June 30, 2013, $2,941,964 had been received from Lenomi. The financing was brokered by Casimir Capital L.P. ("Casimir") of New York under an Agency Agreement between Casimir and the Company, which expired on August 1, 2013. The Company is currently pursuing other sources of funding to complete the financing for up to the full amount approved by the shareholders.

Capital Resources

The Company has been successful in meeting its exploration capital requirements through the completion of equity placements. True North may be impacted by any potential downward trend in market conditions. Trends effecting True North's liquidity are dictated by the demands on financial resources created by the advancing nature of the Company's current exploration assets and the Company's ability to access the financial resources required to meet these demands. As the exploration properties advance through exploration, they typically require more capital-intensive programs that apply pressure to the Company's financial resources. Additional planned exploration programs on the non-producing leaseholds will result in a steady drain to the Company's liquidity.

In acquiring the required capital to pursue the Company's business plan, capital will be generated from a combination of accessing equity markets, procuring industry partners for its primary exploration assets or sale of exploration assets for equity positions or cash.

Trends that affect the market generally, and the perception of True North within the marketplace, can affect the Company's ability to access capital in both a positive and negative way. Trends in this general market are defined by fluctuations in the global economy and the demand for metals and commodity prices. Trends in the perception of True North in the resource marketplace will be affected by general trends in the resource equity markets, the Company's performance in creating shareholder value and in demonstrating the ability to manage the Company's affairs and achieve mandated objectives.

Uncertainty is a prevalent element in exploration and therefore can, on occasion, impede the Company's ability to meet its financial requirements and result in an inability to advance exploration assets and meet objectives in a timely manner.

As of September 30, 2013, the Company has no long-term debt.

As of September 30, 2013, the Company had no significant contractual obligations.

The Fiskenaesset Licence was obtained by the Company satisfying all the terms of an option agreement with Brereton Engineering and Developments Ltd. ("Brereton"). Ongoing commitments from the option agreement include cash payments of $50,000 and issue of $50,000 worth of shares from treasury annually for each year the Company maintains the exploration licence (Anniversary Date - December 31). Once an exploitation (mining) permit is obtained the Company is required to make a one-time cash payment of $500,000 and issue $500,000 worth of shares from treasury.

As of September 30, 2013, the Company has no long-term contractual agreements to acquire mineral properties. To maintain the Greenland licences in good standing, the Company is required to meet minimum expenditure levels, as prescribed by the BMP annually. However, the fulfillment of these obligations is optional, at the discretion of True North. For the year ended December 31, 2013, the Company's exploration obligation with respect to Licence 2008/46 is in the process of being negotiated with the BMP. For the year ending December 31, 2013, the Company's exploration obligation with respect to Licence 2008/01 is DKK 2,855.680 (CAD$532,870). The Company has surplus exploration expenditures on Licence 2008/01 of DKK 1,571,009 (CAD$293,150) that may be carried forward until December 31, 2015 and credited against the calculated exploration commitment.

TRANSACTIONS WITH RELATED PARTIES

Key management personnel are those persons that have the authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly. Key management personnel include the Company's directors and members of the senior management group.

During the first quarter of fiscal 2013, the Company was loaned an additional $9,000 from key management personnel and the balance outstanding at March 31, 2013 of $12,000 was repaid in full in the current quarter ended June 30, 2013.

During the nine month period ended September 30, 2013, key management personnel charged $360,093 in fees for services rendered, of which $223,000 was charged to operations and $137,093 to mineral properties. These transactions were in the normal course of business recorded at their exchange amounts, which was established and agreed to by the related parties.

Robert Boyd, David Parsons, William Anderson and John Ryder are Independent Directors of True North. During the nine month period ended, $40,500 in aggregate has been recorded as paid/payable to these directors to compensate them for their time to fulfill their duties and obligations to the Company in this capacity.

At September 30, 2013, there is a balance due to key management personnel of $57,572 for compensation, which is included in accounts payable and accrued liabilities.

PROPOSED TRANSACTIONS

As of September 30, 2013, the Company has no proposed material transactions.

CRITICAL ACCOUNTING ESTIMATES

The significant accounting policies used by True North are disclosed in note 3 to the audited consolidated financial statements for the year ended December 31, 2012. Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management reviews its estimates at each reporting date. The emergence of new information and changed circumstances may result in actual results or changes to estimated amounts that differ materially from current estimates. The following discussion helps to assess the critical accounting policies and practises of the Company and the likelihood of materially different results being reported.

EXPLORATION AND EVALUATION EXPENDITURES

Exploration and evaluation expenditures are capitalized once the legal right to explore a mineral property interest has been acquired. Exploration and evaluation expenditures are recorded at cost less accumulated impairment losses. Direct costs related to the acquisition, claim maintenance and exploration and evaluation of mineral property interests are capitalized and deferred until the commercial viability of the asset is established, sold, abandoned or impaired. To the extent that the expenditures are spent to establish ore reserves within the rights to explore, the Company will consider those costs as intangible assets in nature. Those costs are amortized on a units-of-production basis following commencement of commercial production based on proven and probable reserves. The depreciation of a property and equipment assets in connection with exploring or evaluating a mineral property interest of this nature will be included in the cost of the intangible asset.

The amount shown for mineral property interests does not necessarily represent present or future values. The recoverability of mineral property interest is dependent upon the determination of economically recoverable ore reserves, securing and maintaining title and beneficial interest in the properties, and the ability of the Company to obtain the necessary financing to complete the exploration and development of its mineral property interests and on future profitable production or proceeds from the disposition of mineral property interests.

From time to time, the Company acquires and disposes of mineral property interests pursuant to the terms of option agreements. Options are exercisable entirely at the discretion of the optionee, and accordingly, are recorded as mineral property costs (recoveries) when payments are made or received until the original cost is recovered and after which subsequent recoveries are charged to the statement of loss.

Mineral properties are tested at each reporting date for impairment if facts and circumstances indicate that the carrying amount may exceed its recoverable amount. Management concluded there were no impairment indicators as at September 30, 2013.

SITE RESTORATION

The amounts recorded for reclamation costs are estimates based on engineering studies and management's assessment of the work that is anticipated to remediate the Tsa da Glisza, Baffin Island and Greenland sites based on the current state of ground disturbance. The provision for site restoration is determined at each reporting date.

SHARE-BASED COMPENSATION AND WARRANTS

Compensation expense for options and warrants granted is determined based on estimated fair values of the options and warrants at the time of grant, the cost of which is recognized over the vesting period of the respective options and grants. The key parameters impacting the calculation of fair value of options and warrants are the share volatility and the expected life.

FINANCIAL INSTRUMENTS - DESIGNATION AND FAIR VALUE

Cash and accounts receivable are classified as loans and receivables. Accounts payable and accrued liabilities are classified as other financial liabilities. The carrying value of the Company's accounts receivable approximate their fair value at September 30, 2013 and December 31, 2012 due to their short term nature. The fair value of accounts payable, accrued liabilities and loans payable may be less than the carrying value as a result of the Company's credit and liquidity risk.

ACCOUNTING POLICIES

The Company has established IFRS, as disclosed in note 3 to the annual consolidated financial statements, and applicable to exploration stage enterprises in the resource sector, which are applied on a consistent basis.

INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

Currently, the certification required by the Company's certifying officers under National Instrument 52-109 Certificate of Disclosure in Issuers' Annual and Interim Filings (NI 52-109F), the Venture Issuer Basic Certificate, does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. This includes:

i. Controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and,
ii. A process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they make in the certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

Refer to elsewhere in the MD&A or the Company's condensed interim consolidated financial statements for capitalized or expensed exploration and development costs, general and administrative expenses and other material costs. Additional information relating to the Company is on SEDAR www.sedar.com.

OUTSTANDING SHARE DATA

At September 30, 2013, True North had 247,555,134 common shares, 4,963,856 warrants and 16,650,000 options issued and outstanding.

At the date of this report, True North had 247,825,134 common shares, 980,656 warrants and 23,700,000 options issued and outstanding.

RISK FACTORS

Financial capability and additional financing

The Company relies on equity financings to funds its activities. While it has been successful in raising funds in the past, there is no guarantee that adequate funds will be available in the future and/or on terms acceptable by the Company. The Company has cash and cash equivalents of $831,209 at September 30, 2013. Based on current budgeted expenditures for operations and exploration, cash on hand at September 30, 2013 is considered adequate to meet requirements for the next twelve months. A discussion of risk factors particular to the financial instruments is presented in note 16 of the condensed interim consolidated financial statements for the nine month period ended September 30, 2013.

Exploration risk

Mineral exploration and development involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. There is no assurance that the Company's mineral exploration activities will result in any discoveries of new bodies of commercial gemstone deposits. There is also no assurance that if a commercial gemstone deposit is discovered that the ore body would be economical for commercial production. Discovery of mineral deposits is dependent upon a number of factors and significantly influenced by the technical skill of the exploration personnel involved. The commercial viability of a mineral deposit is also dependent upon a number of factors, which are beyond the Company's control. Some of these factors are the attributes of the deposit, gemstone and jewellery market, government policies and regulation and environmental protection. True North Gems is a unique company and as such subject to risk factors which are not shared by other, traditional junior exploration companies. These risks are associated with the lack of an existing coloured gemstone industry infrastructure in Canada. For example, the Company's reliance on uncertified foreign laboratories for cutting and manufacturing requires a lengthy process of testing and assessing in order to develop business relationships with reliable partners in foreign jurisdictions. Also, the resistance to innovation prevalent in the junior mining financial community presents challenges to True North Gems in communicating the value of the Company's assets and competing for market attention. Aspects like this add an element of risk to the Company's business not imposed on junior precious and base metal exploration companies. These are risk factors similar to those encountered, and overcome by a nascent junior diamond industry in the early 1990's and risks that are continually being addressed by the Company's technical and promotional programs.

Environmental risk

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. Environmental hazards may exist on the properties on which the Company is seeking an interest, which are unknown to the Company at present and which may have been caused by previous or existing owners or operators of the properties. The Company may become liable for such environmental hazards caused by previous owners and operators of the properties even where it has attempted to contractually limit its liability. Government approvals and permits are currently, and may in the future, be required and obtained in connection with the Company's operations.

Political policy risk
Substantially all of the Company's assets are located in Greenland. As such, the Company's is subject to political, economic, and other uncertainties, including, but not limited to, the uncertainty of negotiating with foreign governments, expropriation of property without fair compensation, adverse determination or rulings by governmental authorities, changes in mining policies or in the personnel administering them, currency fluctuations, disputes between various levels of authorities, arbitrating and enforcing claims against entities that may claim sovereignty, authorities claiming jurisdiction, royalty and government take increases and other risks arising out of foreign governmental sovereignty over the areas in which the Company's operations are conducted. The Company's operations may be adversely affected by changes in government policies and legislation and other factors which are not within the control of the Company.