TRUE NØRTH GEMS

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE PERIOD ENDED September 30, 2014

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, 2014 and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the nine month period ended September 30, 2014 ("Q3-2014") and the audited consolidated financial statements for the year ended December 31, 2013 and the related notes thereto ("fiscal 2013"). 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

During the nine month period ended September 30, 2014 and to the date of this report, a number of milestones have been achieved by True North that have paved the road toward mine development of the Aappaluttoq Ruby and Pink Sapphire Deposit, SW Greenland:

- On March 10, 2014, the Government of Greenland awarded the Company an exclusive 30-year exploitation (mining) licence for the Aappaluttoq Ruby and Pink Sapphire Deposit, SW Greenland.
- On May 30, 2014, the Government of Greenland formally approved the Company's Exploitation and Closure Plan and the Impact Benefit Agreement.
- On June 4, 2014, the Municipality of Sermersooq and City Council completed the required official formalities and officially approved the Impact Benefit Agreement. This final approval by the Municipality signals the

go-ahead for mine development.

- On September 23, 2014, True North announced it had issued the commencement notice to its joint venture partner, LNS Greenland A/S ("LNSG"), to authorize mobilization of equipment and inaugurate construction of the Aappaluttoq Ruby and Pink Sapphire project. Mobilizing of equipment has been very efficient and LNSG's progress on initial site construction has gone extremely well (Press Release November 13, 2014).
- The $11,000,000 financing package with Leonard Nilsen & Sonner A/S ("LNS Group") and LNSG completed. The package consisted of an equity investment by LNS Group in True North and its subsidiary, True North Gems Greenland A/S ("TNGG") of $3,000,000 and US $3,000,000 respectively. In addition, LNSG will provide an additional US $5,000,000 towards the estimated construction cost through a capital loan over the term of the initial mine life. (Press Releases September 11, 2014 and October 30, 2014)
- The TSX Venture Exchange approved the Option Agreement dated August 7, 2013 between the Company and LNS Greenland A/S ("LNSG") under which LNSG has been granted an option to earn a 20% interest of the issued and outstanding Class A shares of True North's subsidiary, TNGG. The earn-in agreement constitutes approximately US$23 million in infrastructure and engineering costs together with construction to operational status thereby greatly reducing the total estimated capital expenditures of US$37 million, the majority of the Aappaluttoq estimated capital costs.
- An additional $1,500,000 was raised from a private placement that closed in the first quarter of fiscal 2014.
- Greenland Ventures S/A has provided funding to TNGG of up to approximately CAD $627,330[1] (DKK 3,300,000) through a loan facility.

The granting of the exploitation licence for the Aappaluttoq Ruby and Pink Sapphire Deposit is a huge step forward, as it launches True North into a new era in its corporate history, as it evolves from exploration stage to a revenue generating entity. This transformation will enable the Company to showcase and deliver a new supply of rubies and pink sapphires to the worldwide gemstone industry.

FISKENAESSET RUBY PROJECT – GREENLAND

Mine Development

During 2014, the Company will be focussing on the commencement of mine development at the Aappaluttoq Ruby and Pink Sapphire Deposit. Exploration programs on both the Qaqqatsiaq and Fiskenaesset licences were minimal. On-going scientific work will continue to investigate the geochemical characteristics of the deposits to aid future exploration within the Fiskenaesset Complex.

The formal mine construction commencement notice was issued by the Company to LNSG on September 23, 2014. This document allowed LNSG to begin their mobilization of people and equipment to the exploration camp and outer port sites.

Mobilization of construction crews to site was completed efficiently by LNSG. To date, LNSG have commenced the following activities on-site:

- Updating and winterization of the current exploration camp;
- Installation of a small construction camp at the outer port;
- Construction of a temporary explosives depot;
- Fabrication of the landing dock;

[1] Spot rate September 30, 2014

- Development of a 1.5 kilometre construction route from the outer port toward the main camp site;
- Heavy equipment including haul trucks, a blasting drill rig, front end loaders and excavators are on site and active; and,
- Blasting to prepare the permanent camp site, helipad and the future road network.

Construction crews are entirely comprised of Greenlandic workers, fully demonstrating the Company's commitment to local empowerment, as required under the IBA with the Municipality and local communities. Progress reports will be issued periodically, as mine development milestones are achieved. Initially, True North anticipates these to include:

- Delivery and commissioning of the mobile primary crusher;
- Commencement of mine camp construction;
- Construction of a basic roadway between the mine camp and the upper mine-site; and,
- Lowering the water level in the Aappaluttoq Lake.

Corporate Changes

On January 22, 2014, Mr. Jens B. Frederiksen joined the Company's subsidiary, TNGG's management team as Executive Vice President.

In October 2014, TNGG retained the services of Mr. Janus Mortensen Skou Krog, a highly experienced Greenlandic civil engineer to oversee the construction management of the project.

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.

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. Final demobilization of the heavy equipment and bulky items from camp was completed in the winter of 2014. A site inspection was completed by Company staff during the summer of 2014; a Yukon Government closure certificate has been applied for and updates for this project will be given in due course.

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 2013. A management review of this project will occur in 2014, and until then, the previous assessment credit is sufficient to maintain claims in good standing.

FINANCIAL POSITION

As at September 30, 2014, the Company had current assets of $1,387,500 and current liabilities of $1,620,941 compared to current assets of $788,115 and current liabilities of $1,389,677 as at December 31, 2013. At September 30, 2014, the Company had a working capital deficit of $233,441 compared to working capital deficit of $601,562 at December 31, 2013.

The Company had cash and cash equivalents of $924,333 at September 30, 2014 compared to $271,095 at December 31, 2013. During the nine month period ended September 30, 2014, the Company recorded cash used in operations of $924,508 compared to cash used in operations of $1,223,080 in the comparable period of 2013.

Cash used in investing activities during the nine month period ended September 30, 2014 includes $1,442,844 being spent on the Company's projects; primarily on the Fiskenaesset Ruby and Pink Sapphire Deposit Greenland. Also the net payable position with respect to exploration expenditures resulted in cash outflows of $1,006. Additionally, the Company purchased computer software totalling $1,250.

True North drew down $439,463 (DKK 2,311,747) on its credit facility of approximately CAD $627,330 (DKK 3,300,000) from Greenland Venture S/A. Capital (share capital and warrants) as at September 30, 2014 was $44,043,739 compared to $42,005,700 as at December 31, 2013. During the nine month period ended September 30, 2014, True North raised additional capital of $1,500,000 from the issue of 16,666,667 shares and 8,333,334 warrants. The capital raising costs for this placement amounted to $11,961. Brereton Engineering and Developments Ltd. were issued 4,168,820 shares ($550,000) from treasury to satisfy the terms of the Fiskenaesset property option agreement.

RESULTS OF OPERATIONS

Nine month period ended September 30, 2014 (fiscal 2014) compared with nine month period ended September 30, 2013 (fiscal 2013)

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

	Fiscal 2014	Fiscal 2013
	(unaudited)	(unaudited)
Operating expenses		
Audit and related services	$ 7,200	$ 8,738
Consulting fees	135,000	135,000
Corporate financial services fees	-	101,400
Corporate secretarial and accounting	120,502	110,214
Depreciation	3,593	3,853
Directors fees	40,500	40,500
Exploration and evaluation expenditures	(1,057)	12,759
Farmout receipts	(14,500)	(52,500)
Foreign exchange loss	(35,909)	24,566
General and administrative	117,812	84,147
Investor relations	102,706	40,436
Legal fees	9,183	38,015
Loss on sale of exploration and evaluation assets	-	47,790
Rent and occupancy costs	81,900	81,900
Share based compensation	24,342	-
Transfer agent and filing fees	17,797	39,204
Travel	26,844	70,094
Operating loss	(635,913)	(786,116)
Other income		
Interest and other income	2,569	5,433
Borrowing costs	(95,384)	(35,240)
Loss before income taxes	(728,728)	(815,923)
Income tax recovery (expense)	39,780	-
Net loss for period	$ (688,948)	$ (815,923)
Loss attributable to :		
Shareholders	$ (687,100)	$ (793,100)
Non-controlling interests	(1,848)	(22,823)
	$ (688,948)	$ (815,923)
Loss per share - basic and fully diluted	$ (0.00)	$ (0.00)
Weighted average number of common shares - basic and fully diluted	267,173,271	257,651,287

NET LOSS

The net loss attributable to shareholders for the nine month period ended September 30, 2014 amounted to $687,100 compared to a net loss for the nine month period ended September 30, 2013 of $793,100 representing a decrease in net loss of $104,153. Included in Fiscal 2014 results are interest income of $2,569 (Fiscal 2013 - $5,433), borrowing costs of $95,384 (Fiscal 2013-$35,240) and income tax recovery of $39,780 (Fiscal 2013 - $Nil).

Operating expenses
For the nine month period ended September 30, 2014, total operating expenses were $635,913 compared to $786,116 recorded during the same period in 2013 representing a decrease of $150,203.

Significant factors that contributed to the variances are discussed below.

Corporate financial services
In Fiscal 2013, the Company paid fees of $101,400. 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 January 2013, the Company entered into an Option Agreement with Pacific Ridge Exploration Ltd. ("Pacific") whereby Pacific had the right to acquire a 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 (originally recorded at $37,500 and subsequently adjusted to the correct fair value at date of issue $7,500 in Q4-2013). In January 2014, the final cash payment of $10,000 and issue of 150,000 shares (fair value at date of issue $4,500) were received and the agreement is complete. All expenditures relating to this property had been written off in a prior reporting period.

General and administrative
General and administrative expenses totalled $117,812 for Fiscal 2014 compared to $84,147 in Fiscal 2013. Increase in general and administrative relates to higher level of corporate activities in preparation for the commencement of mine development of the Aappaluttoq Ruby and Pink Sapphire Deposit and hiring of an administrative assistant to the CEO Included in this category are administrative assistant fees, bank fees, communications lines (telephone, facsimile and internet), delivery, interest, office supplies and printing.

Investor relations
Investor relations charges were $102,706 for Fiscal 2014 compared to $40,436 for Fiscal 2013 representing an increase of $54,583. In fiscal 2014, the Company engaged a person to perform investor relations services on their behalf on a part time bases. Additionally, the corporate website was revamped. Due to financial constraint in fiscal 2013, expenditures on investor relations activities were curtailed to the extent possible.

Loss on sale of exploration and evaluation assets
Carrying cost of the exploration and evaluation asset exceeded the 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.

Share based compensation
The fair value of the 300,000 options granted during the nine month period ended September 30, 2014 resulted in a compensation expense of $24,342. There were no significant changes in assumptions used in valuing the options using the Black-Scholes valuation model from prior period option grants.

Transfer agent and filing fees
Decrease from the 2013 total of $39,204 to $17,797 for the nine month period ended September 30, 2014 relate to a refund from TSX Venture Exchange for filing of the form 4B in Fiscal 2013 for a financing that did not complete.

Travel
For the nine month period ended September 30, 2014, travel totalled $26,844 compared to $70,094 for the comparative period in 2013. Timing of the CEO's travel to source financing or monitor project developments can cause

significant variances in the amount recorded in each quarter.

Three month period ended September 30, 2014 (Q3-2014) compared with three month period ended September 30, 2013 (Q3-2013)

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

	Q3-2014	Q3-2013
	(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	41,719	35,794
Depreciation	1,211	1,343
Directors fees	13,500	13,500
Exploration and evaluation expenditures	(155)	630
Foreign exchange (gain) loss	(45,792)	10,821
General and administrative	29,296	36,312
Investor relations	23,063	15,374
Legal fees	196	22,966
Rent and occupancy costs	35,800	27,300
Transfer agent and filing fees	13,546	3,662
Travel	8,989	40,304
Operating loss	(166,373)	(329,656)
Other income		
Interest income	(2,744)	2,553
Borrowing costs	(33,937)	(18,399)
Loss before income tax expense	(203,054)	(345,502)
Income tax recovery (expense)	(13,000)	-
Net loss for period	$ (216,054)	$ (345,502)
Loss attributable to :		
Shareholders	$ (215,404)	$ (337,934)
Non-controlling interests	(650)	(7,568)
	$ (216,054)	$ (345,502)
Loss per share - basic and fully diluted	$ (0.00)	$ (0.00)
Weighted average number of common shares - basic and fully diluted	305,239,628	257,651,287

NET LOSS

The net loss attributable to shareholders for Q3-2014 amounted to $215,404 compared to a net loss attributable to shareholders for Q3- 2013 of $337,934 representing a decrease of $122,530. Included in Q3-2014 results are borrowing costs of $33,937 (Q3- 2013 -$18,399) and income tax recovery of $13,000 (Q-2013- $Nil). The fluctuations in line item amounts are due to the same factors discussed in the 2014 year-to-date analysis.

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

During Fiscal 2014, the Company spent $1,442,844 (Fiscal 2013-$1,458,572) on its capital spending program. Capital expenditures by project and category are as follows:

	Fiscal 2014	Fiscal 2013
Acquisition, net of non-cash consideration of $550,000 (Fiscal 2013 - $Nil)		
Greenland Property - Ruby and Pink Sapphire	$ 329,198	$ 173,930
Exploration, net of non-cash items totalling $93,851 (Fiscal 2013-$61,384)		
Greenland Property - Ruby and Pink Sapphire	1,050,953	1,284,863
Other Yukon Property	-	10
	1,050,953	1,284,873
Less - Farm out receipts	-	(50,000)
Plus - Gemstone test marketing study	62,693	49,769
	1,113,646	1,284,642
Total capital expenditures	$ 1,442,844	$ 1,458,572

SUMMARY OF QUARTERLY RESULTS - UNAUDITED

The following table details the Company's quarterly results:

Quarter Ended	Net revenues	Net income (loss) attributable to shareholders*	Net income (loss) attributable to non-controlling interests*	Net income (loss)*	Loss per share - basic	Loss per share - diluted
	$'s	$'s	$'s	$'s	$'s	$'s
30-Sep-14	-	(215,404)	(650)	(216,054)	(0.00)	(0.00)
30-Jun-14	-	(128,611)	(719)	(129,330)	(0.00)	(0.00)
31-Mar-14	-	(343,085)	(479)	(343,564)	(0.00)	(0.00)
31-Dec-13	-	(833,409)	21,227	(812,182)	(0.00)	(0.00)
30-Sep-13	-	(337,934)	(7,568)	(345,502)	(0.00)	(0.00)
30-Jun-13	-	(269,046)	(2,992)	(272,038)	(0.00)	(0.00)
31-Mar-13	-	(186,120)	(12,263)	(198,383)	(0.00)	(0.00)
31-Dec-12	-	(343,295)	-	(343,295)	(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, 2014, the Company had cash and cash equivalents (collectively referred to as “cash”) of $924,333 and a working capital deficit of $601,562.

Based on the financial position at September 30, 2014, available funds were not considered adequate to meet requirements for the next twelve months based on budgeted expenditures for operations, mine development and project exploration. Upon closing of the $11,000,000 finance package with Leonard Nilsen & Sonner A/S (“LNS Group”) and LNS Greenland A/S (“LNSG”) on October 30, 2014, available funds are considered adequate to meet planned expenditures for the next twelve months.

CAPITAL RESOURCES

The Company has been successful in meeting its capital requirements through the completion of equity placements and debt financings. 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 and evaluation assets and the Company’s ability to access the financial resources required to meet these demands. As the exploration and evaluation assets advance from exploration to mine development, more capital is required that apply pressure to the Company’s financial resources, which 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 or procuring resource secured debt facilities.

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, 2014, the Company has $1,319,112 in debt. The debt consists of a line of credit, term loan and a financial liability. The credit facility with Greenland Ventures for up to DKK 3,300,000 (approximately $627,330) bears interest at the rate of 12% per annum and can be drawn down monthly to a maximum of $70,000 (approximately DKK 368,227 per month). The loan principal together with the loan facility fee of DKK 50,000 (approximately $9,505) and accrued interest thereon is repayable three months after the final authorizations have been received to commence mine development of the Aappaluttoq Ruby and Pink Sapphire Deposit. The term loan bears interest at the rate of 10% per annum payable annually in arrears. The principal balance of $760,400 (DKK 4,000,000) and any accrued interest thereon are repayable on the fifth anniversary date of the funding of the final draw (June 14, 2013) on the credit facility (the “Maturity Date”) with repayment guaranteed by TNGG parent company, True North Gems Inc. TNGG is entitled to repay the loan in full or in part including accrued payable interest thereon as at the date of repayment and including an early payout premium of 5% of the outstanding loan at any time before the Maturity Date. The financial liability of $95,050 (DKK 500,000) represents the equity component of Greenland Venture’s investment in TNGG that is considered a financial liability for accounting purposes. Judgment was required by management in determining that the put option related to the Class B shares issued to Greenland Venture does not result in the transfer of risks and rewards of ownership and therefore, accounted for as a financial liability. The put option granted to Greenland Venture’s is exercisable on or after fifth anniversary date of the funding of the final draw (June 14, 2013). The expected settlement amount of the obligation is anticipated to be DKK 750,000 and the premium of DKK 250,000 is being accreted over the term as a borrowing cost and the 10% annual cumulative dividend is being accrued as a borrowing cost.

As of September 30, 2014, the Company had no significant contractual obligations except as described above.

The Fiskenaesset Licence was obtained by the Company satisfying all the terms of an option agreement with Brereton Engineering and Developments Ltd. (“Brereton”). The Company was required to make a one time cash payment of $500,000 and issue $500,000 worth of shares from treasury to Brereton when Licence 2014/21 was granted. The $500,000 worth of shares were issued from treasury (3,703,704 shares) to Brereton. Brereton have agreed to postponement of the $500,000 cash payment until True North has its financing in place for its obligations for the remaining portion of the budgeted capital expenditures. In recognition of this concession, the Company agreed to pay interest on the $500,000 at the rate of 1% per month ($5,000 per month) commencing April 1, 2014, payable quarterly. Subsequent to September 30, 2014, the Company made the one time cash payment of $500,000 to satisfy its final obligation to Brereton upon an exploitation licence being granted.

As of September 30, 2014, the Company has no long-term contractual agreements to acquire mineral properties. To maintain the Greenland exploration 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 ending December 31, 2014, the Company’s exploration obligation with respect to Licence 2008/46 is DKK 3,664,640 (CAD $696,648). As at December 31, 2013, the Company has surplus exploration expenditures on Licence 2008/46 amounting to DKK 36,897,568 (CAD 7,014,228) that may be carried forward and credited against the calculated exploration commitment in future years. For the year ending December 31, 2014, the Company’s exploration obligation with respect to Licence 2008/01 is DKK 1,221,380 (CAD $232,184). As at December 31, 2013, the Company has surplus exploration expenditures on Licence 2008/01 of DKK 1,272,982 (CAD $241,994) that may be carried forward and credited against the calculated exploration commitment in future years, which is subject to confirmation by the BMP.

Subsequent to September 30, 2014, the Company was granted an exploration licence for areas near Alaaffiusaaq in Western Greenland, Licence 2014/47, by the BMP for a five year term expiring December 31, 2018. To maintain the exploration licence, the Company will be required to meet minimum expenditure levels, as prescribed by the BMP annually. For the year ending December 31, 2014, the Company’s exploration obligation with respect to Licence 2014/47 is DKK 255,510 (CAD $48,572).

Additionally, the Company holds a non-exclusive prospecting licence, Licence 2011/07, for West Greenland that expires December 31, 2015, which has no minimum expenditure levels over the licence term to maintain in good standing.

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 nine month period ended September 30, 2014, key management personnel charged $303,725 in fees for services rendered, of which $225,000 was charged to operations and $78,725 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.

William Anderson, Robert Boyd, David Parsons and John Ryder are Independent Directors of True North. During the nine month period ended September 30, 2014, $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. Peter Friedmann, nominee of Halman-Aldubi Provident Funds Ltd., and Andrew Lee Smith are as well Independent Directors but did not receive director’s fees.

At September 30, 2014, there is a balance due to key management personnel of $157,250 for compensation, which is included in accounts payable and accrued liabilities.

PROPOSED TRANSACTIONS

As of September 30, 2014, 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, 2013. 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 exploration and evaluation assets 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, 2014.

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 cash equivalents and accounts receivable are classified as loans and receivables. Accounts payable and debt are classified as other financial liabilities. The carrying value of the Company’s cash and cash equivalents, accounts receivable and accounts payable approximate their fair value at September 30, 2014 and December 31, 2013 due to their short term nature. The fair value of accounts payable and debt may be less than the carrying value as a result of the Company's credit and liquidity risk.

ACCOUNTING POLICIES

The Company has applied 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 audited 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, 2014, True North had 268,660,621 common shares, 9,313,990 warrants and 19,350,000 options issued and outstanding.

At the date of this report, True North had 297,232,049 common shares, 9,313,990 warrants and 19,350,000 options issued and outstanding.

RISK FACTORS

Financial capability and additional financing

The Company relies on equity or debt 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 $924,333 at September 30, 2014. Based on the financial position at September 30, 2014, available funds were not considered adequate to meet requirements for the next twelve months based on budgeted expenditures for operations, mine development and project exploration. Upon closing of the $11,000,000 finance package with Leonard Nilsen & Sonner A/S ("LNS Group") and LNS Greenland A/S ("LNSG") on October 30, 2014, available funds are considered adequate to meet planned expenditures for the next twelve months. A discussion of risk factors particular to the financial instruments is presented in note 16 of the unaudited condensed interim consolidated financial statements for the nine month period ended September 30, 2014.

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.