

TRUE NORTH GEMS

MANAGEMENT DISCUSSION AND
ANALYSIS

FOR THE THREE MONTH PERIOD ENDED
MARCH 31, 2012

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 May 25, 2012 and should be read in conjunction the unaudited condensed interim consolidated financial statements for the three month period ended March 31, 2012 ("Q1-2012") and the audited consolidated financial statements for the year ended December 31, 2011 and the related notes thereto ("fiscal 2011"). 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.

CORPORATE DEVELOPMENTS

FISKENAESSET RUBY PROJECT – GREENLAND

On June 6, 2011, the Company filed an exploitation (mining) permit application for the Company's Aappaluttoq Prospect in Greenland. The 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.

Subsequent to this filing, the Company received comments on the permit application, the SIA and EIA. A revised application and revised draft EIA were filed in August 2011 and a revised draft SIA was filed in March 2012. In response to further comments, a further revised EIA was filed on April 10, 2012, which responded to environmental concerns regarding certain of the processes to be used both at the Aappaluttoq site, including the possible addition of a ferrosilicon dense media separation circuit, and in Nuuk for hydrofluoric acid cleaning of corundum concentrate. Discussions have been ongoing with the Government of Greenland regarding the final form of the SIA and EIA and, once finalized, the SIA and EIA will be published on the Greenland Government's public website in preparation for public hearings on the permit application. No date has yet been set for these hearings.

The permit application is based on a pre-feasibility study for the Aappaluttoq Prospect which was filed on June 15, 2011. This study was prepared by EBA, a Tetra Tech Company, of Vancouver BC and MT Hojgaard of Denmark and Greenland following the resource estimate released on May 17, 2011. Key operating parameters:

- Open pit mine with a 9 year mine life
- Camp and mine facility easily accessible to cost-efficient water transportation
- Total probable reserve of 161,600 tonnes of ore grading 350 grams per tonne of clean corundum
- Processing of 1,100 tonnes of ore in the year of construction increasing to an average of 22,000 tonnes per year by year 3
- Initial capital investment of \$37.4 million including contingency of \$4.4 million
- IRR pre-tax (100% equity) of 19.1%
- NPV pre-tax (100% equity) \$25.7 Million (8% discount rate)

Only corundum over 1.7 mm is considered in the study, which is nominally larger than the minimum size of gemstone rough that can be commercially polished. The study contemplates the development of an open pit mine at a 300 meter elevation to extract the probable reserve using conventional mining equipment. The mined ore will be transported to an adjacent process facility where it will be crushed, screened and sorted using a combination of hand-sorting and automated mechanical methods to extract rough corundum concentrate. Personnel will be accommodated at a nearby, fully serviced camp. Supplies and personnel will be transported largely by commuter boat from the capital Nuuk (150 km) with other personnel arriving by boat from the local community of Qeqartarsuaq (25 km). The rough concentrate will be transported from the mine to a secure sorthouse operated by the Company in Nuuk, where the concentrate will be graded by trained sorters to separate the gem and

near-gem rubies and pink sapphires. Non-gem corundum is presently assumed to be waste.

Based on bulk sampling done to date, the study assumes that rough gem and near-gem ruby and pink sapphire comprises 39% of the total clean rough corundum in the deposit and that of the gem-and near-gem, 15.9% is rough ruby and 84.1% is rough pink sapphire. An overall total clean rough corundum recovery of 95% is assumed for the processing plant. Total initial capital investment in the project is estimated to be \$33.4 million, exclusive of contingency, which represents the total direct and indirect cost for the complete development of the project, including associated infrastructure such as a full camp, roads and two small ports, as well as sorting facilities in Nuuk. Because reliable estimates of the value of rough corundum were not available, the study assumes that 100% of ruby recovered will be sold as polished gemstones, while 60% of pink sapphire recovered will be sold as polished gemstones with the balance of the pink sapphire sold as rough. However, the Company's marketing plan is to work toward increasing the gemstone industry's knowledge of Greenland corundum with the objective of increasing rough prices and selling the majority of the corundum production as rough gemstones.

2012 Work Program

The Company's efforts in 2012 are dedicated to completing the exploitation permit application on the Fiskanaasset ruby project. This includes completion of the EIA and SIA with the commensurate public hearings in Greenland. At the same time, basic engineering of the project is underway with final design of many of the project components including the processing plant. The processing flowsheet has been upgraded; as a result of the test work at SGS Lakefield, which demonstrated that the addition of a dense media separation circuit will improve the efficiency of the processing plant and optic sorting test work done in December 2011. Further engineering is planned for the first half of 2012, with sourcing and preliminary construction logistics planned for the second half of 2012.

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.

BANDITO PROJECT – YUKON, CANADA

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

On August 30, 2010, the Company entered into a Letter Agreement (the "Agreement") with Endurance Gold Corporation ("Endurance") whereby Endurance was granted an option to acquire up to a 75% interest in the Company's 100% owned Bandito Property, Yukon subject to TSX Venture Exchange approval.

Under the terms of the Agreement, Endurance can earn a 51% interest as follows:

- i. On receipt of regulatory approval an initial cash payment of \$25,000 (paid September 10, 2010) and additional cash payments of \$100,000 by December 31, 2012 (paid \$50,000 in Q1-2012); and,
- ii. Incur \$1,000,000 in exploration expenditure on or before December 31, 2013.

The agreement remains in good standing.

BATEA PROJECT– YUKON, CANADA

The property comprises fifty-six claims 200 kilometres east of Whitehorse, Yukon.

The Company continues to assess the polymetallic potential of the Batea prospect and intends to seek option and/or sale agreements for this project. In 2012, True North will perform the minimum required to maintain claims in good standing for a year.

TRUE BLUE PROJECT– YUKON, CANADA

The property comprises 94 claims located 55 kilometres south of Ross River, Yukon. In 2011, no work was performed on-site. Previous assessment credit was sufficient to maintain claims in good standing.

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. Based on EBA Engineering's recommendations contained in their 2011 report, the Company has proposed a work program in 2012 to begin reclamation on the site and determine what further work will be necessary in subsequent years, if any. The reclamation items to be addressed consist primarily of closing the 2002 exploration adit, backfilling trenches, decommissioning roads, environmental baseline sampling and the removal of camp and heavy equipment.

FINANCIAL POSITION

As at March 31, 2012, the Company had current assets of \$388,016 and current liabilities of \$652,419 compared to current assets of \$862,090 and current liabilities of \$573,683 as at December 31, 2011. At March 31, 2012, the Company had working capital deficit of \$264,403 compared to a working capital of \$288,407 at December 31, 2011.

The Company had cash and cash equivalents of \$218,852 at March 31, 2012 compared to \$677,663 at December 31, 2011. During the three month period ended March 31, 2012, the Company recorded cash outflows of \$258,547 compared to cash outflows of \$227,342 in the comparable period of 2011.

Cash used in investing activities during Q1-2001 includes \$203,721 being spent on the Company's projects; primarily on the Fiskenaasset Ruby Project Greenland. Also the net payable position with respect to exploration expenditures resulted in a cash outflow of \$22,136. Additionally, True North spent \$3,827 on equipment and received proceed from the sale of available-to-sale investments of \$29,420.

RESULTS OF OPERATIONS

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

	Q1-2012	Q1-2011
Operating expenses		
Audit and related services	\$ -	\$ 15,750
Consulting fees	45,000	52,500
Corporate financial services fees	22,500	67,500
Corporate secretarial and accounting	36,052	18,750
Depreciation	1,696	3,203
Directors fees	13,500	13,500
Exploration and evaluation expenditures	672	3,498
Foreign exchange loss	1,289	7,978
General and administrative	29,521	24,139
Investor relations	60,691	45,155
Legal fees	5,262	-
Loss on disposal of property, plant and equipment	20,292	-
Rent and occupancy costs	78,018	18,815
Salaries and employee benefits	610	14,502
Transfer agent and filing fees	11,420	8,473
Travel	54,501	4,635
Operating loss	(381,024)	(298,398)
Other income		
Gain on sale of available-for-sale-investments	18,670	-
Interest income	4,854	472
Loss before income taxes	(357,500)	(297,926)
Deferred income tax recovery (expense)	(1,219)	1,500
Net loss for period	(358,719)	(296,426)
Realized losses (gains) on available-for-sale investments	(8,531)	-
Unrealized gains (losses) on available-for-sale investments	-	10,500
Comprehensive loss for period	\$ (367,250)	\$ (285,926)
Loss per share - basic and fully diluted	\$ (0.00)	\$ (0.00)
Weighted average number of common shares - basic and fully diluted	194,055,975	156,614,454

NET LOSS

The net loss for Q1-2012 amounted to \$358,719 compared to a net loss for Q1-2011 of \$296,426 representing an increase of \$62,293 or 21%. Included in the current period's results are a gain on sale of available-for-sale investments of \$18,670 and interest income of \$4,854.

Operating expenses

For Q1-2012, total operating expenses were \$381,024 compared to \$298,398 recorded during the same period in 2011 representing an increase of \$82,626 or 28%.

Significant factors that contributed to the variances are discussed below.

Consulting fees

For Q1-2012, expenses charged to consulting fees were \$45,000 compared to consulting fees for the Q1-2011 of \$52,500. In fiscal 2011, True North was compensating a former director to provide management services at the rate of \$5,000 per month.

Corporate financial services

In the current financial year, the Company has paid fees of \$22,500 (2011-\$67,500). 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.

Corporate secretarial and accounting

A total of \$36,052 has been paid in fees for Q1-2012 compared to \$18,750 for the prior comparative period. The increase in the current year relates to the additional time spent on financial reporting upon conversion to International Financial Reporting Standards effective January 1, 2011 and retroactive restatement to apply such standards to prior reporting periods.

General and administration

General and administration charges were \$29,521 for Q1-2012 compared to \$24,140 for the comparative period. Included in this category are bank fees, communications lines (telephone, facsimile and internet), delivery, interest, office supplies and printing.

Investor/shareholder relations

Investor relations charges were \$60,691 for Q1-2012 compared to \$45,155 for the comparative period. An active investor relation program was launched in the later part of fiscal 2011 resulting in increased communications with shareholders on project developments and in anticipation of further financing being required in the first half of fiscal 2012 to fund working capital requirements and planned project programs.

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.

Rent and occupancy

Rent and occupancy increased to \$78,018 for Q1-2012 from \$18,815 for Q1-2011. Increase is a result of sub tenants vacating premises during 2011; resulting, in True North paying 100% of the rental costs in current year and payment of approximately \$31,000 in January 2012 to surrender lease to landlord.

Travel

Travel charges were \$54,501 for Q1-2012 compared to \$4,635 for the comparative period representing an increase of \$49,866. Financial constraints in the prior comparative period necessitated that travel be curtailed to the extent possible.

CAPITAL EXPENDITURES

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

During the three month period ended March 31, 2012, the Company spent \$203,721 (2011-\$828,530) on its capital spending program. Capital expenditures by project and category are as follows:

	Three month period ended	
	2012	March 31, 2011
Acquisition, net of non-cash consideration of \$50,000 (2011-\$50,000)		
Greenland Property - Ruby	\$ 2,144	\$ 50,000
Exploration, net of non-cash items totalling \$30,700 (2010-\$29,339)		
Greenland Property - Ruby	224,068	752,540
Baffin Island Property - Sapphire	(724)	-
Other Yukon Property	6,512	25
	229,856	752,565
Less - Farm out receipts	(50,000)	-
Plus - gemstone test marketing study	21,721	25,965
	201,577	778,530
Total capital expenditures	\$ 203,721	\$ 828,530

Q1-2011 all efforts towards advancing the application process for an exploitation (mining) permit for the Aappaluttoq ruby occurrence, which was submitted to the BMP in June 2011.

SUMMARY OF QUARTERLY RESULTS - UNAUDITED

Quarter Ended	Net revenues	Net income (loss)*	Loss per share - basic	Loss per share - diluted
	\$'s	\$'s	\$'s	\$'s
31-Mar-12	-	\$ (358,719)	(0.00)	(0.00)
31-Dec-11	-	\$ (783,868)	(0.00)	(0.00)
30-Sep-11	-	(489,473)	(0.00)	(0.00)
30-Jun-11	-	(294,258)	(0.00)	(0.00)
31-Mar-11	-	(296,426)	(0.00)	(0.00)
31-Dec-10	-	(3,064,861)	(0.00)	(0.00)
30-Sep-10	-	(283,722)	(0.00)	(0.00)
30-Jun-10	-	(91,198)	(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, CAPITAL RESOURCES AND GOING CONCERN

At March 31, 2012, the Company had cash and cash equivalents (collectively referred to as "cash") of \$218,852 and working capital deficit of \$264,403.

Cash on hand at March 31, 2012 is not adequate to meet requirements for fiscal 2012 based on the Company's current budgeted expenditures for operations and exploration and development of its mineral properties. Based on the financial position at March 31, 2012, available funds are not considered adequate to meet requirements for fiscal 2012 based on budgeted expenditures for operations and project exploration and investigation. To meet working capital requirements, the Company will have to access financial resources through equity placements. There can be no assurances that such funds will be available and/or on terms acceptable by the Company. These conditions cast significant doubt on the Company to continue as a going concern.

If the going concern assumption were not appropriate for these financial statements, then adjustments would be necessary to the carrying values of assets, liabilities, the reported income and expenses and the consolidated statement of financial position classifications used. Such adjustments could be material.

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 March 31, 2012, the Company has no long-term debt.

As of March 31, 2012, the Company has no long-term contractual obligations.

The Fiskenaasset 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 March 31, 2012, 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 ending December 31, 2012, the Company's exploration obligation with respect to Licence 2008/46 is DKK 2,231,900 (CAD \$399,510). As at March 31, 2012, the Company has surplus exploration expenditures on Licence

2008/46 amounting to DKK 65,999,956 (CAD \$11,813,992) that may be carried forward and credited against the calculated exploration commitment in future years. For the year ending December 31, 2012, the Company's exploration obligation with respect to Licence 2008/01 is DKK 2,782,460 (CAD\$498,060). As at March 31, 2012, the Company has surplus exploration expenditures on Licence 2008/01 of DKK858,205 (CAD\$153,619) that may be carried forward and credited against the calculated exploration commitment in future years.

TRANSACTIONS WITH RELATED PARTIES

In the normal course of business, True North has had transactions with individuals and companies considered related parties. Related party transactions involve normal commercial compensation for services rendered by senior management, officers, directors or insiders of the Company and by companies with which they are associated as owners, contractors or employees.

William Anderson, Robert Boyd, Peter Friedmann, David Parsons and John Ryder are Directors of True North. During the three month period ended March 31, 2012, \$13,500 in aggregate has been recorded as paid/payable to William Anderson, Robert Boyd, David Parsons and John Ryder 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., did not receive director's fees.

During the three month period ended March 31, 2012, directors and officers charged \$109,588 in fees for services rendered, of which \$69,000 was charged to operations and \$40,588 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.

PROPOSED TRANSACTIONS

As of March 31, 2012, 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, 2011. 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 on a regular basis. 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 annually for impairment if facts and circumstances indicate that the carrying amount may exceed its recoverable amount.

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 on an annual basis.

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.

INCOME TAXES

The determination of income and other tax liabilities requires interpretation of complex laws and regulations. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax liability may differ significantly from that estimated and recorded by management.

FINANCIAL INSTRUMENTS

Designation and fair value

True North has classified its cash and cash equivalents as financial assets held-for-trading and investments financial assets as available-for-sale. Accounts receivable are classified as loans and receivables. Accounts payable and accrued liabilities are classified as other financial liabilities. At March 31, 2012 and December 31, 2011, there were no significant differences between the carrying amounts of the financial instruments reported on the balance sheet and their estimated fair values due primarily to the short-term maturity of the financial instruments.

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 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 March 31, 2012 and as at the date of this report, True North had 191,975,003 common shares, 42,671,158 warrants and 15,505,000 options issued and outstanding.

RISK FACTORS

Financial capability and additional financing

The Company relies on equity financings to fund 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. The Company has cash and cash equivalents of \$218,852 at March 31, 2012. Based on current budgeted expenditures for operations and exploration, cash on hand at March 31, 2012 is not adequate to meet capital requirements for fiscal 2012. To meet working capital requirements, the Company will have to access financial resources through equity placements in the junior resource market, procure industry partners for its primary exploration projects and/or sell its projects in exchange for equity/cash.

A discussion of risk factors particular to the financial instruments is presented in note 11 of the unaudited condensed interim consolidated financial statements for the three month period ended March 31, 2012.

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.

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.