TRUE NØRTH GEMS

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2009

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 August 21, 2009 and should be read in conjunction with unaudited interim consolidated financial statements for the six month period ended June 30, 2009, the audited consolidated financial statements for the year ended December 31, 2008 and the related notes thereto, which have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), as well as the Company's December 31, 2008 Annual MD&A. All dollar amounts referred to in this discussion and analysis are expressed in Canadian dollars except where indicated otherwise.

Forward Looking Statements

The forward-looking information in the MD&A section is based on the conclusions of management. The Company cautions that due to risks and uncertainties, actual events may differ materially from current expectations. With respect to the Company's interests in mineral properties, actual events may differ from current expectations due to exploration results, new exploration opportunities, changing budget priorities of the Company and other factors.

CORPORATE

On March 2, 2009, the Company announced the appointment of Rejane Amaral as Greenland Project Manager and the addition of Iain Groves as Senior Exploration Geologist. Concurrently Greg Davison resigned as VP Exploration. On July 27, 2009, Gregory Fekete resigned as a Director and Corporate Secretary to pursue other business opportunities.

FISKENAESSET RUBY PROJECT – GREENLAND

During the three-month period ended June 30, 2009, the Company's technical personnel continued to evaluate the results of the 2008 exploration program and plan the field program for 2009. Manufacturing experiments with the ruby and pink sapphire remained ongoing, albeit at a reduced level. The polishing of cutable material from the 2006 bulk sample is now near completion and the rough inventory from the 2007 bulk sample remains in secure storage until decisions have been made for further processing.

The proposed 2009 exploration program at Aappaluttoq will assist in the completion of recommended economic evaluations, feasibility studies and to develop a comprehensive mine plan, which can be used to obtain an exploitation permit. No further drilling or bulk sampling of Aappaluttoq is recommended until receipt of the exploitation permit. This phase of work is estimated to cost CAD $500,000.

A field program is also proposed for 2009 to explore the 713 square kilometre Qaqqatsiaq Licence area as well as follow up of some prospective areas on the Fiskenaesset Licence developed from work in 2007 and 2008.

The Qaqqatsiaq Licence covers 713 kilometres and has been largely unexplored for rubies by True North. Objectives for the 2009 program would be to first define prospective areas for ruby mineralisation based on regional geology, and then complete field work to determine if and where mineralisation is present. This work will allow True North to focus future exploration efforts and drop areas of the licence that are no longer prospective.

The Fiskenaesset Licence contains areas defined in 2007 and 2008 that require further field work to confirm the presence and/or continuity of ruby mineralisation, particularly west of Siggartartulik, Laks Elv and Ruby Island East. Upon completion of this work, True North will have a better understanding of mineralised trends in the district and will have developed bulk sample and drilling targets for future field seasons.

The proposed budget is CAD $470,000.

Additional detail on the Fiskenaesset Ruby Project is set out in the 43-101 Report of Activities submitted March 31, 2009 to the requisite regulatory authorities and is available on the Company's website (www.truenorthgems.com).

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, the Company intends to initiate a comprehensive compilation of all available technical information to facilitate the project evaluation process. Due to the Company's focus of its resources on the Fiskenaesset Ruby project, no 2009 field program for the Beluga sapphire property is planned at this time. The project will remain on care and maintenance.

The Company continues to work with the sapphire bearing material recovered from processed samples from previous exploration programs and awaits the processing of the 2008 mini-bulk samples and will be releasing the results of this work as they become available.

TSA DA GLISZA EMERALD PROJECT – YUKON, CANADA

Due to the Company's focus of its resources on the Fiskenaesset Ruby project, no 2009 exploration program for the Tsa da Glisza Emerald property is planned at this time. The project will remain on care and maintenance.

The Company continues to assess the potential of the Tsa da Glisza Emerald property through internal review. The project will remain on care and maintenance.

BANDITO PROJECT – YUKON, CANADA

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

Due to the Company's focus of its resources on the Fiskenaesset Ruby project, no 2009 exploration program at the Bandito property is planned at this time.

The Company continues to seek option and/or sale agreements for this project.

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.

FINANCIAL POSITION

As at June 30, 2009, the Company had current assets of $115,112 and current liabilities of $1,663,192 compared to current assets of $214,239 and current liabilities of $1,334,956 as at December 31, 2008. At June 30, 2009, the Company had a working capital deficit of $1,548,080 compared to working capital deficit of $1,120,717 at December 31, 2008.

Capital (share capital and warrants) as at June 30, 2009 was $31,642,992 compared to $31,912,232 as at December 31, 2008. During the six month period ended June 30, 2009, warrants entitling the holders to acquire 5,501,645 shares expired unexercised and the fair value of the expired warrants totalling $347,990 was credited to contributed surplus.

RESULTS OF OPERATIONS

	Three month period ended June 30,		Six month period ended June 30,	
	2009	**2008**	**2009**	**2008**
Expenses				
Amortization	$ 9,093	$ 10,436	$ 18,187	$ 20,188
Audit and related services	(4,464)	1,741	$ (4,464)	1,741
Consulting and corporate development fees	86,930	121,047	164,180	179,491
Conventions and trade shows	2,712	14,138	11,698	101,502
Corporate finacial services fees	20,000	-	20,000	-
Corporate secretarial and accounting fees	18,907	34,500	36,846	47,675
Directors fees	13,000	8,500	22,000	18,000
General and administrative	18,953	37,998	56,642	75,555
Investor/shareholder relations	18,079	43,905	35,360	133,897
Legal fees	3,606	6,803	5,250	12,915
Rent and occupancy costs	11,172	13,120	27,874	26,609
Salaries and employee benefits	16,542	20,732	35,847	49,486
Stock-based compensation	-	194,647	-	194,647
Transfer agent and filing fees	12,672	12,128	19,017	20,678
Travel	6,124	53,786	22,332	70,777
	233,326	573,481	470,769	953,161
Loss before under noted items	(233,326)	(573,481)	(470,769)	(953,161)
Foreign exchange gain (loss)	3,491	(24,405)	19,211	(22,513)
Gain on sale of available-for-sale investments	4,928	-	8,919	-
Interest income	1,791	33,127	2,609	73,581
Loss on sale of equipment	-	-	(148)	-
Net loss for period	$ (223,116)	$ (564,759)	$ (440,178)	$ (902,093)
Loss per share - basic and fully diluted	$ (0.00)	$ (0.01)	$ (0.01)	$ (0.01)
Weighted average number of common shares	80,186,551	66,266,992	79,992,516	66,260,983

NET LOSS

The net loss for the quarter ended June 30, 2009 was $223,116 or $0.01 per share compared to $564,759 or $0.01 per share for the quarter ended June 30, 2008 representing a decrease of $341,643. Included in the current quarter results are a foreign exchange gain of $3,491, a gain on sale of available-for-sale investments of $4,928 and interest income of $1,791.

The net loss for the six month period ended June 30, 2009 amounted to $440,178 or $0.01 per share compared to a net loss for six month period ended June 30, 2008 of $902,093 or $0.01 per share. Included in the six month period results are a foreign exchange gain of $19,211, a gain on sale of available-for-sale investments of $8,919, interest earned on surplus funds on hand of $2,609 and loss on sale of equipment of $148.

Expenses
For the quarter ended June 30, 2009, total expenses were $233,326 compared to $573,481 recorded during the same period in 2008, representing a decrease of $340,155 or 59%. For the six month period ended June 30, 2009, total expenses were $470,769 compared to $953,161 for the six month period ended June 30, 2008 representing a decrease of 482,392 or 51%.

Consulting fees and corporate development fees
For the quarter ended June 30, 2009, expenses charged to consulting and corporate development fees of $86,930 were accrued in the accounts. Consulting and corporate development fees for the quarter ended June 30, 2008 were $121,047 representing a decrease of 28%. For the six month period ended June 30, 2009, expenses charged to consulting and corporate development fees of $164,180 were accrued in the accounts. Consulting and corporate development fees for the six month period ended June 30, 2008 were $179,491. In the current fiscal year 2009 none of the fees accrued have been paid.

Conventions and trade shows
For the quarter ended June 30, 2009, conventions and trade show expenses were $2,712 compared to $14,138 for the quarter ended June 30, 2008 representing a decrease of $11,426 or 81%. Conventions and trade show expenses were $11,698 for the six month period ended June 30, 2009 compared to $101,502 reported in the same period of 2008. Decrease reflects current economic conditions.

Corporate financial services fees
During the quarter ended June 30, 2009, the Company paid a fee of $20,000 to an external consultant to source additional leads to fund the Company's projects.

Corporate secretarial and accounting services fees
For the quarter ended June 30, 2009, corporate secretarial and accounting services were $18,907 compared to $34,500 for the quarter ended June 30, 2008, a decrease of $15,593. The corporate secretarial and accounting service fees were $36,846 for the six month period ended June 30, 2009 compared to $47,675 for the comparative period.

Directors fees
Independent directors are being paid fees quarterly to compensate them for their time invested in fulfilling their duties. A total of $22,000 has been recorded as paid/payable to directors in the current financial year.

General and administration
For the quarter ended June 30, 2009, general and administrative expenses were $18,953 compared to $37,998 for the quarter ended June 30, 2008. General and administrative charges were $56,642 for the current six month period ended June 30, 2009 compared to $75,555 for the comparative period Included in this category are bank fees, communications lines (telephone, facsimile and internet), delivery, interest, office supplies, printing and reproduction.

Investor/shareholder relations
For the quarter ended June 30, 2009, investor relations expenses were $18,079 compared to $43,905 for the quarter ended June 30, 2008. Investor relation charges were $35,360 for the six month period ended June 30, 2009 compared to $133,897 for the comparative period. In the first quarter of 2008, True North launched its rebranding program; including new logo, brochures, website, presentations, etc. to reflect its focus on the Fiskenaesset project.

Travel
For the quarter ended June 30, 2009, travel expenses were $6,124 compared to $53,786 for the quarter ended June 30, 2008 December 31, 2007, a decrease of $47,622. Travel charges were $2,332 for the six month period ended June 30,

2009 compared to $70,777 for the comparative period. Financial constraints in the current financial year have resulted in a conscious decision to reduce travel to the extent possible. In prior comparative period, extensive travel as done by the Chief Executive Officer to meet with various investment groups to procure funds and by the VP of Product Development and Marketing to oversee gemstone processing in the Bangkok manufacturing facility.

CAPITAL EXPENDITURES

During the six month period ended June 30, 2009, the Company spent $66,377 (2008-$1,993,356) on its capital spending program. Capital expenditures by project and category are as follows:

	Six months ended June 30, 2009	2008
Acquisition*		
Greenland Property - Ruby	$ 2,736	$ 4,277
Exploration**		
Greenland Property - Ruby	45,777	1,830,078
Baffin Island Property - Sapphire	16,723	155,550
Tsa da Glisza Property - Emerald	(2,475)	662
Bandito Property (Yukon) - Nickel	3,616	2,789
	63,641	1,989,079
Total capital expenditures	$ 66,377	$ 1,993,356

* - excludes shares issued for mineral properties of $78,750 (2008-$50,000).

** - excludes advances of $Nil (2008-$801,140), proceeds from sale of equipment of $17,010 (2008-$Nil) & stock-based compensaton $Nil (2008-$74,421).

Financial constraints have resulted in limited work being done on the Company's projects in the current financial year.

SUMMARY OF QUARTERLY RESULTS

Summary of Quarterly Financial Information

Quarter Ended	Net revenues	Net income (loss)*	Loss per share - basic	Loss per share - diluted
	$'s	$'s	$'s	$'s
30-Jun-09		(223,116)	(0.00)	(0.00)
31-Mar-09		(217,062)	(0.00)	(0.00)
31-Dec-08	-	(1,718,527)	(0.02)	(0.02)
30-Sep-08	-	(385,566)	(0.01)	(0.01)
30-Jun-08	-	(564,759)	(0.01)	(0.01)
31-Mar-08	-	(337,334)	(0.01)	(0.01)
31-Dec-07	-	(2,725,436)	(0.04)	(0.04)
30-Sep-07	-	(204,705)	(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 Canada and Greenland. 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, sales of available-for-sale investments and impairments in available-for-sale investments that are considered to be other than temporary. The Company's properties are not yet into production and consequently, the Company believes that its loss (and consequent loss per share) is not a primary concern to investors in the Company.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2009, the Company had cash of $17,120 and a working capital deficiency of $1,548,080. The deficit is primarily attributable to the capital spending on the Greenland project during the financial year ended December 31, 2008 and ongoing operating costs in excess of funds raised from equity placements.

Cash on hand at June 30, 2009 is not adequate to meet requirements for fiscal 2009. 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. Subsequent to June 30, 2009, the Company completed a non-brokered private placement of 28,510,000 units at a price of $0.10 per unit. The gross proceeds of the unit placement totaled $2,851,000. Each unit comprised of one common share and one warrant entitling the holder to purchase one common share at a price of $0.20 for a two year period. If the trading price of the common shares of the Company closes above $0.30 for a period of 10 consecutive days at any time after the four month hold period has lapsed, the Company will have the right to accelerate the expiry date of all unexercised warrants. Finder's fees of $179,318 were paid and 274,383 broker warrants were issued, convertible on the same terms as the private placement, in connection with this financing. The Company intends to use the funds to initiate the exploitation permit application process with the Greenland government, conduct exploration activities on its properties, for general working capital and other corporate purposes.

Capital Resources and Going Concern

True North has been successful in meeting its capital requirements through the completion of equity placements. Although the Company has been successful in obtaining the necessary financing to continue operations in the past, there can be no assurance that it will be able to continue to do so in the future. The Company's financial statements have been prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. Several adverse conditions cast significant doubt on the validity of that assumption. During the six month period ended June 30, 2009, the Company incurred a net loss and utilized funds in operations totaling $440,178 and $37,987 respectively. The accumulated deficit at June 30, 2009 is $16,686,264. The Company has limited financial resources, no source of operating cash flow and no assurances that sufficient funding will be available to conduct further exploration and development of its mineral property projects.

The ability of the Company to continue as a going concern will depend upon the following:

- The ability to raise further funds through the issue of equity financing or through joint ventures;
- Continued financial support from creditors; and,
- The sale of non-core assets in the ordinary course of business.

Although the Company has been successful in obtaining the necessary financing to continue operations in the past, there can be no assurance that it will be able to continue to do so in the future.

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

The Company has historically financed its exploration programs through the issuance of equity capital, while at the same time trying to reduce shareholder dilution by securing joint venture partners where appropriate. The current equity market conditions, the challenging funding environment and the low price of the Company's common shares make it dilutive and difficult to raise funds by the sale of the Company's shares. The junior resource industry has been severely impacted by the world economic situation, as it is considered to be a high-risk investment. In order to ensure its ability to continue operating, the Company has negotiated extensions on payment of certain accounts payable and is also examining various funding alternatives. However, there is no assurance that any such activity will generate funds that will be available for investments or operations.

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 June 30, 2009, the Company has no long-term debt.

The Company has only one significant, contractual obligation, a lease on office space, which expires in September 30, 2013 and represents a total dollar obligation of $576,720 over the five year lease term, or $9,612 per month. This obligation and other long-term overhead items will require funding through new capital resources.

The Fiskenaesset Licence was obtained by the Company satisfying all the terms of an option agreement with Brereton Engineering and Developments Ltd. ("Brereton"). Ongoing commits from the option agreement include cash payments of $50,000 and issue of $50,000 worth of shares from treasury annually for each year (issued February 11, 2009) the Company maintains the exploration licence. Brereton agreed to defer payment of the $50,000 (paid August 21, 2009) that was due January 1, 2009. As consideration, the Company issued Brereton an additional 250,000 shares from treasury. Once an exploration licence 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 June 30, 2009, 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 exploration expenditures. However, the fulfillment of these obligations is optional, at the discretion of True North.

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.

Andrew Lee Smith is the President and CEO, and a Director, of True North and provides contracted consulting services to the Company through Iron Mask Explorations Ltd.

Robert Boyd is the Chairman of the Board to True North.

Nick Houghton is Vice-President of Product Development and Marketing, and a Director of the Company, and provides consulting services to True North through Cadiam Investments Ltd.

Gregory Fekete was Corporate Secretary of the Company up to July 27, 2009 and provided consulting services to True North through Gregory Fekete Professional Corp.

William Anderson, Robert Boyd and John Ryder are Independent Directors of True North. During the six month period ended June 30, 2009, $22,000 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.

David S. Parsons is True North's CFO and provides consulting services to the Company.

Greg Davison was Vice-President of Exploration up to March 1, 2009 and provided consulting services to True North through Davison & Associates.

During the six month period ended June 30, 2009, officers charged $238,680 in fees for services rendered. These transactions were entered into on a normal commercial basis.

During the six month period ended June 30, 2009, Austring Fendrick Fairman & Parkkari, a firm in which Greg Fekete, an officer of the Company is a partner charged fees of $497 for legal services. These transactions were entered into on a normal commercial basis.

PROPOSED TRANSACTIONS

As of March 31, 2009, the Company has no proposed material transactions.

CRITICAL ACCOUNTING ESTIMATES

The significant accounting policies used by True North are disclosed in note 2 to the annual consolidated financial statements. 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.

MINERAL PROPERTIES AND RELATED DEFERRED COSTS

The Company follows the method of accounting for its mineral properties whereby all costs related to acquisition, exploration and development are capitalized by area of interest. These expenditures are carried forward where rights to tenure of the areas of interest are current and it is expected the expenditure will be recovered through successful development and exploitation of the area of interest or alternatively by its sale. Expenditures are also carried forward where activities are continuing in the area of interest but have not yet reached a stage of development, which permits reasonable assessments of the existence or otherwise of economically recoverable reserves. Expenditures that are determined to be impaired are written off.

When events and circumstances indicate possible impairment, management reviews the carrying value of each of the Company's mineral properties. Where information is available and conditions suggest impairment, estimated future net cash flows are calculated using estimated future prices, proven and probable reserves, resources and operating and capital costs on an undiscounted basis. An impairment charge is recorded if the undiscounted future net cash flows are less than the carrying amount. Reductions in the carrying value, with a corresponding charge to operations, are recorded to the extent that the estimated future net cash flows on a discounted basis are less than the property interest carrying value.

Where estimates of future net cash flows are not available and where other conditions suggest impairment, management assesses whether the carrying value can be recovered. If impairment is identified, the carrying value of the property interest is written down to its estimated fair value.

From time to time, the Company acquires and disposes of properties 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.

Although the Company has taken steps to verify title to mineral properties in which it has an interest according to the usual industry standards, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

RECLAMATION COSTS

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 reclamation is determined on an annual basis.

STOCK-BASED COMPENSATION

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

Financial instruments consist of cash, investments, accounts receivable, accounts payable, accrued liabilities and loans payable. At June 30, 2009 and December 31, 2008 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.

ACCOUNTING POLICIES

The Company has established accounting policies generally accepted in Canada and applicable to development stage enterprises in the resource sector, which are applied on a consistent basis.

Changes in Accounting Policies

Effective January 1, 2009, the Company has adopted the guidelines governed by the following Sections of the Canadian Institute of Chartered Accountants ("CICA") Handbook:

GOODWILL AND INTANGIBLE ASSETS

The CICA issued the new Handbook Section 3064, "Goodwill and Intangible Assets", which will replace Section 3062, "Goodwill and Other Intangible Assets". The new standard establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred. The new standard applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The adoption of this standard has not had an impact on the Company's financial statements.

NEW ACCOUNTING STANDARDS

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles ("Canadian GAAP") with IFRS over an expected five year transitional period. The AcSB announced in February 2008 that 2011 will be the changeover date for publicly-listed companies to use IFRS, replacing Canadian GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ending December 31, 2010. The Company has begun an internal diagnostic review to understand, identify and assess the overall effort required to produce financial information under IFRS, however, at this time; the financial reporting impact of the transition to IFRS has not been determined.

BUSINESS COMBINATIONS/CONSOLIDATED FINANCIAL STATEMENTS/NON-CONTROLLING INTEREST

In January 2009, the Canadian Institute of Chartered Accountants ("CICA") adopted Handbook sections 1582, "Business Combinations", 1601, "Consolidated Financial Statements" and 1602, "Non-Controlling Interest", which superseded current sections 1581, "Business Combinations" and 1600, "Consolidated Financial Statements". These sections will be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier adoption is permitted. If an entity applies these sections before January 1, 2011, it is required to disclose that fact and apply each of the new sections concurrently. These new sections are the Canadian equivalent to IFRS.

OTHER MD&A REQUIREMENTS

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

Refer to the interim financial statements for capitalized or expensed exploration and development costs, general and administration expenses and other material costs.

OUTSTANDING SHARE DATA

At June 30, 2009, True North had 80,354,133 common shares, 14,610,343 warrants and 3,750,000 options issued and outstanding.

As at the date of this report, True North had 108,864,133 common shares, 43,394,726 warrants and 4,950,000 options issued and outstanding.

RISK FACTORS

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.

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 the 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.