TRUE NØRTH GEMS

Management Discussion and Analysis

For The Six Month Period Ended June 30, 2008 (Q2)

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 13, 2008 and should be read in conjunction with unaudited interim consolidated financial statements for the six month period ended June 30, 2008, the audited financial statements for the year ended December 31, 2007 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, 2007 Annual MD&A. All dollar amounts referred to in this discussion and analysis are expressed in Canadian dollars except where indicated otherwise.

Introduction

True North is a Canadian junior resource company focused on the exploration and development of North American coloured gemstone deposits. True North's principal assets consist of advanced and early stage exploration properties.

Through the accumulation of a diversified gemstone property portfolio, True North has made significant advances toward the Company's objective to become a diversified, vertically integrated, coloured gemstone company focused on the exploration and development of Northern and Arctic coloured gemstone deposits and value added manufacturing from wholly owned and operated mining operations.

Since 2007, the Company's exploration focus has been on the Fiskenæsset Ruby Project in Greenland where successful bulk sampling has indicated the potential for a commercial ruby and pink sapphire deposit.

Overall Performance

During the current financial year to date, True North

- Raised $1,002,900 on closing of the first tranche of the up to $5,000,000 brokered private placement financing;
- Initiated its 2008 Greenland ruby exploration and pre-feasibility program;
- Obtained approval for the renewal of Greenland ruby exploration license;
- Completed independent market price valuations on a representative parcel of "polished" ruby and pink sapphire from the 2006 Greenland bulk sample indicating an average value of US$ 23.6 per carat associated with an average "cut and polished grade" of 1,393 carats per tonne;
- Completed independent valuations on a different representative parcel of clean "rough" ruby and pink sapphire from the 2006 Greenland bulk sample indicating an average value of US$ 514.4 per kilogram associated with an average "rough grade" of 2.16 kilograms per tonne;
- Successfully exported the Fiskenaesset ruby concentrates recovered primarily from the 2007 samples;
- Staked six additional claims at Beluga Sapphire prospect, Baffin island;
- Reorganized its executive appointing Boyd Chairman and Smith President and Chief Executive Officer; and,
- Appoints Pearson to Advisory Board.

Corporate

On February 29, 2008, the Company announced a reorganization of its executive with Robert Boyd being appointed Chairman of the Board, and Andrew Lee Smith assuming the role of President and Chief Executive Officer. Greg Fekete continues as a Director but relinquished the role of President and assumed the new executive role of Corporate Secretary.

Fiskenaesset Ruby Project, Greenland

On January 15, 2008, the Company announced the successful completion of the primary processing and the recovery of 574 kg of ruby and pink sapphire concentrate from six bulk samples collected during the 2006 and 2007 seasons from the Aappaluttoq, Kigutilik and Siggartartulik occurrences, on True North's 823-square-kilometre Fiskenaesset ruby exploration license located on the west coast of Greenland ("Fiskenaesset").

On January 16, 2008, True North Gems provided the rough stone valuation results for the company's 30-tonne 2006 Aappaluttoq bulk sample at Fiskenaesset. The independent rough valuation was completed on a statistically representative sample comprising a total of 8.1 kilograms of rough amenable to cutting and polishing that represented a one-eighth split of the recovered and cleaned marketable ruby and pink sapphire concentrates.

Notable results from the rough stone valuation include:

- A total value of US $4,167 has been assigned to the 8.1 kg (one-eighth split) parcel.
- Values range from US $175 per kilogram for the lower quality material to US $2,875 per kilogram for the higher value rough categories.
- The projected total rough stone value for the 30-tonne 2006 bulk sample is US $33,336.

On January 17, 2008, the Company released independent wholesale market price valuation results for cut and polished stones from the Company's 30-tonne 2006 Aappaluttoq bulk sample at Fiskenaesset. The valuations have been estimated for a statistically representative sample (a one-eighth split) of faceted and cabochon ruby and pink sapphire recovered from this bulk sample.
Notable results from the polished stone valuation include:

- A total value of US $123,266 has been assigned to the entire 5,224.10-carat parcel of cabochon and faceted ruby and pink sapphire (US $23.60 per carat) with a total value of US $26,188 assigned to 471.83 carats of the faceted ruby and pink sapphire (US $55.5 per carat).
- Values for faceted rubies average US $73.60 per carat.
- Wholesale market price values range from US $15 per carat for lower quality ruby and pink sapphire to US $150 per carat for higher value pink sapphire and US $300 per carat for higher value ruby.
- Projected total wholesale market price value for the 30-tonne bulk sample is estimated to be US $986,131 if the entire recovered clean marketable concentrate for the 2006 Aappaluttoq bulk sample had been cut, polished and valued.

On February 26, 2008, True North announced the receipt, at the Company’s Canadian sorting laboratory and independent, commercial processing facilities, of the Company's processing plant rough concentrates (totaling 574.10 kg), bulk samples, channel samples and drill core from the 2007 bulk sample.

On June 24, 2008, the Company announced that the Bureau of Mines and Petroleum (“BMP”) and the Joint Committee on Mineral Resources for Greenland and Denmark (“Joint Committee”) has approved True North’s application for renewal of the 110 km2 Fiskenaesset exploration license, which is contiguous with and adjacent to the Company’s 713 km2 Qaqqatsiaq ruby exploration license acquired in December 2007. Both exploration licenses are located on the southwest coast of Greenland.

On June 27, 2008, True North announced the commencement of field activities as part of the 2008 exploration program and pre-feasibility program on the project.

The two principal objectives of the 2008 exploration program are:

- To enhance the successful results achieved during 2004-2007 through advanced exploration and pre-feasibility related studies at the Aappaluttoq prospect; and,
- To continue with regional and prospect-scale exploration on the other ruby occurrences identified to date on the Greenland properties.

Beluga Sapphire Project – Baffin Island, Canada

On January 28, 2008, the Company announced the expansion of its Beluga sapphire property through the staking of six additional claims, comprising 18.95 square kilometres, contiguous to the existing Beluga property. The acquisition brings surface area of the Beluga sapphire property to a total of 38 square kilometres, located along the south coast of Baffin Island, Nunavut, Canada. The new claims were staked to cover additional occurrences of sapphire and prospective geology.

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

The planned activities in 2008 will be comprised mainly of regional and detailed geological mapping, ultraviolet light 'night' prospecting, geochemical sampling and blast-assisted mini-bulk sampling. The purpose of the program is to provide a geological assessment of the Beluga property over the entire ten claims sufficient to complete the geology mapping. Processing of samples recovered in 2005, 2006 and 2007 remains ongoing at commercial facilities with further processing planned for 2008 samples in the fourth quarter of 2008. The budget for the program is estimated at $325,000 for the field program and $100,000 for the subsequent processing.

Tsa da Glisza Emerald Project – Yukon, Canada

The planned activities for 2008 will be carried out primarily on Regal Ridge (Summit Zone, Far West Zone and Otter Zone) and the adjacent Howdy Ridge (Shadow Zone) and will be comprised mainly of an internal geological review, surface trenching, exploration sampling and reclamation, with relevant data compilation and internal 43-101 reporting. The purpose of the program is to provide additional information on the property's geological potential and preliminary closure of the underground workings, closure of selected low priority trenches exposed during previous exploration in 2003-2006, and to complete requisite data analysis and reporting. The budget for the program is estimated at $150,000.

Bandito Nickel Project – Yukon, Canada

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

The 2008 summer program will comprise compilation of the geological and geophysical data in preparation for internal and independent 43-101 reports. The budget for the program is estimated at $30,000 for an independent site visit and the subsequent reporting.

Batea Project– Yukon, Canada

The property comprises fifty-six claims 200 kilometres east of Whitehorse, Yukon. The 2008 program will comprise an airborne geophysical survey contracted in 2007 for completion in the spring/summer of 2008, followed by compilation of the geological and geophysical data in preparation for internal and independent 43-101 reports. The 2008 budget component for the program is estimated at $45,000.

FINANCIAL POSITION

As at June 30, 2008, the Company had current assets of $732,245 and current liabilities of $349,221 compared to current assets of $4,818,449 and current liabilities of $634,009 as at December 31, 2007. Working capital is $383,024 at June 30, 2008 compared to $4,184,440 at December 31, 2007.

Capital (share capital and warrants) as at June 30, 2008 was $30,227,262 compared to $30,519,355 as at December 31, 2007. During the six month period ended June 30, 2008, the Company issued 121,506 shares to satisfy its obligation pursuant to the terms of the Option Agreement on the Greenland property and 3,912,834 warrants expired resulting in the fair value of these instruments being credited to contributed surplus ($346,770) .

Subsequent to June 30, 2008, the Company raised additional capital of $1,002,900 from the issue of 3,343,000 shares and 1,671,500 warrants. Agent's fees were a cash commission of $8,473, issue of 205,765 agent's units and 234,010 agent's warrants.

RESULTS OF OPERATIONS

	Three month period ended June 30,		Six month period ended June 30,	
	2008	**2007**	**2008**	**2007**
Expenses				
Amortization	$ 10,436	$ 9,889	$ 20,188	$ 19,224
Audit and related services	1,741	2,586	1,741	2,586
Consulting and corporate development fees	121,047	65,720	179,491	108,995
Conventions and trade shows	14,138	9,269	101,502	56,218
Corporate secretarial and accounting fees	34,500	63,680	47,675	67,431
Corporate financial services fees	-	-	-	71,995
Directors fees	8,500	92,500	18,000	92,500
General and administrative	37,998	27,840	75,555	65,810
Investor/shareholder relations	43,905	78,187	133,897	132,192
Legal fees	6,803	2,103	12,915	9,746
Rent and occupancy costs	13,120	9,477	26,609	18,915
Salaries and employee benefits	20,732	24,184	49,486	50,500
Stock-based compensation	194,647	-	194,647	-
Transfer agent and filing fees	12,128	10,787	20,678	19,407
Travel	53,786	9,476	70,777	27,457
	573,481	405,698	953,161	742,976
Loss before under noted items	(573,481)	(405,698)	(953,161)	(742,976)
Foreign exchange loss	(24,405)	(4,499)	(22,513)	(23,868)
Gain on sale of available-for-sale investments	-	18,810	-	36,600
Interest income	33,127	38,666	73,581	52,985
Loss before future income tax recovery	(564,759)	(352,721)	(902,093)	(677,259)
Future income tax recovery	-	278,664	-	-
Net loss for period	$ (564,759)	$ (74,057)	$ (902,093)	$ (677,259)
Loss per share - basic and fully diluted	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)
Weighted average number of common shares	66,266,992	57,677,006	66,260,983	53,153,711

Net loss

The net loss for the quarter ended June 30, 2008 was $564,759 or $.01 per share compared to $74,057 or $.01 per share for the quarter ended June 30, 2007 representing an increase of $490,702. Included in the current quarter results are a foreign exchange loss of $24,405 and interest income of $33,127 from surplus funds on hand invested in short term deposits. In the prior year, the financial results for the second quarter included a recovery of the future income tax provision amounting to $278,664, which had been set up in the first quarter.

The net loss for the six month period ended June 30, 2008 amounted to $902,093 or $0.01 per share compared to a net loss for the six month period ended June 30, 2007 of $677,259 or $0.01 per share. Included in the six month period results are a foreign exchange loss of $22,513 and interest earned on surplus funds on hand of $73,581.

Expenses

For the quarter ended June 30, 2008, total expenses were $573,481 compared to $405,698 recorded during the same period in 2007, representing an increase of $167,783 or 41%. For the six month period ended June 30, 2008, total expenses were $953,161 compared to $742,976 for the six month period ended June 30, 2007 representing an increase of $210,185 or 28%. After adjustment for stock-based compensation charge expensed in the current financial year of $194,647 (2007 – $Nil), expenses totalled $758,514 compared to the prior year's six month period expenses of $742,976 representing an increase of $15,538 or 2%. Significant variances that contributed to the increase are discussed below.

Consulting fees and corporate development fees

For the quarter ended June 30, 2008, expenses charged to consulting fees and corporate development were $121,047 compared to $65,720 for the quarter ended June 30, 2007, representing an increase of 84%. Consulting fees and corporate development fees were $179,491 for the six month period ended June 30, 2008 compared to $108,995 reported over the same period. Increase in consulting fees will parallel progress on development of projects.

Conventions and trade shows

For the quarter ended June 30, 2008, conventions and trade show expenses were $14,138 compared to $9,269 for the quarter ended June 30, 2007 representing an increase of $4,869 or 53%. Conventions and trade show expenses were $101,502 for the six month period ended June 30, 2008 compared to $56,218 reported in the same period of 2007. In the current year, the Company has participated in additional North American trade shows to increase their exposure to various investor groups with anticipation of additional financing being required to fund current projects.

Corporate secretarial and accounting services fees

For the quarter ended June 30, 2008, corporate secretarial and accounting services were $34,500 compared to $63,680 for the quarter ended June 30, 2007, a decrease of $29,180. Decrease relates to timing of billing for services rendered. The corporate secretarial and accounting service fees were $47,675 for the six month period ended June 30, 2008 compared to $67,431 for the comparative period.

Corporate financial services fees

Timing differences of financing activities result in fluctuations of this expense. During the six month period ended June 30, 2008, no equity financings were completed.

Directors fees

Commencing in January 2008, independent directors and the corporate secretary are being paid fees quarterly to compensate them for their time invested in fulfilling their duties. A total of $18,000 has been recorded as paid/payable to directors in the current financial year.

General and administration

For the quarter ended June 30, 2008, general and administrative expenses were $37,998 compared to $27,840 for the quarter ended June 30, 2007. General and administration charges were $75,555 for the current six month period ended

June 30, 2008 compared to $65,810 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, 2008, investor relations expenses were $43,905 compared to $78,187 for the quarter ended June 30, 2007. Investor relation charges were $133,897 for the six month period ended June 30, 2008 compared to $132,192 for the comparative period. The Company has maintained a progressive investor relation program, which commenced in the prior financial year, to increase its exposure and attract capital financing.

CAPITAL EXPENDITURES
During the six month period ended June 30, 2008, the Company spent $2,039,592 (2007-$1,610,536) on its capital spending program. Additionally, a further $243,887 was expended on pre-operating jewellery production costs; cumulative costs to date total $743,428. Capital expenditures by project and category are as follows:

	Six months ended June 30, 2008	2007
Acquisition*		
Greenland Property - Ruby	$ 4,277	$ 25,000
Baffin Island Property - Sapphire	-	3,000
Bandito Property (Yukon) - Nickel	-	3,061
	4,277	31,061
Exploration**		
Greenland Property - Ruby	1,876,314	1,111,377
Baffin Island Property - Sapphire	155,550	319,212
Tsa da Glisza Property - Emerald	662	132,901
Bandito Property (Yukon) - Nickel	2,789	15,985
	2,035,315	1,579,475
Total capital expenditures	$ 2,039,592	$ 1,610,536

*-excludes non- cash consideration (shares issued for properties)
** - excludes advances and stock-based compensation

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-08	-	(564,759)	(0.01)	(0.01)
31-Mar-08	-	(337,334)	(0.01)	(0.01)
31-Dec-07	-	(2,716,001)	(0.04)	(0.04)
30-Sep-07	-	(198,175)	(0.00)	(0.00)
30-Jun-07	-	(79,432)	(0.00)	(0.00)
31-Mar-07	-	(613,792)	(0.01)	(0.01)
31-Dec-06	-	(3,037,109)	(0.07)	(0.07)
30-Sep-06	-	(274,045)	(0.01)	(0.01)

* 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. The Company's properties are not yet into production; consequently, the Company believes that its earnings or loss (and consequent earnings or loss per share) is not a primary concern to investors in the Company.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2008, the Company had cash of $337,318 and working capital of $383,024. The Company does not have adequate capital to meet requirements for fiscal 2008 to meet proposed exploration and administrative requirements for 2008 based on its planned exploration activities on its non-producing properties, commitments and operating costs. On August 8, 2008, the Company completed the closing of the first tranche of the up to $5,000,000 brokered private placement financing. Net proceeds to the Company amounted to $994,427. The funds from the financing will be used to pay for current exploration costs on the Greenland project and for operating costs. The Company will be required to access financial resources through additional equity placements in the junior resource market in the current year to carry out its planned programs or curtail its exploration activities to the extent of available financial resources.

True North has no operations that generate cash flows and its long term financial success is dependent on management's ability to discover economically viable gemstone deposits. Exploration process can take many years and is subject to factors that are beyond the Company's control. Many factors influence the Company's ability to raise funds, including the health of the resource market, the climate for gemstone exploration investment, the Company's track record and the experience and calibre of its management.

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. Recent malaise in the Canadian equity capital markets could make securing additional financing difficult in the short term. The Company's management intends to continue to seek out the best opportunities to maximize shareholder value by further exploration programs on its projects and by generating new discoveries. However, failure to secure additional financing at reasonable terms may significantly impact the Company's ability to continue as a going concern.

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, 2008, the Company has no debt.

The Company has only one significant, contractual obligation, a lease on office space, which expires in September 2008 and represents a total dollar obligation of $22,974 over the period, or $7,658 per month. While sufficient funds are on hand to meet this entire obligation as of June 30, 2008, it is anticipated that this and other long-term overhead items will require funding through new capital resources in the years ahead.

As of June 30, 2008, the Company has no long-term contractual agreements to acquire mineral properties. To maintain certain mineral property interests 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 and will be subject to the results of the 2008 exploration programs.

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 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 a Director of the Company and provides consulting services to True North through Cadiam Investments Ltd.

David S. Parsons is True North's CFO and provides consulting services to the Company on an ad hoc basis.

Greg Davison is Vice-President of Explorations and provides consulting services to True North through Davison & Associates.

John Ryder, William Anderson and Greg Fekete are Independent Directors of True North. During the six month period ended June 30, 2008, $18,000 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.

During the six month period ended June 30, 2008, directors and officers charged $302,504 in fees for services rendered. These transactions were entered into on a normal commercial basis.

During the six month period ended June 30, 2008, Austring Fendrick Fairman & Parkkari, a firm in which Greg Fekete, an officer of the Company is a partner charged fees of $300 for legal services. These transactions were entered into on a normal commercial basis.

PROPOSED TRANSACTIONS

As of June 30, 2008, the Company has no proposed material transactions.

CRITICAL ACCOUNTING ESTIMATES

Management is often required to make judgments, assumptions and estimates in the application of generally accepted accounting principles that have a significant impact on the financial results of the Company. Certain policies are more significant than others and are, therefore, considered critical accounting policies. Accounting policies are considered critical if they rely on a substantial amount of judgment (use of estimates) in their application or if they result from a choice between accounting alternatives and that choice have a material impact on True North Gems' reported results or financial position. There have been no changes to the Company's critical accounting policies or estimates from those disclosed in the Company MD&A for the financial year ended December 31, 2007.

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, 2008, the Company has adopted the guidelines governed by the following Sections of the Canadian Institute of Chartered Accountants ("CICA") Handbook:

Capital disclosures and financial instruments – disclosures and presentation
On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, "Capital Disclosures, Handbook Section 3862, "Financial Instruments – Disclosures" and Handbook Section 3863, "Financial Instruments – Presentation".

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital reporting requirements; and, (iv) if it has not complied, the consequences of such non-compliance.

The new sections 3862 and 3863 replace Handbook Section 3861, "Financial Instruments – Disclosure and Presentation", revising and enhancing its disclosure requirements and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how a company manages those risks.

Inventories
In March 2007, the CICA issued the new Handbook Section 3031, "Inventories", which will replace Section 3030, "Inventories". The new Section mentions that inventories shall be measured at the lower of cost and net realizable value. It provides guidelines on determining cost, prohibiting going forward the use of the last in, first out method (LIFO) and requires the reversal of a previous write-down when the value of inventories increases. The Company has evaluated the impact of Section 3031 and determined that no adjustments are currently required.

General standards on financial statement presentation
CICA Section 1400, "General Standards on Financial Statement Presentation", has been amended to include requirements to assess and disclose an entity's ability to continue as a going concern. Adoption of this standard has had no impact on the Company's financial statements.

New Accounting Standards

Goodwill and Intangible Assets
The CICA issued the new Handbook Section 3064, "Goodwill and Intangible Assets", which will replace Section 3062, "Goodwill and 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. Management is currently assessing the impact of these new accounting standards on its financial statements.

International Financial Reporting Standards ("IFRS")
In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonable estimated at this time.

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

Issued

At June 30, 2008, True North had 66,266,992 common shares issued and outstanding.

At August 12, 2008, True North had 69,815,757 common shares issued and outstanding.

Warrants

As at June 30, 2008 warrants outstanding are as follows:

Number of warrants outstanding	Exercise price $	Expiry date
221,270	$0.85	18-Dec-2008
3,796,100	$1.00	14-Mar-2009
1,705,545	$1.00	3-Apr-2009
2,452,000	$0.70/$1.00	29-Nov-2008/2009
8,174,915		

As at August 12, 2008 warrants outstanding are as follows:

Number of warrants outstanding	Exercise price $	Expiry date
221,270	$0.85	18-Dec-2008
3,796,100	$1.00	14-Mar-2009
1,705,545	$1.00	3-Apr-2009
2,452,000	$0.70/$1.00	29-Nov-2008/2009
2,008,392	$0.40	07-Aug-2010
10,183,307		

Options

As at June 30, 2008 and at the date of this report, options outstanding are as follows:

Number of stock options Outstanding	Exercise price	Expiry date
650,000	$0.64	25-Jun-2009
1,070,000	$0.40	30-Aug-2010
725,000	$0.415	26-Jul-2011
1,160,000	$0.56	16-Oct-2012
1,670,000	$0.38	03-Apr-2013
5,275,000		

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.