TRUE NORTH GEMS

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED December 31, 2015

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 April 28, 2016 and should be read in conjunction the audited Consolidated Financial Statements for the year ended December 31, 2015 and the related notes thereto. The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Company's reporting currency is Canadian dollars and all dollar amounts referred to in this discussion and analysis are expressed in Canadian dollars except where indicated otherwise.

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

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

Caution on Forward-Looking Statements

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

HIGHLIGHTS AND OUTLOOK

AAPPALUTTOQ RUBY AND PINK SAPPHIRE PROJECT – GREENLAND

During the year ended December 31, 2015 and to the date of this report, True North has seen continued progress and major development at the Aappaluttoq Ruby and Pink Sapphire project with the ongoing construction.

Although the Aappaluttoq project remains on budget with regards to cost, prior to commissioning the processing plant, the Company requires financing. The funding required is for the final capital to complete construction and commissioning of the process plant, as well as working capital to see the Company through to revenue generation.

In order to obtain the necessary financing, the Company has engaged Endeavour Financial Limited ("Endeavour") to provide advisory services. Endeavour will assist the Company by confirming additional financing requirements, as well as assessing and assisting the Company in evaluating various financing options, thereby allowing the Company to advance production and develop the marketing platform.

2015 Project Milestones

During the year, the Company accomplished a number of noteworthy milestones in connection with the project:

- Filed an updated National Instrument 43-101 compliant report on the Aappaluttoq Ruby and Pink Sapphire Project, in which the Pre-Feasibility Study clearly illustrates the potentially robust economics of the project;
- Concluded successful information meetings with all political parties, stakeholders and communities in Greenland, which demonstrated the full backing and commitment from all groups involved;
- Completed approximately 90% of the construction at the Aappaluttoq mine site;
- Transferred 10% of its TNGG Class A shares (8,175,128 Class A shares) to the LNS Group as outlined in the Option Agreement (discussed in Note 14 to the Consolidated Financial Statements);
- Secured financing by entering into a share purchase and option agreement (the "Share Purchase Agreement") with Greenland Venture A/S ("Greenland Venture"), under which Greenland Venture purchased 5,722,940 issued A-shares (the "Purchased Shares") of the Company's operating subsidiary in Greenland, True North Gems (Greenland) A/S ("TNGG"), from the Company for a purchase price of US$4,000,000. The Purchased Shares represent 7% of the issued and outstanding shares of TNGG.

  The Company has the option under the Share Purchase Agreement to repurchase 2,861,470 of the Purchased Shares, representing 3.5% of the issued and outstanding shares of TNGG, from Greenland Venture for three years from the closing of the share purchase. The repurchase price under the option is US$2,000,000; plus a premium of:

  (i) US$1,000,000 if the Company exercises the repurchase option on or before the first anniversary of the closing of the share purchase;

  (ii) US$2,500,000 if the Company exercises the repurchase option after the first anniversary but before or on the second anniversary of the closing of the share purchase; or

  (iii) US$4,750,000 if the Company exercises the repurchase option after the second anniversary of the closing of the share purchase.

  Should the Company exercise the repurchase option in the first year it will have the right to reacquire all 2,861,470 of the Purchased Shares. If the Company exercises the repurchase option in the second or third year, then LNSG will have a pro-rata right to participate in the repurchase option up to its interest in TNGG;

Current Mine Development

The formal commencement notice of mine construction at Aappaluttoq was issued by the Company to LNSG on September 23, 2014. LNSG subsequently mobilized people and equipment to the exploration camp and outer port sites.

To date, the following activities on site have been completed:

- 5 kilometre transport route from the outer port to camp;
- 1 kilometre transport route from the inner port to the camp;
- 3 kilometre transport route from the camp to the mine site;
- 500 metre transport route to the explosives depot;
- 1.5 kilometre transport route from mine pit area to process plant;
- Helicopter landing pad and associated facilities;
- Major installation on the approximately 50 person camp including: all sleeper units, kitchen, canteen, hospital, recreation facilities and security;
- The workshop building foundations, walls and roof. Crews have completed the fitting out of this building

including the repair shop, wiring, plumbing, and equipment installation;

- The process plant building is fully constructed. The process plant control room and other internal buildings are nearing completion. Progress since year end on construction of the process plant has also been significant: all major steel towers have been completed, the major pieces of heavy machinery have been installed and all conveyor systems are in place. Installation remains for the dense media separation unit and completion of wiring, plumbing and control systems;
- Work is continuing on the fuel storage depot and at the outer port. All equipment is on site and in the process of being installed;
- The remaining outstanding items are expected to take approximately one month for the commencement of plant commissioning.

Construction crews are comprised of Greenlandic workers, fully demonstrating the Company's commitment to local empowerment, as required under the Impact Benefit Agreement ("IBA") with the Municipality and the local communities. The Company is proud to be running currently at 100% local employment (whereas the IBA requires 70% local employment). Key mine development activities are completed, or on schedule.

During April 2015, True North Gems Greenland A/S ("TNGG") completed all party parliamentary presentation and engagement meetings. This was aimed at providing Greenland's political leaders with an opportunity to learn more about the project, to update on the progress of mine construction and, provide updates on the new financial figures issued as part of the pre-feasibility study and respond to questions on various matters including local community engagement and employment for local residents. Subsequent to the government meetings, TNGG staff together with representatives from the Municipality of Sermersooq, the Department of Mineral Resources and the Department of Industry, Labour and Trade visited Qeqertarsuatsiaat (Fiskenaesset) village to discuss the Aappaluttoq project's status and continued path towards mine commissioning. Following the presentation, an open forum question and answer session was held with the local community council and the union of fishers and hunters. The trip concluded with a well-attended public information meeting in the village hall, involving the Qeqertarsuatsiaat community.

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. 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 and remains ongoing. A series of assessment reports were updated and resubmitted to the Department of Indian and Northern Affairs. Consequently new work certificates have been issued by the Nunavut Mining Recorder to extend the NAIPI 5-10 claims (which comprise approximately half of the Beluga Project) through 2015. Lease applications are still underway for the remaining NAIP I to NAIP 4 claims group and the Company's technical staff continue to work with Nunavut government officials to move the process forward.

TSA DA GLISZA EMERALD PROJECT – YUKON, CANADA

Based on an internal review of the Tsa da Glisza Emerald property during the financial year ended December 31, 2009, management determined that it would not be conducting further exploration work on this project. As a result the project was written down to a nominal carrying value of $1. Final demobilization of the heavy equipment and bulky items from camp was completed in the winter of 2014. A site inspection was completed by Company staff during the summer of 2014; a Yukon Government Inspection confirmed the full remediation of the site and on December 21, 2016 the closure certificate was issued. As a result, the bond held as security for reclamation was released during the current period. As the claims are valid for a number of years, information on this project has been compiled and strategic options are being considered.

TRUE BLUE PROJECT– YUKON, CANADA

The property comprises 301 claims located 55 kilometres south of Ross River, Yukon. A management review of this project will occur in 2016, and until then, the previous exploration work assessment credit is sufficient to maintain claims in good standing.

CORPORATE CHANGES

On February 2, 2015, the Company appointed Ms. Hayley Henning as Vice President Marketing and Development.

On February 26, 2015, Mr. Raymond Simpson was appointed to the Company's Board of Directors.

On July 1, 2015, the Company appointed Mr. Christopher Richards as Chief Financial Officer, replacing Ms. Jacqueline Tucker.

SELECTED ANNUAL INFORMATION

(Information extracted from the Company's audited Consolidated Financial Statements)

(Expressed in Canadian Dollars)

	2015 $	2014 $	2013 $
Revenues	-	-	-
Loss attributable to:			
Shareholders	(3,678,821)	(1,607,015)	(1,626,509)
Non-controlling interests	(168,837)	(21,857)	(1,526)
Net loss	(3,847,658)	(1,628,872)	(1,628,035)
Net loss per share - basic and diluted	(0.01)	(0.01)	(0.01)
Cash dividends	-	-	-
Total assets	50,726,615	32,070,502	25,255,081
Long term liabilities	5,686,950	1,404,952	1,112,591
Shareholders' equity			
Share capital	48,411,260	46,705,857	41,962,189
Warrants	43,511	306,357	43,511
Contributed surplus	16,178,270	8,887,612	7,403,800
Deficit	(32,088,027)	(28,409,206)	(26,802,191)
Accumulated other comprehensive loss	3,333,162	60,030	147,030
Shareholders' equity	35,878,176	27,550,650	22,754,339
Non-controlling interests	6,809,728	1,768,774	(1,526)
Total equity	42,687,904	29,319,424	22,752,813

FINANCIAL POSITION

As at December 31, 2015, the Company had current assets of $1,295,793 and current liabilities of $2,351,761 compared to current assets of $2,419,209 and current liabilities of $1,346,126 as at December 31, 2014. At December 31, 2015, the Company had a working capital deficit of $1,055,968 compared to working capital of $1,073,083 at December 31, 2014.

The Company had cash and cash equivalents of $1,044,907 at December 31, 2015 compared to $1,988,992 at December 31, 2014. During the year ended December 31, 2015, the Company recorded cash used in operations of $752,857 compared to cash used in operations of $1,948,758 for the year ended December 31, 2014.

Cash used in investing activities during the current year includes $5,099,175 being spent on mine construction and development activities and in constructing facilities for the mine. Additionally, the Company spent $40,878 on its exploration and evaluation assets. Funds of $28,066 were returned to the Company on the release of a bond that had been held as security in relation to the reclamation of Tsa da Glisza. Furthermore, the net payable position on expenditures relating to the purchase of plant and equipment under construction resulted in cash outflows of $1,713,131.

During the year ended December 31, 2015, the Company received proceeds of $5,307,562 (US$4,000,000) from the sale of 5,722,940 Class A TNGG shares to Greenland Venture. Additionally, options entitling the holder to acquire a total of 1,920,000 common shares were exercised for proceeds of $265,500, and warrants entitling the holder to acquire 8,333,334 common shares were exercised for proceeds of $1,000,000.

RESULTS OF OPERATIONS

Year ended December 31, 2015 compared with year ended December 31, 2014

(Information extracted from the Company's audited Consolidated Financial Statements)

	For the year ended December 31, 2015	2014
Operating expenses		
Audit and related services	$ 119,625	$ 71,014
Corporate financial services fees	-	76,125
Corporate secretarial and accounting	272,276	166,986
Depreciation	8,969	6,243
Directors fees	121,926	54,000
Exploration and evaluation expenditures	(10,335)	(3,072)
Farmout receipts	-	(14,500)
Foreign exchange (gain) loss	(510,438)	(70,505)
General and administrative	292,203	184,776
Investor relations	240,301	176,372
Legal fees	49,397	9,448
Rent and occupancy costs	354,379	137,641
Revision in reclamation estimate	(81,772)	-
Salaries	929,533	302,342
Share based compensation	620,084	24,342
Transfer agent and filing fees	35,323	19,345
Travel	222,318	81,309
Operating loss	(2,663,789)	(1,221,866)
Other income (expenses)		
Interest and other income	737	2,716
Borrowing costs	(19,009)	(151,722)
Loss before income taxes	(2,682,061)	(1,370,872)
Income tax recovery (expense)	(1,165,597)	(258,000)
Net loss for the year	$ (3,847,658)	$ (1,628,872)
Loss attributable to :		
Shareholders	$ (3,678,821)	$ (1,607,015)
Non-controlling interest	(168,837)	(21,857)
	$ (3,847,658)	$ (1,628,872)
Loss per share - basic and fully diluted	$ (0.01)	$ (0.01)
Weighted average number of common shares - basic and fully diluted	302,503,593	272,401,394

NET LOSS

The net loss attributable to shareholders for the year ended December 31, 2015 amounted to $3,678,821 compared to a net loss for the comparative period in 2014 of $1,607,015, representing an increase in net loss of $2,071,806. Included in the current year's results are interest income of $737 (2014: $2,716) and borrowing costs relating to the loans from Greenland Venture's investment of $19,009 (2014: $151,722), the difference a result of the Company capitalizing the costs to property plant and equipment in the current year. In the current year, the Company recorded an income tax expense of $1,165,597, primarily to recognize an increase in deferred tax liabilities with respects to differences between accounting values and tax values under Greenland tax laws.

Operating expenses
For the year ended December 31, 2015, total operating expenses were $2,663,789 compared to $1,221,866 recorded during the same period in 2014 representing an increase of $1,441,923.

Significant factors that contributed to the variances are discussed below:

Foreign exchange (gain) loss
Foreign exchange gains of $510,438 in the current year were mainly a result of the strengthening DKK relative to the US dollar, which resulted in a gain on foreign denominated liabilities. In 2014, currency exchange rates were relatively stable and there were less DKK denominated liabilities in the US dollar functional subsidiary.

General and administrative
General and administrative expenses totalled $292,203 in the current year compared to $184,776 in 2014. Included in this category are the administrative costs of the Vancouver corporate office, as well as the office in Nuuk, Greenland. The increase in G&A relates to higher levels of activity as a result of the commencement of construction of the Aappaluttoq Ruby and Pink Sapphire mine late in 2014. Further, prior to October 2014, the Greenland G&A costs were capitalized as part of the Exploration field office costs.

Rent and occupancy costs
Rent and occupancy costs for the current year totalled $354,379 compared to $137,641 in 2014, representing an increase of $216,738. The increase primarily relates to the costs for the Nuuk, Greenland office premises. Up to the time when the expenditures related to the Aappaluttoq Ruby and Pink Sapphire mine were reclassified to the property, plant and equipment from exploration and evaluation assets (October 30, 2014), the premises in Greenland were being used as a field office and costs were being capitalized. Upon reclassification, these costs are being expensed as an operating cost.

Salaries
Salaries increased by $627,191 to $929,533 in the year ended December 31, 2015 from $302,342 for the comparative period in 2014. During the year, a bonus payable to the CEO for the fiscal years 2011 to 2014 ($285,842) was determined and a retroactive pay increase for calendar 2014 was approved ($60,000); accordingly, the amounts were accrued in the accounts. Additionally, the CEO's monthly fees have increased by $5,000 per month, the Company hired Hayley Henning as Vice President Marketing and Development and Christopher Richards as CFO.

Share-based compensation
The fair value of the 7,800,000 options granted during the current year resulted in a compensation expense of $760,816 of which $620,084 was charged to operations and $140,732 was charged to mine construction and development costs. The fair value of the 300,000 options granted in 2014 resulted in a compensation expense of $24,342, all of which were charged to operations. There were no significant changes in assumptions used in valuing the options using the Black-Scholes valuation model.

Travel
Travel for the current year totalled $222,318 compared to $81,309 in 2014, representing an increase of $141,009. Increased travel is due to sourcing financing for mine development and increased travel between the corporate offices in Vancouver and Greenland for the purposes of tracking mine development as well as keeping stakeholders in Greenland updated on the project progress.

Non-controlling interest
The loss associated with non-controlling interest has increased in the current year due to the increase in ownership of TNGG by the LNS Group (17%) and Greenland Venture (7.6%). At December 31, 2015, the Company held ownership interest of 75.4% of TNGG (2014: 92.4%).

Three month period ended December 31, 2015 compared with three month period ended December 31, 2014

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

	For the three month period	
	2015	**2014**
Operating expenses		
Audit and related services	$ 65,787	$ 63,814
Corporate financial services fees	-	76,125
Corporate secretarial and accounting	66,127	46,484
Depreciation	1,707	2,650
Directors fees	21,182	13,500
Exploration and evaluation expenditures	(179)	(2,015)
Foreign exchange (gain) loss	(265,515)	(34,595)
General and administrative	7,996	66,963
Investor relations	39,111	73,666
Legal fees	5,774	265
Rent and occupancy costs	113,703	55,741
Salaries	269,157	167,342
Share based compensation	15,977	-
Transfer agent and filing fees	6,289	1,548
Travel	38,074	54,465
Operating loss	(385,190)	(585,953)
Other income (expenses)		
Interest and other income	40	147
Borrowing costs	(4,916)	(56,338)
Loss before income taxes	(390,066)	(642,144)
Income tax recovery (expense)	(289,533)	(297,780)
Net loss for period	$ (679,599)	$ (939,924)
Loss attributable to :		
Shareholders	$ (611,083)	$ (919,915)
Non-controlling interest	(68,516)	(20,009)
	$ (679,599)	$ (939,924)
Loss per share - basic and fully diluted	$ (0.00)	$ (0.00)
Weighted average number of common shares - basic and fully diluted	306,472,774	287,915,279

NET LOSS

The net loss attributable to shareholders for the three month period ended December 31, 2015 amounted to $611,083 compared to a net loss for the same period in 2014 of $919,915 representing a decrease in net loss of $308,832. The fluctuations in line item amounts are due to the same factors discussed in the above noted year-to-year analysis.

CAPITAL EXPENDITURES

(Information extracted from the Company's audited Consolidated Financial Statements)

For the year ended December 31, 2015, the Company spent $5,140,053 (2014: $2,913,307) on capital spending. Capital expenditures are as follows:

	For the year ended December 31, 2015	2014
Exploration and evaluation assets		
Exploration and evaluation expenditures - Greenland, net of non-cash expenditures of $346,304 (2014 - $144,388)	**$ 40,878**	**$ 2,143,856**

	For the year ended December 31, 2015	2014
Property, plant and equipment		
Mine construction and development costs, net of non-cash items totaling $7,336,931 (2014: $594,854)	$ 528,225	$ 404,367
Property, plant and equipment additions, net of non-cash items totaling $787,812 (2014: nil)	4,570,949	365,084
Total property, plant and equipment	**$ 5,099,175**	**$ 769,451**

SUMMARY OF QUARTERLY RESULTS – UNAUDITED

The following table details the Company's unaudited quarterly results:

Quarter Ended	Net revenues	Net income (loss) attributable to shareholders*	Net income (loss) attributable to non-controlling interests*	Net income (loss)*	Loss per share - basic & diluted
	$'s	$'s	$'s	$'s	$'s
31-Dec-15	-	(611,083)	(68,516)	(679,599)	$ (0.00)
30-Sep-15	-	(314,467)	(27,032)	(341,499)	$ (0.00)
30-Jun-15	-	(734,379)	(31,687)	(766,066)	$ (0.00)
31-Mar-15	-	(2,018,892)	(41,602)	(2,060,494)	$ (0.01)
31-Dec-14	-	(919,915)	(20,009)	(939,924)	(0.00)
30-Sep-14	-	(215,404)	(650)	(216,054)	(0.00)
30-Jun-14	-	(128,611)	(719)	(129,330)	(0.00)
31-Mar-14	-	(343,085)	(479)	(343,564)	(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 has been carrying out mine development and exploration activities in Greenland and Canada. The Company's exploration activities have been seasonal in nature and programs tend to start late spring and end early fall.

Factors that can cause significant fluctuations in the Company's quarterly results are the timing of stock option grants, foreign exchange gains (losses), corporate financial services, salaries and income taxes (refer to table below). The Company's properties have not yet achieved commercial production.

Quarter Ended	Share-based compensation $	Foreign exchange losses (gains) $	Corporate financial services $	Consulting fees $	Income tax expense (recovery) $
31-Dec-15	15,977	(265,515)	-	269,157	289,533
30-Sep-15	-	(311,597)	-	103,653	146,029
30-Jun-15	-	36,621	-	99,655	188,787
31-Mar-15	604,107	30,053	-	457,068	541,248
31-Dec-14	-	(34,595)	76,125	167,342	297,780
30-Sep-14	-	(45,792)	-	45,000	13,000
30-Jun-14	-	(43,324)	-	45,000	(65,390)
31-Mar-14	24,342	53,207	-	45,000	12,610

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2015, the Company had cash and cash equivalents (collectively referred to as "cash") of $1,044,907 and a working capital deficiency of $1,055,968.

Based on the financial position at December 31, 2015, the Company's available funds are not considered adequate to meet requirements for the next twelve months based on budgeted and committed expenditures for operations, mine development, project commissioning and project exploration. To meet expenditure requirements, the Company is dependent upon its ability to access financial resources through the issuance of securities, sale of the Company's investments, or obtaining debt financing. There can be no assurances that the Company will be successful in accessing these financial resources.

CAPITAL RESOURCES

To date, the Company has been successful in meeting its capital requirements through the completion of equity placements, debt financings and investment sales. The Company may be impacted by any negative trends in market conditions. Trends affecting the Company's liquidity are dictated by the demands on financial resources created by the advancing nature of the Company's mine construction assets and the Company's ability to access the financial resources required to meet these demands. As the exploration and evaluation assets advance from exploration to mine development, more capital is required that apply pressure to the Company's financial resources, which result in a steady drain to the Company's liquidity.

In acquiring the required capital to finance the Company's contributing assets for completion of the Aappaluttoq Ruby and Pink Sapphire mine, capital will be generated from a combination of accessing equity markets, sales of the Company's investments, arranging loan facilities and revenues generated from sales of gemstones prior to commencement of commercial production.

Trends that affect the market generally, and the perception of the Company 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 the Company 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 development and therefore can, on occasion, impede the Company's ability to meet its financial requirements and result in an inability to advance the development of exploration assets and meet objectives in a timely manner.

As of December 31, 2015, the Company has $1,924,747 in debt. The debt consists of a loan agreement with Greenland Venture. The principal amount outstanding is DKK 7,909,255 (approximately C$1.6 million at prevailing exchange rates). The loan bears interest at a rate of 2% per month, and the principal and accrued interest is repayable on July 31, 2017. The Company has unconditionally and irrevocably guaranteed repayment to Greenland Venture of the loan principal, accrued interest, and any costs and expenses payable in connection with the loan.

As of December 31, 2015, the Company has no long-term contractual agreements to acquire mineral properties. To maintain the exploration licences in good standing, the Company is required to meet minimum expenditure levels, as prescribed by the Mineral Licence and Safety Authority ("MLSA") annually, as set out in the table below:

Licences	**Licence Renewal Date**	**2016 Exploration Obligation**		**Surplus Expenditures - December 31, 2015**	
Exploration Licences		DKK	CAD	DKK	CAD
Fiskenaesset - Licence 2008/46	December 31, 2015	-	$ -	14,935,681	$ 3,008,072
Qaqqatsiaq - Licence 2008/01	December 31, 2017	-	$ -	918,318	$ 184,951
Manitsoq - Licence 2014/47	December 31, 2018	832,040	$ 167,574	830,468	$ 167,258

Surplus expenditures on the exploration licences may be carried forward and credited against the calculated exploration commitment in future years, which is subject to confirmation by the Mineral Licencing and Safety Authority ("MLSA").

The Company and LNSG entered into an Option Agreement dated August 7, 2013, as amended effective October 30, 2014, whereby LNSG has been granted the option to earn 20% of the issued and outstanding Class A shares of TNGG. To earn in, LNSG is contributing all infrastructure and engineering costs together with construction to operational status for the Aappaluttoq Ruby and Pink Sapphire mine. The earn in will occur as certain milestones of the project are achieved. On October 14, 2015, the Company transferred 10% of TNGG Class A shares to LNSG (8,175,128 Class A shares), upon LNGS achieving the 75% completion milestone. In addition, the relationship between the Company and LNSG are governed by four additional agreements, which will be effective upon earn in, the TNGG Shareholders Agreement, the Lease and Purchase Agreement, the Management Agreement and the Pledge Agreement (whereby the Company has pledged the Class A TNGG shares, which may be earned by LNSG as security for LNSG's earn-in expenditures). The Shareholders' Agreement and Amendment No. 1 dated August 7, 2014 and October 30, 2014 respectively formalize the procedural protocols for management of TNGG and grant certain rights to LNSG with respect to directing the relevant activities of TNGG. The Lease and Purchase Agreement and Amendment No. 1 dated August 7, 2014 and October 30, 2014 respectively, is a nine year lease for the ore storage facility, two port facilities, mine operations camp, workshop, site roads, power plant and the fuel and explosive storage facility at the project. The lease fee, which commences once LNSG has completed its earn in requirements, is DKK 998,985 (approximately $0.2 million) per month for the first twelve months and escalates by 2.5% per annum thereafter. The Company has the right to acquire all of the leased assets at any time during the lease term for DKK 94,650,000 (approximately $19.1 million) of which all of the lease payments to date of exercise will be credited to the purchase price. After the lease term the Company may acquire all of the assets for DKK 8,000,000 (approximately $1.6 million). Additionally, the Company has the option to acquire only the primary crusher and processing facility assets at any time during the lease term for DKK 29,650,000 (approximately $6.0 million) of which the proportionate amount of lease payments to date of exercise for these assets will be credited to the purchase price. After the lease term the Company may acquire these assets for DKK 3,300,000 (approximately $0.7 million). The Management Agreement and Amendment No. 1 dated August 7, 2014 and October 30, 2014 respectively governs all parties' cooperation, division of duties and each participant's obligations in respect of exploration, marketing and mining activities.

TRANSACTIONS WITH RELATED PARTIES

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

For the year ended December 31, 2015, key management personnel charged $1,089,204 in fees for services rendered, of which $940,742 was charged to operations and $148,462 to property, plant and equipment. These transactions were in the normal course of business recorded at their exchange amounts, which was established and agreed to by the related parties.

William Anderson, Robert Boyd, Peter Friedmann, David Parsons, John Ryder, Andrew Lee Smith and Raymond Simpson are Independent Directors of the Company. During the year ended December 31, 2015, $104,000 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.

Key management personnel were awarded 5,650,000 stock options during the year ended December 31, 2015, resulting in a compensation expense of $555,579.

At December 31, 2015, there is a balance due to key management personnel of $365,881 for compensation, which is included in accounts payable and accrued liabilities.

PROPOSED TRANSACTIONS

As of April 28, 2016, the Company has no proposed material transactions.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant are disclosed in Note 4 in the Company's audited Consolidated Financial Statements for the year ended December 31, 2015.

ACCOUNTING POLICIES

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

INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

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

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

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

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

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

Refer to elsewhere in the MD&A or the Company's 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 December 31, 2015, True North had 307,485,383 common shares, 980,656 warrants and 18,950,000 options issued and outstanding.

At the date of this report, True North had 307,485,383 common shares, 813,989 warrants and 18,950,000 options issued and outstanding.

RISK FACTORS

Financial capability and additional financing
The Company relies on equity or debt financings to funds its activities. While it has been successful in raising funds in the past, there is no guarantee that adequate funds will be available in the future and/or on terms acceptable by the Company. The Company has cash and cash equivalents of $1,044,907 at December 31, 2015. Based on the financial position at December 31, 2015, available funds are not considered adequate to meet requirements for the next twelve months based on budgeted expenditures for operations, mine development and project exploration. A discussion of risk factors particular to the financial instruments is presented in Note 19 of the audited Consolidated Financial Statements for the year ended December 31, 2015.

Mine construction and start-up of new mine
The Company's decision to commence construction at the Aappaluttoq Ruby and Pink Sapphire deposit was based upon the Pre-Feasibility Study ("PFS"), National Instrument 43-101 Technical Report. There is no guarantee that construction will be completed as scheduled, when production will begin or that financial results will be consistent with the PFS. Failure to complete construction on schedule, commence production when planned or if financial results and associated sales of product are not consistent with the PFS, it could have a material adverse impact on the Company's ability to generate revenue and cash flow in the future to fund operations.

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.