TRUE NØRTH GEMS

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE THREE MONTH PERIOD ENDED March 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 May 27, 2015 and should be read in conjunction the unaudited condensed interim consolidated financial statements for the three month period ended March 31, 2015 ("Q1-2015") and the audited consolidated financial statements for the year ended December 31, 2014 and the related notes thereto ("fiscal 2014"). The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Company's reporting currency is Canadian dollars and all dollar amounts referred to in this discussion and analysis are expressed in Canadian dollars except where indicated otherwise.

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

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

Caution on Forward-Looking Statements

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

HIGHLIGHTS AND OUTLOOK

During the three month period ended March 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. Additionally, the Company accomplished two 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 robust economics of the project.
- ❖ Concluded successful information meetings with all political parties, stakeholders and communities in Greenland, which illustrated the full backing and commitment from all groups involved.

The filing of the pre-feasibility study enables True North's stakeholders and future investors to assess the updated information to better understand the project's cost structure and see the growth potential in the gemstone sector. The awareness now starting to be seen of the gemstone sector has lead to strengthening of coloured gem prices and an industry need for sustainable sources of supply.

FISKENAESSET RUBY PROJECT – GREENLAND

Current Mine Development

The formal mine construction commencement notice was issued by the Company to LNS Greenland A/S ("LNSG") on September 23, 2014. LNSG subsequently mobilized people and equipment to the exploration camp and outer port sites.

To date, LNSG has completed the following activities on-site:

- 5 kilometre transport route from 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;
- Foundations for recreation facility and camp accommodations;
- Excavation for the fuel storage depot storage depot; and,
- Siting and installation of camp accommodation and office modules with subsequent completion of the housing units for occupation.

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. Key mine development activities to be completed and on track have been tabulated and are listed below:

- Completion of all roads and access tracks
- Finalized completion of the harbour and associated facilities
- Further construction and fitting-out of the mine camp, hospital and offices
- Construction of the mines fuel and explosives depots
- Completion of the heliport
- Construction of the workshop
- Construction of the processing plant building and installation of the corundum recovery circuit
- Mine commissioning and calibration of plant

With ongoing and bi-weekly meetings, LNSG has confirmed the anticipated completion of the mine site infrastructure and engineering is on target for the fall of 2015.

During April 2015, the Managing Director and the Executive Vice President from 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, illuminate on the new financial figures issued as part of the undated 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 development. 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.

Corporate Changes

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

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

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. 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.

TSA DA GLISZA EMERALD PROJECT – YUKON, CANADA

Based on an internal review of the Tsa da Glisza Emerald property during the financial year ended December 31, 2009, management determined that it would not be conducting further exploration work on this project. As a result the project was written down to a nominal carrying value of $1. Final demobilization of the heavy equipment and bulky items from camp was completed in the winter of 2014. A site inspection was completed by Company staff during the summer of 2014; a Yukon Government closure certificate will be applied for once the final Government inspections take place in 2015.

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 2015, and until then, the previous assessment credit is sufficient to maintain claims in good standing.

FINANCIAL POSITION

As at March 31, 2015, the Company had current assets of $882,376 and current liabilities of $1,848,650 compared to current assets of $2,419,209 and current liabilities of $1,346,126 as at December 31, 2014. At March 31, 2015, the Company had working capital deficit of $966,274 compared to working capital of $1,073,083 at December 31, 2014.

The Company had cash and cash equivalents of $469,647 at March 31, 2015 compared to $1,988,992 at December 31, 2014. During three month period ended March 31, 2015, the Company recorded cash used in operations of $308,172 compared to cash used in operations of $801,600 for the three month period ended March 31, 2014.

Cash used in investing activities during the three month period ended includes $1,098,480 being spent on mine construction and development activities and in constructing facilities for the mine. Additionally, the Company spent $26,099 on its exploration and evaluation assets. Also the net payable position with respect to exploration expenditures resulted in cash outflows of $96,596.

During the three month period ended March 31, 2015, options entitling the holder to acquire 100,000 shares at $0.10 per share were converted and 100,000 common shares issued.

RESULTS OF OPERATIONS

		Q1-2015		Q1-2014
		(unaudited)		(unaudited)
Operating expenses				
Audit and related services	$	9,093	$	215
Consulting fees		457,068		45,000
Corporate secretarial and accounting		65,058		41,504
Depreciation		2,258		1,185
Directors fees		41,000		13,500
Exploration and evaluation expenditures		(10,173)		(903)
Farmout receipts		-		(14,500)
Foreign exchange (gain) loss		30,053		53,207
General and administrative		90,375		53,610
Investor relations		80,855		57,130
Legal fees		3,957		1,161
Rent and occupancy costs		79,505		27,300
Share-based compensation		604,107		24,342
Transfer agent and filing fees		11,068		(699)
Travel		50,950		6,850
Operating loss		(1,515,174)		(308,902)
Other income				
Interest income		582		2,961
Borrowing costs		(4,655)		(25,013)
Loss before income tax expense		(1,519,247)		(330,954)
Income tax recovery (expense)		(541,248)		(12,610)
Net loss for period	$	(2,060,495)	$	(343,564)
Loss attributable to :				
Shareholders	$	(2,018,893)	$	(343,085)
Non-controlling interests		(41,602)		(479)
	$	(2,060,495)	$	(343,564)
Loss per share - basic and fully diluted	$	(0.01)	$	(0.00)
Weighted average number of common shares - basic and fully diluted		297,252,049		264,148,993

NET LOSS

The net loss attributable to shareholders for Q1-2015 amounted to $2,018,893 compared to a net loss for the Q1-2014 of $343,085 representing an increase in net loss of $1,675,808. Included in the current period's results are interest income of $582 (Q1-2014 - $479) and borrowing costs relating to the loans from Greenland Venture's investment of $4,655 (Q1-2014 -$25,013). In the current financial period, the Company recorded an income tax expense of $541,248 to recognize an increase in the deferred tax liability of $534,488 and tax of $6,760 on unrealized losses on available for sale shares recognized through other comprehensive income.

Operating expenses

For Q1-2015, total operating expenses were $1,515,174 compared to $308,902 recorded during the same period in 2014 representing an increase of $1,206,272.

Significant factors that contributed to the variances are discussed below.

Consulting fees

Consulting fees in Q1-2015 increased by $412,068 to $457,068 from $45,000 for Q1-2015. In Q1-2015, the bonus payable to the CEO for the fiscal years 2011 to 2014 ($285,842) was determined and the 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 for fiscal 2015 and the Company hired Ms. Hayley Henning as Vice President Marketing and Development for a month fee of US$10,000.

Directors fees

Q1-2015 directors fees were $41,000 compared to $13,500 in Q1-2014. The increase is a result of approval of retroactive payment of $12,000 for fiscal 2014 to Andrew Lee Smith, who had previously not been compensated. Commencing January 1, 2015, both Andrew Lee Smith and Peter Friedmann will receive a director's fee of $1,000 per month. In February 26, 2015, Raymond Simpson joined the board and as well will receive a director's fee of $1,000 per month.

General and administrative

General and administrative expenses totalled $90,375 Q1-2015 compared to $53,610 for Q1-2014. Increase in general and administrative relates to higher level of corporate activities as a result of the commencement of construction of the Aappaluttoq Ruby and Pink Sapphire mine in the fall of 2014. Included in this category are administrative assistant fees, bank fees, communications lines (telephone, facsimile and internet), delivery, interest, office supplies and printing.

Investor relations

Investor relations charges were $80,855 for Q1-2015 compared to $57,130 for Q1-2014 representing an increase of $23,725. As a result of commencing construction of the Aappaluttoq Ruby and Pink Sapphire mine in the fall of 2014, there has been a significant increase in communication with the Company's stakeholders to keep them updated of the progress of mine construction and on the project's cost structure.

Rent and occupancy costs

Rent and occupancy costs for Q1-2015 totalled $79,505 compared to $27,300 in Q1-2014 representing an increase of $52,205. The increase relates to the costs for the 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. The monthly lease payment is approximately CAD$13,600 (DKK 72,162.50), which includes base rent and operating costs.

Share-based compensation

The fair value of the 7,600,000 options granted during Q1-2015 resulted in a compensation expense of $744,839 of which $604,107 was charged to operations and $140,732 was charged to mine construction and development costs.

The fair value of the 300,000 options granted during Q1-2014 resulted in a compensation expense of $24,342 that was charged to operations.

There were no significant changes in assumptions used in valuing the options using the Black-Scholes valuation model.

Transfer agent and filing fees

Transfer agent and filing fees totalled $11,068 for Q1-2015 compared to a credit of $699 for Q1-2014. In Q1-2014, the Company received a refund from the TSX Venture Exchange for filing of the form 4B in Fiscal 2013 for a financing that did not complete.

Travel

Travel for Q1-2015 totalled $50,950 compared to $6,850 for Q1-2014 representing an increase of $44,100. Increase travel to source financing for mine construction and to keep stakeholders updated of the progress of mine construction and on the project's cost structure.

CAPITAL EXPENDITURES

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

During Q1-2015, the Company spent $1,124,579 (Q1-2014 - $515,759) on its capital spending program. Capital expenditures by project are as follows:

	Q1-2015	Q1-2014
Exploration and evaluation assets	(Unaudited)	(Unaudited)
Exploration and evaluation expenditures - Greenland, net of non cash expenditures of $130,912 (2014 - $581,274)	**$ 26,099**	**$ 514,509**

	Q1-2015	Q1-2014
	(Unaudited)	(Unaudited)
Property, plant and equipment		
Mine construction and development costs, net of non-cash items totalling $1,853,906 (Q1-2014- $Nil)	$ 286,545	$ -
Property, plant and equipment additions (Q1-2014 - $1,250)	811,935	1,250
Total property, plant and equipment	**$ 1,098,480**	**$ 1,250**

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	Loss per share - diluted
	$'s	$'s	$'s	$'s	$'s	$'s
31-Mar-15	-	(2,018,893)	(41,602)	(2,060,495)	$ (0.01)	$ (0.01)
31-Dec-14	-	(2,018,893)	(41,602)	(2,060,495)	(0.00)	(0.00)
30-Sep-14	-	(215,404)	(650)	(216,054)	(0.00)	(0.00)
30-Jun-14	-	(128,611)	(719)	(129,330)	(0.00)	(0.00)
31-Mar-14	-	(343,085)	(479)	(343,564)	(0.00)	(0.00)
31-Dec-13	-	(833,409)	21,227	(812,182)	(0.00)	(0.00)
30-Sep-13	-	(337,934)	(7,568)	(345,502)	(0.00)	(0.00)
30-Jun-13	-	(269,046)	(2,992)	(272,038)	(0.00)	(0.00)

*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 and mine development activities in Greenland and Canada. The Company's exploration activities are seasonal in nature and programs tend to start late spring and end early fall.

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

Quarter Ended	Share-based compensation $	Foreign exchange losses (gains) $	Corporate financial services $	Consulting fees $	Income tax expense (recovery) $
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
31-Dec-13	439,487	79,555	-	92,000	(21,970)
30-Sep-13	-	10,821	-	45,000	-
30-Jun-13	-	13,665	30,000	45,000	-

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2015, the Company had cash and cash equivalents (collectively referred to as "cash") of $469,647 and working capital deficit of $966,274.

Based on the financial position at March 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. Further funds will be required to meet planned expenditures. To meet working capital requirements, the Company will have to access financial resources through the issuance of securities or resource secured debt.

CAPITAL RESOURCES

The Company has been successful in meeting its capital requirements through the completion of equity placements and debt financings. True North may be impacted by any continued downward trend in market conditions. Trends effecting True North's liquidity are dictated by the demands on financial resources created by the advancing nature of the Company's 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, 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 True North within the marketplace, can affect the Company's ability to access capital in both a positive and negative way. Trends in this general market are defined by fluctuations in the global economy and the demand for metals and commodity prices. Trends in the perception of True North in the resource marketplace will be affected by general trends in the resource equity markets, the Company's performance in creating shareholder value and in demonstrating the ability to manage the Company's affairs and achieve mandated objectives.

Uncertainty is a prevalent element in exploration and development and therefore can, on occasion, impede the

Company's ability to meet its financial requirements and result in an inability to advance exploration assets and meet objectives in a timely manner.

As of March 31, 2015, the Company has $1,474,532 in debt. The debt consists of a line of credit, a term loan and a financial liability. The line of credit (principle balance approximately $615,366 (DKK 3,350,000) and accrued interest thereon was due on November 5, 2014 (Ministerial approval of the Exploitation and Abandonment Plan under Sections 19 and 43 of Mineral Resources Act and Articles 12 and 13 of Exclusive Licence No. 2014/21 was received on August 5, 2014, which represented the final authorization required to commence mine development of the Aappaluttoq Ruby and Pink Sapphire Deposit). The interest rate was 1% per month. Repayment is guaranteed by the Company (the "Guarantor"). As a result, Greenland Venture's agreed to defer repayment until TNGG has raised sufficient funds for operating expenditures or has cash flow from production in exchange for an increase in the interest rate to 1.5% per month. The credit facility will be reassessed prior to December 31, 2015. The term loan bears interest at the rate of 10% per annum payable annually in arrears. The principal balance of $734,765 (DKK 4,000,000) and any accrued interest thereon are repayable on June 14, 2018 with repayment guaranteed by TNGG parent company, True North Gems Inc. TNGG is entitled to repay the loan in full or in part including accrued payable interest thereon as at the date of repayment and including an early payout premium of 5% of the outstanding loan at any time before June 14, 2018. The financial liability of $124,401 (DKK 677,266) represents the equity component of Greenland Venture's investment in TNGG that is considered a financial liability for accounting purposes in addition to the borrowing costs. Judgment was required by management in determining that the put option related to the Class B shares issued to Greenland Venture does not result in the transfer of risks and rewards of ownership and therefore, accounted for as a financial liability. The put option granted to Greenland Venture's is exercisable on or after fifth anniversary date of the funding of the final draw (June 14, 2013). The expected settlement amount of the obligation is anticipated to be DKK 750,000 and the premium of DKK 250,000 is being accreted over the term as a borrowing cost and the 10% annual cumulative dividend is being accrued as a borrowing cost. As of March 31, 2015, the Company has a lease for premises in Greenland. At March 31, 2015, the total lease obligation over the term of the lease expiring in December 31, 2015 amounts to $276,610 (2015-$118,860/2016-$157,750) DKK 1,516,504 (2015-651,644/2016-864,860).

As of March 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**	**2015 Exploration Obligation**		**Surplus Expenditures - December 31, 2014**	
Exploration Licences		DKK	CAD	DKK	CAD
Fiskenaesset - Licence 2008/46	December 31, 2015	3,714,750	$ 677,570	21,910,959	$ 3,996,559
Qaqqatsiaq - Licence 2008/01	December 31, 2017	1,238,540	$ 225,910	951,970	$ 173,639
Manitsoq - Licence 2014/47	December 31, 2018	270,100	$ 49,266	364,609	$ 66,505

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

In addition, 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. 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 is DKK 998,985 (approximately $182,200) 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 $17,264,000) 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 $1,459,000). 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 $5,408,200) 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 $601,900). 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.

During Q1-2015, key management personnel charged $531,853 in fees for services rendered, of which $489,887 was charged to operations and $41,966 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 True North. During Q1-2015, $41,000 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 Q-1 resulting in a compensation expense of $555,579.

At March 31, 2015, there is a balance due to key management personnel of $403,196 for compensation, which is included in accounts payable and accrued liabilities.

PROPOSED TRANSACTIONS

As of March 31, 2015, 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 annual consolidated financial statements and in the Annual Management, Discussion & Analysis for the year ended December 31, 2014.

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 audited consolidated financial statements for capitalized or expensed exploration and development costs, general and administrative expenses and other material costs. Additional information relating to the Company is on SEDAR www.sedar.com.

OUTSTANDING SHARE DATA

At March 31, 2015, True North had 297,332,049 common shares, 9,313,990 warrants and 25,400,000 options issued and outstanding.

At the date of this report, True North had 297,782,049 common shares, 9,313,990 warrants and 24,950,000 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 $469,647 at March 31, 2015. Based on the financial position at March 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 15 of the condensed interim consolidated financial statements for the three month period ended March 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 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.