



December 23, 2020

Dear North Arrow Shareholders,

With a challenging 2020 nearly behind us and light on the horizon for the year to come, it is a good time to provide an update on North Arrow, particularly looking forward to an eventful 2021 for our Naujaat Diamond project in Nunavut.

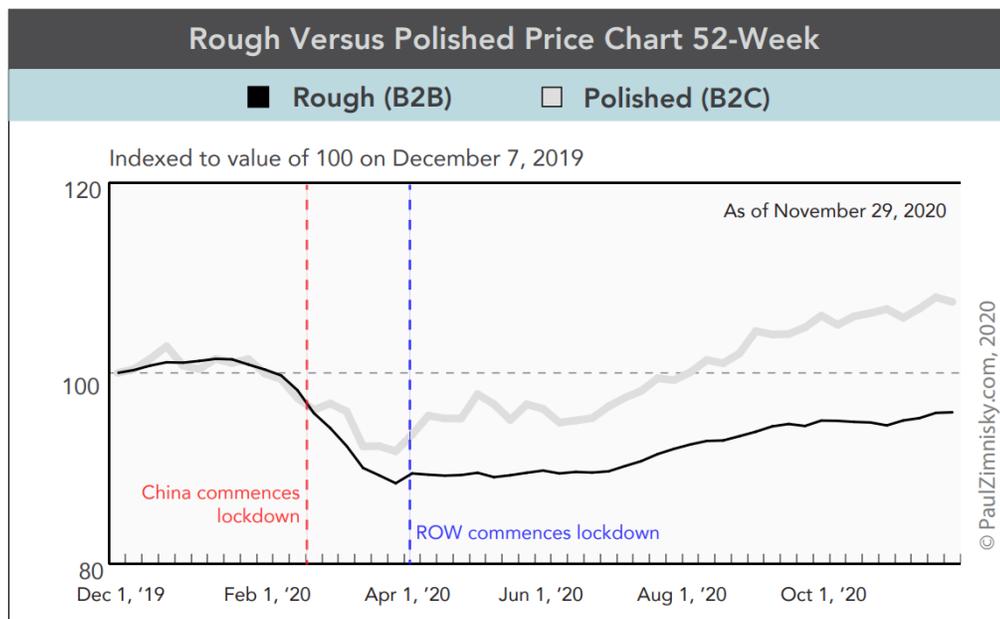
Prior to the global pandemic overwhelming the events of 2020, North Arrow was working on an arrangement to see renewed evaluation of the Q1-4 diamond deposit at Naujaat. Although diamonds were not a shining light in terms of global exploration interest in the early part of 2020, we were making progress on finding investment, while at the same time also pointing to a number of promising and [positive developments in the overall diamond pipeline](#).

In late March, as the pandemic severely impacted world economies, including the global diamond pipeline, North Arrow had to readjust our plans for the year. As highlighted in our news releases of [June 1](#) and [August 18](#), we were able to conclude a partnership with Burgundy Diamond Mines Limited that will see Burgundy earn a 40% interest in Naujaat by funding collection of a \$5.6 million 1,500 to 2,000 tonne bulk sample in the summer of 2021. Burgundy is an excellent technical and financial partner, with very similar views on how best to effectively evaluate diamond deposits. Although the agreement pushed further evaluation of Q1-4 into 2021, it included initial funding to take advantage of Naujaat's location on tidewater through the purchase and positioning of fuel and sampling supplies using the summer 2020 sealift. This has significantly reduced program fuel costs and will result in more work completed per dollar spent.

Most importantly, this \$5.6M program is now fully funded and supplied for an on time start in June 2021. The goal of the bulk sample is to recover sufficient diamonds [to confirm a coarse size distribution](#) for Q1-4's population of fancy orangey yellow diamonds. If the result is positive, the Burgundy agreement also includes a non-binding letter of intent that could see Burgundy increase its interest in the Q1-4 deposit to 60% by funding collection of a 10,000t sample.

Unfortunately, the delayed timeline for resumed exploration at Naujaat, combined with the pandemic and poor diamond sentiment, has kept North Arrow's share price at a very depressed level throughout 2020. However, we believe the Company is well positioned for a rebound in 2021 based on our expected increased news flow and, as we reach the end of the year, a number of good news stories and hints of recovery in the diamond space. These indications of positive changes in sentiment include:

**Increasing diamond prices** – During the heart of the pandemic period the diamond market essentially ground to a halt. Producers were limited in their ability to sell production and retailers were forced to close locations during government mandated lockdowns.



However, according to Paul Zimnisky Research, both polished and rough prices are on the increase, with polished pricing now above pre-pandemic levels.

Recent sales news from De Beers indicates their sales Cycles 8 through 10 each generated higher revenue than their comparable 2019 Cycles (collectively over 20% more revenue) and, perhaps as a result, De Beers has, as of last week, [raised its diamond prices](#) for the first time since the pandemic hit. Other producers have also reported stronger pricing at year end.

**Reduced Rough Diamond Supply** – Further supporting future rough diamond prices, global diamond production is forecast to decrease by over 20% to about 113 million carats in 2020. This reduction is due in part to planned production declines but also unplanned COVID-related production suspensions and curtailments across the industry. Some of the suspended operations have yet to restart, with their anticipated supply shortfall extending into 2021.

Perhaps no more significant production reduction has occurred than the planned closure of the prolific [Argyle mine in Australia](#). The mine ended production on November 3<sup>rd</sup>, so its impact on global supply will be more fully felt in 2021.

**Rebounding Retail News** – We have also seen two important positive developments in the luxury retail space as indicators for end consumer demand.

First is the sale of Tiffany to Louis Vuitton (LVMH). This sale was initially announced on November 25, 2019 but the arrangement hit the skids during the early part of the pandemic. On October 29<sup>th</sup>, 2020 Tiffany and LVMH announced the sale is back on and, at US\$15.8 Billion, it remains the biggest sale ever in the luxury brand sector and confirms LVMH's faith and commitment to future growth in natural diamonds and the luxury jewelry market.

As further indication of its faith in the natural diamond market, LVMH has also partnered with large diamond producer Lucara Diamond and diamond polisher HB Antwerp on innovative

partnerships to cut, polish and sell two exceptional diamonds: the [1,758 carat “Sewelô”](#) and the [549 carat “Sethunya”](#).

The second development is the commitment of Chow Tai Fook, China’s largest luxury jewelry retail brand, to press on with new store openings, primarily in mainland China. Along with an important bounce back in sales in the latter part of the year, [Chow Tai Fook also reported](#) opening 310 new stores in the six months through to September accounting for 7.5% of their total points of sale – and plans to open an additional 450 to 500 stores prior to the end of March, which would increase their total sales outlets by an additional 10.7%.

These investments by LVMH and Chow Tai Fook are significant and, importantly, are being made by senior, knowledgeable players in the luxury jewelry space.

**Increasing Company Share Prices** – For investors like yourselves, the most recent positive indication of a changing sentiment has been rising share prices for some diamond focused companies. At the head of that list is Alrosa (MCX: ALRS) which hit a 52-week high on December 7<sup>th</sup> and again December 17<sup>th</sup> largely on the basis of increasing diamond prices.

There has also been some improved traction for diamond exploration companies including new explorer, and (importantly for North Arrow) our partner at Naujaat, Burgundy Diamond Mines (ASX-BDM), whose market capitalization has better than doubled over the last several of months, reaching a high in excess of Cdn \$50 million, in early December.

Naujaat is Burgundy’s most advanced project and North Arrow, with a current market capitalization of just \$6M, will, with our retained 60% interest, benefit from the Burgundy funded \$5.6M 2021 bulk sample. North Arrow also maintains its strong portfolio of drill ready and permitted exploration projects, including our diamond discoveries at [Pikoo](#), Saskatchewan and [Mel](#), Nunavut, and brownfields exploration properties in the Lac de Gras region of the NWT at the [Loki](#) and LDG joint venture projects.

As we reach the end of 2020, I’d like to thank you for your continued support of North Arrow as a leader in Canadian diamond exploration. I trust this letter will help reconfirm for you that 2021 will be a better year for diamonds, and that, although North Arrow has not participated in the improving market sentiment through a higher share price, it is perhaps the best positioned Canadian junior company to do so.

Wishing you a safe and healthy holiday season and a very happy New Year.

**NORTH ARROW MINERALS INC.**

*“Ken Armstrong”*

Kenneth A. Armstrong  
President and CEO

This has letter has been reviewed by Ken Armstrong, P.Geo. (NWT/NU, ON), President & CEO of North Arrow and Qualified Person under NI 43-101.