

NORTH ARROW MINERALS INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

OCTOBER 31, 2013

(Unaudited- Prepared by Management)

(Expressed in Canadian Dollars)

These condensed interim consolidated financial statements of North Arrow Minerals Inc. for the six months ended October 31, 2013 have been prepared by and are the responsibility of the Company's management.

The Company's independent auditors have not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

NORTH ARROW MINERALS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited- Prepared by Management)
(Expressed in Canadian Dollars)

	Three Months, ended October 31, 2013	Three Months, ended October 31, 2012	Six Months, ended October 31, 2013	Six Months, ended October 31, 2012
EXPENSES				
Advertising, promotion and travel	\$ 16,169	\$ 860	\$ 24,861	\$ 1,543
Consulting	29,209	11,719	53,904	29,044
Depreciation	-	149	692	298
Office, miscellaneous and rent	23,041	8,916	44,679	22,009
Professional fees	4,726	12,356	12,658	14,202
Property investigation costs	-	488	12,867	2,034
Regulatory and filing fees	4,270	3,287	13,857	3,974
Salaries and benefits	35,857	3,250	70,247	21,556
Share-based compensation (Note 9)	153,422	8,063	375,563	20,526
Loss before other items	(266,694)	(49,088)	(609,328)	(115,186)
OTHER ITEMS				
Interest income	4,430	-	11,754	301
Interest on convertible note (Note 8)	-	(17,643)	-	(35,286)
Accretion on convertible note (Note 8)	-	(17,275)	-	(35,737)
	4,430	(34,918)	11,754	(70,722)
Loss for the period	(262,264)	(84,006)	(597,574)	(185,908)
Unrealized loss on available-for-sale financial assets	-	(750)	(300)	(750)
Comprehensive loss for the period	\$ (262,264)	\$ (84,756)	\$ (597,874)	\$ (186,658)
Basic and diluted loss per share	\$ (0.01)	\$ (0.02)	\$ (0.02)	\$ (0.04)
Weighted average number of common shares outstanding	28,735,936	5,275,831	28,587,838	5,275,831

The accompanying notes are an integral part of these condensed interim consolidated financial statements

NORTH ARROW MINERALS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ended October 31
(Unaudited- Prepared by Management)
(Expressed in Canadian Dollars)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (597,574)	\$ (185,908)
Items not involving cash:		
Depreciation	692	298
Share-based compensation	375,563	20,526
Interest on convertible note	-	35,286
Accretion on convertible note	-	35,737
Changes in non-cash working capital items:		
(Increase)/decrease in receivables	(71,003)	29,212
Increase in accounts payable and accrued liabilities	82,945	34,269
Increase/(decrease) in due to related parties	(112,346)	53,331
	(321,723)	22,751
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures on exploration and evaluation assets, net	(1,860,183)	(10,038)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	5,368,600	-
Change in cash during the period	3,186,694	12,713
Cash, beginning of period	2,893,755	47,318
Cash, end of period	\$ 6,080,449	\$ 60,031
Cash paid during the period for interest	\$ -	\$ -
Cash paid during the period for income taxes	\$ -	\$ -

Supplemental disclosure with respect to cash flows (Note 11)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

NORTH ARROW MINERALS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited- Prepared by Management)

(Expressed in Canadian Dollars)

	Number of Shares	Capital Stock	Share-based payment reserve	Investment revaluation reserve	Equity component of convertible note	Deficit	Total
Balance, April 30, 2012	5,275,831	\$ 10,965,436	\$ 912,746	\$(10,988)	\$137,996	\$(12,238,565)	\$ (233,375)
Share-based compensation	-	-	20,526	-	-	-	20,526
Loss for the period	-	-	-	-	-	(185,908)	(185,908)
Investment loss	-	-	-	(750)	-	-	(750)
Balance, October 31, 2012	5,275,831	\$10,965,436	\$933,272	\$(11,738)	\$137,996	\$(12,424,473)	\$(399,507)
Balance, April 30, 2013	28,439,741	\$ 14,863,029	\$ 938,235	\$ (14,438)	\$ -	\$(12,132,515)	\$ 3,654,311
Share-based compensation	-	-	375,563	-	-	-	375,563
Private placement- net	13,625,000	5,368,600	-	-	-	-	5,368,600
Net loss	-	-	-	-	-	(597,574)	(597,574)
Investment loss	-	-	-	(300)	-	-	(300)
Warrants issued for exploration and evaluation assets	-	-	567,329	-	-	-	567,329
Balance, October 31, 2013	42,064,741	\$ 20,231,629	\$ 1,881,127	\$ (14,738)	\$ -	\$(12,730,089)	\$ 9,367,929

The accompanying notes are an integral part of these condensed interim consolidated financial statements

NORTH ARROW MINERALS INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended October 31, 2013

(Unaudited- Prepared by Management)

(Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

North Arrow Minerals Inc. (the “Company”) is incorporated federally under the laws of the Canada Business Corporations Act.

The condensed interim consolidated financial statements of the Company are presented in Canadian dollars, which is the functional currency of the Company. The Company trades on the TSX Venture Exchange (TSXV – NAR) and its registered office address is Ste. #860-625 Howe Street, Vancouver, BC, Canada V6C 2T6.

The Company’s principal business activity is the acquisition and exploration of exploration and evaluation assets. To date, the Company has not generated significant revenues from operations and is considered to be in the exploration stage.

The Company is in the process of acquiring and exploring its exploration and evaluation assets and has not yet determined whether these properties contain reserves that are economically recoverable. These financial statements have been prepared on the assumption that the Company will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the normal course of operations. At October 31, 2013, the Company has a deficit of \$12,730,089, no current source of revenue. The Company’s continuation as a going concern is dependent on the successful results from its mineral property exploration activities and its ability to raise equity capital or borrowings sufficient to meet current and future obligations. There can be no assurances that management’s plans for the Company will be successful. These material uncertainties may cast significant doubt upon the Company’s ability to continue as a going concern. These financial statements do not include any adjustments to the recoverability and classification of assets and liabilities that might be necessary, should the Company be unable to continue as a going concern.

As a result of the ten for one share consolidation completed during the year ended April 30, 2013, comparative share information has been retrospectively restated.

2. BASIS OF PRESENTATION

Statement of Compliance to International Financial Reporting Standards

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) and specifically with IFRS applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting (IAS 34). These condensed interim consolidated financial statements should be read in conjunction with the Company’s audited financial statements for the year ended April 30, 2013. These financial statements are presented in Canadian dollars unless otherwise noted.

Principles of Consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned inactive subsidiary Compania Minera North Arrow Chile Limitada. All inter-company transactions and balances have been eliminated upon consolidation.

New Accounting Standards

The International Accounting Standards Board has issued several new standards which have not yet been adopted by the Company. Each of the new standards is effective for annual periods beginning on or after January 1, 2014 with early adoption permitted, except for IFRS 9 and IFRS 7 which becomes effective January 1, 2015. The following is a brief summary of the new standards:

2. BASIS OF PRESENTATION- continued

IAS 36 – Impairment of assets – disclosure

This standard has limited scope amendments to disclosure requirements in IAS 36, Impairment of Assets. The extent of the impact of adoption of IAS 36 has not yet been determined by the Company.

IAS 32 – Financial instruments – presentation

This standard has been amended to clarify requirements for offsetting of financial assets and financial liabilities. The extent of the impact of adoption of IAS 32 has not yet been determined by the Company.

IFRS 9 Financial Instruments – classification and measurement

This is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, “Financial Instruments: Recognition and Measurement”. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is recorded at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is measured at fair value with changes in fair value through profit or loss. In addition, this new standard has been updated to include guidance on financial liabilities and derecognition of financial instruments. This standard is effective for years beginning on or after January 1, 2015. The extent of the impact of adoption of IFRS 9 has not yet been determined.

IFRS 7 – Financial instruments – disclosure

This standard has been amended to require additional disclosures on transition from IAS 39 to IFRS 9. The extent of the impact of adoption of IFRS 7 has not yet been determined.

Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during this period.

Although management uses historical experiences and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the recoverability of mineral properties, the valuation of share-based payments, and the valuation of deferred tax amounts.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

- (i) *Economic recoverability and probability of future benefits of exploration and evaluation costs.*

Management has determined that exploration, evaluation and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

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2. BASIS OF PRESENTATION- continued

(ii) *Valuation of share-based payments*

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments. Option pricing models require the use of judgment and the input of subjective assumptions including expected price volatility, interest rates and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and Company's earnings and equity reserves.

(iii) *Income taxes*

In assessing the probability of realizing income tax assets, management utilizes judgment to make estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company's financial instruments consist of cash, marketable securities, receivables, accounts payable and accrued liabilities and due to related parties. Cash is carried at fair value using a level 1 fair value measurement. The carrying value of receivables, accounts payable and accrued liabilities and due to related parties approximate their fair values due to their immediate or short-term maturity. Marketable securities are recorded at fair value based on the quoted market prices in active markets at the balance sheet date, which is consistent with level 1 of the fair value hierarchy.

The Company is exposed to a variety of financial risks by virtue of its activities, including credit risk, interest rate risk, liquidity risks, foreign currency risk, and equity market risk. The Company's objective with respect to risk management is to minimize potential adverse effects on the Company's financial performance. The Board of Directors provides direction and guidance to management with respect to risk management. Management is responsible for establishing controls and procedures to ensure that financial risks are mitigated to acceptable levels.

Credit risk

Credit risk is the risk of financial loss to the Company if a counter-party to a financial instrument fails to meet its contractual obligations. The Company manages credit risk by investing its excess cash in short-term investments with investment grade ratings, issued by a Canadian chartered bank. The Company's receivables consist primarily of sales tax receivables due from the federal government and receivables from companies with which the Company has exploration agreements or options. The maximum exposure to credit risk at the reporting date is the carrying value of the Company's receivables and cash.

NORTH ARROW MINERALS INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT- continued*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to interest rate risk with respect to its cash flow. It is management's opinion that the Company is not exposed to significant interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise the funds required through future equity financings, asset sales or exploration option agreements, or a combination thereof. The Company has no regular cash flow from its operating activities. The Company manages its liquidity risk by forecasting cash flow requirements for its planned exploration and corporate activities and anticipating investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of annual budgets and significant expenditures and commitments. Failure to realize additional funding could cast significant doubt on the Company's ability to continue as a going concern. As at October 31, 2013, the Company had cash of \$6,080,449 (April 30, 2013 - \$2,893,755) available to settle current liabilities of \$317,843 (April 30, 2013 - \$334,810).

Foreign currency risk

The Company has exposure to foreign currency risk through its exploration activities outside of Canada, however, the majority of its assets and liabilities are denominated in Canadian dollars. The Company's exploration activities and any related land tenure expense outside Canada could make it subject to foreign currency fluctuations, which may affect the Company's financial position and cash flows. During the year ended April 30, 2012, the Company wound up its operations in the United States and South America and is presently not subject to significant foreign currency risk.

Equity market risk

The Company is exposed to equity price risk arising from its marketable securities, which are classified as available-for-sale. The Company plans to sell its marketable securities as market conditions permit, or as is required to finance the Company's operations from time-to-time.

4. RECEIVABLES

	October 31, 2013	April 30, 2013
HST/GST receivables	\$ 18,766	\$ 22,678
Trade and other receivables	77,173	2,258
	\$ 95,939	\$ 24,936

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5. MARKETABLE SECURITIES

During the year ended April 30, 2012, the Company received 15,000 (75,000 pre-consolidation) common shares of a TSX-V listed company in exchange for certain exploration data.

	October 31, 2013			April 30, 2013		
	Cost	Unrealized Loss	Fair Market Value	Cost	Unrealized Loss	Fair Market Value
Common shares of a company listed on the TSX-V	\$ 15,488	\$(14,738)	\$750	\$15,488	\$(14,438)	\$1,050

6. EQUIPMENT

	Cost	Accumulated Depreciation	Net Book Value
Computer Equipment			
Balance at April 30, 2012	6,474	\$ 5,484	\$ 990
Depreciation	-	298	(298)
Balance at April 30, 2013	6,474	5,782	692
Depreciation	-	692	(692)
Balance, October 31, 2013	\$ 6,474	\$ 6,474	\$ -

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7. EXPLORATION AND EVALUATION ASSETS

	April 30, 2013	Expended During the Period	Write-offs During the Period	Oct. 31, 2013
Gold and Base Metal Properties, Canada				
Exploration costs	24,389	\$ -	\$ -	24,389
Acquisition costs	81,044	-	-	81,044
Geological and assays	458	-	-	458
Office and salaries	20,704	-	-	20,704
	<u>126,595</u>	-	-	<u>126,595</u>
Diamond Properties, Canada				
Exploration costs	358,313	1,641,529	-	1,999,842
Acquisition and tenure costs	303,683	608,934	-	912,617
Geological and assays	153,489	129,677	-	283,166
Office and salaries	126,608	59,806	-	186,414
	<u>942,093</u>	<u>2,439,946</u>	-	<u>3,382,039</u>
TOTAL	\$ 1,068,688	\$ 2,439,946	\$ -	\$ 3,508,634

	April 30, 2012	Expended During the Year	Write-offs During the Year	April 30, 2013
Gold and Base Metal Properties, Canada				
Exploration costs	\$ 58,381	\$ 3,285	\$ (37,277)	24,389
Acquisition costs	153,036	15,777	(87,769)	81,044
Geological and assays	5,796	-	(5,338)	458
Office and salaries	22,323	-	(1,619)	20,704
	<u>239,536</u>	<u>19,062</u>	<u>(132,003)</u>	<u>126,595</u>
Diamond Properties, Canada				
Exploration costs	234,702	123,611	-	358,313
Acquisition costs	42,918	260,765	-	303,683
Geological and assays	153,489	-	-	153,489
Office and salaries	126,608	-	-	126,608
	<u>557,717</u>	<u>384,376</u>	-	<u>942,093</u>
TOTAL	\$ 797,253	\$ 403,438	\$ (132,003)	\$ 1,068,688

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many exploration and evaluation assets. The Company has investigated title to all of its exploration and evaluation assets and, to the best of its knowledge, title to all of these assets are in good standing.

NORTH ARROW MINERALS INC.

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7. EXPLORATION AND EVALUATION ASSETS - continued

Diamond Properties, Canada

Lac de Gras, Northwest Territories

In August 2011, the Company entered into an option agreement with Harry Winston Diamond Mines Ltd. (subsequently Dominion Diamond Corp.) (“Dominion”), and Springbok Holdings Inc. (“Springbok”), to jointly explore Springbok and the Company’s Lac de Gras property and Dominion’s land holdings contiguous to Springbok and the Company’s Lac de Gras property (collectively, the “JV Property”).

Dominion must incur exploration expenditures of at least \$5,000,000 over a 5 year period to allow the option to vest. Upon vesting, a joint venture will be formed whereby Dominion will hold a 55% interest and the Company and Springbok will share equally a 45% interest in the JV Property.

On October 24, 2012, the Company entered into an agreement with Springbok to acquire Springbok’s 50% interest in the Lac de Gras property (the “Springbok Interests”). The Springbok Interests include the right to obtain a 22.5% interest in the JV Property, subject to the terms and conditions of the option agreement among Springbok, the Company and Dominion. Under the terms of the agreement with Springbok, the Company issued 1,000,000 post-consolidation shares at a value of \$235,000 to Springbok for the Springbok Interests. As additional consideration, in the event that Dominion exercises its option and earns a 55% interest in the JV Property and the Company subsequently incurs \$2 million in joint venture expenditures on the JV Property, the Company will issue to Springbok that number of common shares of the Company having a value of \$1 million.

Timiskaming, Pikoo and Qilalugaq Diamond Projects, Canada

On March 12, 2013, the Company entered into an assignment agreement with 0954506 B.C. Ltd. (“BCCo”) under which BCCo agreed to assign and transfer to the Company all of BCCo’s interest and obligations in certain options to earn an 80% interest in the Timiskaming, Pikoo and Qilalugaq diamond projects. Stornoway Diamond Corporation (“Stornoway”) is the holder of a 100% interest in all three projects and had granted BCCo options to acquire the 80% interests in the projects. BCCo is a private company controlled by a party related to a director of the Company. Stornoway will retain a one-time right to buy-back a 20% interest in any of the projects once the Company completes an option work program and provides Stornoway with notice of its intent to vest an 80% interest in a project. Under the terms of the agreement, the cost of the buy-back will be equal to three times the costs incurred in connection with the applicable option work program.

Under the terms of the assignment agreement the Company paid BCCo \$20,000 and issued BCCo 500,000 transferrable share purchase warrants having a fair value of \$314,325 which was included in acquisition costs at the time the Company earned its interest in one of the projects. Each share purchase warrant will entitle the holder to acquire one common share of the Company at a price of \$0.25 for a period of five years from the date of issuance. In addition, the agreement required the Company to complete a \$2,000,000 financing (completed).

Qilalugaq diamond project, Nunavut

The Company has the option to earn an 80% interest in the Qilalugaq project by completing an option work program that includes a 1,000 tonne mini-bulk sample within two years of receipt of the required land use permit or no later than January 2018. The project is subject to a 3% net smelter royalty on metals produced and a 3% gross-overriding royalty on the sale of industrial minerals, including diamonds.

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7. EXPLORATION AND EVALUATION ASSETS - continued

Diamond Properties, Canada – continued

Pikoo diamond project, Saskatchewan

The Company has the option to earn an 80% interest in the Pikoo diamond project by completing an option work program consisting of a minimum 2,000 meter diamond drilling program, including a minimum of two drill holes at each of the North and South target areas. Subsequent to October 31, 2013, the Company issued Stornoway notice that it had completed the option work program and had therefore vested at an 80% interest in the project, subject to Stornoway's right to buy back a further 20% interest in the project by paying to the Company, within sixty days of receiving the notice, an amount equal to three times the costs incurred by the Company in completing the option work program.

Timiskaming diamond project, Ontario/Quebec

The Company had the option to earn an 80% interest in the Timiskaming diamond project by completing an option work program that includes testing three separate geophysical targets with at least one diamond drill hole.

In June 2013, the Company issued Stornoway notice that it had completed the option work program and that it had therefore vested an 80% interest in the Timiskaming project subject to Stornoway's right to buy back a 20% interest in the project by paying to the Company, within sixty days of receiving the notice, an amount equal to three times the costs incurred by the Company in completing the option work program. Stornoway subsequently notified the Company that it would not exercise its right to buy-back a 20% interest in the project. Accordingly, the fair value of the warrants issued to BCCo under the terms of the assignment agreement was included in the acquisition costs at the time the Company earned its interest in the Timiskaming diamond project.

Redemption project, Northwest Territories

In July 2013, the Company entered into an option agreement with Arctic Star Resources Ltd. ("Arctic Star") whereby it can earn a 55% interest in Arctic Star's Redemption diamond project in the Lac de Gras region of the Northwest Territories. Under the terms of the option agreement, the Company can earn a 55% interest in the project by incurring \$5 million in exploration expenditures prior to July 1, 2017, including a firm commitment to spend \$1,000,000 prior to July 1, 2014.

Mel project, Nunavut

In August 2013, the Company acquired a 100% interest in the Mel diamond project in Nunavut. The acquisition was subject to a purchase and sale agreement with Anglo Celtic Exploration Ltd., a private company controlled by a director of the Company. Under the terms of the agreement, North Arrow acquired a 100% interest in the property for consideration of a 1% gross overriding royalty and 250,000 warrants entitling the holder to acquire 250,000 shares at a price of \$0.65 per share for a period of five years. The warrants have a fair value of \$126,502 which has been included in acquisition costs. In addition, the Company retains the right to buy back one-half of the gross overriding royalty for \$1 million at any time.

Luxx project, Nunavut

In August 2013, the Company acquired a 100% interest in the Luxx diamond project in Nunavut. The acquisition was subject to a purchase and sale agreement with Anglo Celtic Exploration Ltd., a private company controlled by a director of the Company. Under the terms of the agreement, North Arrow acquired a 100% interest in the property for consideration of a 1% gross overriding royalty and 250,000 warrants entitling the holder to acquire 250,000 shares at a price of \$0.65 per share for a period of five years. The warrants have a fair value of \$126,502 which has been included in acquisition costs. In addition, the Company retains the right to buy back one-half of the gross overriding royalty for \$1 million at any time.

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7. EXPLORATION AND EVALUATION ASSETS - continued

Gold and Base Metal Properties, Canada

In addition to the properties described above, the Company maintains interests in various gold and base metal properties in the Northwest Territories, Yukon and Nunavut.

Canoe Lake Property, Nunavut

The Company has maintained a 100% interest in a number of contiguous mineral claims known as the “Canoe Lake Property” in the High Lake Greenstone Belt, Nunavut. During the six months ended October 31, 2013 the mineral claims that comprised the property were allowed to lapse and the Company no longer has any interest in the property.

Hay Duck Property, Northwest Territories

On May 29, 2008, the Company and Strongbow Exploration Inc. (“Strongbow”) entered into an option agreement whereby the Company may earn a 100% interest in the Hay Duck property by reimbursing certain expenditures incurred by Strongbow and assuming the annual option payments due under the original, underlying option agreement with a third party vendor. Strongbow and the Company are related by the fact that there are common directors in Strongbow and the Company, and the President and CEO of the Company is also the President and CEO of Strongbow. At April 30, 2013, in anticipation of cancelling its option under the third party option agreement, the Company wrote off the property and all related costs totalling \$24,436. In August 2013, the Company signed an option termination agreement with the property vendor.

Hope Bay Property, Nunavut

On January 28, 2011 the Company entered into an agreement with Chelsea Minerals Corp. (“Chelsea”), whereby Chelsea has the option to earn a 60% interest in the Company’s Hope Bay Oro gold project in Nunavut, consisting of five mining leases. Under the terms of the agreement, Chelsea may earn up to a 60% interest in the project by making an initial cash payment of \$50,000 (received) and spending \$5 million over a five year period. A minimum expenditure of \$500,000 is required in the first year (complete). In May 2011, Chelsea was acquired by Sennen Resources Ltd. (subsequently Sennen Potash Corp.) (“Sennen”) pursuant to a Plan of Arrangement. Sennen has assumed Chelsea’s obligations pursuant to the agreement for the Hope Bay Property. On February 1, 2013 the Company and Sennen signed an amending agreement that extended the length of the option term from five to six years.

Seagull Property, Yukon

The Company entered into an agreement in May 2011 whereby the Company can earn a 100% interest in certain mineral claims known as the “Seagull Property” from Panarc Resources Ltd. (“Panarc”). At the time of the May 2011 agreement, Panarc and the Company were related by virtue of a common director. During the year ended April 30, 2013, the Company returned the property to Panarc and wrote off \$75,524 of related costs.

Contwoyto, Nunavut

Between June and September 2011, the Company acquired, by staking, certain mineral claims in the Contwoyto Lake area, Nunavut.

In July 2012, subsequently amended, the Company announced that it had entered into an agreement with a subsidiary of Elgin Mining Inc. (“Elgin”). Under the terms of the amended agreement Elgin can earn a 60% interest in the Company’s Contwoyto properties by spending \$6 million over a seven year period.

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7. EXPLORATION AND EVALUATION ASSETS - continued**Gold and Base Metal Properties, Canada***Other Properties*

Mineral property write-offs of \$32,043 (April 30, 2012 - \$44,130) during the year ended April 30, 2013 relate to various other properties in the Northwest Territories and Nunavut, where no exploration programs of significance are planned for the foreseeable future.

8. CONVERTIBLE NOTE

On August 31, 2011, the Company closed a \$1,000,000 private placement of a two year convertible promissory note with Anglo Celtic Exploration Ltd. ("Anglo Celtic"), a private company controlled by D. Grenville Thomas, a director of the Company. The loan was to bear interest at the Royal Bank Prime Rate plus 400 basis points.

The convertible note was segregated into its respective debt and equity components on the date of issuance. The debt component, representing the fair value of the liability at inception, was recorded as a liability. The remaining component, representing the residual value ascribed to the holder's option to convert the principal balance into common shares, was classified in shareholders' equity as "equity component of convertible note". Over the term of the note, the debt component was to be accreted to the face value of the note by the recording of additional interest expense. The liability component was estimated using a discount rate of 15%.

	October 31, 2013	April 30, 2013
Principal amount	\$ 1,000,000	\$ 1,000,000
Less equity component of convertible note	(137,996)	(137,996)
Accrued interest	81,953	81,953
Accretion	75,271	75,271
Liability component	1,019,228	1,019,228
Amount settled by issuance of shares	(1,019,228)	(1,019,228)
Liability component	\$ -	\$ -

On January 24, 2013, the Company completed a debt settlement agreement with Anglo Celtic under which the Company settled its outstanding debt with Anglo Celtic in the amount of \$1 million plus unpaid interest by the issuance of shares. At the time the settlement was agreed to, the debt had a carrying value of \$1,019,228 and was settled by the issuance of 21,639,100 pre-consolidation shares valued at a price of \$0.025 per share for a total value of \$540,977 resulting in a gain on settlement of \$478,251.

9. CAPITAL STOCK AND RESERVES**Authorized share capital**

The authorized share capital of the Company is an unlimited number of common shares without par value.

Share issuances

Effective February 28, 2013, the Company completed a consolidation of its share capital on the basis of one new share for every ten pre-consolidated shares. All share and per share amounts have been retrospectively restated to reflect this consolidation (unless otherwise noted).

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9. CAPITAL STOCK AND RESERVES - continued

On April 29, 2013, the Company completed a non-brokered private placement of 20,000,000 common shares at a price of \$0.15 per share for total gross proceeds of \$3,000,000. As part of this private placement, the Company paid a finder's fee and costs totalling \$16,380.

On April 29, 2013, pursuant to an acquisition agreement for the Springbok Interests, the Company issued 1,000,000 common shares, at a value of \$235,000.

On October 29, 2013, the Company completed a non-brokered private placement of 13,625,000 common shares at a price of \$0.40 per share for total gross proceeds of \$5,450,000. As part of this private placement the Company paid finders' fees and costs totalling \$81,400.

Stock options and warrants

The Company's stock option plan (the "Plan") was approved by shareholders at an annual general and special meeting in November 2011. The Plan gives the directors the authority to grant options to directors, officers, employees and consultants. The maximum number of shares to be issued under the Plan is 10% of the issued and outstanding common shares at the time of the grant. The exercise price of each option granted shall not be less than the market price at the date of grant less a discount up to 25% in accordance with the policies of the TSX Venture Exchange ("TSXV"). Options granted can have a term up to 5 years with vesting provisions determined by the directors in accordance with TSXV policies for Tier 2 Issuers, with a typical vesting period of 25% upon grant and 25% every six months thereafter.

As at October 31, 2013, the following stock options were outstanding:

Number of Shares	Exercise Price	Number of Shares Vested	Expiry Date
62,000	\$ 2.00	62,000	June 4, 2014
20,000	\$ 3.00	20,000	September 2, 2014
53,000	\$ 2.00	53,000	May 12, 2016
2,220,000	\$ 0.27	555,000	May 10, 2018
200,000	\$ 0.50	50,000	September 23, 2018
2,555,000		740,000	

A summary of the Company's stock option activity is as follows after giving effect to the Company's share consolidation:

	Number of Options	Weighted Average Exercise Price
Balance, April 30, 2012	422,000	2.47
Granted	-	-
Expired and forfeited	(256,000)	2.70
Balance, April 30, 2013	166,000	2.12
Granted	2,420,000	0.29
Expired and forfeited	(31,000)	2.00
Balance, October 31, 2013	2,555,000	\$ 0.39
Number of options currently exercisable	740,000	\$ 0.63

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9. CAPITAL STOCK AND RESERVES - continued**Share-based compensation**

During the six month period ended October 31, 2013, the Company granted 2,420,000 stock options (2012 – nil). The estimated fair value of the options granted during the period is \$565,534 (2012 – \$nil). During the six month period ended October 31, 2013 the Company recognized share-based compensation of \$375,563 (2012 – \$20,526) relating to options vested during the period.

The following weighted average assumptions were used for the Black Scholes valuation of stock options granted or vested:

	Six Months Ended October 31, 2013	Six Months Ended October 31, 2012
Risk-free interest rate	1.33% - 1.98%	1.94%
Expected life of options	5.0 years	3.0 years
Annualized volatility	116.8% - 157.27%	100.0%
Forfeiture rate	0.00%	0.00%
Dividend rate	0.00%	0.00%

A summary of the Company's warrant activity is as follows after giving effect to the Company's share consolidation:

	Number of Warrants	Weighted Average Exercise Price
Balance, April 30, 2012	-	\$ -
Issued	500,000	0.25
Balance, April 30, 2013	500,000	0.25
Issued	500,000	0.65
Balance, October 31, 2013	1,000,000	\$ 0.45

Five hundred thousand (500,000) warrants were issued as part of the acquisition agreement to acquire options to earn interests in the Timiskaming, Pikoo and Qilalugaq projects (Note 7). Each warrant entitles the holder to acquire one common share of the Company at a price of \$0.25 per share until April 29, 2018. The warrants became exercisable when the Company exercised its option to earn an interest in the Timiskaming project and have been valued at \$314,325 which has been capitalized as an acquisition cost of the properties.

Five hundred thousand (500,000) warrants were issued as part of the purchase and sale agreements to acquire 100% interests in the Mel and Luxx projects (Note 7). Each warrant entitles the holder to acquire one common share of the Company at a price of \$0.65 per share until August 19, 2018. The warrants have been valued at \$253,004 which has been capitalized as an acquisition cost of the properties.

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9. CAPITAL STOCK AND RESERVES - continued**Share-based compensation**

The following weighted average assumptions were used for the Black-Scholes valuation of share purchase warrants issued in conjunction with the acquisition of exploration and evaluation assets:

	October 31, 2013	April 30, 2013
Risk-free interest rate	1.60% - 1.98%	-
Expected life	5.0 years	-
Annualized volatility	117.2% - 158.0%	-
Dividend rate	0.00%	-

10. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of the transactions between the Company and related parties not disclosed elsewhere in the financial statements are disclosed below.

Related party transactions

Certain companies which have an officer and/or director in common or are related to a director and render services are as follows:

	Nature of transactions
Anglo Celtic Exploration Ltd.	Interest and consulting
Strongbow Exploration Inc.	Exploration and administration
0954506 BC Ltd.	Exploration
International Northair Mines Ltd.	Accounting and corporate services

The Company incurred the following transactions, not disclosed elsewhere in these financial statements, in the normal course of operations in connection with companies which have an officer and/or director in common.

- During the six months ended October 31, 2013, the Company paid or accrued \$4,659 (2012 - \$7,630) for technical services and office to a company with common directors.
- During the six months ended October 31, 2013, the Company paid or accrued \$28,136 (2012 - \$29,044) for shared administrative and accounting services to a company with common officers.
- During the six months ended October 31, 2013, the Company paid \$14,387 (2012 - \$nil) for office, consulting and rent to a company with common directors and officers and/or controlled by a director.

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10. RELATED PARTY TRANSACTIONS- continued

The remuneration of directors and key management personnel during the six months ended October 31, 2013 was as follows:

	Six Months Ended October 31, 2013	Six Months Ended October 31, 2012
Salaries ¹	\$ 65,596	\$ -
Exploration Salaries ¹	9,404	-
Share-based compensation ²	197,880	11,214
Total	\$ 272,880	\$ 11,214

1 – When key management is working specifically on mineral properties their time is capitalized against the mineral property.

2 – Share-based compensation is the fair value of options that have been granted to directors and key management personnel.

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash transactions for the six months ended October 31, 2013 were:

- a) The Company incurred exploration and evaluation expenditures of \$167,314 (2012 - \$15,401) that are included in accounts payable and accrued liabilities at October 31, 2013.
- b) The Company incurring exploration and evaluation expenditures of \$nil (2012 - \$7,434) that are included in due to related parties at October 31, 2013.

12. CAPITAL MANAGEMENT

The capital of the Company consists of the items included in shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company. The Company's objective for capital management is to plan for the capital required to support the Company's ongoing acquisition and exploration of its mineral properties and to provide sufficient funds for its corporate activities.

The Company's exploration and evaluation assets are in the exploration stage. As an exploration stage company, the Company is currently unable to self-finance its operations. The Company has historically relied on equity financings to finance its operations. In order to carry out the Company's planned exploration programs and to pay for administrative costs, the Company will have to raise additional funds as required. To effectively manage the Company's capital requirements, the Company's management has in place a planning and budgeting process.

13. SEGMENTED INFORMATION

The Company operates in Canada in a single operating segment – the acquisition and exploration of mineral properties in Canada.