

NORTH ARROW MINERALS INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 31, 2016

(Unaudited- Prepared by Management)

(Expressed in Canadian Dollars)

These condensed interim consolidated financial statements of North Arrow Minerals Inc. for the nine months ended January 31, 2016 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 consolidated financial statements in accordance with standards established for a review of interim financial statements by an entity's auditor.

NORTH ARROW MINERALS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at
(Unaudited- Prepared by Management)
(Expressed in Canadian Dollars)

	January 31, 2016	April 30, 2015
ASSETS		
Current		
Cash	\$ 4,533,643	\$ 2,102,920
Receivables (Note 5)	18,671	99,933
Marketable securities (Note 6)	300	600
Prepaid expenses and deposits	37,923	64,706
	<u>4,590,537</u>	<u>2,268,159</u>
Equipment (Note 7)	94,166	93,384
Exploration and evaluation assets (Note 8)	11,849,709	10,636,032
	<u>\$ 16,534,412</u>	<u>\$ 12,997,575</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 9)	\$ 58,293	\$ 274,098
Due to related parties (Note 11)	-	4,351
Umgeni Holdings advance (Note 8)	800,000	-
	<u>858,293</u>	<u>278,449</u>
SHAREHOLDERS EQUITY		
Capital stock (Note 10)	28,719,107	25,066,354
Share-based payment reserve (Note 10)	3,128,515	2,985,473
Investment revaluation reserve	(15,188)	(14,888)
Deficit	(16,156,315)	(15,317,813)
	<u>15,676,119</u>	<u>12,719,126</u>
	<u>\$ 16,534,412</u>	<u>\$ 12,997,575</u>

Nature and continuance of operations (Note 1)
Commitments (Note 12)

Approved and authorized on behalf of the Board on March 24, 2016:

“D. Grenville Thomas” Director “Blair Murdoch” Director

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

NORTH ARROW MINERALS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited- Prepared by Management)
For the Three and Nine Months Ended January 31, 2016 and 2015
(Expressed in Canadian Dollars)

	Three months ended January 31, 2016	Three months ended January 31, 2015	Nine months ended January 31, 2016	Nine months ended January 31, 2015
EXPENSES				
Advertising, promotion and travel	\$ 27,767	\$ 28,986	\$ 51,605	\$ 145,342
Consulting	12,000	24,801	14,249	49,029
Depreciation	4,904	3,005	14,712	8,196
Office, miscellaneous and rent	26,802	17,138	96,914	103,248
Professional fees	2,792	1,573	12,482	12,663
Property investigation costs	99,113	1,043	249,545	9,463
Regulatory and filing fees	3,725	6,103	10,569	8,500
Salaries and benefits	77,674	165,057	274,306	329,574
Share-based compensation (Note 10)	21,936	192,431	143,042	605,015
	(276,713)	(440,137)	(867,424)	(1,271,030)
Interest and other income	7,799	12,564	27,754	55,462
Foreign exchange	(339)	-	1,168	-
	7,460	12,564	28,922	55,462
Net loss for the period	(269,253)	(427,573)	(838,502)	(1,215,568)
Unrealized loss on available-for-sale financial assets (Note 6)	-	150	(300)	(675)
Comprehensive loss for the period	\$ (269,253)	\$ (427,423)	\$ (838,802)	\$ (1,216,243)
Basic and diluted loss per share	\$ (0.00)	\$ (0.01)	\$ (0.02)	\$ (0.02)
Weighted average number of common shares	54,155,741	49,779,741	53,728,538	49,779,741

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 Nine Months Ended January 31, 2016 and 2015
(Unaudited- Prepared by Management)
(Expressed in Canadian Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (838,502)	\$ (1,215,568)
Items not involving cash:		
Depreciation	14,712	8,196
Share-based compensation	143,042	605,015
Changes in non-cash working capital items:		
Change in receivables	81,262	(37,413)
Change in prepaid expenses and deposits	26,783	(13,463)
Change in accounts payable and accrued liabilities	(51,231)	(32,546)
Change in due to related parties	(4,351)	(8,085)
	(628,285)	(693,864)
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures on exploration and evaluation assets, net	(1,378,251)	(4,634,605)
Proceeds received on Umgeni Holdings advance	800,000	-
Purchase of equipment	(15,494)	(4,551)
	(593,745)	(4,639,156)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	4,000,450	-
Share issuance costs	(347,697)	-
	3,652,753	-
Change in cash	2,430,723	(5,333,020)
Cash, beginning of year	2,102,920	9,396,969
Cash, end of the period	\$ 4,533,643	\$ 4,063,949
Cash paid during the period for interest	\$ -	\$ -
Cash paid during the period for income taxes	\$ -	\$ -

Supplemental disclosure with respect to cash flows (Note 13)

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	Deficit	Total
Balance, April 30, 2014	49,779,741	\$ 24,918,104	\$ 2,334,073	\$(14,213)	\$ (13,706,218)	\$ 13,531,746
Share-based compensation	-	-	605,015	-	-	605,015
Net loss	-	-	-	-	(1,215,568)	(1,215,568)
Investment loss	-	-	-	(675)	-	(675)
Balance, January 31, 2015	49,779,741	\$ 24,918,104	\$ 2,939,088	\$ (14,888)	\$ (14,921,786)	\$ 12,920,518
Balance, April 30, 2015	49,944,741	\$ 25,066,354	\$ 2,985,473	\$ (14,888)	\$ (15,317,813)	\$ 12,719,126
Share-based compensation	-	-	143,042	-	-	143,042
Net loss	-	-	-	-	(838,502)	(838,502)
Investment loss	-	-	-	(300)	-	(300)
Private placement- net	4,211,000	3,652,753	-	-	-	3,652,753
Balance, January 31, 2016	54,155,741	\$ 28,719,107	\$ 3,128,515	\$ (15,188)	\$ (16,156,315)	\$ 15,676,119

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 Nine Months Ended January 31, 2016

(Unaudited- Prepared by Management)

(Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

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

The 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. #960-789 West Pender Street, Vancouver, BC, Canada V6C 1H2.

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 condensed interim consolidated 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 January 31, 2016, the Company has a deficit of \$16,156,315, no current source of revenue and may require additional funding to meet its planned activities beyond the upcoming fiscal year. 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.

2. BASIS OF PRESENTATION

a) Statement of Compliance.

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, 2015. These financial statements are presented in Canadian dollars unless otherwise noted.

b) Principles of Consolidation

The comparative consolidated financial statements include the accounts of the Company and its wholly-owned inactive subsidiary Compania Minera North Arrow Chile Limitada (“Minera”). All inter-company transactions and balances have been eliminated upon consolidation. Effective September 22, 2014, the Company completed the wind-up of Minera, the Company’s only subsidiary.

c) Historical cost

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value.

NORTH ARROW MINERALS INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended January 31, 2016

(Unaudited- Prepared by Management)

(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION - continued

d) 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 exploration and evaluation assets, valuation of share-based payments, and 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.

- (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 input of subjective assumptions including expected price volatility, interest rates and forfeiture rates. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

- (iii) Income taxes

In assessing the probability of realizing income tax assets, management makes 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. SIGNIFICANT ACCOUNTING POLICIES - New Accounting pronouncements

The IASB has issued new standards which are not expected to have a significant impact on the Company's financial statements. Each of the new standards is effective for annual periods beginning on or after January 1, 2015 with early adoption permitted, except for IFRS 9 which has a tentative effective date of January 1, 2018 and is summarized below.

NORTH ARROW MINERALS INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended January 31, 2016

(Unaudited- Prepared by Management)

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3. SIGNIFICANT ACCOUNTING POLICIES - New Accounting pronouncements - continued

- 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. The extent of the impact of adoption of IFRS 9 has not yet been determined.

4. 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, due to related parties and Umgeni advances. Cash is carried at fair value using a level 1 fair value measurement. The carrying value of receivables, accounts payable and accrued liabilities, due to related parties and Umgeni advances 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 statement of financial position 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.

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.

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

For the Nine Months Ended January 31, 2016

(Unaudited- Prepared by Management)

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4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

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 January 31, 2016, the Company had cash of \$4,533,643 (April 30, 2015 - \$2,102,920) available to settle current liabilities of \$858,293 (April 30, 2015 - \$278,449).

Foreign currency risk

The Company's activities are within Canada and accordingly the Company is 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.

5. RECEIVABLES

	January 31, 2016	April 30, 2015
HST/GST receivables	\$ 10,690	\$ 99,933
Trade and other receivables	7,981	-
	\$ 18,671	\$ 99,933

6. MARKETABLE SECURITIES

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

	January 31, 2016			April 30, 2015		
	Cost	Unrealized Loss	Fair Market Value	Cost	Unrealized Loss	Fair Market Value
Common shares of Adamera Minerals Corp.	\$ 15,488	\$(15,188)	\$300	\$ 15,488	\$(14,888)	\$600

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

For the Nine Months Ended January 31, 2016

(Unaudited- Prepared by Management)

(Expressed in Canadian Dollars)

7. EQUIPMENT

Cost	Office and computer equipment	Field equipment	Total
Balance, April 30, 2014	\$ 7,560	\$ 93,775	\$ 101,335
Additions	9,705	-	9,705
Balance, April 30, 2015	17,265	93,775	111,040
Additions	15,494	-	15,494
Balance, January 31, 2016	\$ 32,759	\$93,775	\$ 126,534

Accumulated Amortization			
Balance, April 30, 2014	6,638	-	6,638
Additions	1,641	9,377	11,018
Balance, April 30, 2015	8,279	9,377	17,656
Additions	2,058	12,654	14,712
Balance, January 31, 2016	\$ 10,337	\$ 22,031	\$ 32,368

Carrying amounts			
April 30, 2015	\$ 8,986	\$ 84,398	\$ 93,384
January 31, 2016	\$ 22,422	\$ 71,744	\$ 94,166

NORTH ARROW MINERALS INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended January 31, 2016

(Unaudited- Prepared by Management)

(Expressed in Canadian Dollars)

8. EXPLORATION AND EVALUATION ASSETS

	April 30, 2015	Expended	Write-offs	January 31, 2016
Diamond Properties				
Lac de Gras, Canada				
Exploration costs	\$ 235,404	\$ -	\$ -	\$ 235,404
Acquisition and tenure costs	277,918	7,436	-	285,354
Geological, data collection and assays	153,559	539	-	154,098
Office and salaries	134,040	5,230	-	139,270
	800,921	13,205	-	814,126
Pikoo, Canada				
Exploration costs	918,487	83,094	-	1,001,581
Drilling	1,376,586	62,865	-	1,439,451
Acquisition and tenure costs	13,504	152	-	13,656
Geological, data collection and assays	860,902	387,728	-	1,248,630
Office and salaries	383,329	94,454	-	477,783
Contribution from joint-venture partner	(457,764)	(180,049)	-	(637,813)
	3,095,044	448,244	-	3,543,288
Timiskaming, Canada				
Exploration costs	4,638	-	-	4,638
Drilling	94,389	-	-	94,389
Acquisition and tenure costs	326,757	143	-	326,900
Geological, data collection and assays	68,751	-	-	68,751
Office and salaries	14,402	132	-	14,534
Contribution from joint-venture partner	(11,908)	-	-	(11,908)
	497,029	275	-	497,304
Qilalugaq, Canada				
Exploration costs	291,030	40,851	-	331,881
Acquisition and tenure costs	71,463	1,483	-	72,946
Geological, data collection and assays	3,143,171	241,388	-	3,384,559
Office and salaries	224,821	26,153	-	250,974
	3,730,485	309,875	-	4,040,360
Luxe, Canada				
Exploration costs	40,803	6,593	-	47,396
Acquisition and tenure costs	136,168	2,241	-	138,409
Geological, data collection and assays	121,301	-	-	121,301
Office and salaries	37,959	5,262	-	43,221
	336,231	14,096	-	350,327
Mel, Canada				
Exploration costs	10,205	70,130	-	80,335
Acquisition and tenure costs	128,472	2,394	-	130,866
Geological, data collection and assays	183,337	125,662	-	308,999
Office and salaries	18,684	35,900	-	54,584
	340,698	234,086	-	574,784
Redemption, Canada				
Exploration costs	429,053	25,280	-	454,333
Drilling	124,964	-	-	124,964
Acquisition and tenure costs	55,485	20,030	-	75,515
Geological, data collection and assays	1,058,015	78,115	-	1,136,130
Office and salaries	218,107	70,471	-	288,578
Recoveries	(50,000)	-	-	(50,000)
	1,835,624	193,896	-	2,029,520
TOTAL	\$ 10,636,032	\$1,213,677	\$ -	\$ 11,849,709

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

For the Nine Months Ended January 31, 2016

(Unaudited- Prepared by Management)

(Expressed in Canadian Dollars)

8. EXPLORATION AND EVALUATION ASSETS - continued

	April 30, 2014	Expended	Write-offs	April 30, 2015
Diamond Properties				
Lac de Gras, Canada				
Exploration costs	\$ 235,404	\$ -	\$ -	\$ 235,404
Acquisition and tenure costs	277,918	-	-	277,918
Geological, data collection and assays	153,559	-	-	153,559
Office and salaries	134,040	-	-	134,040
	800,921	-	-	800,921
Pikoo, Canada				
Exploration costs	302,574	615,913	-	918,487
Drilling	602,315	774,271	-	1,376,586
Acquisition and tenure costs	7,453	6,051	-	13,504
Geological, data collection and assays	72,852	788,050	-	860,902
Office and salaries	120,144	263,185	-	383,329
Contribution from joint-venture partner	-	(457,764)	-	(457,764)
	1,105,338	1,989,706	-	3,095,044
Timiskaming, Canada				
Exploration costs	4,638	-	-	4,638
Drilling	94,389	-	-	94,389
Acquisition and tenure costs	326,757	-	-	326,757
Geological, data collection and assays	19,560	49,191	-	68,751
Office and salaries	6,542	7,860	-	14,402
Contribution from joint-venture partner	-	(11,908)	-	(11,908)
	451,886	45,143	-	497,029
Qilalugaq, Canada				
Exploration costs	87,641	203,389	-	291,030
Acquisition and tenure costs	24,623	46,840	-	71,463
Geological, data collection and assays	84,069	3,059,102	-	3,143,171
Office and salaries	41,058	183,763	-	224,821
	237,391	3,493,094	-	3,730,485
Luxe, Canada				
Exploration costs	38,370	2,433	-	40,803
Acquisition and tenure costs	135,028	1,140	-	136,168
Geological, data collection and assays	104,191	17,110	-	121,301
Office and salaries	26,824	11,135	-	37,959
	304,413	31,818	-	336,231
Mel, Canada				
Exploration costs	7,961	2,244	-	10,205
Acquisition and tenure costs	126,772	1,700	-	128,472
Geological, data collection and assays	126,012	57,325	-	183,337
Office and salaries	13,140	5,544	-	18,684
	273,885	66,813	-	340,698
Redemption, Canada				
Exploration costs	3,879	425,174	-	429,053
Drilling	-	124,964	-	124,964
Acquisition and tenure costs	39,651	15,834	-	55,485
Geological, data collection and assays	1,031,914	26,101	-	1,058,015
Office and salaries	101,631	116,476	-	218,107
Recoveries	-	(50,000)	-	(50,000)
	1,177,075	658,549	-	1,835,624
TOTAL	\$ 4,350,909	\$6,285,123	\$ -	\$ 10,636,032

NORTH ARROW MINERALS INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended January 31, 2016

(Unaudited- Prepared by Management)

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8. EXPLORATION AND EVALUATION ASSETS – continued

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, titles to all of these assets are in good standing.

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 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.

During the year ended April 30, 2015, the Company was advised that Dominion had incurred \$5,000,000 of expenditures. In October 2015 the Company and Dominion finalized a joint venture agreement having an effective date of June 1, 2015 to govern the ongoing evaluation of the JV Property on the basis of a 45%/55% (North Arrow/Dominion) joint venture. In January 2016, the joint venture approved a \$1,280,000 exploration budget for the period from February 2016 to January 2017. The Company has elected not to contribute its 45% share of the cost of the program and expects its interest in the joint venture to be diluted proportionately.

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”) held 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 retained a one-time right to buy-back a 20% interest in any of the projects once the Company completed an option work program and provided 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 was 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).

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8. EXPLORATION AND EVALUATION ASSETS – continued

Timiskaming diamond project, Ontario/Quebec

The Company has earned 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. During the year ended April 30, 2014, the Company issued Stornoway notice that it had completed the option work program and had therefore vested at an 80% interest in the Timiskaming project subject to Stornoway's right to buy back a 20% interest in the project. Stornoway did not elect to exercise its right to buy back a further 20% interest in the project. Accordingly, under the terms of the Company's acquisition agreement with BCCo, 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. Ongoing evaluation of the project is subject to an 80%/20% (Company/Stornoway) participating joint venture.

Qilalugaq diamond project, Nunavut

The Company has earned an 80% interest in the Qilalugaq project by completing an option work program that included the collection of a minimum 1,000 tonne mini-bulk sample within two years of receipt of the required land use permit. The project is subject to a 3% net smelter royalty ("NSR") on metals produced and a 3% gross-overriding royalty ("GOR") on the sale of industrial minerals, including diamonds.

During the nine months ended January 31, 2016, 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. Stornoway did not elect to exercise its right to buy back a further 20% interest in the project. Stornoway has indicated that it will not fund its share of ongoing costs and as such the Company's interest in the project shall increase proportionately.

Pikoo diamond project, Saskatchewan

The Company has earned 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. During the year ended April 30, 2014, 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. Stornoway did not elect to exercise its right to buy back a further 20% interest in the project. Ongoing evaluation of the project is subject to an 80%/20% (Company/Stornoway) participating joint venture.

In February 2016, the Company announced the start of a \$1.69 million exploration drilling program at Pikoo. Stornoway has elected not to contribute its share of the 2016 exploration budget and as a result the Company's ownership interest in the Pikoo project is expected to increase proportionately.

In September 2014, the Company entered into option agreements with Eagle Plains Resources Ltd., Kalt Industries Ltd., and Canadian International Minerals Inc. to acquire interests in mineral properties in the Pikoo diamond project area. Under the terms of the agreements the Company can acquire 70% interest in the properties by reimbursing staking costs that totalled \$5,600 (paid) and discovering a kimberlite on the properties within a three-year period. In the event that North Arrow earns a 70% interest, the properties will be subject to a 2% GOR on diamonds, payable to the vendor. There will be retained a right to purchase 1% of any royalty granted at any time for \$1,000,000. The Company and Stornoway have separately agreed to evaluate these properties under the Pikoo joint venture.

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8. EXPLORATION AND EVALUATION ASSETS - continued

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 \$5,000,000 in exploration expenditures prior to July 1, 2017, including a firm commitment to spend \$1,000,000 prior to July 1, 2014 (completed). On July 11, 2014, the Company and Arctic Star signed an addendum to the option agreement under which the project area was expanded to include three additional mineral claims and one mining lease. Certain of the project’s leases are subject to a 1.5% GOR on any diamond production and a 1.5% NSR on any other commodity mined of which 0.5% of this royalty may be purchased for \$2,000,000.

Subsequent to the nine-month period ended January 31, 2016 the Company closed the sale of a royalty interest in the Redemption property to Umgeni Holdings International Limited (“Umgeni”) for \$800,000. Umgeni is a private company of which a director of North Arrow is a beneficiary of the sole shareholder. Umgeni paid North Arrow \$800,000 to acquire the following royalty interests in the Redemption Diamond Project:

- a 1.5% gross overriding royalty on diamonds (“GOR”) and a 1.5% net smelter returns royalty on base and precious metals (“NSR”) for the three mineral claims owned 100% by North Arrow;
- a 1.25% GOR and 1.25% NSR on 12 mineral claims and 5 mining leases (the “ADD Claims”) that are subject to the option agreement with Arctic Star. These 1.25% royalties will be payable from North Arrow’s ultimate interest in the ADD claims and NAR will have sole responsibility for paying them. If North Arrow decides not to proceed beyond 2016 with further exploration under the option agreement with Arctic Star, Umgeni has the right to acquire North Arrow’s interest in the option. If Umgeni does not acquire North Arrow’s interest in the option agreement and the option agreement terminates, then Umgeni will have no further right to receive royalties for any ADD Claims in which North Arrow does not retain an interest. Arctic Star has consented to the granting of these 1.25% royalties on the ADD Claims and the possible future transfer to Umgeni of North Arrow’s interest in the option agreement.

It is a further term of the agreement with Umgeni that North Arrow must conduct a minimum \$800,000 exploration program at the Redemption Project before August 31, 2016.

Mel project, Nunavut

In July 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, the Company acquired a 100% interest in the property for consideration of a 1% GOR 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 had 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 \$1,000,000 at any time.

Luxx project, Nunavut

In July 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, the Company acquired a 100% interest in the property for consideration of a 1% GOR 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 had 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 \$1,000,000 at any time.

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8. EXPLORATION AND EVALUATION ASSETS - continued**Gold Properties, Canada**

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

Hope Bay Property, Nunavut

On January 28, 2011, amended February 1, 2013 and May 30, 2014, the Company entered into an agreement with Chelsea Minerals Corp. ("Chelsea"), whereby Chelsea had 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 could 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. In May 2011, Chelsea was acquired by Sennen Resources Ltd. (subsequently Sennen Potash Corp.) ("Sennen") pursuant to a Plan of Arrangement and Sennen assumed Chelsea's obligations pursuant to the agreement for the Hope Bay Property. Effective April 14, 2015, Sennen terminated their interest in the project pursuant to the terms of the option agreement.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	January 31, 2016	April 30, 2015
Trade payables	\$ 58,293	\$ 215,098
Accrued liabilities	-	59,000
	\$ 58,293	\$ 274,098

10. 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

On May 28, 2015, the Company completed a private placement of 4,211,000 flow through shares at a price of \$0.95 per share for total gross proceeds of \$4,000,450. As part of this private placement the Company paid finders' fees and costs totalling \$347,697. The Company will renounce \$4,000,450 of Canadian qualifying expenditures under the look-back rules effective December 31, 2015. There was no flow through share premium on the issuance of the flow through shares.

Stock options and warrants

The Company's stock option plan (the "Plan") has been approved by shareholders at all annual general and special meetings since and including 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").

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10. CAPITAL STOCK AND RESERVES – continued**Stock options and warrants- continued**

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 January 31, 2016, the following stock options were outstanding:

Number of Shares	Exercise Price	Number of Shares Vested	Expiry Date
53,000	\$ 2.00	53,000	May 12, 2016
2,075,000	\$ 0.27	2,075,000	May 10, 2018
200,000	\$ 0.50	200,000	September 23, 2018
985,000	\$ 0.70	985,000	January 28, 2019
680,000	\$ 0.60	506,250	September 25, 2019
200,000	\$ 0.54	150,000	December 16, 2019
4,193,000		3,969,250	

A summary of the Company's stock option activity is as follows:

	Number of Options	Weighted Average Exercise Price
Balance, April 30, 2014	3,645,000	\$ 0.48
Granted	920,000	0.58
Exercised	(165,000)	0.48
Expired and forfeited	(82,000)	2.24
Balance, April 30, 2015	4,318,000	0.47
Expired	(125,000)	0.51
Balance, January 31, 2016	4,193,000	\$ 0.47
Number of options currently exercisable	3,969,250	\$ 0.46

Share-based compensation

During the nine months ended January 31, 2016, the Company granted nil stock options (2015 – 920,000 stock options). The estimated fair value of the options granted during the nine-month period is \$nil (2015- \$456,866). During the nine months ended January 31, 2016, the Company recognized share-based compensation of \$143,042 (2015 – \$605,015) relating to options vested.

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

	January 31, 2016	January 31, 2015
Risk-free interest rate	-	1.33%
Expected life of options	-	5.0 years
Annualized volatility	-	126%
Forfeiture rate	-	0.00%
Dividend rate	-	0.00%

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10. CAPITAL STOCK AND RESERVES - continued**Stock options and warrants- continued**

A summary of the Company's warrant activity is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, April 30, 2013	*500,000	\$ 0.25
Issued	**500,000	0.65
Balance, April 30, 2014	1,000,000	\$ 0.45
Issued	-	-
Balance, April 30, 2015 and January 31, 2016	1,000,000	\$ 0.45

*Expiring April 29, 2018

**Expiring August 19, 2018

11. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its former subsidiary 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 or former officer and/or director in common and render services or are charged for certain services as follows:

	Nature of transactions
Anglo-Celtic Exploration Ltd.	Interest and consulting
Strongbow Exploration Inc.	Exploration and administration
New Dimension Resources Ltd.	Rent recovery
Northair Silver Corp.	Accounting and corporate services

The Company incurred the following transactions in the normal course of operations in connection with companies which have an officer and/or director in common.

- During the nine months ended January 31, 2016, the Company accrued \$2,249 (2015 - \$37,219) for shared administrative and accounting services to Northair Silver Corp., a company that previously had common officers.
- During the nine months ended January 31, 2016, the Company paid or accrued \$nil (2015 - \$526) for technical services and rent to Strongbow Exploration Inc., a company with common directors.
- During the nine months ended January 31, 2016, the Company accrued and received \$7,500 (2015- \$nil) for rent and administrative cost recoveries from Strongbow Exploration Inc., a company with common directors.
- During the nine months ended January 31, 2016, the Company accrued \$7,200 (2015 - \$nil) for rent recoveries from New Dimension Resources Ltd., a company with common officers.

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11. RELATED PARTY TRANSACTIONS - continued

- e) At January 31, 2016 amounts totaling \$nil (April 30, 2015 - \$4,351) are owing to a director or companies with officers/directors in common.
- f) At January 31, 2016 amounts totaling \$7,936 (April 30, 2015 - \$nil) are due from companies with officers/directors in common.

The remuneration of directors and key management personnel during the nine months ended January 31, 2016 was as follows:

	January 31, 2016	January 31, 2015
Salaries ¹	\$ 187,654	\$ 149,326
Exploration	42,161	65,618
Share-based compensation ²	87,391	361,461
Total	\$ 317,206	\$ 576,405

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.

12. COMMITMENTS

As at January 31, 2016, the commitment for rental of the Company's office space is as follows:

<u>Year ending</u>	
April 30, 2016	\$16,658
April 30, 2017	\$49,975

Subsequent to January 31, 2016, the Company extended its office rental agreement to January 31, 2018.

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash transactions for the nine months ended January 31, 2016 were:

- The Company incurred exploration and evaluation expenditures of \$50,332 (April 30, 2015 - \$214,906) that are included in accounts payable and accrued liabilities at January 31, 2016.

14. 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.

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15. SEGMENTED INFORMATION

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

16. SUBSEQUENT EVENTS

Subsequent to January 31, 2016, the Company entered into an employment agreement with a senior employee and officer for his services requiring a minimum annual payment of \$225,000. In addition, the employment agreement contains clauses which could provide for a payment or payments in excess of \$450,000 on termination of employment or conclusion of a change in control or similar transaction.