

NORTH ARROW MINERALS INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

JULY 31, 2020

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

These condensed interim financial statements of North Arrow Minerals Inc. for the three months ended July 31, 2020 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 for a review of interim financial statements by an entity's auditor.

NORTH ARROW MINERALS INC.
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
As at July 31, 2020
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	July 31, 2020	April 30, 2020
ASSETS		
Current		
Cash	\$ 537,367	\$ 579,550
Receivables (Note 5)	14,108	19,818
Marketable securities (Note 4)	138,833	71,917
Prepaid expenses	34,178	33,391
	724,486	704,676
Equipment (Note 6)	50,401	52,815
Right-of-use assets (Note 7)	40,269	58,171
Exploration and evaluation assets (Note 8)	19,087,205	19,155,200
	\$ 19,902,361	\$ 19,970,862
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 9 and 12)	\$ 430,228	\$ 386,556
Bank line of credit (Note 10)	40,000	40,000
Current portion of lease liabilities (Note 7)	33,116	50,544
	503,344	477,100
Lease liabilities (Note 7)	3,379	4,164
SHAREHOLDERS' EQUITY		
Capital stock (Note 11)	37,147,321	37,147,321
Share-based payment reserve (Note 11)	5,313,335	5,300,452
Deficit	(23,065,018)	(22,958,175)
	19,395,638	19,489,598
	\$ 19,902,361	\$ 19,970,862

Nature and continuance of operations (Note 1)

Approved and authorized on behalf of the Board on September 24, 2020:

"D. Grenville Thomas"

Director

"Blair Murdoch"

Director

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

NORTH ARROW MINERALS INC.
CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the Three Months Ended July 31, 2020
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	2020		2019
Advertising, promotion and travel	\$ 1,543	\$	13,934
Consulting (Note 12)	2,250		5,760
Depreciation	22,403		22,323
Office, miscellaneous and rent (Note 12)	9,347		13,080
Professional fees	44		-
Property investigation costs	28,130		12,167
Regulatory and filing fees	2,889		4,499
Salaries and benefits (Note 12)	94,461		94,799
Share-based compensation (Note 11)	12,883		40,035
	(173,950)		(206,597)
Interest, foreign exchange and other income	191		770
Gain (loss) on marketable securities	66,916		24,581
	67,107		25,351
Net and comprehensive loss	\$ (106,843)	\$	(181,246)
Basic and diluted loss per share	\$ (0.00)	\$	(0.00)
Weighted average number of common shares	110,676,744		92,967,069

The accompanying notes are an integral part of these financial statements

NORTH ARROW MINERALS INC.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
For the Three Months Ended July 31, 2020
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (106,843)	\$ (181,246)
Items not involving cash:		
Depreciation	22,403	22,323
Share-based compensation	12,883	40,035
Loss (gain) on marketable securities	(66,916)	(24,581)
Finance cost	1,805	1,250
Changes in non-cash working capital items:		
Receivables	5,710	(14,667)
Prepaid expenses	(787)	(36,197)
Accounts payable and accrued liabilities	43,193	39,660
	(88,552)	(153,423)
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures on exploration and evaluation assets, net	68,474	(227,590)
Proceeds on sale of marketable securities	-	70,581
Purchase of equipment	(2,087)	-
	66,387	(157,009)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from a private placement	-	1,253,300
Share issuance costs	-	(24,171)
Repayment of lease liabilities	(20,018)	(20,018)
	(20,018)	1,209,111
Change in cash	(42,183)	898,679
Cash, beginning of the year	579,550	509,085
Cash, end of the period	\$ 537,367	\$ 1,407,764

Supplemental disclosure with respect to cash flows (Note 13)

The accompanying notes are an integral part of these financial statements

NORTH ARROW MINERALS INC.
CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	Number of Shares	Capital Stock	Share-based payment reserve	Deficit	Total
Balance, April 30, 2019	92,772,458	\$ 36,097,528	\$ 4,972,654	\$ (22,087,284)	\$ 18,982,898
Share-based compensation	-	-	40,035	-	40,035
Net loss	-	-	-	(181,246)	(181,246)
Private placement - net	17,904,286	1,050,086	179,043	-	1,229,129
Balance, July 31, 2019	110,676,744	\$ 37,147,614	\$ 5,191,732	\$ (22,268,530)	\$ 20,070,816
Balance, April 30, 2020	110,676,744	\$ 37,147,321	\$ 5,300,452	\$ (22,958,175)	\$ 19,489,598
Share-based compensation	-	-	12,883	-	12,883
Net loss	-	-	-	(106,843)	(106,843)
Balance, July 31, 2020	110,676,744	\$ 37,147,321	\$ 5,313,335	\$ (23,065,018)	\$ 19,395,638

The accompanying notes are an integral part of these financial statements

NORTH ARROW MINERALS INC.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the Three Months Ended July 31, 2020
(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 (“CBCA”).

The 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.

These financial statements have been prepared on a going concern basis which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. At July 31, 2020, the Company had an accumulated deficit of \$23,065,018 (April 30, 2020 - \$22,958,175), incurred ongoing losses and has no source of recurring revenue. These material uncertainties may cast significant doubt upon the Company’s ability to continue as a going concern. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported amounts of expenses and the classification of statement of financial position items if the going concern assumption was inappropriate. These adjustments could be material.

The Company’s continuation as a going concern is dependent on the successful results from its mineral property exploration activities, its ability to reduce or defer discretionary expenditures and its continued ability to raise equity capital or borrowings sufficient to meet current and future obligations.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or results of operations at this time.

2. BASIS OF PRESENTATION

a) Statement of compliance

These 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 IAS 34, Interim Financial Reporting. The accounting policies applied in preparation of these financial statements are consistent with those applied and disclosed in the Company’s financial statements for the year ended April 30, 2020. These financial statements are presented in Canadian dollars unless otherwise noted.

b) Historical cost

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

c) 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.

NORTH ARROW MINERALS INC.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the Three Months Ended July 31, 2020
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2. BASIS OF PRESENTATION – continued

c) Significant accounting judgments, estimates and assumptions - continued

The most significant accounts that require estimates as the basis for determining the stated amounts include the recoverability of exploration and evaluation assets and the valuations for share-based payments, marketable securities, deferred premiums, deferred tax amounts, right-of-use assets and lease liabilities.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the 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 and warrants recorded as marketable securities**
The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments and warrants recorded as marketable securities. Option pricing models require 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 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.
- iv) **Valuation of deferred premiums and flow-through shares**
On issuance the Company bifurcates the flow-through share into a flow-through share premium liability based on the estimated premium the investor pays for the flow through share and share capital. When qualifying expenses are incurred the Company derecognizes the liability and the premium is recognized as other income.
- v) **Valuation of marketable securities**
Marketable securities are valued at fair market value based on quoted prices in active markets. Changes in market prices can materially affect the fair value estimate and the Company's earnings.
- vi) **Valuation of right-of-use assets and related lease liabilities**
Lease liabilities are initially measured at the present value of the lease payments discounted using the Company's estimated incremental borrowing rate or the interest rate implicit in the lease. Lease payments are allocated between the lease liability and the finance cost. The finance cost is charged to profit or loss using the effective interest method.

The right-of-use assets are initially measured at the cost or corresponding lease liability plus direct costs. They are subsequently measured at cost less depreciation and any impairment losses. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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2. BASIS OF PRESENTATION - continued

d) New accounting pronouncements

- i) The IASB has issued several new standards and amendments which have been adopted by the Company. Each of the new standards is effective for annual periods beginning on or after January 1, 2020. The adoption of the standards and amendments did not have a material effect on the financial statements.
- ii) Certain pronouncements were issued by the IASB or IFRIC but are not yet effective as at May 1, 2020. The Company intends to adopt these standards and interpretations when they become effective.

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, bank line of credit and lease liabilities. Cash is carried at fair value using a Level 1 fair value measurement. The carrying value of receivables, accounts payable and accrued liabilities and bank line of credit approximate their fair values due to their immediate or short-term maturity. Marketable securities consisting of common shares are recorded at fair value based on the quoted market prices in active markets at the reporting date, which is consistent with Level 1 of the fair value hierarchy. Marketable securities consisting of warrants are recorded at fair value based on a Black Scholes pricing model consistent with Level 3 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.

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

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3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT – continued

Liquidity risk – continued

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 July 31, 2020, the Company had cash of \$537,367 (April 30, 2020 - \$579,550) available to settle current liabilities of \$503,344 (April 30, 2020 - \$477,100).

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 fair value through profit (loss). 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. MARKETABLE SECURITIES

	Cost	Unrealized Gain (Loss) on AFS Securities	Cost of FVTPL Securities Sold	Gain (Loss) on FVTPL Securities Fair Valued	Fair Value
April 30, 2019	\$379,012	\$ (50,000)	\$ (172,167)	\$ (29,345)	\$ 127,500
- Benchmark Metals Inc. – 58,333 shares	-	-	(61,875)	7,292	(54,583)
- Dixie Gold Inc. – 200,000 shares	-	-	-	14,000	14,000
- Rover Metals Corp. – 500,000 shares	-	-	-	(15,000)	(15,000)
April 30, 2020	379,012	(50,000)	(234,042)	(23,053)	71,917
- Benchmark Metals Inc. – 58,333 shares	-	-	-	37,916	37,916
- Dixie Gold Inc. – 200,000 shares	-	-	-	9,000	9,000
- Rover Metals Corp. – 500,000 shares	-	-	-	20,000	20,000
July 31, 2020	\$379,012	\$(50,000)	\$(234,042)	\$43,863	\$138,833

5. RECEIVABLES

	July 31, 2020	April 30, 2020
HST/GST receivables	\$ 77	\$ 4,242
Other receivables	14,031	15,576
	\$ 14,108	\$ 19,818

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6. EQUIPMENT

	Office and computer equipment	Field equipment	Total
Cost			
Balance, April 30, 2019	\$ 69,614	\$ 93,775	\$ 163,389
Additions	-	-	-
Balance, April 30, 2020	69,614	93,775	163,389
Additions	2,087	-	2,087
Balance, July 31, 2020	\$ 71,701	\$ 93,775	\$ 165,476
Accumulated Depreciation			
Balance, April 30, 2019	\$ 33,679	\$ 59,204	\$ 92,883
Additions	10,777	6,914	17,691
Balance, April 30, 2020	44,456	66,118	110,574
Additions	2,773	1,728	4,501
Balance, July 31, 2020	\$ 47,229	\$67,846	\$ 115,075
Net Book Value			
April 30, 2020	\$ 25,158	\$ 27,657	\$ 52,815
July 31, 2020	\$ 24,472	\$ 25,929	\$ 50,401

7. RIGHT OF USE ASSETS AND LEASE LIABILITIES

Right of use assets	July 31, 2020	Year ended April 30, 2020
Opening balance	\$ 58,171	\$ 129,778
Depreciation	(17,902)	(71,607)
Ending Balance	\$ 40,269	\$ 58,171
Lease Liabilities		
	July 31, 2020	Year ended April 30, 2020
Opening balance	\$ 54,708	\$ 129,778
Lease payments	(20,018)	(80,070)
Finance cost	1,805	5,000
Ending Balance	\$ 36,495	\$ 54,708
Current	\$ 33,116	\$ 50,544
Long-term	3,379	4,164
	\$ 36,495	\$ 54,708

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8. EXPLORATION AND EVALUATION ASSETS

	April 30, 2020	Expended During the Year	Write-offs During the Year	July 31,2020
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	1,261,940	141	-	1,262,081
Drilling	2,085,859	-	-	2,085,859
Acquisition and tenure costs	218,467	-	-	218,467
Geological, data collection and assays	1,597,498	-	-	1,597,498
Office and salaries	661,065	11,674	-	672,739
Contribution from joint-venture partner	(637,813)	-	-	(637,813)
	5,187,016	11,815	-	5,198,831
Loki, Canada				
Exploration costs	501,302	-	-	501,302
Drilling	296,657	-	-	296,657
Acquisition and tenure costs	78,299	-	-	78,299
Geological, data collection and assays	287,068	-	-	287,068
Office and salaries	256,778	12,241	-	269,019
Recoveries	(636,000)	-	-	(636,000)
	784,104	12,241	-	796,345
Naujaat, Canada				
Exploration costs	984,565	108,681	-	1,093,246
Drilling	1,464,020	-	-	1,464,020
Acquisition and tenure costs	402,881	17,650	-	420,531
Geological, data collection and assays	5,056,137	81,023	-	5,137,160
Office and salaries	1,007,866	19,299	-	1,027,165
Contributions and recoveries	-	(332,525)	-	(332,525)
	8,915,469	(105,872)	-	8,809,597
Mel, Canada				
Exploration costs	1,330,689	-	-	1,330,689
Drilling	465,004	-	-	465,004
Acquisition and tenure costs	303,152	2,362	-	305,514
Geological, data collection and assays	997,079	-	-	997,079
Office and salaries	371,766	11,459	-	383,225
	3,467,690	13,821	-	3,481,511
TOTAL	\$ 19,155,200	\$(67,995)	\$ -	\$ 19,087,205

NORTH ARROW MINERALS INC.
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8. EXPLORATION AND EVALUATION ASSETS

	April 30, 2019	Expended During the Year	Write-offs During the Year	April 30, 2020
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	1,259,526	2,414	-	1,261,940
Drilling	2,085,859	-	-	2,085,859
Acquisition and tenure costs	217,782	685	-	218,467
Geological, data collection and assays	1,597,248	250	-	1,597,498
Office and salaries	644,946	16,119	-	661,065
Contribution from joint-venture partner	(637,813)	-	-	(637,813)
	5,167,548	19,468	-	5,187,016
Loki, Canada				
Exploration costs	443,655	57,647	-	501,302
Drilling	296,657	-	-	296,657
Acquisition and tenure costs	57,524	20,775	-	78,299
Geological, data collection and assays	204,754	82,314	-	287,068
Office and salaries	167,555	89,223	-	256,778
Recoveries	(270,000)	(366,000)	-	(636,000)
	900,145	(116,041)	-	784,104
Naujaat, Canada				
Exploration costs	849,587	134,978	-	984,565
Drilling	1,464,020	-	-	1,464,020
Acquisition and tenure costs	378,528	24,353	-	402,881
Geological, data collection and assays	4,916,690	139,447	-	5,056,137
Office and salaries	867,712	140,154	-	1,007,866
	8,476,537	438,932	-	8,915,469
Mel, Canada				
Exploration costs	1,341,032	(10,343)	-	1,330,689
Drilling	465,004	-	-	465,004
Acquisition and tenure costs	288,085	15,067	-	303,152
Geological, data collection and assays	991,850	5,229	-	997,079
Office and salaries	328,795	42,971	-	371,766
	3,414,766	52,924	-	3,467,690
TOTAL	\$ 18,759,917	\$ 395,283	\$ -	\$ 19,155,200

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

Diamond Properties, Canada

Lac de Gras project, Northwest Territories

In August 2011, the Company entered into an option agreement with Dominion Diamond Mines (“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”). Subsequently in accordance with the terms of the agreement, Dominion incurred more than \$5,000,000 of exploration expenditures and earned a 55% interest in the joint venture and the Company and Springbok shared equally a 45% interest in the JV Property.

On October 24, 2012, the Company entered into an agreement to acquire Springbok’s interest in the JV Property (the “Springbok Interests”) for 1,000,000 shares in the Company issued at a value of \$235,000. As additional consideration, in the event that 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. A director of the Company is a principal of Springbok.

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, on the basis of a 45%/55% (North Arrow/Dominion) joint venture, of the JV Property. Subsequent to December 2015, the Company has elected not to contribute its proportionate share of costs to subsequent exploration programs and as a result holds an approximate 22% interest in the joint venture as at July 31, 2020.

Naujaat project, Nunavut

The Company maintains a 100% interest in the Naujaat diamond project. This interest is subject to a February 15, 2017 agreement under which the Company agreed to pay Stornoway Diamond Corporation (“Stornoway”) \$2.5 million at the time the first royalty payments relating to the Naujaat project are payable. In addition, Stornoway retains a 0.5% gross overriding royalty (“GOR”) and net smelter royalty (“NSR”) on diamond, precious metal and base metal production from the Naujaat project.

The Naujaat project is also subject to an additional 3% NSR on metals and a 3% gross production royalty (“GPR”) on industrial minerals, including diamonds. Effective November 21, 2016, the Company reached an agreement with the underlying royalty holder where each of the NSR and GPR may be reduced to from 3% to 1% subject to future contingent cash payments totaling \$5.15 million and future staged exploration expenditures totalling \$20 million.

Effective June 1, 2020 the Company entered into an option agreement with EHR Resources Ltd. (“EHR”) to fund further evaluation of the project. Under the terms of the option agreement, EHR can earn a 40% interest in the project by investing \$5,600,000 to collect a 1,500 to 2,000 tonne preliminary bulk sample during the 2021 summer field season. As part of the agreement, EHR advanced \$300,000 (non-refundable) to be used by North Arrow, as operator, to position fuel and other items by sealift in 2020 (complete). A condition of the option is that EHR must complete a financing sufficient to fund the remaining \$5,300,000 required under the terms of the option agreement (completed). The Company and EHR have also entered into a non-binding letter of intent to negotiate a second option agreement under which EHR may elect, after completing the 2021 preliminary bulk sample, to earn an additional 20% interest in the Q1-4 diamond deposit by funding the collection of a 10,000 tonne bulk sample.

Pikoo project, Saskatchewan

The Company maintains a 100% interest in the Pikoo diamond project. This interest is subject to a February 15, 2017 agreement under which the Company agreed to pay Stornoway \$1.25 million at the time the first royalty payments

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8. EXPLORATION AND EVALUATION ASSETS – continued

Diamond Properties, Canada – continued

Pikoo project, Saskatchewan - continued

relating to the Pikoo project are payable. In addition, Stornoway retains a 1.0% gross overriding royalty (“GOR”) and net smelter royalty (“NSR”) on diamond, precious metal and base metal production from the Pikoo project.

Loki project, Northwest Territories

The Company maintains a 100% interest in the Loki diamond project subject to royalties ranging from 1.25% to 1.5% on diamonds and base and precious metals granted to Umgeni Holdings International Limited (“Umgeni”) under the terms of a January 25, 2016 royalty purchase agreement. Effective July 31, 2019, the royalty purchase agreement was amended to grant Umgeni increased royalties ranging to 2% for \$266,000 (received). Umgeni is a private company of which a director of the Company is a beneficiary of the sole shareholder.

During the period ended July 31, 2020 the Company accepted a \$130,000 (\$110,500 received) grant under the NWT Mineral Incentive Program. The grant amount must be spent on exploration activities prior to March 31, 2021.

Mel project, Nunavut

The Company maintains a 100% interest in the Mel diamond project in Nunavut. This interest is subject to a 1% GOR payable to Anglo Celtic Exploration Ltd, a private company controlled by a director. The Company retains the right to buy back one half of the GOR for \$1,000,000 at any time.

Luxx project, Nunavut

The Company maintains a 100% interest in the Luxx diamond project in Nunavut. The interest is subject to a 1% GOR payable to Anglo Celtic Exploration Ltd. The Company retains the right to buy back one half of the gross overriding royalty for \$1,000,000 at any time.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	July 31, 2020	April 30, 2020
Trade payables	\$ 119,438	\$ 98,437
Accrued liabilities	310,790	288,119
	\$ 430,228	\$ 386,556

Included in accrued liabilities is a provision of \$241,000 for estimated costs related to the demobilization of equipment in Nunavut.

10. BANK LINE OF CREDIT

	July 31, 2020	April 30, 2020
Bank line of credit	\$ 40,000	\$ 40,000

During the year ended April 30, 2020 the Company received a 0% interest operating line of credit to December 31, 2020 under the terms of the Canadian Emergency Business Account Program. On January 1, 2021, the line of credit will convert to a 2 year 0% interest term loan to be repaid by December 31, 2022. If repaid in full by December 31, 2022, 25% of the balance will be forgiven. If not repaid by December 31, 2022, the Company will have the option for a 3 year term extension on the unpaid balance of the loan bearing interest at the rate of 5% per annum. The loan must be repaid in full by December 31, 2025.

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11. 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

- a) On May 18, 2017, the Company completed a non-brokered private placement of 20,000,000 units at a price of \$0.25 per unit for gross proceeds of \$5,000,000. Each unit consisted of one common share and one common share purchase warrant. At May 18, 2017, the Company's market price was \$0.215 per share: accordingly, \$700,000 of the proceeds were assigned to the value of the warrants under the residual method. Each warrant entitles the holder to purchase one additional common share at a price of \$0.40 per share for a period of three years. On July 31, 2019, the Company extended the expiry date of the warrants by two years and reduced the exercise price of the warrants to \$0.225.
- b) On June 19, 2018, the Company issued 10,135,000 flow-through shares at a price of \$0.20 per share and 6,481,717 non-flow-through units at a price of \$0.17 per unit for gross proceeds of \$3,128,892. Each non-flow-through unit consisted of a non-flow through share and a transferrable warrant that entitles the holder to purchase one share at a price of \$0.30 for a period of 24 months. If, commencing on October 20, 2018, the closing price of the Company's shares is at or above \$0.40 for 10 or more consecutive trading days, the expiry date of the warrants may be accelerated to the date that is 30 days after the acceleration trigger date. The flow-through shares were issued at a premium which was determined to be \$304,050 and this was initially recorded as a deferred premium liability. During the year ended April 30, 2019, the Company incurred eligible exploration expenditures and credited other income the deferred premium of \$304,050. Finders' fees and costs of \$90,169 were payable in connection with these private placements. On July 31, 2019, the Company extended the expiry date of the warrants by two years and reduced the exercise price of 5,070,887 of the warrants to \$0.225.
- c) On July 31, 2019, the Company issued 17,904,286 units at a price of \$0.07 per unit for gross proceeds of \$1,253,300. Each unit consisted of one common share and a transferrable warrant that entitles the holder to purchase one additional common share at a price of \$0.10 for a period of 60 months. Finders' fees and costs of \$24,464 were payable in connection with the private placement. At July 31, 2019 the Company's market price was \$0.06 per share: accordingly, \$179,043 of the proceeds were assigned to the value of the warrants under the residual method.

Stock options and warrants

At the Company's Annual General Meeting held on December 19, 2019, the shareholders ratified the stock option plan (the "Plan"). 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 typically 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 July 31, 2020, the following stock options were outstanding:

Number of Shares	Exercise Price	Number of Shares Vested	Expiry Date
2,210,000	\$ 0.27	2,210,000	June 23, 2022
50,000	\$ 0.25	50,000	November 21, 2022
2,070,000	\$ 0.27	2,070,000	May 10, 2023
2,670,000	\$ 0.20	2,670,000	July 12, 2023
2,970,000	\$ 0.10	1,485,000	November 8, 2024
9,970,000		8,485,000	

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11. CAPITAL STOCK AND RESERVES - continued

Stock options and warrants - continued

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

	Number of Options	Weighted Average Exercise Price
Balance, April 30, 2018	6,520,000	\$ 0.38
Options expired	(3,337,500)	0.42
Options extended	2,075,000	0.27
Options granted	2,695,000	0.20
Balance, April 30, 2019	7,952,500	0.28
Options expired	(952,500)	0.53
Options granted	2,970,000	0.10
Balance, April 30, 2020	9,970,000	0.20
Options issued	-	-
Balance, July 31, 2020	9,970,000	\$0.20

Share-based compensation

During the three months ended July 31, 2020, the Company recognized share-based compensation of \$12,883 (2019 – \$40,035) relating to options vested during the period.

The fair value of options granted was estimated on the date of grant using the Black-Scholes option pricing model, with the following assumptions:

	July 31, 2020	April 30, 2020
Risk-free interest rate	-	1.75%
Expected dividend yield	-	Nil
Expected stock price volatility	-	117.57%
Expected life	-	5 years
Expected forfeiture rate	-	Nil

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

	Number of Warrants	Weighted Average Exercise Price
Balance, April 30, 2018	20,500,000	*\$ 0.235
Expired	(500,000)	0.65
Issued	5,070,887	*0.225
Issued	1,410,830	0.30
Balance, April 30, 2019	26,481,717	0.24
Issued	17,904,286	0.10
Balance, April 30 and July 31, 2020	*44,386,003	\$0.18

* Exercise price of 25,070,887 warrants amended July 31, 2019 to \$0.225 per share. The exercise prices have been amended to reflect this repricing.

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11. CAPITAL STOCK AND RESERVES - continued

Stock options and warrants - continued

At July 31, 2020 the following warrants were outstanding:

	Number of Warrants	Exercise Price	Expiry Date
	20,000,000	*\$0.225	**May 17, 2022
	5,070,887	*\$0.225	**June 19, 2022
	1,410,830	\$ 0.30	**June 19, 2022
	17,904,286	\$ 0.10	July 31, 2024
	44,386,003		

* Exercise price amended July 31, 2019 to \$0.225

** Expiry date amended July 31, 2019 to May 17, 2022 and June 19, 2022.

12. RELATED PARTY TRANSACTIONS

Details of the transactions between the Company and related parties not disclosed elsewhere in the financial statements are disclosed below.

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

- a) Paid or accrued consulting fees of \$2,250 (2019 - \$4,500) to the Corporate Secretary of the Company. This amount is included in salaries disclosed below.
- b) Paid \$347 (2019 - \$1,014) for office costs to a company controlled by a director.
- c) Charged related parties \$1,840 (2019 - \$1,950) for rent, office and administrative costs.
- d) Included in accounts payable is \$25,045 (2019 - \$39,800) due to directors and/or officers.

The remuneration of directors and key management personnel during the three months ended July 31, 2020 was as follows:

	July 31, 2020	July 31, 2019
Salaries ¹	\$ 69,190	\$ 61,073
Salaries in exploration costs ¹	3,157	15,690
Share-based compensation ²	7,699	26,703
Total	\$ 80,046	\$ 103,466

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.

During the year ended April 30, 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.

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13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash transactions for the three months ended July 31, 2020 were:

- a) the Company incurred exploration and evaluation expenditures of \$317,702 (April 30, 2020 - \$317,223) that are included in accounts payable and accrued liabilities at year end.
- b) Included in right-of-use assets is \$40,269 (July 31, 2019 - \$129,778) representing the capitalized portion of leased real estate and equipment assets.
- c) Included in lease liabilities is \$36,495 (July 31, 2019 - \$129,778) of capitalized lease payments and \$1,850 (July 31, 2019 - \$1,250) of effective interest expense.
- d) Included in share-based payment reserve is \$nil (2019 - \$179,043) assigned to the value of warrants issued under the residual value method.

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. There have been no changes to the management of capital during the fiscal year.

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.

15. SEGMENTED INFORMATION

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