

NORTH ARROW MINERALS INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

JULY 31, 2016

(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, 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 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 STATEMENTS OF FINANCIAL POSITION
As at
(Expressed in Canadian Dollars)
(Unaudited- Prepared by Management)

	July 31, 2016	April 30, 2016
ASSETS		
Current		
Cash	\$ 1,626,631	\$ 2,507,640
Receivables (Note 5)	23,801	117,880
Marketable securities (Note 6)	297,299	375
Prepaid expenses	15,419	15,419
	1,963,150	2,641,314
Equipment (Note 7)	82,143	86,979
Exploration and evaluation assets (Note 8)	10,843,936	10,556,971
	\$ 12,889,229	\$ 13,285,264
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 9)	\$ 107,483	\$ 606,421
Due to related parties (Note 11)	2,249	2,249
	109,732	608,670
SHAREHOLDERS EQUITY		
Capital stock (Note 10)	28,719,107	28,719,107
Share-based payment reserve (Note 10)	3,143,846	3,141,778
Investment revaluation reserve	48,287	(15,113)
Deficit	(19,131,743)	(19,169,178)
	12,779,497	12,676,594
	\$ 12,889,229	\$ 13,285,264

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

Approved and authorized on behalf of the Board on September 26, 2016:

 "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, 2016 and 2015
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	2016	2015
EXPENSES		
Advertising, promotion and travel	\$ 14,552	\$ 9,114
Consulting	4,500	-
Depreciation	4,836	4,618
Office, miscellaneous and rent	35,919	38,400
Professional fees	1,587	8,040
Property investigation costs	13,038	123,519
Regulatory and filing fees	1,057	5,270
Salaries and benefits	81,245	117,539
Share-based compensation (Note 10)	2,068	82,646
	158,802	389,146
Interest and foreign exchange	2,697	8,880
Gain on disposal of mineral properties (Note 8)	233,524	-
Write-off of exploration and evaluation assets (Note 8)	(39,984)	-
	196,237	8,880
Net income (loss) for the period	37,435	(380,266)
Unrealized gain (loss) on available-for-sale financial assets (Note 6)	63,400	(150)
Comprehensive income (loss) for the period	\$ 100,835	\$ (380,416)
Basic and diluted loss per share	\$ 0.00	\$ (0.01)
Weighted average number of common shares	54,155,741	52,874,132

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, 2016 and 2015
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) for the year	\$ 37,435	\$ (380,266)
Items not involving cash:		
Depreciation	4,836	4,618
Share-based compensation	2,068	82,646
Write-off of exploration and evaluation assets	39,984	-
Gain on disposal of mineral properties	(233,524)	-
Changes in non-cash working capital items:		
Decrease (increase) in receivables	94,079	66,545
Decrease (increase) in prepaid expenses	-	(39,679)
Increase in accounts payable and accrued liabilities	(25,683)	18,566
Decrease in due to related parties	-	(4,351)
	(80,805)	(251,921)
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures on exploration and evaluation assets, net	(800,204)	(577,197)
Purchase of equipment	-	(7,456)
	(800,204)	(584,653)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	-	4,000,450
Share issuance costs	-	(347,697)
	-	3,652,753
Change in cash during the period	(881,009)	2,816,179
Cash, beginning of year	2,507,640	2,102,920
Cash, end of period	\$ 1,626,631	\$ 4,919,099
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 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	Investment revaluation reserve	Deficit	Total
Balance, April 30, 2015	49,944,741	\$ 25,066,354	\$ 2,985,473	\$(14,888)	\$ (15,317,813)	\$ 12,719,126
Share-based compensation	-	-	82,646	-	-	82,646
Net loss	-	-	-	-	(380,266)	(380,266)
Investment loss	-	-	-	(150)	-	(150)
Private placement- net	4,211,000	3,652,753	-	-	-	3,652,753
Balance, July 31, 2015	54,155,741	\$28,719,107	\$3,068,119	\$ (15,038)	\$ (15,698,079)	\$16,074,109
Balance, April 30, 2016	54,155,741	\$ 28,719,107	\$ 3,141,778	\$ (15,113)	\$ (19,169,178)	\$ 12,676,594
Share-based compensation	-	-	2,068	-	-	2,068
Net income (loss)	-	-	-	-	37,435	37,435
Investment gain (loss)	-	-	-	63,400	-	63,400
Balance, July 31, 2016	54,155,741	\$ 28,719,107	\$ 3,143,846	\$ 48,287	\$ (19,131,743)	\$ 12,779,497

The accompanying notes are an integral part of these financial statements

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 condensed interim 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 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 July 31, 2016, the Company has a deficit of \$19,131,743, no current source of revenue and may require additional funding to meet its planned activities. 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 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 financial statements should be read in conjunction with the Company’s audited financial statements for the year ended April 30, 2016. These financial statements are presented in Canadian dollars unless otherwise noted.

b) Historical cost

These condensed interim 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.

2. BASIS OF PRESENTATION - continued

d) Significant accounting judgments, estimates and assumptions - continued

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES – New Accounting pronouncements

Certain pronouncements were issued by the IASB or IFRIC but are not yet effective as at July 31, 2016. The Company intends to adopt these standards and interpretations when they become effective.

The following are the accounting standards issued but not effective as of July 31, 2016 that the Company believes could be significant.

- IFRS 9 - Financial Instruments – classification and measurement
Effective for annual periods beginning on or after January 1, 2018. 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.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

- IFRS 16 – Leases
Effective for annual periods commencing on or after January 1, 2019, this new standard eliminates the classification of leases as either operating or finance leases and introduces a single lessee accounting model which requires the lessee to recognize assets and liabilities for all leases with a term of longer than 12 months.

The Company is currently assessing the impact of these new accounting standards on its consolidated financial statements.

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 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. Common shares 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. Warrants the Company has classified as marketable securities are recorded at fair value based on a Black Scholes pricing model.

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 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 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, 2016, the Company had cash of \$1,626,631 (April 30, 2016 - \$2,507,640) available to settle current liabilities of \$109,732 (April 30, 2016 - \$608,670).

NORTH ARROW MINERALS INC.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the Three Months Ended JULY 31, 2016
(Unaudited – Prepared by Management)
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4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

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, consisting of shares and warrants, which are classified as available for sale and fair value through profit and loss respectively. 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

	July 31, 2016	April 30, 2016
HST/GST receivables	\$ 20,847	\$ 108,764
Other receivables	2,954	9,116
	\$ 23,801	\$ 117,880

6. MARKETABLE SECURITIES

During the three months ended July 31, 2016, the Company sold its interest in the in the previously written off Torp Lake and Phoenix mineral claims to Clean Commodities Corp. (previously Athabasca Nuclear Corp.) for consideration of 2,500,000 common shares of Clean Commodities Corp. having a fair valued of \$200,000 and warrants entitling the Company to purchase an additional 1,000,000 common shares at a price of \$0.20 for a period of two years with a fair value of \$33,524.

	July 31, 2016			April 30, 2016		
	Cost	Unrealized Gain (Loss)	Fair Market Value	Cost	Unrealized Loss	Fair Market Value
Adamera Minerals Corp. – 15,000 shares	\$ 15,488	\$(14,213)	\$ 1,275	\$ 15,488	\$(15,113)	\$ 375
Clean Commodities Corp. – 2,500,000 shares	200,000	62,500	262,500	-	-	-
Clean Commodities Corp. – 1,000,000 warrants	33,524	-	33,524	-	-	-
	\$ 249,012	\$48,287	\$297,299	\$15,488	\$(15,113)	\$ 375

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7. EQUIPMENT

	Office and computer equipment	Field equipment	Total
Cost			
Balance, April 30, 2015	\$ 17,265	\$ 93,775	\$ 111,040
Additions	15,494	-	15,494
Balance, April 30, 2016	32,759	93,775	126,534
Additions	-	-	-
Balance, July 31, 2016	\$ 32,759	\$ 93,775	\$ 126,534
Accumulated Amortization			
Balance, April 30, 2015	\$ 8,279	\$ 9,377	\$ 17,656
Additions	5,020	16,879	21,899
Balance, April 30, 2016	13,299	26,256	39,555
Additions	1,460	3,376	4,836
Balance, July 31, 2016	\$ 14,759	\$ 29,632	\$ 44,391
Carrying amounts			
April 30, 2016	\$ 19,460	\$ 67,519	\$ 86,979
July 31, 2016	\$ 18,000	\$ 64,143	\$ 82,143

NORTH ARROW MINERALS INC.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the Three Months Ended JULY 31, 2016
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(Expressed in Canadian Dollars)

8. EXPLORATION AND EVALUATION ASSETS

	April 30, 2016	Expended During the Period	Write-offs During the Period	July 31, 2016
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	1,242,974	5,360	-	1,248,334
Drilling	2,085,859	-	-	2,085,859
Acquisition and tenure costs	14,581	-	-	14,581
Geological, data collection and assays	1,374,630	94,641	(49,222)	1,420,049
Office and salaries	529,006	34,260	-	563,266
Contribution from joint-venture partner	(637,813)	-	-	(637,813)
	4,609,237	134,261	(49,222)	4,694,276
Loki, Canada				
Exploration costs	-	907	-	907
Acquisition and tenure costs	-	262	-	262
Geological, data collection and assays	-	15,456	-	15,456
Office and salaries	-	312	-	312
	-	16,937	-	16,937
Qilalugaq, Canada				
Exploration costs	357,350	5,489	-	362,839
Acquisition and tenure costs	73,670	28,032	-	101,702
Geological, data collection and assays	3,395,314	53,945	-	3,449,259
Office and salaries	252,634	20,547	-	273,181
	4,078,968	108,013	-	4,186,981
Luxx, Canada				
Exploration costs	50,420	-	-	50,420
Acquisition and tenure costs	138,639	-	-	138,639
Geological, data collection and assays	121,301	-	-	121,301
Office and salaries	43,221	940	-	44,161
	353,581	940	-	354,521
Mel, Canada				
Exploration costs	83,128	15,983	-	99,111
Acquisition and tenure costs	130,866	600	-	131,466
Geological, data collection and assays	444,364	46,018	-	490,382
Office and salaries	55,906	13,435	-	69,341
	714,264	76,036	-	790,300
Redemption, Canada				
Exploration costs	-	5,009	(5,009)	-
Drilling	-	21,436	(21,436)	-
Acquisition and tenure costs	-	-	-	-
Geological, data collection and assays	-	6,567	(6,567)	-
Office and salaries	-	13,850	(13,850)	-
Recoveries	-	(56,100)	56,100	-
	-	(9,238)	9,238	-
TOTAL	\$ 10,556,971	326,949	(39,984)	\$ 10,843,936

NORTH ARROW MINERALS INC.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the Three Months Ended JULY 31, 2016
(Unaudited – Prepared by Management)
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8. EXPLORATION AND EVALUATION ASSETS - continued

	April 30, 2015	Expended During the Year	Write-offs During the Year	April 30, 2016
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	918,487	324,487	-	1,242,974
Drilling	1,376,586	709,273	-	2,085,859
Acquisition and tenure costs	13,504	1,077	-	14,581
Geological, data collection and assays	860,902	513,728	-	1,374,630
Office and salaries	383,329	145,677	-	529,006
Contribution from joint-venture partner	(457,764)	(180,049)	-	(637,813)
	3,095,044	1,514,193	-	4,609,237
Timiskaming, Canada				
Exploration costs	4,638	-	(4,638)	-
Drilling	94,389	-	(94,389)	-
Acquisition and tenure costs	326,757	139	(326,896)	-
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	271	(497,300)	-
Qilalugaq, Canada				
Exploration costs	291,030	66,320	-	357,350
Acquisition and tenure costs	71,463	2,207	-	73,670
Geological, data collection and assays	3,143,171	252,143	-	3,395,314
Office and salaries	224,821	27,813	-	252,634
	3,730,485	348,483	-	4,078,968
Luxe, Canada				
Exploration costs	40,803	9,617	-	50,420
Acquisition and tenure costs	136,168	2,471	-	138,639
Geological, data collection and assays	121,301	-	-	121,301
Office and salaries	37,959	5,262	-	43,221
	336,231	17,350	-	353,581
Mel, Canada				
Exploration costs	10,205	72,923	-	83,128
Acquisition and tenure costs	128,472	2,394	-	130,866
Geological, data collection and assays	183,337	261,027	-	444,364
Office and salaries	18,684	37,222	-	55,906
	340,698	373,566	-	714,264
Redemption, Canada				
Exploration costs	429,053	188,937	(617,990)	-
Drilling	124,964	783,277	(908,241)	-
Acquisition and tenure costs	55,485	21,024	(76,509)	-
Geological, data collection and assays	1,058,015	115,715	(1,173,730)	-
Office and salaries	218,107	145,671	(363,778)	-
Recoveries	(50,000)	(800,000)	850,000	-
	1,835,624	454,624	(2,290,248)	-
TOTAL	\$ 10,636,032	\$2,708,487	\$(2,787,548)	\$ 10,556,971

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, 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 was to 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 would be formed whereby Dominion would hold a 55% interest and the Company and Springbok would 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 included 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 (complete) 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 an exploration budget for the period from February 2016 to January 2017. The Company has elected not to contribute its 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 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”) was 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 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 in an 80% interest in a project. 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 the Timiskaming project. Each share purchase warrant entitles 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 assignment agreement required the Company to complete a \$2,000,000 financing (completed).

8. EXPLORATION AND EVALUATION ASSETS - continued

Diamond Properties, Canada - continued

Timiskaming, Pikoo and Qilalugaq Diamond Projects, Canada - continued

Timiskaming diamond project, Ontario/Quebec

The Company has earned an 80% interest in the Timiskaming diamond project by completing the required option work program. 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. 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.

During the year ended April 30, 2016, the Company wrote off \$497,300 of exploration and acquisition costs related to the Timiskaming project in recognition of the lack of significant planned exploration expenditures on the property.

Qilalugaq diamond project, Nunavut

The Company has earned an 80% interest in the Qilalugaq project by completing the required option work program. During the year ended April 30, 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. Ongoing evaluation of the project is subject to an 80%/20% (Company/Stornoway) participating joint venture. 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.

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.

Pikoo diamond project, Saskatchewan

The Company has earned an 80% interest in the Pikoo diamond project by completing the required option work program. 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.

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 separate 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% interests in the properties by reimbursing staking costs totalling \$5,600 (paid) and discovering a kimberlite on the properties within a three year period. In the event that the Company earns a 70% interest in any of the properties, the property in question 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. Subsequent to July 31, 2016, the Company relinquished its option interest in the three agreements and wrote-off \$49,222 of expenditures at July 31, 2016.

8. EXPLORATION AND EVALUATION ASSETS - continued

Diamond Properties, Canada – continued

Redemption project, Northwest Territories

In July 2013, the Company entered into an option agreement with Arctic Star Exploration Corp. (“Arctic Star”) whereby it could earn a 55% interest in Arctic Star’s Redemption project in the Lac de Gras region of the Northwest Territories. Under the terms of the option agreement, the Company could 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.

Effective January 25, 2016 the Company closed the sale of a royalty interest in the Redemption and Loki properties to Umgeni Holdings International Limited (“Umgeni”) for \$800,000. Umgeni is a private company of which a director of the Company is a beneficiary of the sole shareholder. Umgeni paid the Company \$800,000 to acquire the following royalty interests:

- 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 the Company. These claims are not subject to the option agreement and form part of the Company’s Loki project (see below);
- 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 the Company’s ultimate interest in the ADD claims and the Company will have sole responsibility for paying them. If the Company decides not to proceed beyond 2016 with further exploration under the option agreement with Arctic Star, Umgeni has the right to acquire the Company’s interest in the option. If Umgeni does not acquire the Company’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 the Company 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 the Company’s interest in the option agreement.

It is a further term of the agreement with Umgeni that the Company must conduct a minimum \$800,000 exploration program at the Redemption project before August 31, 2016 (completed).

Effective April 30, 2016, the Company wrote off exploration and acquisition costs of \$2,290,248 related to the Redemption project in recognition of the lack of exploration success with the drilling programs. Subsequent to July 31, 2016, Umgeni elected not to acquire the Company’s interest in the option agreement and the Company issued a notice to Arctic Star of the Company’s intent to relinquish its option to earn an interest in the Redemption project. Further to the July 11, 2014 addendum to the option agreement, the Company also notified Arctic Star of the Company’s intent to retain a 55% interest in one mineral claim contiguous to the Redemption project.

Loki project, Northwest Territories

The Loki project consists of 13 claims acquired by staking between 2013 and 2016 in the Lac de Gras region of the Northwest Territories. The Company holds a 100% interest in these claims subject to a 1.5% gross overriding royalty on diamonds (“GOR”) and a 1.5% net smelter returns royalty on base and precious metals (“NSR”) granted to Umgeni under the terms of the January 2016 royalty purchase agreement.

8. EXPLORATION AND EVALUATION ASSETS - continued

Diamond Properties, Canada - continued

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.

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 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. 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. Effective April 14, 2015, Sennen terminated their interest in the project pursuant to the terms of the option agreement.

Torp Lake, Nunavut and Phoenix, Northwest Territories

Effective May 19, 2016, the Company sold its interest in the in the previously written off Torp Lake and Phoenix mineral claims to Clean Commodities Corp. (previously Athabasca Nuclear Corp.) for consideration of 2,500,000 common shares of Clean Commodities Corp. having a fair valued of \$200,000 and warrants entitling the Company to purchase an additional 1,000,000 common shares at a price of \$0.20 for a period of two years with a fair value of \$33,524. The following assumptions were used for the Black Scholes valuation of the warrants:

	July 31, 2016	April 30, 2016
Risk –free interest rate	1.00%	-
Expected life of the warrants	2.0 years	-
Annualized volatility	120.00%	-

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9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	July 31, 2016	April 30, 2016
Trade payables	\$ 77,483	\$ 576,421
Accrued liabilities	30,000	30,000
	\$ 107,483	\$ 606,421

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. 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").

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

Number of Shares	Exercise Price	Number of Shares Vested	Expiry Date
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	680,000	September 25, 2019
200,000	\$ 0.54	200,000	December 16, 2019
4,140,000		4,140,000	

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10. 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, 2015	4,318,000	0.47
Expired and forfeited	(125,000)	0.51
Balance, April 30, 2016	4,193,000	0.47
Expired and forfeited	(53,000)	2.00
Balance, July 31, 2016	4,140,000	\$ 0.45
Number of options currently exercisable	4,140,000	\$ 0.45

During the three months ended July 31, 2016, the Company granted nil stock options (July 31, 2015 – nil). The estimated fair value of the options granted during the year is \$nil (2015 – \$nil). During the three months ended July 31, 2016, the Company recognized share-based compensation of \$2,068 (July 31, 2015 – \$82,646) relating to options vested during the period.

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

	Number of Warrants	Weighted Average Exercise Price
Balance, April 30, 2015	*1,000,000	\$ 0.45
Issued	-	-
Balance, April 30, 2016	1,000,000	0.45
Issued	-	-
Balance, July 31, 2016	1,000,000	\$ 0.45

*- 500,000 warrants exercisable at a price of \$0.25 per share expire April 29, 2018

*- 500,000 warrants exercisable at a price of \$0.65 per share expire August 19, 2018

11. RELATED PARTY TRANSACTIONS

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 are as follows:

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

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11. RELATED PARTY TRANSACTIONS - continued

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.

- a) Paid or accrued consulting fees of \$4,500 (2015 - \$nil) to the Corporate Secretary of the Company. This amount is included in salaries disclosed below.
- b) Paid \$962 (2015 - \$5,886) for office and rent to Anglo-Celtic Exploration Ltd.
- c) Received from New Dimension Resources Ltd. and Strongbow Exploration Inc. \$6,900 (2015 - \$1,600) for rent, office and administrative costs.
- d) Amounts due to related parties of \$2,249 (April 30, 2016 - \$2,249) is owing to Northair Silver Corp. a company that previously had common officers.
- e) Included in other receivables is \$2,954 (2015 - \$nil) due from companies having a director or officers in common.

The remuneration of directors and key management personnel during the year ended July 31, 2016 was as follows:

	July 31, 2016	July 31, 2015
Salaries ¹	\$ 56,325	\$ 61,003
Salaries in exploration costs ¹	20,386	11,209
Share-based compensation ²	2,068	69,241
Total	\$ 78,779	\$ 141,453

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.

12. COMMITMENTS

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

Year ending	
April 30, 2017	\$52,142
April 30, 2018	\$53,613

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash transactions for the three months ended July 31, 2016 were the Company incurred exploration and evaluation expenditures of \$69,786 (April 30, 2016 - \$543,041) that are included in accounts payable and accrued liabilities at July 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. There have been no changes to the management of capital during the fiscal period.

14. CAPITAL MANAGEMENT - continued

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.