## North Arrow Minerals Inc.

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# MANAGEMENT DISCUSSION AND ANALYSIS

**January 31, 2015**

**Form 51-102 F1**
**North Arrow Minerals Inc.**
**Management Discussion and Analysis (“MD&A)**
**Containing Information up to and including March 26, 2015**

## Description of Business

North Arrow Minerals Inc. (“North Arrow” or the “Company”) is a Canadian mineral exploration company focused on evaluating prospective diamond exploration properties in Canada. The Company’s key diamond properties include the Qilalugaq (Nunavut), Pikoo (Saskatchewan), Lac de Gras (Northwest Territories), and Redemption (Northwest Territories) projects. Shares of the Company trade on the TSX Venture Exchange (“TSXV”) under the symbol NAR.

The following discussion and analysis of the Company’s financial condition and results of operations for the three and nine months ended January 31, 2015 should be read in conjunction with the condensed consolidated interim unaudited financial statements of the Company for the three and nine months ended January 31, 2015 and the audited consolidated financial statements of the Company for the years ended April 30, 2014 and April 30, 2013, together with the notes thereto. The MD&A supplements, but does not form part of the unaudited consolidated financial statements of the Company. These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS).

Unless otherwise noted, all currency amounts are stated in Canadian dollars.

## Forward-Looking Statements

This document may contain "forward-looking statements" within the meaning of Canadian securities legislation and the United States Private Securities Litigation Reform Act of 1995. These forward-looking statements are made as of the date of this document and the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required by law.

Forward-looking statements relate to future events or future performance and reflect management's expectations or beliefs regarding future events and include, but are not limited to, statements with respect to sources of and anticipated financing requirements, the estimation of mineral reserves and resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, success of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage.

These forward-looking statements include, among others, statements with respect to the Company’s objectives for the ensuing year, our medium and long-term goals, and strategies to achieve those objectives and goals, as well as statements with respect to our beliefs, plans, objectives, expectations, anticipations, estimates and intentions. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," and words and expressions of similar import are intended to identify forward-looking statements. In particular, statements regarding the Company’s future operations, future exploration and development activities or other development plans and estimated future financing requirements contain forward-looking statements.

All forward-looking statements and information are based on the Company’s current beliefs as well as assumptions made by and information currently available to the Company concerning anticipated financial performance, business prospects, strategies, regulatory developments, development plans, exploration, development and mining activities and commitments. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution readers not to place undue reliance on these statements as a number of important factors could cause the actual results to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates and intentions expressed in such forward-looking statements.

These factors include, but are not limited to, developments in world financial and commodity markets, risks relating to fluctuations in the Canadian dollar and other currencies relative to the US dollar, changes in exploration plans due to exploration results and changing budget priorities of the Company or its joint venture partners, changes in project parameters as plans continue to be refined; possible variations in ore reserves, grade or recovery rates; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing, the effects of competition in the markets in which the Company operates, the impact of changes in the laws and regulations regulating mining exploration and development, judicial or regulatory judgments and legal proceedings, operational and infrastructure risks, and the Company's anticipation of and success in managing the foregoing risks. The Company cautions that the foregoing list of factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. The Company does not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by the Company or on our behalf, except as required by law.

## Highlights for the three and nine months ended January 31, 2015 and subsequent events up to March 26, 2015

### Qilalugaq project, NU

- On July 10, 2014 the Company announced that collection of a 1,500 tonne bulk sample from the Q1-4 kimberlite was underway at the Qilalugaq diamond project. On August 18, 2014 the Company announced completion of the sample collection and that 1,688 megabags of kimberlite had been delivered to the Company's laydown area in Repulse Bay in preparation for shipment south. The sample was subsequently loaded and shipped on the annual sealift that arrived in Repulse Bay in late August, off-loaded at the port facility in Montreal and delivered by truck to the processing laboratory in Thunder Bay, ON. Sample processing commenced in October 2014. On February 26, 2015 the Company announced initial diamond recoveries from 46% of the sample (609 dry tonnes). Initial diamond recovery data include 5,366 diamonds greater than +1 DTC (~1 mm) weighing 189.97 carats including 17 diamonds larger than the 3 grainer (~0.6 carat) size and 8 diamonds larger than 1 carat. The largest three diamonds recovered to date are 4.42 carats (intense yellow cubic aggregate), 4.16 carats (greenish yellow cubic aggregate), and 3.53 carats (pale yellow cubic aggregate). Yellow diamonds, representing a range of hues and tones, comprise approximately 8.5% by stone count (21.4% by carat weight) of the +1 DTC diamonds recovered to date. The bulk sample is expected to produce a diamond parcel that will be used to provide an initial diamond valuation for the Q1-4 kimberlite.

### Pikoo project, SK

- In September, 2014 the Company reported that initial processing of 441 till samples collected from the Pikoo Diamond Project in June 2014 defined new, discrete kimberlite indicator mineral trains within the property. An additional 119 till samples were collected during a follow up till sampling program in September, 2014 and on February 11, 2015 the Company reported that 2014 till sampling program identified up to five new KIM trains, including two KIM trains that are well defined and terminate within the project area. The Company also announced the commencement of a 3,000m drilling program to test these new targets and to follow up on diamond bearing kimberlite discoveries from 2013.

A summary of the exploration activities for the Company follows, as well as a description of other corporate activities. These summaries include some discussion of management's future exploration plans. The reader is cautioned that actual results, performance or achievements may be materially different from those implied or expressed in these statements. The Company's exploration programs are subject to change from time to time, based on the analysis of results and changing corporate priorities, exploration targets and funding consideration.

## Exploration Projects Overview

An overview of the exploration activities for the Company follows. For additional details the reader is referred to the Company's continuous disclosure documents available on SEDAR (www.sedar.com).

## EXPLORATION AND EVALUATION ASSETS

| | April 30, 2014 | Expended During the Period | Write-offs During the Period | January 31, 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** | **248,427** | - | **551,001** |
| Drilling | **602,315** | **8,419** | - | **610,734** |
| Acquisition and tenure costs | **7,453** | **5,815** | - | **13,268** |
| Geological, data collection and assays | **72,852** | **737,886** | - | **810,738** |
| Office and salaries | **120,144** | **179,413** | - | **299,557** |
| Contributions from joint-venture partner | - | **(224,814)** | - | **(224,814)** |
| | **1,105,338** | **955,146** | - | **2,060,484** |
| 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** | **48,957** | - | **68,517** |
| Office and salaries | **6,542** | **5,682** | - | **12,224** |
| Contributions from joint-venture partner | - | **(11,908)** | | **(11,908)** |
| | **451,886** | **42,731** | - | **494,617** |
| Qilalugaq, Canada | | | | |
| Exploration costs | **87,641** | **171,338** | - | **258,979** |
| Acquisition and tenure costs | **24,623** | **36,228** | - | **60,851** |
| Geological, data collection and assays | **84,069** | **2,489,344** | - | **2,573,413** |
| Office and salaries | **41,058** | **173,101** | - | **214,159** |
| | **237,391** | **2,870,011** | - | **3,107,402** |
| Luxx, 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** | **16,866** | - | **121,057** |
| Office and salaries | **26,824** | **8,959** | - | **35,783** |
| | **304,413** | **29,398** | - | **333,811** |
| 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** | **42,785** | - | **168,797** |
| Office and salaries | **13,140** | **4,864** | - | **18,004** |
| | **273,885** | **51,593** | - | **325,478** |
| Redemption, Canada | | | | |
| Exploration costs | **3,879** | **132,139** | - | **136,018** |
| Drilling | - | **124,964** | - | **124,964** |
| Acquisition and tenure costs | **39,651** | **15,834** | - | **55,485** |
| Geological, data collection and assays | **1,031,914** | **319,314** | - | **1,351,228** |
| Office and salaries | **101,631** | **101,854** | - | **203,485** |
| Recoveries | - | **(42,500)** | | **(42,500)** |
| | **1,177,075** | **651,605** | - | **1,828,680** |
| **TOTAL** | **$ 4,350,909** | **$ 4,600,484** | $ **-** | **$ 8,951,393** |

Unless otherwise stated below, the Company's Canadian exploration activities are conducted under the supervision of Kenneth Armstrong, P.Geo. (ON), President and CEO of the Company.

**Diamond Projects**

Qilalugaq, Pikoo and Timiskaming Diamond Projects, Canada

On March 14, 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 separate option agreements to earn an 80% interest in the Timiskaming, Pikoo and Qilalugaq diamond projects. At that time, Stornoway Diamond Corporation 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 Eira M. Thomas. Ms. Thomas is the daughter of D. Grenville Thomas, Chairman and a director of the Company.

On April 29, 2013 the Company announced the closing of the assignment agreement including the payment to BCCo of $20,000 and the issuance to BCCo of 500,000 transferrable share purchase warrants. 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. The warrants became exercisable when the Company exercised the option to earn an interest in the Timiskaming project (see below).

With closure of the assignment, the Company retained options to earn an 80% interest in each of the Qilalugaq, Pikoo (since exercised, see below) and Timiskaming (since exercised, see below) diamond properties by completing exploration work programs (each an "option work program") on each of the projects. If the Company completes an option work program and provides notice to Stornoway of its intent to vest an 80% interest in a project, Stornoway will have a one-time right (the "Back-in Right") to buy-back an additional 20% interest in the project by paying to the Company an amount equal to three times the costs incurred in connection with the applicable option work program. Upon earn-in by the Company in a project, the Company and Stornoway will form a joint venture for the purpose of further exploration of the project, and the interests would be 80% to the Company and 20% to Stornoway, unless Stornoway exercises the Back-In Right, in which case the interest would be 60% to the Company and 40% to Stornoway.

Details on the status of the option agreement for each project, as well as technical details for each project, are provided below.

Qilalugaq diamond project, Nunavut

The Qilalugaq diamond project is located near the community of Repulse Bay (Naujaat), Nunavut. The property was originally staked by BHP Billiton Diamonds Inc. and subsequently optioned by Stornoway in 2006. Stornoway acquired a 100% interest in the project in 2010. The project is subject to a 3% net smelter returns royalty on metals produced and a 3% gross-overriding royalty on the sale of industrial minerals, including diamonds. A total of eight kimberlite pipes (Q1-4, A34, A42, A59, A76, A94, A97 and A152) have been identified within the Qilalugaq diamond project as well as a number of laterally extensive kimberlite dyke systems.

The 12.5 hectare Q1-4 kimberlite is the largest kimberlite pipe in the eastern Canadian Arctic. On May 15, 2013 the Company confirmed an Inferred Mineral Resource at Q1-4 estimated to be 26.1 million carats from 48.8 million tonnes total content of kimberlite with an average +1 DTC (approximately +0.85mm) total diamond content of 53.6 carats per hundred tonnes (cpht) extending from surface to a depth of 205m. Additional resource upside in the form of a target for further exploration was estimated at between 7.9 to 9.3 million carats of diamonds from 14.1 to 16.6 million tonnes total content of kimberlite with an average +1 DTC total diamond content of 56.1 cpht, extending from 205m depth to 305m depth. The mineral resource estimate comprised the integration of kimberlite volumes, density, petrology and diamond content-data obtained from 5,133 m of diamond drilling, 2,714 m of reverse circulation (RC) drilling, 2.9 tonnes of samples submitted for microdiamond analysis, 257.7 tonnes of samples submitted for macrodiamond sampling with 59.2 carats of diamonds (2,054 stones) recovered from RC drilling, 7.5 carats of diamonds (205 stones) recovered from surface trenching and 2.36 carats of diamonds (69 stones) recovered from HQ diameter diamond drilling.

Mineral resources that are not mineral reserves do not have demonstrated economic viability. The potential quantity and grade of a target for further exploration referred to above is conceptual in nature, there has been insufficient exploration to define a mineral resource, and it is uncertain whether further exploration will result in the target being delineated as a mineral resource.

The Company has the option to earn an 80% interest in the Qilalugaq project by completing an option work program that includes the collection of a 1,000 tonne bulk sample from the Q1-4 kimberlite for the purpose of recovering a large enough parcel of diamonds (approximately 500 carats) to better determine diamond content, size distribution, diamond parcel value, and to establish whether or not coloured diamonds persist into the larger diamond sizes. The option work program must be completed within two years of receipt of the required land use permit and, in any event must be completed no later than January 2018.

During the period ended January 31, 2015, the Company completed a 1,500 t bulk sampling program on the Q1-4 kimberlite. The sample was collected during July and August 2014 by surface trenching of an area of Q1-4 where there is limited (<1m) overburden cover. In 2007, Stornoway collected (from hand dug pits) a 20.3 tonne sample from this same area and recovered 6.1 carats of diamonds for a sample grade of 30 cpht.

On August 18, 2014 the Company reported that sample collection was complete, with 1,688 megabags of kimberlite weighing in excess of 1,500 t having been delivered to the Company's sample laydown site in Repulse Bay. The sample was subsequently loaded onto the annual sealift and delivered to a shipping facility in Montreal on September 21. The sample bags were then trucked to the processing laboratory in Thunder Bay. The sample is initially being processed through a dense media separation (DMS) plant and the resultant concentrate will be further upgraded at Stornoway's diamond sorting facility in North Vancouver.

On February 26, 2015 the Company announced initial diamond recoveries from 46% of the sample (609 dry tonnes). Initial diamond recovery data include 5,366 diamonds greater than +1 DTC (~1 mm) weighing 189.97 carats including 17 diamonds larger than the 3 grainer (~0.6 carat) size and 8 diamonds larger than 1 carat. The largest three diamonds recovered to date are 4.42 carats (intense yellow cubic aggregate), 4.16 carats (greenish yellow cubic aggregate), and 3.53 carats (pale yellow cubic aggregate). Yellow diamonds, representing a range of hues and tones, comprise approximately 8.5% by stone count (21.4% by carat weight) of the +1 DTC diamonds recovered to date.

Sample processing is expected to be completed in April 2014 and a formal valuation of the resultant diamond parcel shortly thereafter. Funds received from the February 2014 financings are being used to conduct the sampling program, including sample collection, shipping and processing, with an estimated budget of $3.7 million.

Pikoo diamond project, Saskatchewan

The Pikoo diamond project consists of 33,374 hectares of mineral claims located approximately 140 km east of La Ronge, Saskatchewan. An all-season road to the community of Deschambault Lake comes to within 6 km of the project's southern boundary. During the summer of 2013 the Company completed an initial ten hole (2,002 m) exploration drilling program at the Pikoo project. Hypabyssal kimberlite was intersected in nine of the ten drill holes, confirming the presence of a new kimberlite field in this region.

The most significant discovery of the drilling program was in the South Pikoo area where target PK150 was tested by three drill holes. In November, 2013 the Company announced microdiamond results for a 209.7 kg samples from the PK150 kimberlite. The sample returned a total of 745 diamonds larger than the 0.106 mm sieve size, including 23 diamonds larger than the 0.85 mm sieve size. The total weight of the +0.85 mm diamonds recovered from the sample was 0.2815 carats and over 95% of the diamonds are described as intact, white octahedrons and aggregates. A full summary of the diamond results from PK150 can be found in the Company's MD&A for the Year ended April 30, 2014.

Management considers the recovery of such relatively high counts of +0.85 mm diamonds from the first kimberlite discovered at the Pikoo project to be an exceptional result and establishes Pikoo and the northern Sask Craton as a new diamond district in Canada.

The 2013 Pikoo exploration program was funded by the Company and fulfilled the Company's obligations under a March 2013 option agreement to earn an 80% interest in the Pikoo project from Stornoway. As such, on November 18, 2013 the Company delivered to Stornoway official notice that it had vested at an 80% interest in the project, subject to a one time back-in right held by Stornoway. On January 17, 2014, Stornoway notified the Company that

Stornoway had elected not to exercise its back-in right. As a result, ongoing exploration and evaluation of the project is subject to an 80%/20% (North Arrow/Stornoway) participating joint venture.

During 2014, the Pikoo joint venture completed two till sampling programs designed to identify and better define additional kimberlite indicator mineral (“KIM”) trains within the project. A total of 560 till samples were collected and on February 8, 2015 the Company announced that up to five new KIM trains have been identified, including two KIM trains that are well defined and terminate within the project area.

In February 2015 the Pikoo joint venture commenced a 3,000 m drilling program intended to follow up on diamond bearing kimberlite discoveries made in 2013 and to test the new targets defined by the 2014 till sampling program. The approximately $1.5M program is anticipated to run through to the end of March, 2015.

During the period ended January 31, 2015, 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 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 in any of the properties that property will be subject to a 2% gross overriding royalty on diamonds, payable to the vendor. There will be a retained right to purchase 1% of any royalty granted at any time for $1,000,000. The Company and Stornoway have separately agreed to evaluate the properties under the Pikoo joint venture.

Timiskaming diamond project, Ontario/Quebec

The Timiskaming diamond project is located in the Cobalt-New Liskeard-Elk Lake-Notre Dame du Nord (Ville Marie) region of northeastern Ontario and northwestern Quebec. Between 1995 and 2012, Stornoway and its predecessor companies conducted comprehensive diamond exploration programs within the project area resulting in the discovery of nine kimberlites. Six of these kimberlites (95-1, 96-1, SC-118, KL-01, KL-22, and Baby) are part of the project. During the year ended April 30, 2014 the Company exercised its option to earn an 80% interest in the Timiskaming diamond project by completing the option work program required under the agreement with Stornoway.

During the period ended January 31, 2015 the Company completed a program to evaluate four of the seven kimberlites that form part of the Timiskaming Project. The program used approximately 3,300 kg of archived drill core from the 95-1, 96-1, Baby and SC-118 kimberlites to complete a comprehensive evaluation of the mineral chemistry of each kimberlite, and to evaluate their potential to host a coarse diamond population. The diamond evaluation consisted of processing a series of micro-DMS samples for the recovery of +0.3 mm diamonds. No diamonds were recovered from these samples. Surficial sediment sampling and geophysical data from the Timiskaming diamond project suggest additional undiscovered kimberlites may be located within the project area.

Redemption Diamond Project, Northwest Territories

In July 2013 the Company entered into an agreement with Arctic Star Exploration Corp. under which Arctic Star has granted the Company an option to earn a 55% interest in the Redemption diamond project in the Lac de Gras region of the Northwest Territories. 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.

The Redemption project is located within the Lac de Gras diamond district, approximately 32 km southwest of, and 47 km to the west of the Ekati and Diavik diamond mines, respectively. The project benefits from an extensive database of previous exploration work by Arctic Star and others, including airborne and ground geophysical surveys, till geochemical sampling and a limited amount of drilling. Importantly, the project covers the interpreted up ice termination of the South Coppermine kimberlite indicator mineral train. The South Coppermine KIM train was extensively explored by Arctic Star between 2004 and 2010 and is defined by a full suite of kimberlite indicator minerals including pyrope garnets, high-magnesium ilmenites, chrome diopsides, chromite and eclogitic garnets. These indicator minerals exhibit compositions that are typical of minerals found within diamond bearing kimberlites. A number of the indicator minerals have been described as having angular shapes, soft alteration coats and in some cases are attached to kimberlite; textural characteristics that are interpreted to indicate the minerals have not travelled far from their bedrock source.

In April 2014 the Company conducted a ground geophysical program designed to confirm and better define priority targets identified from 2013 airborne geophysical, bathymetry and till sampling programs on the property. Surveys were completed over a total of twenty-one grids, covering approximately 40 individual targets. An emphasis was placed on surveying targets that are well located with respect to the up ice termination of the South Coppermine KIM train.

During July and August 2014 the Company conducted an 800 m drilling program that tested seven targets located in the central part of the property near the up ice termination of the South Coppermine KIM train. The targets were identified based on results of a detailed data compilation and new airborne and ground geophysical surveys. On August 18, 2014 the Company announced that the drilling program did not encounter a bedrock kimberlite source for the South Coppermine KIM train. Drill hole 14-RED23-08 (Az. 180 degrees; dip -60 degrees) tested a linear gravity low and encountered predominantly fresh to weakly altered granite that included a moderately to strongly fractured fault zone from 89.9 m to 99.7 m downhole. This fault zone contained intervals of dull green clay gouge. This clay gouge was submitted for kimberlite indicator mineral analyses however no indicator minerals were recovered from this material.

While disappointing that kimberlite was not encountered during the drilling program, management still considers the property to be prospective for the discovery of a bedrock source to the South Coppermine KIM train. Work moving forward will include a re-evaluation of the project database to identify and rank remaining targets in advance of future drilling as well as a study of the glacial till cover in the project area.

Under the terms of the July 2013 option agreement with Arctic Star, the Company can earn a 55% interest in the Redemption project by incurring $5 million in exploration expenditures prior to July 1, 2017, including a firm commitment to spend $1,000,000 prior to July 1, 2014 (completed).

<u>Lac de Gras Diamond Project – Northwest Territories</u>

The Lac de Gras Diamond project forms a very large, contiguous block of mineral claims and mining leases located within the Lac de Gras diamondiferous kimberlite field in Canada's Northwest Territories, home to some of the richest diamond deposits in the world. The project area directly adjoins the mineral leases that host the Diavik diamond mine, located 10 km to the north. The Ekati diamond mine is located within 40 km to the northwest. The trend line defined by Diavik’s mine project kimberlites runs directly through the centre of the project, while trend line defined by Ekati’s mine project kimberlites crosses the western portion of the project.

The Lac de Gras project originally consisted of 81,500 acres of mining leases and mineral claims and was subject to a 50-50 joint venture with Dr. Chris Jennings who subsequently assigned his interest to Springbok Holdings Inc. (“Springbok”). The North Arrow / Springbok property is contiguous with a 226,000 acre block of claims held by Dominion Diamond Corporation (formerly Harry Winston Diamond Mines Ltd.). Under the terms of an option agreement announced on September 6, 2011, the Company, Springbok and Dominion agreed to amalgamate the two properties to form a “Joint Venture Property” totaling over 307,000 acres. Dominion maintains an option to earn a 55% interest in the Joint Venture Property by funding $5,000,000 in exploration expenditures over a five year period. Upon exercising the option, a joint venture will be formed in which Dominion will hold a 55% interest and the Company and Springbok will equally share a 45% interest in the entire 307,000 acre Joint Venture Property.

On October 24, 2012, the Company entered into an agreement with Springbok to acquire Springbok’s 50% interest in the LDG/GT Property (the “Springbok Interests”). The Springbok Interests include the right to obtain a 22.5% interest in the Joint Venture Property, subject to the terms and conditions of the option agreement among Springbok, the Company and Dominion. On April 29, 2013 the Company announced it had closed the acquisition of the Springbok Interests for consideration consisting of 1,000,000 post-consolidation common shares of the Company. As additional consideration, in the event that Dominion exercises its option and earns 55% interest in the Joint Venture Property and the Company subsequently incurs $2 million in joint venture expenditures on the Joint Venture Property, the Company will issue to Springbok that number of common shares of the Company having a value of $1 million.

No exploration work was completed on the property during calendar 2014. During the period ended January 31, 2015 Dominion informally indicated to the Company that Dominion had incurred in excess of $5 million in exploration expenditures on the Lac de Gras Property. The Company is waiting on a final accounting of the exploration expenditures incurred during the option period and is working with Dominion to finalize a formal joint venture agreement intended to govern the further exploration and evaluation of the property. An exploration program and budget for calendar 2015 has not been presented to the Company by Dominion.

Mel Diamond Project - Nunavut

The Company currently maintains a 100% interest in the Mel diamond project, Nunavut. The project was acquired to cover unexplained kimberlite indicator mineral trains identified from public datasets and consists of approximately 183,000 acres on the Melville peninsula, approximately 140 km south of the community of Hall Beach and 210 km northeast of the community of Repulse Bay which is also the location of the Company's Qilalugaq diamond project. The property is located within 10 km of tidewater and hosts two unsourced KIM trains defined from over 500 till samples recorded in public assessment files. The mineral trains are composed of pyrope and eclogitic garnets, as well as ilmenite. A review of the mineral chemistry associated with the KIM trains indicates the compositions of the KIMs are consistent with derivation from a mantle-derived kimberlitic source.

Limited till sampling was completed on the property during July and August 2014. Forty seven till and stream samples were collected during a total of three days of work completed in conjunction with the bulk sampling program at the Company's Qilalugaq diamond project. Results from the 2014 samples are expected in April 2015.

The Mel project was acquired in 2013 subject to a purchase and sale agreement with Anglo Celtic Exploration Ltd., a private company controlled by D. Grenville Thomas, a director of the Company. Under the terms of the agreement, the Company acquired a 100% interest in the property in consideration of a 1% gross overriding royalty. The Company retains the right to buy back half of the royalty (0.5%) for $1 million at any time. The Company also issued to Anglo Celtic 250,000 transferrable share purchase warrants. Each warrant entitles the holder to acquire one common share of the Company at a price of 65 cents for a period of five years from the closing date of the purchase and sale.

Luxx Diamond Project - Nunavut

The Company currently maintains a 100% interest in the Luxx diamond project, Nunavut. The project was acquired to cover unexplained KIM trains identified from public datasets and consists of approximately 100,000 acres on the tidewater of Chesterfield Inlet, approximately 60 km from the community of Chesterfield Inlet and 100 km north of the community of Rankin Inlet. The project includes at least one, and possibly three KIM trains defined from over 350 till samples in public assessment records. The trains are located within 20 km of the Churchill kimberlite cluster, and include samples containing hundreds of garnets and ilmenites at the head of the train that is well cut-off by a series of barren till samples.

A two day follow up exploration program was completed in August 2014 including ground truthing of high priority targets as well as the collection of seventeen till samples.

The Luxx project was acquired in 2013 subject to a purchase and sale agreement with Anglo Celtic Exploration Ltd., a private company controlled by D. Grenville Thomas, a director of the Company. Under the terms of the agreement, the Company acquired a 100% interest in the property in consideration of a 1% gross overriding royalty. The Company retains the right to buy back half of the royalty (0.5%) for $1 million at any time. The Company also issued to Anglo Celtic 250,000 transferrable share purchase warrants. Each warrant will entitle the holder to acquire one common share of the Company at a price of 65 cents for a period of five years from the closing date of the purchase and sale.

**Other Exploration Properties**

The Company maintains an interest in a number of non-material gold, base metal and lithium projects in the Northwest Territories and Nunavut. The Company continues to pursue opportunities to see these properties further evaluated, however, has no plans to fund or conduct exploration of these properties on its own.

**FINANCIAL CONDITION, LIQUIDITY, CAPITAL RESOURCES, OPERATIONS AND FINANCIAL RESULTS**

**Overall performance**

| | January 31, 2015 | April 30, 2014 | April 30, 2013 |
|---|---|---|---|
| Current assets | $ 4,184,833 | $ 9,467,652 | $ 2,919,741 |
| Non-current assets | 9,042,445 | 4,445,606 | 1,069,380 |
| Liabilities | (306,760) | (381,512) | (334,810) |
| Shareholders' equity | $ 12,920,518 | $ 13,531,746 | $ 3,654,311 |

During the third quarter of fiscal 2015, the Company focused its efforts on the exploration of its Qilalugaq and Pikoo properties using funds raised in fiscal 2014.

**Results of Operations**

During the three and nine months ended January 31, 2015 (the "current quarter and current period"), the Company recorded net losses of $427,573 or $0.01 per share and $1,215,568 or $0.02 per share respectively. This is compared with net losses of $432,154 or $0.01 per share and $1,029,728 or $0.03 per share respectively for the three and nine months ended January 31, 2014 (the "comparative quarter and comparative period"). The largest component of the loss for current period is a $605,015 (comparative period - $616,144) share based compensation charge. Share-based compensation charges are non-cash expenditures calculated to charge earnings for options granted.

Expenses for the current quarter were $440,137 (comparative quarter - $445,073) a decrease of $4,936 from the comparative quarter of which $192,431 (comparative quarter - $240,581) was related to share-based compensation costs. During fiscal 2015, the Company has continued to be involved in exploring and administering its exploration properties and promoting the Company.

Expenses for the current period were $1,271,030 (comparative period - $1,054,401) an increase of $216,629 from the comparative period. During fiscal 2015, the increased activities required to explore, administer and promote the Company has resulted in increased costs. The more significant costs consisted of share-based compensation $605,015 (comparative period - $616,144), salaries and wages $329,574 (comparative period - $186,671), advertising, promotion and travel $145,342 (2014 - $52,345) and office $103,248 (2014 - $63,604).

During late fiscal 2013 and fiscal 2014, the Company acquired several diamond projects and raised funds for exploration of these projects. As a result of the acquisitions the Company's administrative and operational costs have increased. During the first three quarters of fiscal 2015 these increased costs have largely consisted of increased share-based compensation charges, salaries and benefits and advertising, promotion and travel. These increases were a result of the operational requirements needed to maintain the Company's public listing and administer its diamond projects.

**Summary of quarterly results**

The following table sets out selected unaudited quarterly financial information of the Company and is derived from the Company's unaudited quarterly financial statements prepared by management. The Company's interim financial statements are prepared in accordance with IFRS and are expressed in Canadian dollars.

| Quarter Ending | Interest Income | Income or (Loss) from Continued Operation and Net Income (Loss) | Basic Earnings (Loss) per share from Continued Operation and Net Income (Loss) | Earnings (Loss) per share |
|---|---|---|---|---|
| January 31, 2015 | $ 12,564 | $ (427,573) | $ (0.01) | $ (0.01) |
| October 31, 2014 | $ 22,765 | $ (387,055) | $ (0.01) | $ (0.01) |
| July 31, 2014 | $ 20,133 | $ (400,940) | $ (0.01) | $ (0.01) |
| April 30, 2014 | $ 33,220 | $ (543,975) | $ (0.02) | $ (0.02) |
| January 31, 2014 | $ 12,919 | $ (432,154) | $ (0.01) | $ (0.01) |
| October 31, 2013 | $ 4,430 | $ (262,264) | $ (0.01) | $ (0.01) |
| July 31, 2013 | $ 7,324 | $ (335,310) | $ (0.01) | $ (0.01) |
| April 30, 2013 | $ - | $ (162,269) | $ (0.02) | $ (0.02) |

**Variations in Quarterly Results**

The $427,573 loss for the third quarter of fiscal 2015 reflects a non-cash $192,431 (2014- $240,581) share-based compensation charge and ongoing costs of administering the requirements of a public company active in exploration.

The $387,055 loss for the second quarter of fiscal 2015 reflects a non-cash $223,130 (comparative quarter - $153,422) share-based compensation charge for options granted to directors, officers, employees and consultants and the ongoing administration costs of the Company.

The $400,940 loss for the first quarter of fiscal 2015 reflects a non-cash $189,454 (comparative quarter - $222,141) share-based compensation charge for options granted to directors, officers, employees and consultants and the ongoing administration costs of the Company.

The loss for the fourth quarter of fiscal 2014 reflects a non-cash $215,665 (comparative quarter - $1,246) share- based compensation charge for options granted to directors, officers, employees and consultants, a $128,301 (comparative quarter - $56,479) write-down of exploration and evaluation assets and the ongoing administration costs of the Company.

The loss for the third quarter of fiscal 2014 reflects a non-cash $240,581 (comparative quarter - $3,717) share-based payment charge for options granted to directors, officers, employees and consultants. In addition, the increased expenses for the quarter reflect the Company's increased administrative and organizational activities.

The loss for the second quarter of fiscal 2014 reflects a non-cash $153,422 (comparative quarter - $8,063) share- based compensation charge for options granted to directors, officers, employees and consultants. In addition, the increased expenses for the quarter reflect the Company's increased activity levels as it has expanded its exploration and financing activities.

The loss for the first quarter of fiscal 2014 reflects a non-cash $222,141 (comparative quarter - $12,463) share-based compensation charge for options granted to directors, officers, employees and consultants, resulting in an increased loss for the quarter.

The loss for the fourth quarter of fiscal 2013 reflects the ongoing administration costs of the Company as it restructured its share capital, raised funds, completed acquisitions and undertook work on its exploration properties.

**January 31, 2015 compared to April 30, 2014**

During the nine months ended January 31, 2015, the Company incurred a loss from operations of $1,215,568 administering its properties and maintaining its public company requirements. The Company has continued its exploration programs on the Redemption, Pikoo, Mel, Luxx, Timiskaming and Qilalugaq properties and incurred $4,600,484 in expenditures exploring and evaluating these mineral interests and conducting a bulk sample test at the Qilalugaq property in Nunavut.

During the nine month period ended January 31, 2015, the Company completed its sampling program at the Qilalugaq project and the sample was shipped to the processing laboratory in Thunder Bay, ON. Sample processing is currently underway and expected to be completed in the Spring of 2015. The bulk sample is expected to produce a diamond parcel weighing approximately 400 to 500 carats that will be used to provide an initial indication of diamond value for the Q1-4 kimberlite.

In addition, in February 2015 the Company reported that processing of 560 till samples collected from the Pikoo Diamond Project in 2014 define new, discrete KIM trains within the property. A 3,000 m drill program was started in February 2015 and is expected to continue through the end of March 2015.

At January 31, 2015, North Arrow had working capital of $3,878,073 (April 30, 2014 - $9,086,140) that included cash of $4,063,949 (April 30, 2014 - $9,396,969) and is financed to continue its planned activities in fiscal 2015.

## Liquidity

At January 31, 2015 the Company had working capital of $3,878,073 compared to a working capital of $9,086,140 at April 30, 2014 and $5,360,008 at January 31, 2014. During the current period the Company's cash position decreased $5,333,020 (comparative period – increase of $2,618,675) as a result of its operating, financing and investing activities that included expenditures of $2,870,011 on its bulk sampling program at the Qilalugaq project.

Operating activities

During the nine months ended January 31, 2015, the Company's operating activities used $693,864 (comparative period - $599,764) of cash. The cash used in operating activities during the current period reflects the Company's funding of a loss of $1,215,568 (comparative period - $1,029,728) adjusted for non-cash expenditures such as share-based compensation $605,015 (comparative period - $616,144), depreciation $8,196 (comparative period - $692) and funds used for changes in working capital items such as accounts receivable and payable of $91,507 (comparative period - $186,872).

Investing activities

The Company's primary investing activity is its expenditures on exploration and evaluation assets. During the current period the Company used cash of $4,639,156 (comparative period - $2,150,161) to investigate acquisitions, evaluate its exploration assets and purchase equipment which included expenditures of $2,870,011 for work related to completion of a bulk sample on the Qilalugaq Project.

Financing activities

During the nine months ended January 31, 2015 the Company did not undertake any financings from share issuances (comparative period- $5,368,600).

## Capital Resources

The Company's financial condition and future prospects are significantly affected by overall economic conditions. The Company has no source of operating revenue and relies on equity financings, joint ventures and warrant and stock option exercises to further exploration on its properties.

The Company's long-term financial success is dependent on management's ability to discover and develop economically viable mineral deposits. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration activity and the Company's ability to raise additional funds on favourable terms. Management recognizes there will be risks involved that may be beyond their control. The Company intends to continue to use various strategies to minimize its dependence on equity capital, including the securing of joint venture partners where appropriate.

The Company's ability to generate cash is very much affected by the current market conditions, its share price and third party interest in its assets. In the current equity market, funds for companies at an early/grass-roots stage of exploration are limited and dilution to existing shareholders from an equity financing increases as the share price decreases. The Company has no credit facilities that could be used for ongoing operations because it has no operating cash flow.

In order to finance the Company's exploration programs and to cover administrative and overhead expenses, the Company raises money through equity sales and from the exercise of convertible securities. Although the Company has had past success in obtaining financing, there can be no such assurance that it will be able to obtain adequate financing in the future or that the terms of any financing will be favourable. Many factors influence the Company's ability to raise funds, including the state of the resource market and commodities prices and, the climate for mineral exploration.

The Company's management actively manages its landholdings in an effort to keep those landholdings with the greatest exploration potential in good standing for as long as possible. The Company's management regularly reviews its cash position against future plans and makes decisions regarding these plans accordingly.

The Company may have to raise additional funds to further exploration efforts at its various exploration properties and to maintain its listing on the TSXV. The Company is seeking to minimize variable expenses to the extent possible and to seek joint venture partners to continue to further exploration of its mineral properties as appropriate.

## Risks and Uncertainties

Industry

An investment in natural resource companies involves a significant degree of risk. The degree of risk increases substantially where the Company's properties are in the exploration as opposed to the development stage. Investment in the securities of the Company should be considered as highly speculative due to the nature of the Company's business. The following additional risk factors should be given special consideration.

Exploration, Development and Mining Risks

Exploring and developing mineral resource projects bears a high potential for all manner of risks. Additionally, few exploration projects successfully achieve development due to factors that cannot be predicted or foreseen. Moreover, even one such factor may result in the economic viability of a project being detrimentally impacted such that it is neither feasible nor practical to proceed. Mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of diamonds and base/precious metals, any of which could result in work stoppages, damage to property, and possible environmental damage. If any of the Company's exploration programs are successful, there is a degree of uncertainty attributable to the calculation of ore resources and corresponding grades being mined or dedicated to future production. Until ore is actually mined and processed, quantity of reserves and grade must be considered as estimates only. In addition, the quantity of reserves may vary depending on diamond or metal prices. Any material change in quantity of reserves, grade or recovery ratio, may affect the economic viability of the Company's properties. In addition, there can be no assurance that diamond and metal reserves in small-scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production. The Company closely monitors its activities and those factors, which could impact them, and employs experienced consulting, engineering, and legal advisors to assist in its risk management reviews.

The Company's properties are currently being assessed for exploration and as a result, the Company has no source of operating cash flow. Failure to obtain additional financing could result in a delay or indefinite postponement of further exploration. Development of the Company's mineral properties will only follow upon obtaining satisfactory exploration results. Mineral exploration and development involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. There is no assurance that the Company's mineral exploration and development activities will result in any discoveries of bodies of ore. The long-term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors. Substantial expenditures are required to establish reserves through drilling, to develop metallurgical processes to extract the metal or diamonds from the resources and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals, including diamonds, will be discovered in sufficient quantities to justify commercial operations or that the funds required for development can be obtained on a timely basis.

Foreign Operation Risks

Historically, the majority of the Company's expenses have been denominated in Canadian Dollars so its exposure to foreign exchange risk has been limited. Exploration activities outside of Canada can expose the Company to foreign exchange risk. Presently, the Company does not use foreign-exchange contracts to mitigate this risk, but that may change in future, depending upon the size of the Company's exploration programs denominated in currencies other than the Canadian Dollar.

Insurance

The Company's involvement in the exploration for mineral properties may result in the Company becoming subject to liability for pollution, property damage, personal injury or other hazards. Although the Company may have insurance to address many risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not, in all circumstances be insurable or, in certain circumstances, the Company may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce the funds available to the Company. The occurrence of a significant event that the Company is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on the Company's financial position, results of operations or prospects.

Environmental Risks

All phases of the mineral exploration and development business present environmental risks and hazards and are subject to environmental legislation. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances used and or produced in association with mining exploration and mining operations. The legislation also requires that facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of pollutants into the air, soil or water may give rise to liabilities to foreign governments and third parties and may require the Company to incur costs to remedy such discharge. No assurance can be given that the application of environmental laws to the business and operations of the Company will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect the Company's financial condition, results of operations or prospects.

Prices, Markets and Marketing of Diamonds and Base/Precious Metals

The Company's revenues, if any, are expected to be in large part derived from the mining and sale of diamonds and base/precious metals or interests related thereto. The price of those commodities has fluctuated widely, particularly in recent years, and is affected by numerous factors beyond the Company's control including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities, increased production due to new mine developments and improved mining and production methods. The effect of these factors on the price of diamonds and base/precious metals, and therefore the economic viability of any of the Company's exploration projects, cannot accurately be predicted.

The marketability of any minerals acquired or discovered may be affected by numerous factors which are beyond the control of the Company and which cannot be accurately predicted, such as the proximity and capacity of milling facilities, mineral markets and processing equipment and governmental regulations including regulations relating to royalties, allowable production and importing and exporting of minerals.

Substantial Capital Requirements and Liquidity

The Company anticipates that it will make substantial capital expenditures for the acquisition, exploration, development and production of its mineral properties in the future. The Company currently has no revenue and may have limited ability to expend the capital necessary to undertake or complete future drilling programs. There can be no assurance that debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt equity financing is available, that it will be on terms acceptable to the Company. Moreover, future activities may require the Company to alter its capitalization significantly. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on the Company's financial condition, results of operations or prospects.

Issuance of Debt

From time to time the Company may enter into transactions or activities that may be financed with debt which could impair the Company's ability to obtain additional financing in the future. The inability of the Company to access sufficient capital for the repayment of any debt could have a material effect on the Company's financial condition, results of operations or prospects.

**Outstanding Share Data**

The Company's authorized capital is unlimited common shares without par value.

As at March 26, 2015, the Company had the following shares, options and warrants outstanding:

| | | Number |
|---|---|---|
| Shares issued and outstanding | | 49,779,741 |
| Options | Exercise price | |
| Expire May 12, 2016 | $2.00 | 53,000 |
| Expire May 10, 2018 | $0.27 | 2,205,000 |
| Expire September 23, 2018 | $0.50 | 200,000 |
| Expire January 28, 2019 | $0.70 | 1,105,000 |
| Expire September 25, 2019 | $0.60 | 720,000 |
| Expire December 16, 2019 | $0.54 | 200,000 |
| Warrants | | |
| April 29, 2018 | $0.25 | 500,000 |
| August 19, 2018 | $0.65 | 500,000 |
| Fully diluted | | 55,262,741 |

**Share issuances**

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

On February 25, 2014, the Company completed a private placement of 7,700,000 common shares at a price of $0.65 per share for total gross proceeds of $5,005,000. As part of this private placement the Company paid finders' fees and costs totaling $325,875.

**Stock options and warrants**

The Company's stock option plan (the "Plan") was approved by shareholders at an annual general and special meeting in November 2011 and at subsequent annual meetings. 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.

**Transactions with Related Parties**

Balances and transactions between the Company and its subsidiaries, if any, have been eliminated on consolidation and are not disclosed below. Details of the transactions between the Company and related parties not disclosed elsewhere in the Company's financial statements are disclosed below.

Related party transactions

Balances and transactions between the Company and its 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 this financial report are disclosed below.

| Related Parties | Nature of transactions |
|---|---|
| Anglo Celtic Exploration Ltd. | Interest and consulting |
| Strongbow Exploration Inc. | Exploration and administration |
| 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.

a) During the nine months ended January 31, 2015, the Company paid or accrued $526 (comparative period - $4,659) for technical services and office costs to Strongbow Exploration Inc., a company with common directors.

b) During the nine months ended January 31, 2015, the Company paid or accrued $37,219 (comparative period - $39,979) for shared administrative and accounting services to Northair Silver Corp. a Company with a common officer.

c) During the nine months ended January 31, 2015 the Company paid $nil (comparative period - $14,387) for office fees and rent to Anglo Celtic Exploration Ltd., a company controlled by a director and officer.

d) During the nine months ended January 31, 2015, the Company issued nil warrants (2014 - 500,000) to Anglo Celtic Exploration Ltd. for exploration and evaluation assets with a value of $nil (comparative period - $253,004).

e) During the nine months ended January 31, 2015, the Company had warrants vest, which had previously been granted to a party related to a director for exploration and evaluation assets with a value of $nil (2014 - $314,325).

The Company considers officers and directors as key management personnel.

The remuneration of key management personnel during the nine months ended January 31, 2015 and 2014 was as follows:

| | **January 31, 2015** | **January 31, 2014** |
|---|---|---|
| Consulting and Salaries[1] | **$ 149,326** | **$ 132,262** |
| Exploration salaries | **65,618** | **9,404** |
| Share-based compensation[2] | **361,461** | **406,852** |
| Total | **$576,405** | **$548,518** |

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 and warrants that have been granted to directors and key management personnel.

## Commitments

As at January 31, 2015, the commitment for rental of the Company's office space is as follows:

| Year ending | |
|---|---|
| April 30, 2015 | $ 16,659 |
| April 30, 2016 | $ 66,634 |
| April 30, 2017 | $ 49,975 |

## CHANGES IN ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

**Nature and continuance of operation**s

The Company is incorporated federally under the laws of the Canada Business Corporations Act. 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.

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. North Arrow's 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, 2015, the Company has a deficit of $14,921,786 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. North Arrow's 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.

**Statement of Compliance**

The January 31, 2015 Management Discussion and Analysis should be read in conjunction with the audited annual consolidated financial statements of the Company for the year ended April 30, 2014, for a listing of the Company's significant accounting policies.

The Company's condensed consolidated 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). North Arrow's condensed consolidated interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended April 30, 2014. These financial statements are presented in Canadian dollars unless otherwise noted.

**Principles of Consolidation**

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

**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 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.

**New Accounting pronouncements**

Refer to the audited consolidated financial statements for the year ended April 30, 2014 for a summary of significant accounting policies.

**Changes in Accounting Standards**

The IASB has issued several new standards. Each of the new standards is effective for annual periods beginning on or after January 1, 2014 with early adoption permitted, except IFRS 7 which becomes effective January 1, 2015 and IFRS 9 which has a tentative effective date of January 1, 2018. The following is a brief summary of the new standards:

- IAS 36 – Impairment of assets – disclosure

  This standard has limited scope amendments to disclosure requirements in IAS 36, Impairment of Assets. The adoption of IAS 36 did not result in any change in the consolidated financial statements.

- IAS 32 – Financial instruments – presentation

  This standard has been amended to clarify requirements for offsetting of financial assets and financial liabilities. The adoption of IAS 32 did not result in any change in the consolidated financial statements.

- 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.

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

**FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

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

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

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

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

Credit risk

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

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 January 31, 2015, the Company had cash of $4,063,949 (April 30, 2014 - $9,396,969) available to settle current liabilities of $306,760 (April 30, 2014 - $381,512).

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.

**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.

**Additional Disclosure for Venture Issuers Without Significant Revenue**

Additional disclosure concerning the Company's general and administrative expenses and exploration and evaluation assets and expenses is provided in the Company's consolidated statement of financial position, statement of changes in equity, statement of loss and comprehensive loss and the Exploration and Evaluation Assets note contained in its consolidated financial statements for the nine month periods ended January 31, 2015 and 2014. These statements are available on SEDAR at www.sedar.com.

**Additional Information**

Additional information relating to the Company is on SEDAR at www.sedar.com and is available on the Company's website at www.northarrowminerals.com.

**Approval**

The Board of Directors of the Company has approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.