NORTH ARROW MINERALS INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2014

(Unaudited- Prepared by Management)
(Expressed in Canadian Dollars)

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

	July 31, 2014	April 30, 2014
ASSETS		
Current		
Cash and cash equivalents	**$ 7,627,123**	$ 9,396,969
Receivables (Note 5)	**102,384**	52,472
Marketable securities (Note 6)	**1,275**	1,275
Prepaid expenses	**27,141**	16,936
	7,757,923	9,467,652
Equipment (Note 7)	**96,734**	94,697
Exploration and evaluation assets (Note 8)	**6,180,351**	4,350,909
	$ 14,035,008	$ 13,913,258
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 9)	**$ 704,218**	$ 360,890
Due to related parties (Note 11)	**10,530**	20,622
	714,748	381,512
SHAREHOLDERS' EQUITY		
Capital stock (Note 10)	**24,918,104**	24,918,104
Share-based payment reserve (Note 10)	**2,523,527**	2,334,073
Investment revaluation reserve	**(14,213)**	(14,213)
Deficit	**(14,107,158)**	(13,706,218)
	13,320,260	13,531,746
	$ 14,035,008	$ 13,913,258

Nature and continuance of operations (Note 1)

Approved and authorized on behalf of the Board on September 25, 2014:

"D. Grenville Thomas" **Director** ***"Blair Murdoch"*** **Director**

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

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

	2014	2013
EXPENSES		
Advertising, promotion and travel	$ 46,889	$ 8,692
Consulting	14,826	24,695
Depreciation	2,514	692
Office, miscellaneous and rent	36,743	21,638
Professional fees	6,884	7,932
Property investigation costs	10,977	12,867
Regulatory and filing fees	1,237	9,587
Salaries and benefits	111,549	34,390
Share-based compensation (Note 10)	189,454	222,141
	(421,073)	(342,634)
Interest and other income	20,133	7,324
Net loss for the period	(400,940)	(335,310)
Unrealized loss on available-for-sale financial assets	-	(300)
Comprehensive loss for the period	$ (400,940)	$ (335,610)
Basic and diluted loss per share	$ (0.01)	$ (0.01)
Weighted average number of common shares	49,779,741	28,439,741

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

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

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) for the period	**$ (400,940)**	$ (335,310)
Items not involving cash:		
Depreciation	**2,514**	692
Share-based compensation	**189,454**	222,141
Changes in non-cash working capital items:		
Decrease (increase) in receivables	**(49,912)**	(58,129)
Increase in prepaid expenses	**(10,205)**	-
Increase (decrease) in accounts payable and accrued liabilities	**1,840**	(11,656)
Increase (decrease) in due to related parties	**(10,092)**	(86,205)
	(277,341)	(268,467)
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures on exploration and evaluation assets, net	**(1,487,954)**	(1,016,431)
Purchase of equipment	**(4,551)**	-
	(1,492,505)	(1,016,431)
Change in cash	**(1,769,846)**	(1,284,898)
Cash, beginning of the period	**9,396,969**	2,893,755
Cash, end of the period	**$ 7,627,123**	$ 1,608,857
Cash paid during the period for interest	**$ -**	$ -
Cash paid during the period for income taxes	**$ -**	$ -

Supplemental disclosure with respect to cash flows (Note 13)

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

NORTH ARROW MINERALS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
JULY 31, 2013
(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, 2013	28,439,741	$14,863,029	$ 938,235	$(14,438)	$(12,132,515)	$ 3,654,311
Share-based compensation	-	-	222,141	-	-	222,141
Warrants issued for exploration and evaluation assets	-	-	314,325	-	-	314,325
Net loss	-	-	-	-	(335,310)	(335,310)
Investment loss	-	-	-	(300)	-	(300)
Balance, July 31, 2013	28,439,741	$14,863,029	$1,474,701	$(14,738)	$(12,467,825)	$3,855,167
Balance, April 30, 2014	**49,779,741**	**$ 24,918,104**	**$ 2,334,073**	**$ (14,213)**	**$ (13,706,218)**	**$ 13,531,746**
Share-based compensation	**-**	**-**	**189,454**	**-**	**-**	**189,454**
Net loss	**-**	**-**	**-**	**-**	**(400,940)**	**(400,940)**
Balance, July 31, 2014	**49,779,741**	**$ 24,918,104**	**$ 2,523,527**	**$ (14,213)**	**$ (14,107,158)**	**$ 13,320,260**

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

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

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

The Company is in the process of acquiring and exploring its exploration and evaluation assets and has not yet determined whether these properties contain reserves that are economically recoverable. These financial statements have been prepared on the assumption that the Company will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the normal course of operations. At July 31, 2014, the Company has a deficit of $14,107,158, no current source of revenue and may require additional funding to meet its planned activities beyond the upcoming fiscal year. The Company's continuation as a going concern is dependent on the successful results from its mineral property exploration activities and its ability to raise equity capital or borrowings sufficient to meet current and future obligations. There can be no assurances that management's plans for the Company will be successful. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. These financial statements do not include any adjustments to the recoverability and classification of assets and liabilities that might be necessary, should the Company be unable to continue as a going concern.

2. BASIS OF PRESENTATION

Statement of Compliance.

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") and specifically with IFRS applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting (IAS 34). These condensed interim consolidated financial statements should be read in conjunction with the Company's audited financial statements for the year ended April 30, 2014. These financial statements are presented in Canadian dollars unless otherwise noted.

Principles of Consolidation

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

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.

2. BASIS OF PRESENTATION - continued

Significant accounting judgments, estimates and assumptions - continued

The most significant accounts that require estimates as the basis for determining the stated amounts include the recoverability of exploration and evaluation assets, 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 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 financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

- 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 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.

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. 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.

(Expressed in Canadian Dollars)

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

Interest rate risk

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise the funds required through future equity financings, asset sales or exploration option agreements, or a combination thereof. The Company has no regular cash flow from its operating activities. The Company manages its liquidity risk by forecasting cash flow requirements for its planned exploration and corporate activities and anticipating investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of annual budgets and significant expenditures and commitments. Failure to realize additional funding could cast significant doubt on the Company's ability to continue as a going concern. As at July 31, 2014, the Company had cash of $7,627,123 (April 30, 2014 - $9,396,969) available to settle current liabilities of $714,748 (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.

5. RECEIVABLES

	July 31, 2014	April 30, 2014
HST/GST receivables	**$ 95,593**	$ 45,714
Trade and other receivables	**6,791**	6,758
	$ 102,384	$ 52,472

6. MARKETABLE SECURITIES

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

	July 31, 2014			April 30, 2014		
	Cost	**Unrealized Loss**	**Fair Market Value**	Cost	Unrealized Loss	Fair Market Value
Common shares of Adamera Minerals Corp.	**$ 15,488**	**$(14,213)**	**$1,275**	$15,488	$(14,213)	$1,275

(Expressed in Canadian Dollars)

7. EQUIPMENT

	Office and computer equipment	Field equipment	Total
Cost			
Balance, April 30, 2013	$ 6,474	$ -	$ 6,474
Additions	1,086	93,775	94,861
Balance, April 30, 2014	**7,560**	**93,775**	**101,335**
Additions	**4,551**	**-**	**4,551**
Balance, July 31, 2014	**$ 12,111**	**$ 93,775**	**$ 105,886**
Accumulated Depreciation			
Balance, April 30, 2013	$ 5,782	$ -	$ 5,782
Depreciation	856	-	856
Balance, April 30, 2014	**6,638**	**-**	**6,638**
Depreciation	**170**	**2,344**	**2,514**
Balance, July 31, 2014	**$ 6,808**	**$ 2,344**	**$ 9,152**
Carrying amounts			
April 30, 2014	$ 922	$ 93,775	$ 94,697
July 31, 2014	**$ 5,303**	**$ 91,431**	**$ 96,734**

(Expressed in Canadian Dollars)

8. EXPLORATION AND EVALUATION ASSETS

	April 30, 2014	Expended During the Period	Write-offs During the Period	July 31, 2014
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	69,635	-	372,209
Drilling	602,315	-	-	602,315
Acquisition and tenure costs	7,453	-	-	7,453
Geological, data collection and assays	72,852	273,098	-	345,950
Office and salaries	120,144	90,227	-	210,371
Contributions from joint-venture partner	-	(90,200)	-	(90,200)
	1,105,338	342,760	-	1,448,098
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	46,077	-	65,637
Office and salaries	6,542	5,682	-	12,224
	451,886	51,759	-	503,645
Qilalugaq, Canada				
Exploration costs	87,641	66,711	-	154,352
Acquisition and tenure costs	24,623	22,770	-	47,393
Geological, data collection and assays	84,069	940,470	-	1,024,539
Office and salaries	41,058	38,569	-	79,627
	237,391	1,068,520	-	1,305,911
Luxx, Canada				
Exploration costs	38,370	-	-	38,370
Acquisition and tenure costs	135,028	1,140	-	136,168
Geological, data collection and assays	104,191	380	-	104,571
Office and salaries	26,824	5,911	-	32,735
	304,413	7,431	-	311,844
Mel, Canada				
Exploration costs	7,961	-	-	7,961
Acquisition and tenure costs	126,772	1,700	-	128,472
Geological, data collection and assays	126,012	4,745	-	130,757
Office and salaries	13,140	3,765	-	16,905
	273,885	10,210	-	284,095
Redemption, Canada				
Exploration costs	3,879	43,694	-	47,573
Drilling	-	74,147	-	74,147
Acquisition and tenure costs	39,651	-	-	39,651
Geological, data collection and assays	1,031,914	207,427	-	1,239,341
Office and salaries	101,631	23,494	-	125,125
	1,177,075	348,762	-	1,525,837
TOTAL	$ 4,350,909	$1,829,442	$ -	$ 6,180,351

(Expressed in Canadian Dollars)

8. EXPLORATION AND EVALUATION ASSETS - continued

	April 30, 2013	Expended During the Period	Write-offs During the Period	April 30, 2014
Gold Properties, Canada				
Exploration costs	$ 24,389	$ -	$ (24,389)	$ -
Acquisition costs	81,044	-	(81,044)	-
Geological, data collection and assays	458	-	(458)	-
Office and salaries	20,704	1,706	(22,410)	-
	126,595	1,706	(128,301)	-
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	153,489	70	-	153,559
Office and salaries	126,608	7,432	-	134,040
	793,419	7,502	-	800,921
Pikoo, Canada				
Exploration costs	6,099	296,475	-	302,574
Drilling	-	602,315	-	602,315
Acquisition and tenure costs	6,667	786	-	7,453
Geological, data collection and assays	-	72,852	-	72,852
Office and salaries	-	120,144	-	120,144
	12,766	1,092,572	-	1,105,338
Timiskaming, Canada				
Exploration costs	4,606	32	-	4,638
Drilling	92,672	1,717	-	94,389
Acquisition and tenure costs	12,432	314,325	-	326,757
Geological, data collection and assays	19,532	28	-	19,560
Office and salaries	-	6,542	-	6,542
	129,242	322,644	-	451,886
Qilalugaq, Canada				
Exploration costs	-	87,641	-	87,641
Acquisition and tenure costs	6,666	17,957	-	24,623
Geological, data collection and assays	-	84,069	-	84,069
Office and salaries	-	41,058	-	41,058
	6,666	230,725	-	237,391
Luxx, Canada				
Exploration costs	-	38,370	-	38,370
Acquisition and tenure costs	-	135,028	-	135,028
Geological, data collection and assays	-	104,191	-	104,191
Office and salaries	-	26,824	-	26,824
	-	304,413	-	304,413
Mel, Canada				
Exploration costs	-	7,961	-	7,961
Acquisition and tenure costs	-	126,772	-	126,772
Geological, data collection and assays	-	126,012	-	126,012
Office and salaries	-	13,140	-	13,140
	-	273,885	-	273,885

(Expressed in Canadian Dollars)

8. EXPLORATION AND EVALUATION ASSETS - continued

Redemption, Canada				
Exploration costs	-	3,879	-	3,879
Acquisition and tenure costs	-	39,651	-	39,651
Geological, data collection and assays	-	1,031,914	-	1,031,914
Office and salaries	-	101,631	-	101,631
	-	1,177,075	-	1,177,075
TOTAL	$ 1,068,688	$ 3,410,522	$ (128,301)	$ 4,350,909

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

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

Timiskaming, Pikoo and Qilalugaq Diamond Projects, Canada

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

Under the terms of the assignment agreement the Company paid BCCo $20,000 and issued BCCo 500,000 transferrable share purchase warrants having a fair value of $314,325 which was included in acquisition costs at the time the Company

8. EXPLORATION AND EVALUATION ASSETS - continued

earned its interest in one of the projects. 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 Company completed a required $2,000,000 financing.

Qilalugaq diamond project, Nunavut

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

Pikoo diamond project, Saskatchewan

The Company has earned an 80% interest in the Pikoo diamond project by completing an option work program consisting of a minimum 2,000 meter diamond drilling program. 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. During the year ended April 30, 2014 the Company was notified by Stornoway that 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.

Timiskaming diamond project, Ontario/Quebec

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

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

Redemption project, Northwest Territories

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

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

8. Exploration and evaluation assets- continued

consideration of a 1% gross overriding royalty and 250,000 warrants entitling the holder to acquire 250,000 shares at a price of $0.65 per share for a period of five years. The warrants have a fair value of $126,502 which has been included in acquisition costs. In addition, the Company retains the right to buy back one half of the gross overriding royalty for $1,000,000 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% gross overriding royalty and 250,000 warrants entitling the holder to acquire 250,000 shares at a price of $0.65 per share for a period of five years. The warrants have a fair value of $126,502 which has been included in acquisition costs. In addition, the Company retains the right to buy back one half of the gross overriding royalty for $1,000,000 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 the Company entered into an agreement with Chelsea Minerals Corp. (“Chelsea”), whereby Chelsea has the option to earn a 60% interest in the Company’s Hope Bay Oro gold project in Nunavut, consisting of five mining leases. Under the terms of the agreement, Chelsea may earn up to a 60% interest in the project by making an initial cash payment of $50,000 (received) and spending $5 million over a five year period. A minimum expenditure of $500,000 is required in the first year (complete). In May 2011, Chelsea was acquired by Sennen Resources Ltd. (subsequently Sennen Potash Corp.) (“Sennen”) pursuant to a Plan of Arrangement. Sennen has assumed Chelsea’s obligations pursuant to the agreement for the Hope Bay Property. On February 1, 2013 the Company and Sennen signed an amending agreement that extended the length of the option term from five to six years. On May 30, 2014 the Company and Sennen signed a further amending agreement that extended the length of the option term from six to seven years. During the year ended April 30, 2104, the Company wrote off $54,400 of related costs.

Contwoyto Property, Nunavut

Between June and September 2011, the Company acquired, by staking, certain mineral claims in the Contwoyto Lake area, Nunavut. The Company also maintains a 100% interest in two mining leases in the Contwoyto Lake area.

In July 2012, subsequently amended, the Company announced that it had entered into an agreement with a subsidiary of Elgin Mining Inc. (“Elgin”). Under the terms of the amended agreement Elgin could earn a 60% interest in the Company’s Contwoyto properties by spending $6,000,000 over a seven year period. During the year ended April 30, 2014, the Company was notified by Elgin that Elgin was terminating its option to earn an interest in the property. During the year ended April 30, 2014, the Company wrote off $32,788 of related costs.

(Expressed in Canadian Dollars)

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	July 31, 2014	April 30, 2014
Trade payables	**$ 669,218**	$ 330,890
Accrued liabilities	**35,000**	30,000
	$ 704,218	$ 360,890

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

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

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

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 totalling $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. 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, 2014, the following stock options were outstanding:

Number of Shares	Exercise Price	Number of Shares Vested	Expiry Date
20,000	$ 3.00	20,000	*September 2, 2014
53,000	$ 2.00	53,000	May 12, 2016
2,205,000	$ 0.27	1,650,000	May 10, 2018
200,000	$ 0.50	100,000	September 23, 2018
1,105,000	$ 0.70	552,500	January 28, 2019
3,583,000		2,375,500	

* Subsequent to July 31, 2014, 20,000 options expired unexercised.

(Expressed in Canadian Dollars)

10. CAPITAL STOCK AND RESERVES - continued

Stock options and warrants - continued

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

	Number of Options	Weighted Average Exercise Price
Balance, April 30, 2013	166,000	$ 2.12
Granted	3,525,000	0.42
Exercised	(15,000)	0.27
Expired and forfeited	(31,000)	2.00
Balance, April 30, 2014	3,645,000	0.48
Expired and forfeited	(62,000)	(2.00)
Balance, July 31, 2014	3,583,000	$ 0.46
Number of options currently exercisable	2,375,500	$ 0.52

Share-based compensation

During the three months ended July 31, 2014, the Company granted nil stock options (2013 – 2,220,000). The estimated fair value of the options granted during the period is $nil (2013 – $488,400). During the three months ended July 31, 2014, the Company recognized share-based compensation of $189,454 (2013 – $222,141) relating to options vested during the period.

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

	Three months July 31, 2014	Three months July 31, 2013
Risk-free interest rate	1.79%	1.33%
Expected life of options	5.0 years	5.0 years
Annualized volatility	124.39%	116.8%
Forfeiture rate	0.00%	0.00%
Dividend rate	0.00%	0.00%

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

	Number of Warrants	Weighted Average Exercise Price
Balance, April 30, 2012	-	$ -
Issued	500,000	0.25
Balance, April 30, 2013	500,000	0.25
Issued	500,000	0.65
Balance, April 30, 2014 and July 31, 2014	1,000,000	$ 0.45

(Expressed in Canadian Dollars)

10. CAPITAL STOCK AND RESERVES - continued

Five hundred thousand (500,000) warrants were issued as part of the acquisition agreement to acquire options to earn interests in the Timiskaming, Pikoo and Qilalugaq projects (Note 8). Each warrant entitles the holder to acquire one common share of the Company at a price of $0.25 per share until April 29, 2018. The warrants became exercisable when the Company exercised its option to earn an interest in the Timiskaming project and have been valued at $314,325 which has been capitalized as an acquisition cost of the Timiskaming project.

Five hundred thousand (500,000) warrants were issued as part of the purchase and sale agreements to acquire 100% interests in the Mel and Luxx projects (Note 8). Each warrant entitles the holder to acquire one common share of the Company at a price of $0.65 per share until August 19, 2018. The warrants have been valued at $253,004 which has been capitalized as an acquisition cost of the properties.

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

	July 31, 2014	July 31, 2013
Risk-free interest rate	1.79%	1.33%
Expected life	5.0 years	5.0
Annualized volatility	137.65%	116.8%
Dividend rate	0.00%	0.00%

11. 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 the financial statements are disclosed below.

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

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

a) During the three months ended July 31, 2014, the Company paid or accrued $526 (2013 - $2,508) for technical services and office costs to a company with common directors or a former officer.

b) During the three months ended July 31, 2014, the Company paid or accrued $13,016 (2013 - $13,813) for shared administrative and accounting services to a company with common officers.

c) During the three months ended July 31, 2014 the Company paid $nil (2013 - $4,023) for office fees and rent to a company with common directors and officers and/or controlled by a director.

d) Issued warrants to a party related to a director for exploration and evaluation assets with a value of $nil (2013 - $314,325).

The Company considers officers and directors as key management personnel.

(Expressed in Canadian Dollars)

11. RELATED PARTY TRANSACTIONS - continued

The remuneration of key management personnel during the three months ended July 31, 2014 was as follows:

		July 31, 2014		July 31, 2013
Salaries[1]	$	40,848	$	32,580
Exploration salaries		9,152		4,920
Share-based compensation[2]		120,422		131,063
Total	$	170,422	$	168,563

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.

12. COMMITMENTS

As at July 31, 2014, the commitment for rental of the Company's office space is as follows:

Year ending	
April 30, 2015	$ 49,975
April 30, 2016	$ 66,634
April 30, 2017	$ 49,975

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash transactions for the three months ended July 31, 2014 were:

a) The Company incurred exploration and evaluation expenditures of $654,594 (July 31, 2013 - $337,901) that are included in accounts payable and accrued liabilities at July 31, 2014.

b) The Company issued nil warrants (July 31, 2013 - 500,000 warrants) with a value of $nil (July 31, 2013 - $314,325) for exploration and evaluation assets.

14. CAPITAL MANAGEMENT

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

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

15. SEGMENTED INFORMATION

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