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Re: Annual Report, Land Use Permit LUP06-607-014, Qilalugaq Project, Naujaat, NU

Introduction

This report is being submitted as required by the conditions annexed to Nunavut Permit to Use Commissioner's Land #LUP06-607-014 (the "Permit"). The Permit was issued to Stornoway Diamond Corp. on May 5th, 2016, and it has an expiry date of September 12th, 2017.

The Qilalugaq property originally comprised 405 mineral claims recorded on July 5, 2002 by BHP Billiton Diamonds Inc. ("BHP Billiton") covering approximately 1.4 million acres about 10 km north of the hamlet of Repulse Bay.

Stornoway Diamond Corp. ("Stornoway") began working towards acquiring an interest in the property in 2006 (Stornoway acquired 100% ownership in 2010) and since that time has conducted prospecting and sampling activities on the Property. North Arrow Minerals Inc. ("North Arrow") began working towards acquiring an interest in the property in 2013, completing the earn-in agreement by funding a large bulk sampling program in 2014. Since then, North Arrow has visited the property in 2015 and 2016 to monitor remediation work done on the bulk sample pits, as well as to test overburden thickness in the surrounding area with several hand-dug test holes. As of March 2017 North Arrow has submitted a signed request to Community and Government Services in Rankin Inlet to have the Permit transferred from Stornoway to North Arrow.

Since its acquisition by BHP Billiton in 2002, the property has undergone several phases of exploration using airborne geophysics, together with property wide till sampling, drilling, and bulk sampling. During this time, areas of interest have been narrowed down and the property currently consists of seven mining leases covering a total of 7143 hectares (Figure 1).

In 2015 North Arrow submitted amendments to the Permit for drilling, fuel storage and construction of a wooden-framed structure at its storage location in Naujaat. Following review by GN-C&GS, GN-DoE, EC and NIRB, these permissions were combined and granted under LUP06-607-014 in May 2016.

The following report provides a brief summary of work conducted by North Arrow under previous authorizations, as well as the authority of Permit LUP06-607-014.

Regulatory Information

A Class "B" Land Use License was issued to Stornoway on December 28, 2006 which held an original expiry date of December 28, 2008. Since its issuance 2 extensions have been granted for this land use license making its current expiry date December 28, 2010.

This project also operates under the authority of Nunavut Water Board License 2BE-QIL0712 which currently holds an expiry date of March 31, 2012.

While some of the mineral claims comprising the Qilalugaq property do occur on Inuit Owned Land Parcels (access to which is under the authority of the Kivalliq Inuit Association) there are no plans at this time to conduct any exploration work on or around these parcels. Should this change the Kivalliq Inuit Association will be notified and the proper authorization obtained prior to the commencement of any land use operations on Inuit owned land.

Work Conducted Under the Authority of N2006C0038

2007

During the summer of 2007 a six week exploration program was conducted during which time prospecting, ground geophysics, and sampling activities all took place. Crews arrived in the hamlet of Repulse Bay on July 11 and 12, 2007 with field work commencing on July 13, 2007. The last day of field work was completed on August 23, 2007 and the majority of the personnel left after the completion of the demobilization activities the following day.

Due to the project area's close proximity to the hamlet of Repulse Bay no camp facilities were established in association with this land use operation. Personnel were housed at a rental house in the Hamlet of Repulse Bay and the Inns North Co-Op hotel, and supported by Stornoway's logistics team based in Igloolik. Supplies, fuel and crew were mobilized by a Twin Otter aircraft during the first few days of the program. Fuel and each day's samples were stored at the Repulse Bay airport. No fuel or sample bag caches were ever established on the land.

The Twin Otter aircraft returned at the end of the program to aid in the demobilization activities including the reclamation of empty fuel drums associated with this land use operation. All sampled material was placed in shipping crates and prepared for transport south via barge.

During the course of the program the number of personnel fluctuated between six and 12, including the project cook, helicopter pilot, and engineer, however the core geological field crew remained relatively static at seven. Following please find a brief description of the exploration activities conducted;

Prospecting - Prospecting activities began on July 13, 2007 and continued through to the end of the program. Helicopter supported field crews conducted daily traverses by foot.

Ground Geophysics - Ground geophysical work began on July 13, 2007 and by its completion on August 3, 2007 twelve geophysical grids were completed. A total of 13.4 line kilometers of gridding and magnetics were completed on five of the grids and a total of 27.3 line kilometers of gridding, magnetics and HLEM were completed on the other seven grids.

Till Sampling – Till sampling activities began on July 20, 2007 and continued through to August 23, 2007. A helicopter supported field crew collected a total of 808 till samples during this time period.

Other Sampling – From July 29, 2007 through to July 31, 2007 field personnel collected larger samples of rock and kimberlite into a total of 40 megabags. These bags were slung daily to the

Repulse Bay airport and stored in shipping containers in preparation to be shipped south via barge.

Drilling – Due to unforeseen logistical challenges no drilling activities took place during the 2007 exploration program.

2008

During the summer of 2008 a small crew visited the property for a brief 10 day time period in the beginning of July during which time prospecting and till sampling were conducted. A four person crew arrived in Repulse Bay between July 1 and July 2 of 2008 and were again based out of the rented house in the hamlet.

While all sample material was flown daily back to the Repulse Bay airport and prepared for shipment south via barge, a small fuel cache of eight drums was established at N 66° 39' 01", W 86° 21' 57" in order to support the field crew. This cache was reported to Peter Kuskak, Manager of Field Operations, DIAND, and to Andrew Keim, Water Resources Officer. Fuel was stored as per the Spill Contingency Plan for the Qilalugaq Project.

The last day of field work conducted was July 11, 2008. Following please find a brief description of the exploration activities conducted over the 10 day program.

Prospecting - Prospecting activities were ongoing throughout the 10 day program. Helicopter supported field crews conducted daily traverses by foot.

Ground Geophysics – No ground geophysical surveys were conducted during the 2008 program.

Till Sampling – Till sampling activities began on July 3, 2008 and continued through to July 11, 2008. A helicopter supported field crew collected a total of 292 till samples during this time period.

Other Sampling – No additional sampling was conducted during the 2008 program.

Drilling – No drilling activities took place during the 2008 exploration program.

2009

No work was conducted on this project during the 2009 exploration season.

2010

During the summer of 2010 a geologist from Stornoway conducted a 7 day site visit (arriving July 19, 2010 and departing July 27, 2010 which includes 2 “weather” days) to the Qilalugaq Property accompanying a crew from the Geological Survey of Canada (GSC) who were working in the area.

Apart from liaison work with the GSC team Stornoway’s representative spent 3 days conducting prospecting activities on two separate areas of interest on the property. The land use activities conducted included daily foot traverses which covered a total of 17 line kilometers and a limited amount of rock sampling (approximately 75 kg). The property was accessed by a helicopter operating out of Repulse Bay which is where the geologist conducting the work also stayed.

During this time the 2008 fuel cache was visited to ensure that all drums were still in good condition and that the storage method was in compliance with the spill contingency plan for this project. This cache now consists of 6 empty drums and 2 full drums of Jet B which upon inspection appeared to be free of any signs of leakage.

A kimberlite body was discovered during the 2010 prospecting activities. A summary of the historical results is provided in the attached News Release dated September 7, 2010. Please note that references to drilling activity refer to work undertaken before Stornoway took over as operator of this project, and that to date no drilling activities have been conducted under the authority of this land use permit.

Work Conducted Under the Authority of LUP06-607-014

2014

North Arrow began working towards acquiring an interest in the property in 2013, completing the earn-in agreement by funding a large bulk sampling program in 2014. Since then, North Arrow has visited the property in 2015 and 2016 to monitor remediation work done on the bulk sample pits.

2016

Several hand-dug holes were completed to test overburden thickness within the kimberlite boundary in July 2016. Holes were dug in areas where overburden was assumed to be minimal, and average thicknesses were approximately 1-3 feet (holes with >3 feet of overburden were abandoned).

Future Plans

While exploration activities for the 2017 field season have not yet been confirmed, any work taking place would likely involve summer and/or winter diamond drilling and trenching in 2017 and 2018.

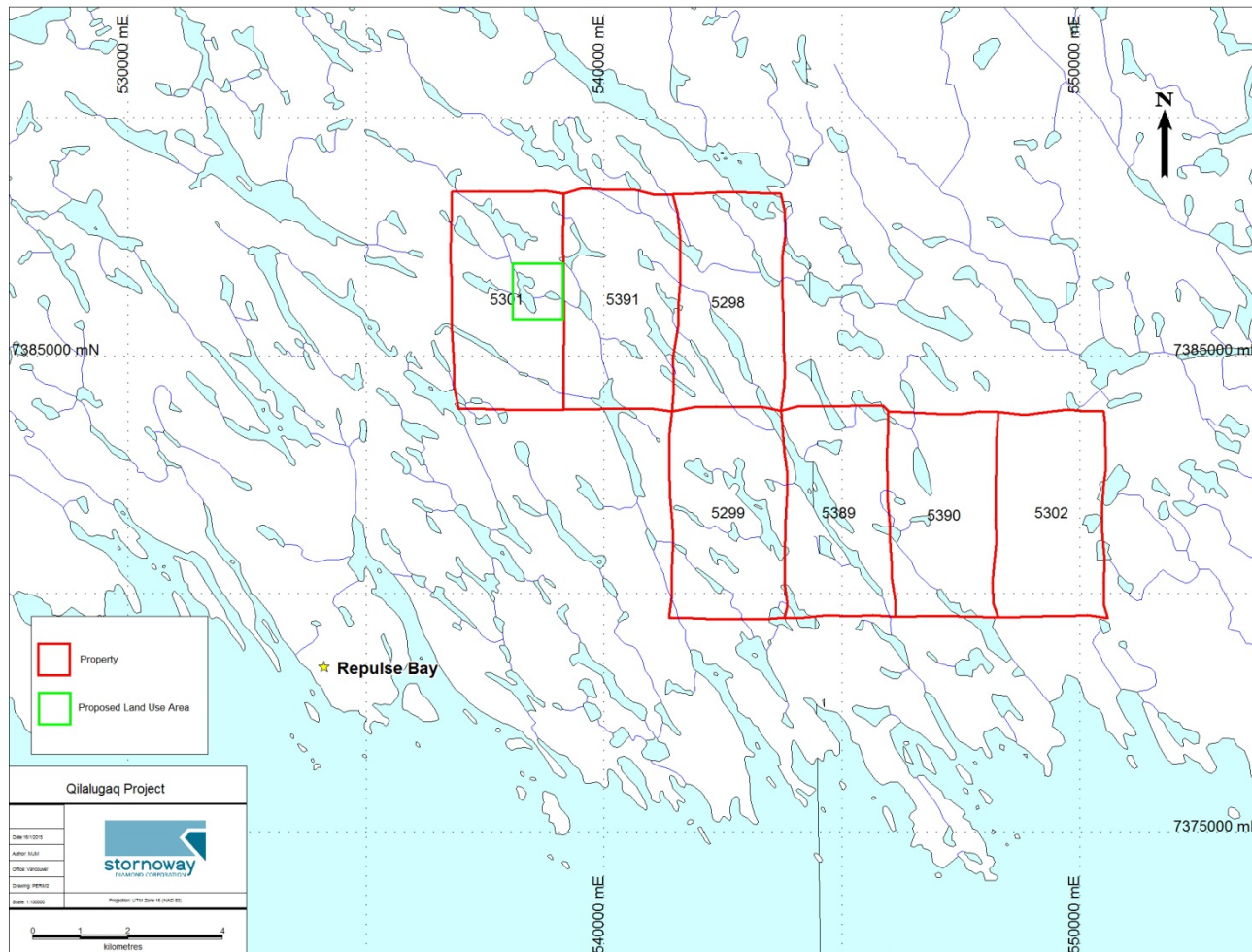


Figure 1: Qilalugaq Property Location Map