



April 3, 2017

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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 Kusguk, 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 – Exploration

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). Figure 3 below shows an example of some of the holes.

No local employment or contracting opportunities were available given the nature and duration of the program.

One helicopter flight was taken to the site. Flight altitudes between town and the work site were above the 610 metre threshold, except during take-offs and landings. A straight route between town and the worksite in the helicopter is approximately 9 km.

2016 – Community Consultation

See Table 1 (Community Consultation Log) included at the end of this document. A copy of the presentation given at the start of each meeting is provided along with this annual report.

North Arrow staff travelled to Naujaat in October for meetings with the Hamlet Council, Hunters and Trappers Organization (HTO), and held an open community meeting in the community hall one evening. The purpose of the meeting was to provide an update of the project, and discuss plans going forward. North Arrow's President (K. Armstrong) also briefly discussed what a 2017 exploration program might involve, and mentioned that there would be jobs if work went ahead.

North Arrow discussed its concerns with the current DNLUP, and the possible impacts it could have on the Project going forward. Many concerns were raised by residents of Naujaat regarding the DNLUP.

Few suggestions were made following meetings with the Naujaat Hamlet, HTO, and community. One suggestion was that North Arrow hires as many local people as possible for jobs, which North Arrow intends to do. No further advice was given/received during meetings, and no follow-up actions were taken as a result.

North Arrow is unaware of any transit through the project area. However, land vehicle (i.e. ATV) tracks have been observed in the area. No other evidence of community residents visiting and/or spending time in the area has been noted.

2016 – Wildlife and Heritage Sites

North Arrow has had no contact with Government of Nunavut biologists.

North Arrow staff spent two hours working at the project site in 2016. No wildlife or heritage sites were observed at the site during that time.

2016 – Miscellaneous

North Arrow staff are required to read and fully understand terms and conditions associated with any/all land use permits for a given project prior to conducting work.

The site, to the best of North Arrow's knowledge, has not been inspected by a Government of Nunavut Land Use Inspector.

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.

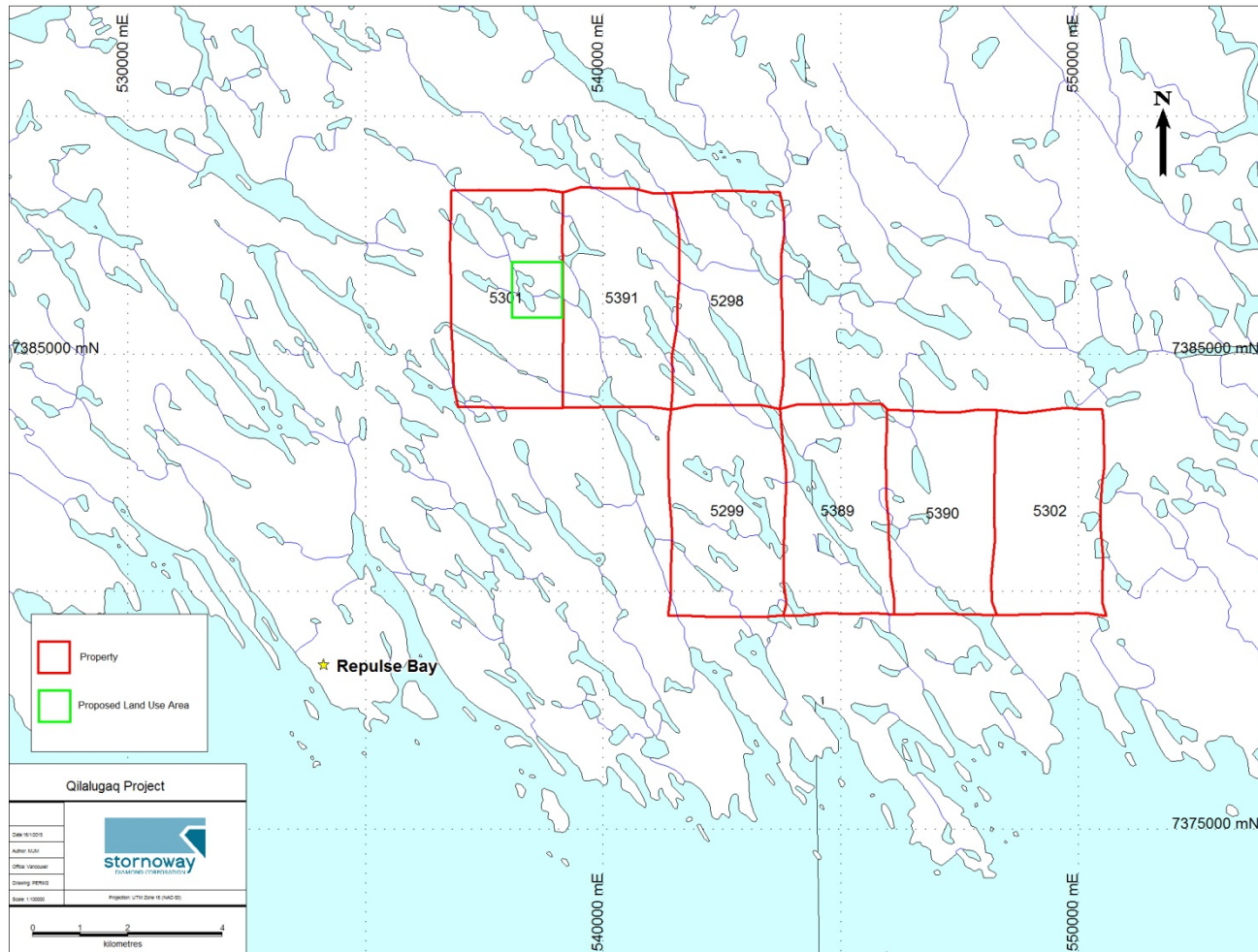


Figure 1: Qilalugaq property location map with proposed 2017 drilling area highlighted (green box). Exact drilling locations are yet to be determined.

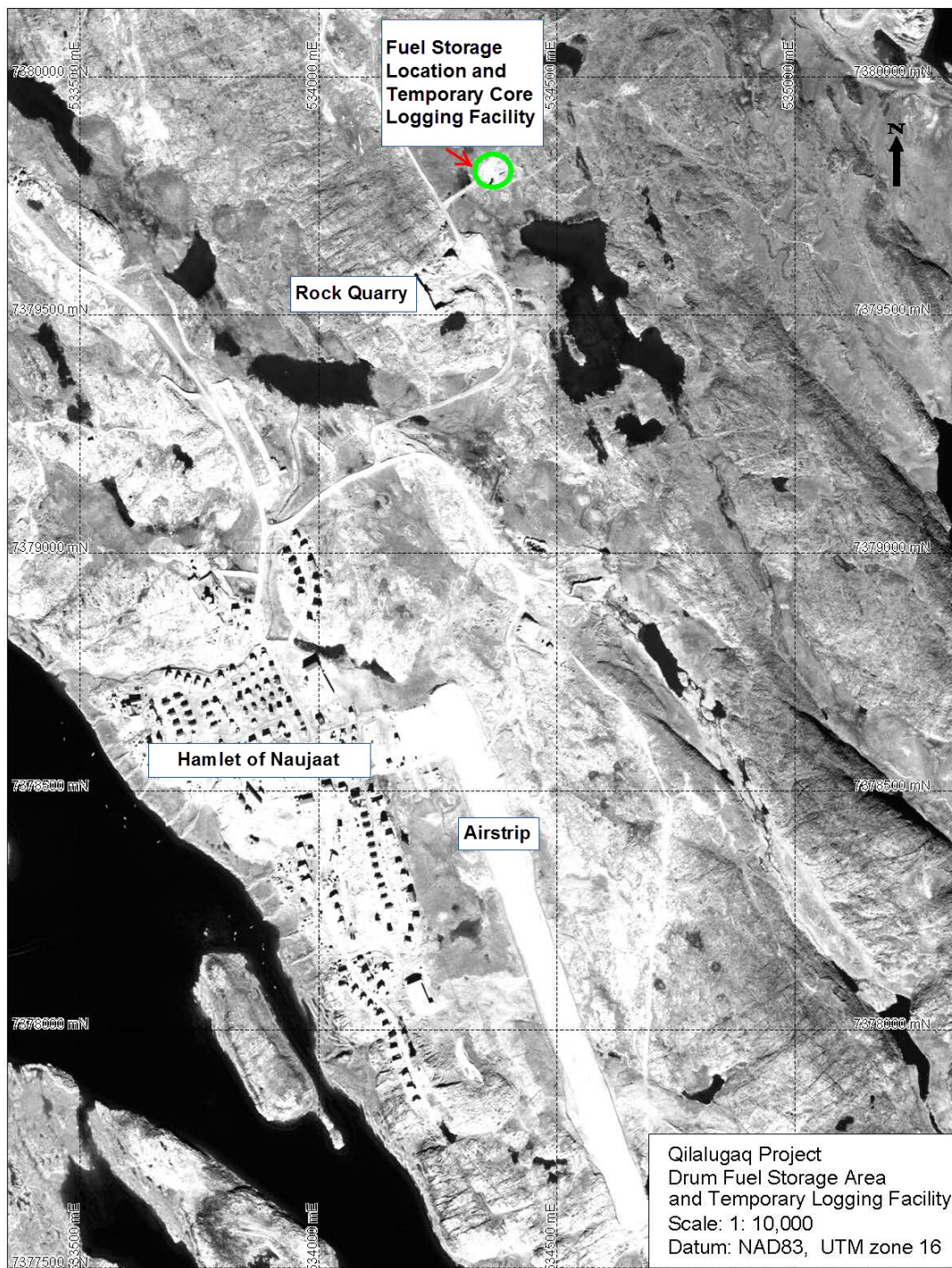


Figure 2: Fuel storage and core-logging facility map.



Figure 3: Hand-dug pits at Q1-4 worksite.

<u>Date</u>	<u>Time</u>	<u>Contact</u>	<u>Type</u>	<u>Details</u>
August 24, 2016	2:05 pm	Rob Hedley, SAO, Naujaat	Telephone - Outgoing	Called to introduce myself (Rob started at the beginning of August) and North Arrow Minerals and to tell him a little bit about the Qilalugaq Project. Rob was once the SAO of Coral Harbour and spent some time working with Community and Government Services in Rankin Inlet. His family is in Ontario and he has a son there. His Dad was in the military so he is used to not really having a home he says. We discussed trying to get on to the meeting schedule for Mayor and Council in late September or October. I brought up the DNLUP and the troubles we've had getting permit to which he asked whether we're on crown or IOL Lands. (We're on Commissioner's land within the municipal lines.) He seemed to be on the side of development with regards the caribou and the calving and post calving ground designation locally. "They're nomadic animals. If they're nearby but don't want to go through the area they will take a different route". Ended it with saying I would call him back regarding the meeting that would be best for us.
August 24, 2016	11:24 am	Elizabeth Kusugak, Financial Administrator, Naujaat Hamlet Office	Telephone – Outgoing	Touched base with Elizabeth to see how she is doing with regards to her pending kidney transplant; her brother is donating. Once she loses some weight she will have the operation in Winnipeg. She acknowledged receipt of payment for the permits for September 2015 and September 2016 as she was away when I paid them in person.
Oct. 26, 2016	1.45 pm	Louise Tungilik (Deputy Mayor), Rob Hedley (SAO), Joseph Mapsalak (Councillor), Dino Mablik (Councillor), Kevin Tegumiar (training to be SAO), Peter Mannik (Councillor). Simeonie Kopak (translator)	Meeting with Hamlet Council in Naujaat	The purpose of the meeting was to provide an update of the project, and discuss plans going forward. Briefly discussed what a 2017 exploration program might include.
Oct. 26, 2016	3:00 pm	Dennis Kaunak (Vice President), Jimmy Immingark (Secretary Treasurer), Mary Tuktudjuk, Dino Mablik, Louis Angotingoar. Dolly Mablik – HTO Manager,	Meeting with HTO in Naujaat	The purpose of the meeting was to provide an update of the project, and discuss plans going forward. Briefly discussed what a 2017 exploration program might

		Simeonie Kopak (translator)		include. Installing wildlife cameras out at the kimberlite was also discussed.
Oct. 26, 2016	7:20 pm	In attendance: Monty Yank, Simeoni Natseck, Simeonie Kopak, Robert Kopak, Ivy, Darrin Angoliuluk, Merrill Siusangnark, Oscar Kringayark, Pierretta Kaunak, Mathiasi T., Mary Nimiqtuqtuq, John Kopak, Jocelyn Oolateeta, Pierre Kipsigak, Remi A, Sheila Kardjuk, Caroline Akkuardjuk, Perpetua, Richard Jr. Angaraluk, Louisa, John Sivanertok, David Ninqtuqtuq, (elders name in syllabics), Michel Akkaundjuk, Mona, Sinsangnark, Trina Yank, Erin Angotialuk, h, Aglokka, Don Ullikatar, Simeonie Kringayark, Jeremy, Jaman Wa., Kenny Suvanertok, Margaret Suiangnark. Joanna Kopak, Margaret Milortok, Sabina, Leo Akkuardjut, Susanna Mablik, Charlie Putulik, David Ammaq, John Kadjuk	Community Meeting in Naujaat Community Hall	The purpose of the meeting was to provide an update of the project, and discuss plans going forward. Briefly discussed what a 2017 exploration program might involve.

Table 1: Community Consultation Log