North Arrow

MINERALS INC.

2018 Annual Report for the Mel Property, Qikiqtani Region, Nunavut

Located on Inuit Owned Land (IOL) Parcel HB-01

NIRB File No. 16EN062 | March 9, 2018

Table of Contents

Section *Pages*

1. Mel Diamond Project - Background……2
2. 2017 Field Exploration Program……3
3. Community Engagement in 2017……5
4. Community Meeting Follow Up……7
5. Wildlife Sightings in 2017……8
6. Plans for 2018……8

Figures

Figure 1: Project Location Map in Canada……2

Figure 2: Picture of the ML8 Kimberlite Discovery……3

Figure 3: Picture of Mel Project Mineral Claim Staking ……4

Figure 4: Map of Current Mel Project Landholdings……4

Figure 5: Picture of Hall Beach Hamlet Council at Meeting, April 6th, 2017……5

Figure 6: Picture of Community Meeting, April 6th 2017……6

Figure 7: Picture from Mel Project Proposed Camp Location Inspection……7

Figure 8: Mel Property Mineral Claims and IOL Boundary……9

Appendices

Appendix 1: Mel Project 2018 Drilling Program Wildlife Mitigation Protocol……10

Appendix 2: HTA Signature Page from Wildlife Mitigation Protocol Document……15

1. The Mel Diamond Project – Background

North Arrow Minerals Inc.'s ("North Arrow") Mel Project ("Mel") is located on the Melville Peninsula, Nunavut, approximately 210 km northeast of the Hamlet of Naujaat and 140 km south of the Hamlet of Hall Beach (Figure 1), near the planning region boundary between the Kitikmeot and Qikiqtani (South Baffin) regions.

The Project's current claim area is comprised of contiguous mineral claims (Figure 4, 8) totaling 56,000 ha covering prospective areas resulting from annual diamond exploration work conducted between 2013 and 2017 by North Arrow. The project area sits within the Qikiqtani region of Nunavut, and most of the mineral claims lie within Inuit Owned Land ("IOL") parcel HB-01 (Figure 8).

North Arrow acquired the project in 2013 and has advanced it to the drill ready stage over a four year period through short (1 to 6 day) summer till sampling programs conducted daily by helicopter out of Naujaat.

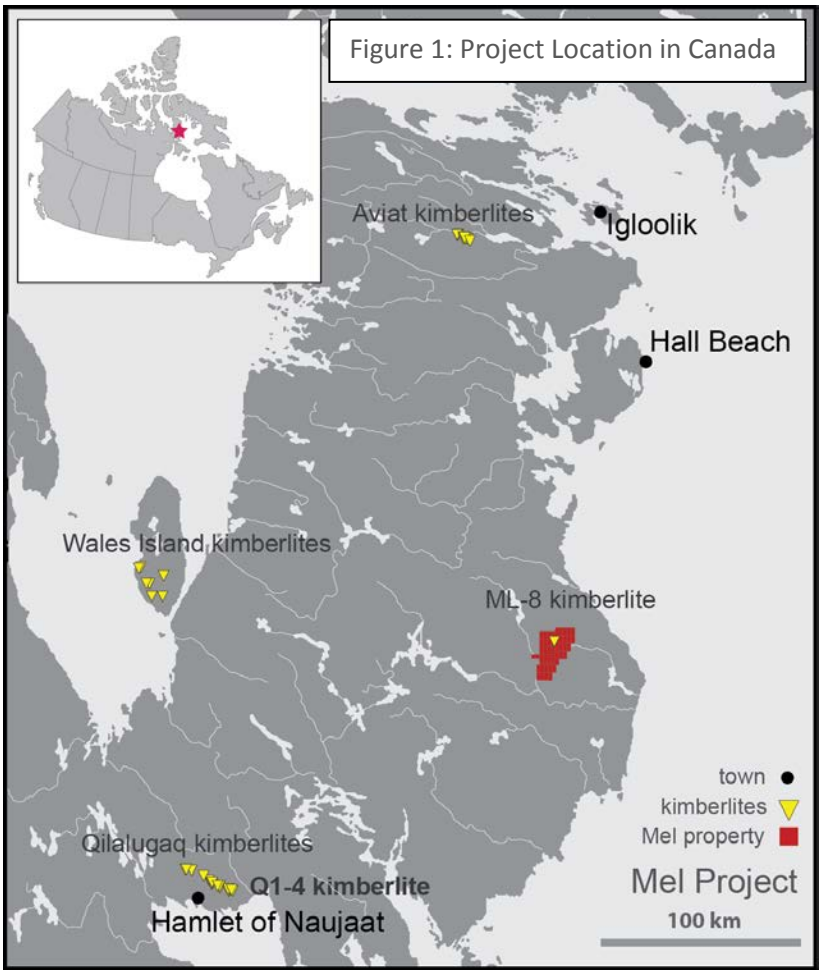


Figure 1: Project Location in Canada

The following permits, licenses and files are currently active on the Mel Project:

1. **INAC Land Use Permit N2017C0006** *expiring April 30th, 2022;*
2. **NWB Type B Water License No. 2BE-MPP1719** *expiring on June 2, 2019;*
3. **QIA IOL Land Use License Q17L2003** *expiring March 31, 2019.*
4. **NIRB file No.: 16EN062**
5. **NPC File No.: 148356**

This report is to provide a summary of Land Use Activities at the Mel Diamond Project during the period January 11th, 2017 to January 10th, 2018 to satisfy the Monitoring Requirements listed in the Terms and Conditions of positive NIRB Screening Decision Report file No.: 16EN062 issued on January 10th, 2017. The work program approved in NIRB file no. 16EN062 is to take place for up to six (6) weeks in either spring or summer from 2017 to 2019 and is to include prospecting, till sampling, geophysics and drilling.

A camp is to be built to support fieldwork, and all programs will be helicopter supported. Supplies, equipment and crew will be brought in by fixed-wing aircraft via Hall Beach.

2. 2017 Field Exploration Program

A total of four days' work was completed at the Mel Project in 2017; July 3rd, and September 1st through September 3rd, inclusive. The work consisted of till sampling (two samples in total) and detailed prospecting of areas identified from previous years of till sampling on the property, as possible source areas for kimberlite indicator minerals (KIMs).

This prospecting work was carried out in conjunction with a drilling and bulk sampling program at North Arrow's Naujaat diamond project. The prospecting crews consisted of North Arrow geologists Mike MacMorran and Regan Chernish and the property was accessed daily by helicopter flying 240 km from Naujaat. Flying altitudes between take-off and landing were kept above 610 m.

Figure 2: Main Image: *Geologist, Regan Chernish at the ML8 kimberlite discovery location.* ***Inset:*** *hand sample of the ML-8 kimberlite.*

On October 16, 2017, the Company announced the discovery of the diamondiferous ML-8 kimberlite. The kimberlite was identified as float and possible sub-crop over an approximate 100 m by 10 m extent at the up ice termination of one of the KIM trains. Processing of a 62.1 kg sample of the ML-8 kimberlite, returned 23 diamonds larger than the 0.106 mm sieve size, including a single, colourless diamond larger than the 0.85 mm sieve size.

- Regarding the location of the exploration camp, North Arrow offered to fly a knowledgeable person chosen by the HTA to the proposed exploration camp location to inspect for signs of traditional use.

7 pm, April 6th at the Community Hall for Meeting

Main Discussion Points with the Community:

Figure 6: Community Meeting with North Arrow Minerals, April 6th, 2017 in Hall Beach

- Employment opportunities from the exploration work at Mel in 2018.
  A 12 person exploration camp usually has one camp helper position to offer and wildlife monitor employment opportunities. Employment opportunities are limited in the early stages of exploration but whatever hiring opportunities we have will go to Hall Beach residents.
- What training opportunities could there be?
  At this early stage, no specific training opportunities beyond working experience in camp provided by employment opportunities. Training opportunities would come with more advanced projects. Opportunities of job experience only at this point.
- What agreements have you made with the Hamlet and the HTA?
  No agreements in place with the HTA or the Hamlet although have committed to implement a wildlife monitoring protocol and the identify employment opportunities for Hall Beach residents. The presentation shown to the community was the exact same as the one shown to the HTA and the Hamlet.

4. Community Meeting Follow Up

North Arrow Minerals drafted a Wildlife Mitigation Protocol document and provided it to the Hall Beach HTA for their comment and approval. The document was sent back with suggestions for changes and additions and a final document was agreed upon and signed by Chairman Jopie Kaernerk and Vice-Chair Paul Naqmalik on July 14, 2017.

North Arrow agreed at the meetings to return to Hall Beach during the summer of 2017 to fly in a member of the Hamlet and/or HTA to inspect the proposed exploration camp site for signs of traditional use. The proposed camp site location is on an esker and was selected based on its proximity to water, the ability to land a fixed wing aircraft and its location with respect to the most likely drilling locations at Mel.

Figure 7: Hall Beach Hamlet Councillor & HTA Member, Danny Arvalaq visits proposed Mel camp location.

On September 15th, 2017, a representative of North Arrow Minerals returned to Hall Beach and flew out to the proposed camp location by helicopter with Danny Arvalaq, a member of both the Hall Beach Hamlet Council and the HTA. No evidence was found and Mr. Arvalaq subsequently approved the location. Mr. Arvalaq also stated that this was the furthest away from Hall Beach he had been on the Melville Peninsula and had never hunted this far south.

All press releases containing Mel Project related news are being sent to the Hall Beach Mayor, the HTA, the QIA Land Administrator and the local MLA.

As of February 14th, 2018 North Arrow is booked to visit Hall Beach on April 12th, 2018 to meet with the Mayor and Council, the HTA and the Community to discuss 2017 developments and the plans and opportunities associated with the 2018 drilling program which is anticipated to occur in June or July.

5. Wildlife Sightings in 2017 – Four Days of Exploration

July 3rd, 2017 – *All caribou sightings were made by helicopter on the flight from Naujaat to the Mel Diamond Project. No caribou were seen while on traverse.*

1. *Group of ~30 caribou ~110 km southwest of the Mel Project heading east.*
2. *Group of 5 caribou ~100 km southwest of the Mel Project grazing.*
3. *Flock of snow geese at ~85 km southwest of the Mel Project grazing.*
4. *Group of 2 caribou ~60 km southwest of the Mel Project headed east.*

September 1st, 2017 - *All caribou sightings were made by helicopter on the flight from Naujaat to the Mel Diamond Project. No caribou were seen while on traverse.*

1. *Group of 2 caribou seen ~185 km southwest of Mel Project headed southwest.*

6. Plans for 2018

- **April 12, 2018 – Community Meetings: Hunters and Trappers Association, Mayor and Council, Public.**

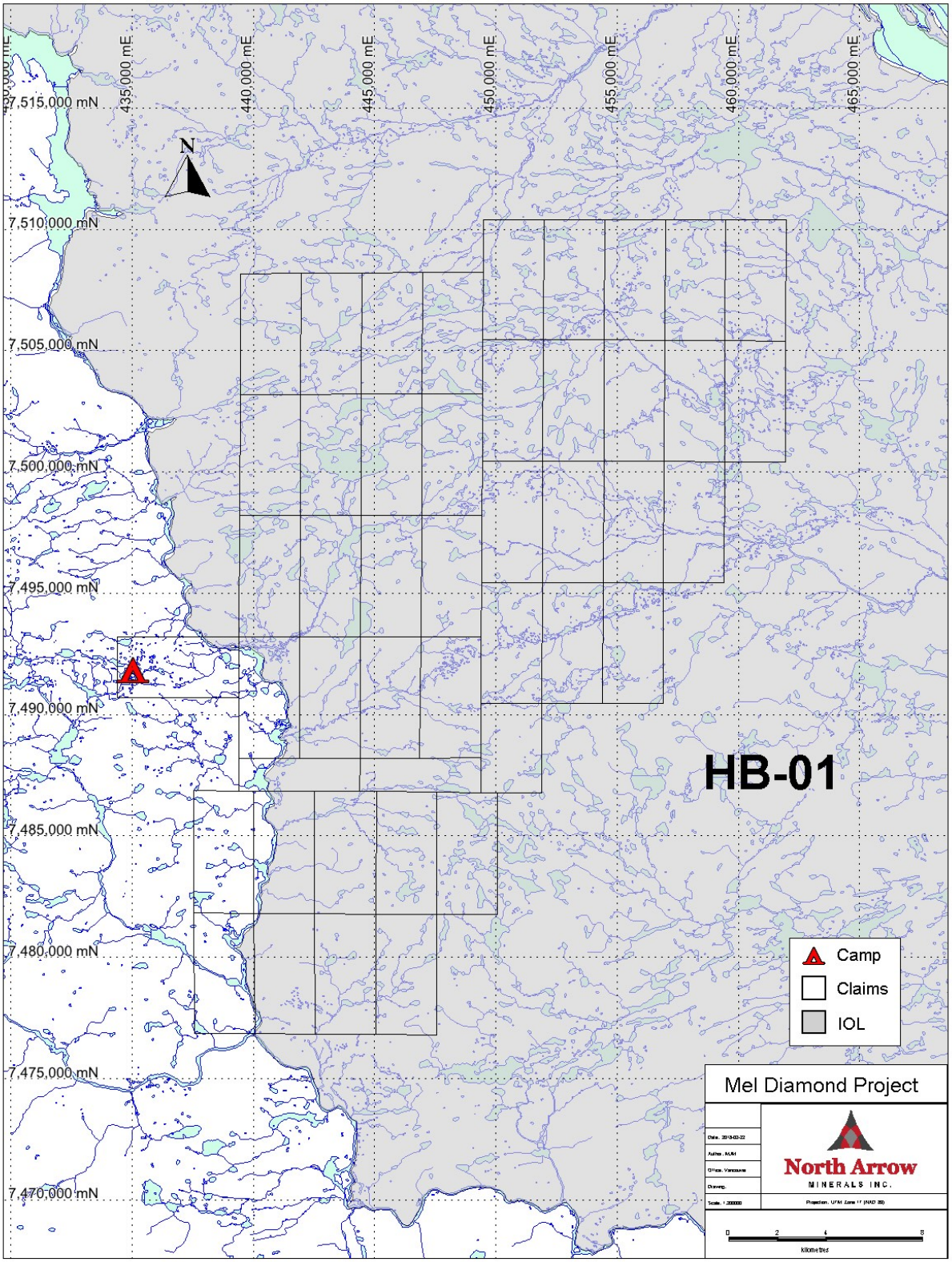
  Purpose of Meetings

  - To present the results of the 2017 prospecting program, show the kimberlite that was discovered, discuss the significance of the diamond results, and put in perspective what stage the project is now at.
  - To remind the community of the upcoming 2018 drill program, discuss timing, look at potential employment opportunities, expediting opportunities, and discuss other ways Hall Beach may be able to benefit from the program.
  - Meet and interview potential camp managers / wildlife monitors for the Mel Exploration Camp.

- **June / July 2018** (exact timing tbd) – Mel Exploration Drilling Program

  - Mobilization for 12 person exploration camp – two geologists, 1 helicopter pilot, 1 engineer, 5 drillers, one cook, one camp manager, one wildlife monitor.
  - 4-6 week drilling program with some till sampling and prospecting.
  - Work to commence in early June 2018; ~1500 metres of drilling to be completed.

Figure 8: Current Mel Property Mineral Claims and IOL Boundary



Appendix 1

MEL PROJECT 2018 DRILLING PROGRAM
WILDLIFE MITIGATION PROTOCOL – June 12, 2017

North Arrow Minerals
Suite 960 – 789 West Pender St.
Vancouver, BC V6C 1H2
Phone: 604-668-8355
Fax: 604-336-4813

Mel Property, Qikiqtani Region, Nunavut

Background

North Arrow Minerals Inc. ("North Arrow") is planning an exploration drill program at the Mel Diamond Project, located approximately 140 km south of the Hamlet of Hall Beach. The project consists of six minerals claims, mostly (approximately 7,200 ha) within Inuit Owned Land (IOL) parcel HB-01 (surface rights)*. Approximately 300 ha of the project area covers Crown Land. Within the project area, North Arrow has narrowed down a potential kimberlite source area that is ready to be drill-tested.

Applications have been submitted for the required land use permits and water licenses to allow for a four to six week exploration drilling program (with the possibility of concurrent till sampling, prospecting and ground geophysics) commencing in approximately July or August 2018. The proposed program consists of 4-8 targets to be tested by 8-12 drill holes with an average depth of between 50-150 metres (estimate) focused on four of the six mineral claims, located in the north of the project area. The program would be supported from a temporary exploration camp with a proposed location approximately 13 km southwest from the border of the drilling targets. The proposed camp location is near a flat topped esker upon which wheeled aircraft can land. An inspection of the proposed camp site by a knowledgeable Hall Beach resident has been proposed for the summer of 2017 to ensure suitability of the site and confirm the area has no special cultural or historical significance that would be disturbed by a camp.

Purpose

During the drill program the crew will fly daily by helicopter from the camp to the drill location. However, the project area is within the ranges of a number of species of wildlife and is an area where wildlife harvesting occurs. Therefore, the daily flights have the potential to disturb wildlife and harvesting activities. The purpose of this Wildlife Mitigation Protocol (the "Protocol") is to therefore outline a mitigation plan to minimize the impact of the proposed drill program on the local wildlife and harvesting activities, with particular reference to caribou and muskoxen.

** North Arrow staked more claims at the Mel Project on October 26th and 27th, 2017 after the development and approval of this Protocol document. The total project area now sits at 56,000 ha.*

Objectives

The objectives of this Protocol are to clearly outline the duties and responsibilities of North Arrow and North Arrow's employees and contractors, to the Hamlet of Hall Beach and the local Hunters and Trappers Association (HTA), with regards to wildlife, over the period of the program.

Mitigating and Preventing Disturbance of Wildlife and of Harvesters of Wildlife

North Arrow will adhere to the terms and conditions of all regulatory instruments related to the program (including the land use permits and water license referred to above) and will comply with all applicable legislation. In particular, with regards to terms and conditions that apply specifically to wildlife, North Arrow will adhere to the Project-Specific Terms and Conditions of the Nunavut Impact Review Board NIRB Screening Decision Report (NIRB FILE No.: 16EN062).

In addition, North Arrow will implement and adhere to the following policies/actions:

1. All North Arrow employees and contractors will act as wildlife observers and will report and record all wildlife sightings using the Wildlife Log / Record of Observations attached to this Protocol. All employees and contractors will be made aware of this Protocol and all measures designed to avoid conflicts with, and harassment of wildlife. North Arrow will provide instruction to each employee and contractor to ensure understanding on how to implement these measures, including a review of the terms and conditions of each regulatory permit and license as they relate to wildlife and wildlife monitoring.

2. Whenever safe and possible, helicopters will maintain the required flight elevations set by the terms and conditions of the project permits and licenses (typically a minimum 610 metres unless in the case of an emergency and in the case of take-offs and landings) so as to not disturb wildlife. The helicopter will not harass, worry or chase wildlife.

3. Helicopter pilot and employee/contractor passengers will watch for wildlife on every flight between camp and drill site locations, and on all flight activities.

4. During the drilling program a local wildlife monitor will be supplied through the Hall Beach HTA. The wildlife monitor will observe for, and record sightings of wildlife in the Mel Project area, and will document North Arrow's responses to such sightings to ensure impact mitigation measures as outlined in the Protocol are being followed. The wildlife monitor may be assigned additional responsibilities as part of their contracted role. The wildlife monitor is expected to abide by North Arrow's Code of Conduct and Safety throughout the entirety of the program. The HTA will invoice North Arrow Minerals for the wildlife monitoring service upon completion of the program.

5. The wildlife monitor will be given a radio to allow for communication with the helicopter pilot. If wildlife are observed by the helicopter pilot while flying, the pilot will notify the wildlife monitor and will attempt to choose a different flight path until the wildlife have moved on.

6. If wildlife are present in such numbers that a different flight path is not possible then helicopter will set down until the animals have moved on at least 1.5 km from the flight path, or desired take-

off or landing location.

7. If the wildlife monitor, employees or contractors on the ground observe any wildlife, they will notify the helicopter pilot (and, if appropriate, the wildlife monitor). The pilot will safely avoid the area where the wildlife are observed. If there is no choice of a different route (for instance if caribou or muskox are within 1.5 km of the drilling site or camp), then flying will stop until the animals have moved on.

8. If activities related to the drilling program should result in the need for a polar bear to be killed North Arrow will receive a tag from the community of Hall Beach and the community will be paid $5,000.00 in compensation to account for the economic losses.

Reporting: Logging Wildlife Sightings, Mel Project, 2018 Drilling Program

1. Each of North Arrow, the Hamlet and the HTA shall designate a contact person, including email address, for the purposes of effective communication during the period of the program.
2. North Arrow will confirm the start date of the Program with the Hamlet and HTA approximately one week prior to the start of operations.
3. North Arrow will prepare a notice containing details and timing of the program and post the notice on prominent bulletin boards throughout the Hamlet, including at the HTA.
4. During program operations, North Arrow will send a weekly email to the Hamlet and HTA that documents and outlines: the type and number of animals observed, their location, and the mitigation measure taken.

A copy of a compiled wildlife record outlining time, date, location and details of wildlife sighting will be shared with designated representatives of the Hamlet Council, and the HTA at the conclusion of the 2018 drilling program. The wildlife record will also be shared with regulatory agencies if required under the terms and conditions of the project permits and licenses.

Contact Information

Contact	Name	Email	Telephone
North Arrow			
Mel Project Geologist	Mike MacMorran	mmacmorran@northarrowminerals.com	604-563-4808
	tbd	*tbd*	*tbd*
Camp Wildlife Monitor	*tbd*	*tbd*	*tbd*
Hall Beach			
Hall Beach HTA Manager	Manasee Naullaq	hbhta@qiniq.com	867-928-8994

Hall Beach Mayor	Peter Seakoluk	mayor_hbhamlet@qiniq.com	867-928-8829
Hall Beach SAO	Jim Langille	sao_hbhamlet@qiniq.com	867-928-8829
GN			
Nunavut Wildlife Management Board			867-975-7300
DoE Wildlife Office (Hall Beach)			867-928-8507

Wildlife Log / Record of Observations – Mel Project

Date	Northing NAD83 UTMz17	Easting NAD83 UTMz17	Species	# of animals	Description of activity / Action taken

Hello,

Agreement was signed by Chair - Josie and Vice-Chair Paul.

My computer is down, so fax is the main communication for now.

Thanks
Mary

Hall Beach Mayor	Peter Seakoluk	mayor_hbhamlet@qiniq.com	867-928-8829
Hall Beach SAO	Jim Langille	sao_hbhamlet@qiniq.com	867-928-8829
GN			
Nunavut Wildlife Management Board			867-975-7300
DoE Wildlife Office (Hall Beach)			867-928-8507

Wildlife Log / Record of Observations – Mel Project

Date	Northing NAD83 UTMz17	Easting NAD83 UTMz17	Species	# of animals	Description of activity / Action taken

Chairman: JOPIE KAERNERK / Jopie Kaernerk

Vice-Chair: Paul Naqmalik / Paul Naqmalik