

*Condensed Interim Consolidated Financial Statements of*

**TRUE NORTH GEMS INC.**

*As at and for the three month period ended March 31, 2015*

*Expressed in Canadian dollars*

*(Unaudited – prepared by management)*

*Notice to Reader: As required by National Instrument 51-102 subsection 4.3(3)(a), readers are advised that an auditor has not performed a review of these interim financial statements.*

**TRUE NORTH GEMS INC.**  
**Condensed Interim Consolidated Statement of Financial Position**  
**(Unaudited)**

Expressed in Canadian dollars

	<b>March 31,</b>	<b>December 31,</b>
	<b>2015</b>	<b>2014</b>
<b>Current assets</b>		
Cash and cash equivalents	\$ 469,647	\$ 1,988,992
Restricted cash	34,715	34,716
Investments (note 4)	231,950	283,950
Accounts receivable	67,339	35,316
Deposits and prepaid expenses	78,725	76,235
	<b>882,376</b>	<b>2,419,209</b>
<b>Non-current assets</b>		
Property, plant and equipment (note 5)	27,872,500	24,942,674
Restricted cash - reclamation	1,620,549	1,662,973
Exploration and evaluation assets (note 6)	3,202,657	3,045,646
	<b>32,695,706</b>	<b>29,651,293</b>
<b>Total assets</b>	<b>\$ 33,578,082</b>	<b>\$ 32,070,502</b>
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 1,151,512	\$ 632,879
Current portion of loans payable (note 7)	615,366	631,475
Current portion of provision for reclamation costs (note 8)	81,772	81,772
	<b>1,848,650</b>	<b>1,346,126</b>
<b>Non-current liabilities</b>		
Deferred income tax liability	792,012	245,000
Loans payable (note 7)	859,166	876,977
Provision for reclamation costs (note 8)	538,659	282,975
	<b>2,189,837</b>	<b>1,404,952</b>
<b>Total liabilities</b>	<b>4,038,487</b>	<b>2,751,078</b>
<b>Equity attributable to common shareholders</b>		
Share capital (note 9(a))	46,721,787	46,705,857
Reserves (note 9(b))	9,932,878	9,193,969
Deficit	(30,428,099)	(28,409,206)
Accumulated other comprehensive income	1,475,186	60,030
	<b>27,701,752</b>	<b>27,550,650</b>
Non-controlling interest (note 10)	1,837,843	1,768,774
	<b>29,539,595</b>	<b>29,319,424</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 33,578,082</b>	<b>\$ 32,070,502</b>

Nature of operations and going concern (note 1)  
Subsequent events (note 16)

Approved on behalf of the Board:

(signed) David S. Parsons Director

(signed) William Anderson Director

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

**TRUE NORTH GEMS INC.**  
**Condensed Interim Consolidated Statements of Changes in Equity**  
**(Unaudited)**

Expressed in Canadian dollars

	Share capital		Reserves		Deficit	Accumulated other comprehensive income	Total common shareholders' equity	Non-controlling interest	Total equity
	Number of Shares	Amount	Warrants	Contributed surplus					
Balance - December 31, 2013	247,825,134	\$ 41,962,189	\$ 43,511	\$ 7,403,800	\$ (26,802,191)	\$ 147,030	\$ 22,754,339	\$ (1,526)	\$ 22,752,813
Shares issued to acquire assets	4,168,820	550,000	-	-	-	-	550,000	-	550,000
Non brokered private placement	16,666,667	1,500,000	-	-	-	-	1,500,000	-	1,500,000
Reallocation of the fair value of warrants issued		(264,959)	264,959	-	-	-	-	-	-
Capital raising costs		(9,333)	(2,002)	-	-	-	(11,335)	-	(11,335)
Share-based compensation		-	-	24,342	-	-	24,342	-	24,342
Net loss for period		-	-	-	(343,085)	-	(343,085)	(479)	(343,564)
Other comprehensive income (loss) for period		-	-	-	-	(84,390)	(84,390)	-	(84,390)
<b>Balance - March 31, 2014</b>	<b>268,660,621</b>	<b>\$ 43,737,897</b>	<b>\$ 306,468</b>	<b>\$ 7,428,142</b>	<b>\$ (27,145,276)</b>	<b>\$ 62,640</b>	<b>\$ 24,389,871</b>	<b>\$ (2,006)</b>	<b>\$ 24,387,865</b>
Balance - December 31, 2014	297,232,049	\$ 46,705,857	\$ 306,357	\$ 8,887,612	\$ (28,409,206)	\$ 60,030	\$ 27,550,650	\$ 1,768,774	\$ 29,319,424
Stock options exercised	100,000	10,000	-	-	-	-	10,000	-	10,000
Reallocation of the fair value of stock options exercised		5,930	-	(5,930)	-	-	-	-	-
Share-based compensation		-	-	744,839	-	-	744,839	-	744,839
Net loss for period		-	-	-	(2,018,893)	-	(2,018,893)	(41,602)	(2,060,495)
Other comprehensive income (loss) for period		-	-	-	-	1,415,156	1,415,156	110,671	1,525,827
<b>Balance - March 31, 2015</b>	<b>297,332,049</b>	<b>\$ 46,721,787</b>	<b>\$ 306,357</b>	<b>\$ 9,626,521</b>	<b>\$ (30,428,099)</b>	<b>\$ 1,475,186</b>	<b>\$ 27,701,752</b>	<b>\$ 1,837,843</b>	<b>\$ 29,539,595</b>

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

**TRUE NORTH GEMS INC.**  
**Condensed Interim Consolidated Statements of Loss**  
**(Unaudited)**

Expressed in Canadian dollars

	<b>For the three month period ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
Operating expenses		
Audit and related services	\$ 9,093	\$ 215
Consulting fees	457,068	45,000
Corporate secretarial and accounting	65,058	41,504
Depreciation	2,258	1,185
Directors fees	41,000	13,500
Exploration and evaluation expenditures	(10,173)	(903)
Farmout receipts	-	(14,500)
Foreign exchange loss	30,053	53,207
General and administrative	90,375	53,610
Investor relations	80,855	57,130
Legal fees	3,957	1,161
Rent and occupancy costs	79,505	27,300
Share-based compensation	604,107	24,342
Transfer agent and filing fees	11,068	(699)
Travel	50,950	6,850
Operating loss	(1,515,174)	(308,902)
Other income (expenses)		
Interest income	582	2,961
Borrowing costs	(4,655)	(25,013)
Loss before income taxes	(1,519,247)	(330,954)
Income tax expense	(541,248)	(12,610)
Net loss for period	\$ (2,060,495)	\$ (343,564)
Loss attributable to :		
Shareholders	\$ (2,018,893)	\$ (343,085)
Non-controlling interest	(41,602)	(479)
	\$ (2,060,495)	\$ (343,564)
Loss per share - basic and fully diluted	\$ (0.01)	\$ (0.00)
Weighted average number of common shares - basic and fully diluted	297,252,049	264,148,993

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

**TRUE NORTH GEMS INC.**  
**Condensed Interim Consolidated Statements of Comprehensive Loss**  
**(Unaudited)**

Expressed in Canadian dollars

	<b>For the three month period ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
Net loss for period	\$ (2,060,495)	\$ (343,564)
Items that may be reclassified subsequently to net loss		
Exchange rate differences on translation from functional to presentation currency	1,571,067	-
Unrealized gain (loss) on available-for-sale investments, net of income tax recovery		
\$6,760 (2014 -\$13,000)	(45,240)	(84,390)
<b>Comprehensive loss for period</b>	<b>\$ (534,668)</b>	<b>\$ (427,954)</b>
Comprehensive income attributable to:		
Shareholders	\$ (603,737)	\$ (427,476)
Non-controlling interest	69,069	(479)
	<b>\$ (534,668)</b>	<b>\$ (427,954)</b>

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

**TRUE NORTH GEMS INC.**  
**Condensed Interim Consolidated Statements of Cash Flows**  
**(Unaudited)**

Expressed in Canadian dollars

	<b>For the three month period ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>Operating activities</b>		
Net loss for period	\$ (2,060,495)	\$ (343,564)
Adjustments for:		
Borrowing costs	4,655	5,030
Deferred income tax expense	541,248	12,610
Depreciation	2,258	1,185
Farmout receipts	-	(4,500)
Share-based compensation	604,107	24,342
Unrealized foreign exchange loss - translation	19,336	29,372
	(888,891)	(275,525)
Changes in non-cash working capital items (note 11)	580,719	(205,417)
Reclamation expenditures	-	(320,658)
Cash provided by (used in) operating activities	(308,172)	(801,600)
<b>Investing activities</b>		
Property, plant and equipment additions	(1,098,480)	(1,250)
Exploration and evaluation expenditures	(26,099)	(514,509)
Changes in working capital items relating to investing activities	(96,596)	68,919
Cash provided by (used in) investing activities	(1,221,175)	(446,840)
<b>Financing activities</b>		
Shares and warrants issued for cash	-	1,500,000
Capital raising costs	-	(11,335)
Options exercised	10,000	-
Cash provided by (used in) financing activities	10,000	1,488,665
Increase (decrease) in cash and cash equivalents	(1,519,347)	240,225
Effect of exchange rate changes on cash and cash equivalents	2	(1,397)
Cash and cash equivalents - beginning of period	1,988,992	271,095
<b>Cash and cash equivalents - end of period</b>	<b>\$ 469,647</b>	<b>\$ 509,923</b>

**Supplemental disclosure of cash flow information** (note 11)

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

**TRUE NORTH GEMS INC.**  
**Notes to Condensed Interim Consolidated Financial Statements - unaudited**  
**March 31, 2015**

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Expressed in Canadian dollars

**1. Nature of operations and going concern**

True North Gems Inc. (the “Company”) was incorporated in the Yukon Territory under the Business Corporations Act on May 25, 2001. The Company’s corporate office is located at Suite 700, 1055 West Georgia Street, Vancouver, BC V6E 3P3. The Company and its subsidiary (collectively referred to, as the “Company”) are engaged in exploration and development of coloured gemstone deposits in Greenland and Canada.

These condensed interim consolidated financial statements include the accounts of True North Gems Inc. and its subsidiary, as detailed below:

<b>Subsidiary</b>	<b>Jurisdiction of Incorporation &amp; Domiciled</b>	<b>Functional Currency</b>
True North Gems Greenland A/S (“TNGG”)	Greenland	USD

The ownership interest and voting control in the subsidiary is set out below:

Parent Company’s Holdings		
Class A Shares	Ownership Interest	Voting Control
75,033,833	92.98%	92.96%

The Aappaluttoq Ruby and Pink Sapphire Deposit located in SW Greenland for which the Company was awarded an exploitation (mining) licence in March of 2014. Additionally, the Company has a portfolio of exploration and evaluation assets in Greenland and in Canada that it is currently exploring.

These condensed interim consolidated financial statements are prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. During the three month period ended March 31, 2015, the Company had incurred a net loss attributable to shareholders totalling \$2,018,893. The accumulated deficit at March 31, 2015 is \$30,428,099.

Based on the Company’s financial position at March 31, 2015, available funds are not considered adequate to meet requirements for fiscal 2015 based on budgeted and committed expenditures for operations, mine development and project exploration. To meet 2015 expenditure requirements, the Company will have to access financial resources through the issuance of securities or debt. These conditions cast significant doubt on the Company’s ability to continue as a going concern.

If the going concern assumption were not appropriate for these financial statements, then adjustments would be necessary to the carrying values of assets, liabilities, the reported income and expenses and the consolidated statement of financial position classifications used. Such adjustments could be material.

**TRUE NORTH GEMS INC.**  
**Notes to Condensed Interim Consolidated Financial Statements - unaudited**  
**March 31, 2015**

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Expressed in Canadian dollars

**2. Statement of compliance**

These condensed interim consolidated financial statements are prepared in accordance with International Financial Standard 34 Interim Financial Reporting of the International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”) and interpretations of the International Financial Reporting Committee (“IFRIC”). Accordingly, these condensed interim consolidated financial statements do not include all of the information and footnotes required by IFRS for complete financial statements for year-end reporting process.

These condensed interim consolidated financial statements follow the same accounting policies and methods of application as the Company’s audited financial statements for the year ended December 31, 2014. The policies applied in these condensed interim consolidated financial statements are based on IFRS issued as of May 27, 2015, the date the Board of Directors approved the financial statements. These condensed interim consolidated financial statements should be read in conjunction with the Company’s annual consolidated financial statements for the year ended December 31, 2014.

**3. Significant accounting policies**

**Basis of presentation**

The condensed interim consolidated financial statements have been prepared on an accrual basis and are on a historical cost basis, except for certain financial instruments, which are measured at fair value. The preparation of the condensed interim consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant are disclosed in note 4 in the Company’s annual consolidated financial statements for the year ended December 31, 2014.

These condensed interim consolidated financial statements are prepared in Canadian dollars. The functional currency of the parent company is Canadian dollars.



**TRUE NORTH GEMS INC.**  
**Notes to Condensed Interim Consolidated Financial Statements - unaudited**  
**March 31, 2015**

Expressed in Canadian dollars

**4. Investments**

	<b>March 31, 2015</b>			<b>December 31, 2014</b>	
	<b>Cost</b>	<b>Accumulated unrealized holding gain (loss)</b>	<b>Carrying value</b>	<b>Carrying value</b>	
0.8% Term deposit maturing July 9, 2015	\$ 27,950	\$ -	\$ 27,950	\$ 27,950	
Endurance Gold Corporation	175,000	25,000	200,000	250,000	
Pacific Ridge Explorations Ltd.	12,000	(8,000)	4,000	6,000	
	<b>\$ 214,950</b>	<b>\$ 17,000</b>	<b>\$ 231,950</b>	<b>\$ 283,950</b>	

**5. Property, plant and equipment**

	<b>Mine construction and development costs</b>	<b>Plant and equipment - in construction</b>	<b>Computer equipment and software</b>	<b>Laboratory and gem processing equipment</b>	<b>Office furniture and equipment</b>	<b>Plant and equipment - exploration</b>	<b>Total</b>
<b>Cost</b>							
Balance - December 31, 2014	\$ 24,234,918	\$ 351,922	\$ 120,208	\$ 13,634	\$ 3,828	\$ 1,193,193	\$ 25,917,703
Additions	406,043	808,549	3,387	-	-	-	1,217,979
Capitalized interest	49,674	-	-	-	-	-	49,674
Effect of translation	1,453,282	-	-	-	-	31,305	1,484,587
Provision for reclamation (note 9)	231,451	-	-	-	-	-	231,451
<b>Balance - March 31, 2015</b>	<b>\$ 26,375,368</b>	<b>\$ 1,160,471</b>	<b>\$ 123,595</b>	<b>\$ 13,634</b>	<b>\$ 3,828</b>	<b>\$ 1,224,498</b>	<b>\$ 28,901,394</b>
<b>Accumulated depreciation</b>							
Balance - December 31, 2014	\$ -	\$ -	\$ 98,000	\$ 6,153	\$ 1,808	\$ 869,068	\$ 975,029
Depreciation	-	-	1,807	369	102	30,675	32,953
Effect of translation	-	-	-	-	-	20,912	20,912
<b>Balance - March 31, 2015</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 99,807</b>	<b>\$ 6,522</b>	<b>\$ 1,910</b>	<b>\$ 920,655</b>	<b>\$ 1,028,894</b>
<b>Carrying amount - December 31, 2014</b>	<b>\$ 24,234,918</b>	<b>\$ 351,922</b>	<b>\$ 22,208</b>	<b>\$ 7,481</b>	<b>\$ 2,020</b>	<b>\$ 324,125</b>	<b>\$ 24,942,674</b>
<b>Carrying amount - March 31, 2015</b>	<b>\$ 26,375,368</b>	<b>\$ 1,160,471</b>	<b>\$ 23,788</b>	<b>\$ 7,112</b>	<b>\$ 1,918</b>	<b>\$ 303,843</b>	<b>\$ 27,872,500</b>

Mine construction and development costs

Aappaluttoq Ruby and Pink Sapphire Project

The property is located in southwest Greenland approximately 150 kilometres south of the capital Nuuk and 20 kilometres southeast of the town of Qeqertarsuaat. The site of the Aappaluttoq Ruby and Pink Sapphire Project is located on Exploitation Licence 2014/21, which is registered with the Government of Greenland to TNGG. This licence is a 30-year exclusive mining licence covering an area of approximately 20 square kilometres granted on March 14, 2014 and expiring on March 7, 2044.

**TRUE NORTH GEMS INC.**  
**Notes to Condensed Interim Consolidated Financial Statements - unaudited**  
**March 31, 2015**

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Expressed in Canadian dollars

**6. Exploration and evaluation assets**

**Greenland Property**

The property consists of the following:

Licences	Licence Renewal Date	2015 Exploration Obligation		Surplus Expenditures - December 31, 2014	
		DKK	CAD	DKK	CAD
Exploration Licences					
Fiskenaesset - Licence 2008/46	December 31, 2015	3,714,750	\$ 677,570	21,910,959	\$ 3,996,559
Qaqqatsiaq - Licence 2008/01	December 31, 2017	1,238,540	\$ 225,910	951,970	\$ 173,639
Manitsiq - Licence 2014/47	December 31, 2018	270,100	\$ 49,266	364,609	\$ 66,505

Surplus expenditures on the exploration licences may be carried forward and credited against the calculated exploration commitment in future years, which is subject to confirmation by the Mineral Licencing and Safety Authority (“MLSA”).

Fiskenaesset – Licence 2008/46 was obtained by the Company satisfying all the terms of an option agreement with Brereton Engineering and Developments Ltd. These terms were fulfilled on November 1, 2014. The Qaqqatsiaq - Licence 2008/01 and Maniitsoq - Licence 2014/47 are not subject to any agreements, royalties or encumbrances.

Additionally, the Company holds a non-exclusive prospecting licence, Licence 2011/07, for West Greenland that expires December 31, 2015, which has no minimum expenditure levels over the licence term to maintain in good standing.

**Baffin Island Property**

The property is located on southeastern Baffin Island, Nunuvut, near the town of Kimmirut. The Company holds a 100% interest in 10 claims, NAIP I to NAIPI 10, which 2 claims are subject to a 2% Net Smelter Returns royalty and a 2% Gross Overriding royalty. Conversion of NAIPI 1 TO NAIPI 4 claims to a mining lease was initiated in 2011 and the lease applications are still underway.

**Other Yukon Properties**

a) Tsa da Glisza Property

Pursuant to an agreement dated March 7, 2002 with Expatriate Resources Ltd., the Company acquired 100% of the Tsa da Glisza Property. The property consists of 93 claims located in the Watson Lake Mining District, Yukon Territory. There has been no recent exploration activity on this property. Currently, the Company is incurring costs with respect to reclamation of the property.

b) True Blue Property

The property consists of 301 claims located 55 kilometres south of Ross River, Yukon.

**TRUE NORTH GEMS INC.**  
**Notes to Condensed Interim Consolidated Financial Statements - unaudited**  
**March 31, 2015**

Expressed in Canadian dollars

**6. Exploration and evaluation assets – continued**

The following table details the expenditures on exploration and evaluation assets by area of interest:

Areas of Interest	Greenland Property	Baffin Island Property	Other Yukon Properties	Total
Balance - December 31, 2014	\$ 2,142,020	\$ 903,625	\$ 1	\$ 3,045,646
Effect of translation	130,912	-	-	130,912
Licence and application fees	21,724	-	-	21,724
Technical services	4,375	-	-	4,375
<b>Balance - March 31, 2015</b>	<b>\$ 2,299,031</b>	<b>\$ 903,625</b>	<b>\$ 1</b>	<b>\$ 3,202,657</b>

**7. Debt**

	March 31, 2015	December 31, 2014
Current debt (a)	\$ 615,366	\$ 631,475
Non-current debt (b)		
Equity investment – Class B shares	\$ 124,401	\$ 122,977
Term loan	734,765	754,000
Non-current debt	\$ 859,166	\$ 876,977

- a) TNGG has a credit facility of up to DKK 3,300,000 from Greenland Venture A/S (“Greenland Venture”) with repayment guaranteed by the Company (the “Guarantor”). The Guarantor unconditionally and irrevocably guarantees repayment to Greenland Ventures of loan principal, accrued interest, any costs and expenses payable in connection with the loan. The loan bears interest at the rate of 1% per month. The loan principal and accrued interest thereon was due on November 5, 2014 (Ministerial approval of the Exploitation and Abandonment Plan under Sections 19 and 43 of Mineral Resources Act and Articles 12 and 13 of Exclusive Licence No. 2014/21 was received on August 5, 2014, which represented the final authorization required to commence mine development of the Aappaluttoq Ruby and Pink Sapphire Deposit). As a result, Greenland Venture’s agreed to defer repayment until TNGG has raised sufficient funds for operating expenditures or has cash flow from production in exchange for an increase in the interest rate to 1.5% per month. The credit facility will be reassessed prior to December 31, 2015.

**TRUE NORTH GEMS INC.**  
**Notes to Condensed Interim Consolidated Financial Statements - unaudited**  
**March 31, 2015**

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Expressed in Canadian dollars

**7. Debt - continued**

- b) During the year ended December 31, 2013, a financial agreement was entered into with Greenland Venture whereby Greenland Venture contributed DKK 4,500,000 in TNGG by the following:
- i. 500 Class B shares with a par value of DKK 1,000 per share representing a 50% ownership stake in TNGG. The Class B shares entitle the holder to 9.1% of the votes and have preferential right to dividends of 10% per annum calculated on the basis of their nominal value, meaning that the B-shares shall receive its preferential dividends before any dividends are paid to the A-shares. The preferential right is cumulative and is transferred to later years if no dividends are declared. The DKK 500,000 equity component is considered a financial liability for accounting purposes based on features of the put option granted to Greenland Venture's exercisable on or after fifth anniversary date of the funding of the final draw (June 14, 2013). The expected settlement amount of the obligation is anticipated to be DKK 750,000 and the premium of DKK 250,000 is being accreted over the term as a borrowing cost and the 10% annual cumulative dividend is being accrued as a borrowing cost; and,
  - ii. DKK 4,000,000 term loan bears interest at the rate of 10% per annum payable annually in arrears. The principal balance of DKK 4,000,000 and any accrued interest thereon are repayable on the fifth anniversary date of the funding of the final draw (June 14, 2013) on the credit facility (the "Maturity Date") with repayment guaranteed by the Company. TNGG is entitled to repay the loan in full or in part including accrued payable interest thereon as at the date of repayment and including an early payout premium of 5% of the outstanding loan at any time before the Maturity Date.

**8. Provision for reclamation**

The Company has an obligation under various agreements to reclaim and restore the lands disturbed by its exploration and mine development activities. Changes to the provision are as follows:

	<b>Greenland Property</b>	<b>Baffin Island Property</b>	<b>Tsa da Gliza</b>	<b>Total</b>
Balance - December 31, 2013	\$ 190,000	\$ 28,500	\$ 484,476	\$ 702,976
Expenditures	-	-	(402,704)	(402,704)
Revision in estimates	64,475	-	-	64,475
Balance - December 31, 2014	254,475	28,500	81,772	364,747
Effect of translation	24,233	-	-	24,233
Revision in estimates	231,451	-	-	231,451
Balance - March 31, 2015	\$ 510,159	\$ 28,500	\$ 81,772	\$ 620,431

**TRUE NORTH GEMS INC.**  
**Notes to Condensed Interim Consolidated Financial Statements - unaudited**  
**March 31, 2015**

Expressed in Canadian dollars

**8. Provision for reclamation - continued**

The Company's asset retirement obligation recorded in the three month period ended March 31, 2015 and year ended December 31, 2014 relates to the decommissioning and closure of the Aappaluttoq Ruby and Pink Sapphire Deposit that is currently being developed into a mine. The expected timing of the cash flows in respect of the provision is based on the life of the mining operations. The provision is calculated as the present value of future net cash outflows based on an inflation rate of 1.80% (2014 - 1.90%) and discount rate of 0.31% (2014-0.84%). The discount rate is a risk-free rate determined based on the Denmark 10 year bond yield. The inflation rate used in determining the present value of the future cash outflows is based on the Denmark inflation rate as the majority of the expenditures are expected to be incurred in Danish krone.

**9. Equity**

- a) Authorized – Unlimited number of common shares without par value
- b) Reserves  
Reserves consist of share purchase warrants and the accumulated fair value of common share stock options recognized as share-based compensation.

Warrants

	March 31, 2015		December 31, 2014	
	Number of warrants	Amount	Number of warrants	Amount
Opening balance	9,313,990	\$ 306,357	980,656	\$ 43,511
Warrants issued	-	-	8,333,334	262,846
<b>Closing balance</b>	<b>9,313,990</b>	<b>\$ 306,357</b>	<b>9,313,990</b>	<b>\$ 306,357</b>

The fair value of the 8,333,334 warrants issued in connection with the unit private placement completed during the three month period ended March 31, 2014 totalled \$262,957. The warrants were valued using the Black-Scholes valuation model, using the following assumptions:

Warrant term	Volatility	Dividend yield	Risk-free interest rate	Warrants Issued	Fair value	Warrant issue costs	Net
2 years	126.01%	0%	1.12%	8333,334	\$ 264,959	\$ 2,002	\$ 262,957

At March 31, 2015, the following share purchase warrants are outstanding:

Number of warrants outstanding	Exercise price	Expiry date
166,667	\$0.09	04 Apr 2016
813,989	\$0.09	13 Jun 2016
8,333,334	\$0.12	07 Jan 2016
9,313,990		

**TRUE NORTH GEMS INC.**  
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Expressed in Canadian dollars

**9. Equity - continued**

Stock options

On June 26, 2014, the shareholders approved the Stock Option Plan (the "Plan"), for which up to 10% of the issued share capital can be reserved for issuance to executive officers, directors, employees and consultants. The exercise price of the options is set at the Company's closing share price on the day before the grant date less the applicable discount permitted under the TSX Venture Exchange policies. The options have a maximum term of five years and vest at date of grant. At March 31, 2015, 4,333,205 options are available for future grant under the Plan.

Stock option transactions for the three month period ended March 31, 2015 and year ended December 31, 2014 and the number of stock options outstanding and exercisable are summarized for the respective financial period ends as follows:

	<b>March 31, 2015</b>		<b>December 31, 2014</b>	
	<b>Number of options</b>	<b>Weighted Average Exercise Price of Options Exercisable</b>	<b>Number of options</b>	<b>Weighted Average Exercise Price of Options Exercisable</b>
Opening balance	18,800,000	\$0.13	24,000,000	\$0.13
Options granted	7,600,000	\$0.16	300,000	\$0.12
Options exercised	(100,000)	\$0.12	-	-
Options expired	(900,000)	\$0.15	(4,950,000)	\$0.15
Options forfeited	-	-	(550,000)	\$0.14
Closing balance	25,400,000	\$0.14	18,800,000	\$0.13

The fair value of the 7,600,000 options granted during the three month period ended March 31, 2015 resulted in a compensation expense of \$744,839 (\$604,107 was charged to operations and \$140,732 was charged to mine construction and development costs ). The options were valued using the Black-Scholes valuation model with the following assumptions:

<b>Expected life</b>	<b>Volatility</b>	<b>Dividend yield</b>	<b>Risk-free interest rate</b>	<b>Options Granted</b>	<b>Fair value</b>
5 years	75.15%	0%	0.78%	7,100,000	\$ 689,103
5 years	75.32%	0%	0.74%	500,000	55,736
				7,600,000	\$ 744,839

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**9. Equity - continued**

The fair value of the 300,000 options granted during the three month period ended March 31, 2014 resulted in a compensation expense of \$24,342 that was charged to operations. The options were valued using the Black-Scholes valuation model with the following assumptions:

<b>Expected life</b>	<b>Volatility</b>	<b>Dividend yield</b>	<b>Risk-free interest rate</b>	<b>Options Granted</b>	<b>Fair value</b>
5 years	85.81%	0%	1.62%	300,000	\$ 24,342

At March 31, 2015, stock options outstanding are as follows:

<b>Number of options outstanding and exercisable</b>	<b>Range of exercise prices</b>	<b>Weighted Average Exercise Price of Options Exercisable</b>	<b>Weighted Average Remaining Contractual Life</b>
3,750,000	\$0.10	\$0.10	2.73
14,100,000	\$0.15-\$0.17	\$0.16	2.96
7,550,000	\$0.12	\$0.12	3.64
25,400,000	\$0.13	\$0.13	2.53

**10. Non-controlling interest**

In August 2013, LNS Greenland A/S (“LNSG”) acquired from the Company 1 Class A share with a par value of DKK 1,000 representing a 0.02% ownership stake in TNGG. On October 30, 2014, LNSG acquired a 7% equity interest in TNGG by investing US\$3,000,000 (CAD \$3,251,627) and were issued 5,722,939 Class A shares from treasury. At March 31, 2015, LNSG’s stake holdings in TNGG entitle them to 7.04% of the votes. As a result of the issue of additional shares by TNGG, there was dilution of the Company’s ownership interest of \$1,459,470 that was recorded in the audited consolidated financial statements for the year ended December 31, 2014.

In addition to the above arrangement, the Company and LNSG entered into an Option Agreement dated August 7, 2013, as amended effective October 30, 2014, whereby LNSG has been granted the option to earn 20% of the issued and outstanding Class A shares of TNGG. To earn in, LNSG is contributing all infrastructure and engineering costs together with construction to operational status for the Aappaluttoq Ruby and Pink Sapphire mine. The earn-in will occur as certain milestones of the project are achieved. In addition, the relationship between the Company and LNSG are governed by four additional agreements, which will be effective upon earn in, the TNGG Shareholders Agreement, the Lease and Purchase Agreement, the Management Agreement and the Pledge Agreement (whereby the Company has pledged the Class A TNGG shares, which may be earned by LNSG as security for LNSG’s earn-in expenditures).

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**10. Non-controlling interest - continued**

The Shareholders' Agreement and Amendment No. 1 dated August 7, 2014 and October 30, 2014 respectively formalize the procedural protocols for management of TNGG and grant certain rights to LNSG with respect to directing the relevant activities of TNGG. The Lease and Purchase Agreement and Amendment No. 1 dated August 7, 2014 and October 30, 2014 respectively, is a nine year lease for the ore storage facility, two port facilities, mine operations camp, workshop, site roads, power plant and the fuel and explosive storage facility at the project. The lease fee is DKK 998,985 (approximately \$182,200) per month for the first twelve months and escalates by 2.5% per annum thereafter. The Company has the right to acquire all of the leased assets at any time during the lease term for DKK 94,650,000 (approximately \$17,264,000) of which all of the lease payments to date of exercise will be credited to the purchase price. After the lease term the Company may acquire all of the assets for DKK 8,000,000 (approximately \$1,459,000). Additionally, the Company has the option to acquire only the primary crusher and processing facility assets at any time during the lease term for DKK 29,650,000 (approximately \$5,408,200) of which the proportionate amount of lease payments to date of exercise for these assets will be credited to the purchase price. After the lease term the Company may acquire these assets for DKK 3,300,000 (approximately \$601,900). The Management Agreement and Amendment No. 1 dated August 7, 2014 and October 30, 2014 respectively governs all parties' cooperation, division of duties and each participant's obligations in respect of exploration, marketing and mining activities.

Set out below is summary financial information for TNGG that is material to the group. The amounts disclosed for TNGG are based on those amounts included in condensed interim consolidated financial statements before intercompany eliminations.

**Summary of statements of financial position**

	<b>March 31,</b>	<b>December 31,</b>
	<b>2015</b>	<b>2014</b>
<b>NCI percentage</b>	<b>7.04%</b>	<b>7.04%</b>
Current assets	\$ 443,402	\$ 1,154,683
Less - current liabilities	(2,438,805)	(2,544,402)
	(1,995,403)	(1,389,718)
Non - current assets	30,040,296	27,669,231
Less - non-current liabilities	(2,161,336)	(1,376,452)
	27,878,960	26,292,779
Net assets	\$ 25,883,557	\$ 24,903,060
Accumulated NCI	\$ 1,837,843	\$ 1,768,774



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**10. Non-controlling interest - continued**

**Summary of statements of loss and comprehensive income (loss)**

	<b>For the three month period March 31,</b>	
	<b>2015</b>	<b>2014</b>
Net loss for period	\$ (590,571)	\$ (23,973)
Loss allocated to NCI	\$ (41,602)	\$ (479)
Comprehensive income (loss) for period	\$ 980,497	\$ (23,973)
Comprehensive income (loss) allocated to NCI	\$ 69,069	\$ (479)

**Summary of statements of cash flows**

	<b>For the three month period March 31,</b>	
	<b>2015</b>	<b>2013</b>
Cash flows from operating activities	\$ (186,897)	\$ (19,982)
Cash flows from investing activities	\$ (540,977)	\$ -
Cash flows from financing activities	\$ -	\$ -

**11. Supplementary disclosure of cash flow information**

	<b>For the three month period ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
Changes in non-cash working capital items		
Restricted cash	\$ -	\$ (168)
Accounts receivable	(32,023)	(18,062)
Deposits and prepaid expenses	(2,490)	(34,147)
Accounts payable and accrued charges	615,232	(153,040)
	\$ 580,719	(205,417)

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**11. Supplementary disclosure of cash flow information - continued**

	For the three month period ended March 31,	
	2015	2014
Non-cash investing and financing activities		
Property, plant and equipment		
Depreciation	\$ 28,439	\$ -
Effect of translation	\$ 1,463,675	\$ -
Reclamation	\$ 231,451	\$ -
Share-based compensation	\$ 140,732	\$ -
Exploration and evaluation assets		
Depreciation	\$ -	\$ 31,274
Effect of translation	\$ 130,912	\$ -
Shares issued for purchase of exploration and evaluation asset	\$ -	\$ 550,000
	For the three month period ended March 31,	
	2015	2014
Interest income received	\$ 488	\$ 2,738

**12. Related party transactions**

Key management personnel are those persons that have the authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly. Key management personnel include the Company's directors and members of the senior management group.

Details of key management personnel compensation are as follows:

	For the three month period ended March 31,	
	2015	2014
Services provided:		
Consulting fees	\$ 531,853	\$ 109,453
Directors fees	41,000	13,500
Share-based compensation	555,579	-
Key management personnel compensation	\$ 1,128,432	\$ 122,953
	March 31,	December 31,
	2015	2014
Balances payable to key management personnel for compensation	\$ 403,196	\$ 96,395

Balances payable are included in accounts payable and accrued liabilities.

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**13. Segmented information**

The Company's operations comprise one reportable segment, exploration and development of mineral properties. The Company carries on business in Canada and Greenland. The carrying value of the Company's non-current assets on a geographical basis is as follows:

	March 31, 2015			December 31, 2014		
	Canada	Greenland	Total	Canada	Greenland	Total
Property, plant and equipment	\$ 20,585	\$ 27,851,915	\$ 27,872,500	\$ 18,510	\$ 24,924,165	\$ 24,942,674
Restricted cash - reclamation	-	1,620,549	1,620,549	-	1,662,973	1,662,973
Exploration and evaluation assets	903,626	2,299,031	3,202,657	903,626	2,142,020	3,045,646
<b>Total</b>	<b>\$ 924,211</b>	<b>\$ 31,771,495</b>	<b>\$ 32,695,706</b>	<b>\$ 922,136</b>	<b>\$ 28,729,157</b>	<b>\$ 29,651,293</b>

**14. Management of capital risk**

The Company's objectives when managing its capital is to maintain the ability to continue as a going concern in order to pursue the development of its mineral properties for the benefits of its stakeholders and to maintain flexible capital structure, which optimizes the costs of capital at an acceptable risk level.

In the management of capital, the Company includes the components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

The Company monitors actual expenses to budget for exploration and mine development projects and overheads to manage costs, commitments and exploration and mine development activities.

In order to maximize ongoing development efforts, the Company does not pay out dividends.

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**14. Management of capital risk - continued**

The Company's investment policy is generally to invest its cash in highly liquid short-term interest bearing investments with maturities 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations. Periodically, the Company will invest in interest bearing investments with maturities exceeding 90 days, if it is for a specific purpose.

The Company will be required to access financial resources through equity placements in the junior resource market in the current year to sustain operations of the Company. Further information related to management of capital risk and liquidity is set out in note 1.

**15. Financial instruments**

a) Fair values

The Company's financial assets and liabilities consist of cash and cash equivalents, restricted cash, accounts receivable, investments, accounts payable and debt.

The following provides a description of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 – quoted prices in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and,

Level 3 – inputs for the asset or liability that are not based on observable market data.

At March 31, 2015 and December 31, 2014, the Company's financial assets that are measured and recognized at fair value on a recurring basis are categorized as follows:

		<b>March 31, 2015</b>	<b>December 31, 2014</b>
Investments	Level 1	\$ 204,000	\$ 256,000

The carrying value of the Company's cash and cash equivalents, accounts receivable and accounts payable are representative of their respective fair value at March 31, 2015 and December 31, 2014 due to their short term nature. The fair value of accounts payable and debt may be less than the carrying value as a result of the Company's credit and liquidity risk.

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**15. Financial instruments - continued**

b) Management of financial risk

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk and interest risk.

i. Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and Greenland and a portion of its expenses are incurred in US dollars and Danish kroner. A significant change in the currency exchange rates between the Canadian dollar relative to the US dollar and Danish krone could have an effect on the Company's results of operations. The Company has not hedged its exposure to currency fluctuations.

At March 31, 2015, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars and Danish kroner:

	March 31, 2015		December 31, 2014	
	USD	DKK	USD	DKK
Cash	311	2,129,275	575	5,936,356
Accounts receivable	-	77,007	-	-
Accounts payable and accrued liabilities	(21,466)	(1,697,679)	-	(1,068,295)
Borrowing costs	-	(740,772)	-	(461,421)
Loans payable	-	(7,850,000)	-	(7,346,110)
Net liability position	(21,155)	(8,082,169)	575	(2,939,470)

Based on the above net exposure as at March 31, 2015 and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the US dollar and the Danish krone would result in an increase/decrease of \$150,102 (December 31, 2014 - \$55,342) in the Company's net loss.

ii. Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's term deposits included in short-term investments are held through large Canadian financial institutions. Term deposits are composed of financial instruments issued by Canadian banks with high investment-grade ratings. The term deposit matures annually.

iii. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach is to ensure that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed circumstances. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in notes 1 and 14.

Accounts payable and accrued liabilities are due within the current operating period.

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**15. Financial instruments – continued**

iv. Interest risk

Interest risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to its current and non-current loans.

**16. Subsequent events**

From April 1, 2015 to May 27, 2015:

- a) Options entitling the holder to acquire 250,000 common shares at a price of \$0.12 per common share were converted and 250,000 common shares were issued.
- b) Options entitling the holder to acquire 200,000 common shares at a price of \$0.10 per common share were converted and 200,000 common shares were issued.