

Condensed Interim Consolidated Financial Statements of

TRUE NORTH GEMS INC.

As at and for the three and six month periods ended June 30, 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)

	June 30, 2015	December 31, 2014
Current assets		
Cash and cash equivalents	\$ 166,364	\$ 1,988,992
Restricted cash	34,544	34,716
Investments (note 4)	207,066	283,950
Accounts receivable	11,985	35,316
Deposits and prepaid expenses	70,446	76,235
	490,405	2,419,209
Non-current assets		
Property, plant and equipment (note 5)	29,165,597	24,942,674
Restricted cash - reclamation	1,644,437	1,662,973
Exploration and evaluation assets (note 6)	3,172,990	3,045,646
	33,983,024	29,651,293
Total assets	\$ 34,473,429	\$ 32,070,502
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,721,817	\$ 632,879
Current portion of loans payable (note 7)	624,436	631,475
Current portion of provision for reclamation costs (note 8)	-	81,772
	2,346,253	1,346,126
Non-current liabilities		
Deferred income tax liability	974,595	245,000
Loans payable (note 7)	876,483	876,977
Provision for reclamation costs (note 8)	827,285	282,975
	2,678,363	1,404,952
Total liabilities	5,024,616	2,751,078
Equity attributable to common shareholders		
Share capital (note 9(a))	48,066,633	46,705,857
Reserves (note 9(b))	9,638,032	9,193,969
Deficit	(31,162,478)	(28,409,206)
Accumulated other comprehensive income	1,125,106	60,030
	27,667,293	27,550,650
Non-controlling interest (note 10)	1,781,520	1,768,774
	29,448,813	29,319,424
Total liabilities and shareholders' equity	\$ 34,473,429	\$ 32,070,502

Nature of operations and going concern (note 1)

Subsequent events (notes 7 & 16)

Approved on behalf of the Board:

(signed) David S. Parsons Director

(signed) William Anderson Director

The accompanying notes are an integral part 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		(9,848)	(2,113)	-	-	-	(11,961)	-	(11,961)
Share-based compensation		-	-	24,342	-	-	24,342	-	24,342
Net loss for period		-	-	-	(471,696)	-	(471,696)	(1,198)	(472,894)
Other comprehensive income (loss) for period		-	-	-	-	(2,780)	(2,780)	-	(2,780)
Balance - June 30, 2014	268,660,621	\$ 43,737,382	\$ 306,357	\$ 7,428,142	\$ (27,273,887)	\$ 144,250	\$ 24,342,244	\$ (2,724)	\$ 24,339,520
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
Warrants exercised	8,333,334	1,000,000	-	-	-	-	1,000,000	-	1,000,000
Stock options exercised	550,000	60,000	-	-	-	-	60,000	-	60,000
Reallocation of the fair value of warrants exercised		262,846	(262,846)	-	-	-	-	-	-
Reallocation of the fair value of stock options exercised		37,930	-	(37,930)	-	-	-	-	-
Share-based compensation		-	-	744,839	-	-	744,839	-	744,839
Net loss for period		-	-	-	(2,753,272)	-	(2,753,272)	(73,289)	(2,826,561)
Other comprehensive income (loss) for period		-	-	-	-	1,065,076	1,065,076	86,035	1,151,111
Balance - June 30, 2015	306,115,383	\$ 48,066,633	\$ 43,511	\$ 9,594,521	\$ (31,162,478)	\$ 1,125,106	\$ 27,667,293	\$ 1,781,520	\$ 29,448,813

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

TRUE NORTH GEMS INC.
Condensed Interim Consolidated Statements of Loss - Unaudited
(Expressed in Canadian dollars)

	For the three month period ended June 30,		For the six month period ended June 30,	
	2015	2014	2015	2014
Operating expenses				
Audit and related services	\$ 21,705	\$ 6,985	\$ 30,798	\$ 7,200
Consulting fees	99,655	45,000	556,723	90,000
Corporate secretarial and accounting	82,908	37,278	147,966	78,783
Depreciation	2,348	1,197	4,606	2,382
Directors fees	25,818	13,500	66,818	27,000
Exploration and evaluation expenditures	17	-	(10,156)	(903)
Farmout receipts	-	-	-	(14,500)
Foreign exchange (gain) loss	36,621	(43,324)	66,674	9,883
General and administrative	146,077	34,907	236,452	88,516
Investor relations	75,422	22,514	156,277	79,644
Legal fees	11,301	7,826	15,258	8,987
Rent and occupancy costs	77,009	18,800	156,514	46,100
Revision in reclamation estimate	(81,772)	-	(81,772)	-
Share-based compensation	-	-	604,107	24,342
Transfer agent and filing fees	10,527	4,950	21,595	4,250
Travel	65,202	11,005	116,152	17,856
Operating loss	(572,838)	(160,638)	(2,088,012)	(469,540)
Other income (expenses)				
Interest and other income	100	2,352	682	5,313
Borrowing costs	(4,541)	(36,434)	(9,196)	(61,447)
Loss before income taxes	(577,279)	(194,720)	(2,096,526)	(525,674)
Income tax recovery (expense)	(188,787)	65,390	(730,035)	52,780
Net loss for period	\$ (766,066)	\$ (129,330)	\$ (2,826,561)	\$ (472,894)
Loss attributable to :				
Shareholders	\$ (734,379)	\$ (128,611)	\$ (2,753,272)	\$ (471,696)
Non-controlling interest	(31,687)	(719)	(73,289)	(1,198)
	\$ (766,066)	\$ (129,330)	\$ (2,826,561)	\$ (472,894)
Loss per share - basic and fully diluted	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.00)
Weighted average number of common shares - basic and fully diluted	300,052,928	284,805,097	298,650,281	266,417,270

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

TRUE NORTH GEMS INC.
Condensed Interim Consolidated Statements of Comprehensive Loss - Unaudited
(Expressed in Canadian dollars)

	For the three month period ended June 30,		For the six month period ended June 30,	
	2015	2014	2015	2014
Net loss for the period	\$ (766,066)	\$ (129,330)	\$ (2,826,561)	\$ (472,894)
Items that may be reclassified subsequently to net loss				
Exchange rate differences on translation from functional to presentation currency	(349,716)	-	1,221,351	-
Unrealized gain (loss) on available-for-sale investments, net of income tax recovery	(25,000)	(58,750)	(70,240)	(2,780)
Comprehensive loss for period	\$ (1,140,782)	\$ (188,080)	\$ (1,675,450)	\$ (475,674)
Comprehensive income attributable to:				
Shareholders	\$ (1,084,459)	\$ (187,361)	\$ (1,688,196)	\$ (474,476)
Non-controlling interest	(56,323)	(719)	12,746	(1,198)
	\$ (1,140,782)	\$ (188,080)	\$ (1,675,450)	\$ (475,674)

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

TRUE NORTH GEMS INC.
Condensed Interim Consolidated Statements of Cash Flows - Unaudited
(Expressed in Canadian dollars)

	For the three month period ended June 30,		For the six month period ended June 30,	
	2015	2014	2015	2014
Operating activities				
Net loss for period	\$ (766,066)	\$ (129,330)	\$ (2,826,561)	\$ (472,894)
Adjustments for:				
Borrowing costs	4,541	5,003	9,196	10,033
Deferred income tax expense (recovery)	168,583	(65,390)	709,831	(52,780)
Depreciation	2,348	1,197	4,606	2,382
Farmout receipts - non-cash	-	-	-	(4,500)
Revision in reclamation estimate	(81,772)	-	(81,772)	-
Share-based compensation	-	-	604,107	24,342
Unrealized foreign exchange loss - translation	22,914	(34,366)	42,250	(4,994)
	(649,452)	(222,886)	(1,538,343)	(498,411)
Changes in non-cash working capital items (note 11)	439,722	(63,434)	1,020,441	(589,509)
Cash provided by (used in) operating activities	(209,730)	(286,320)	(517,902)	(1,087,920)
Investing activities				
Purchase of property, plant and equipment	(742,851)	-	(1,841,331)	(1,250)
Exploration and evaluation expenditures	(538)	(351,638)	(26,637)	(866,149)
Changes in working capital items relating to investing activities	(400,161)	13,681	(496,757)	82,600
Cash provided by (used in) investing activities	(1,143,550)	(337,957)	(2,364,725)	(784,799)
Financing activities				
Debt advances	-	239,952	-	239,952
Shares and warrants issued for cash	-	-	-	1,500,000
Capital raising costs	-	(626)	-	(11,961)
Warrants exercised	1,000,000	-	1,000,000	-
Options exercised	50,000	-	60,000	-
Cash provided by (used in) financing activities	1,050,000	239,326	1,060,000	1,727,991
Increase (decrease) in cash and cash equivalents	(303,280)	(384,951)	(1,822,627)	(144,728)
Effect of exchange rate changes on cash and cash equivalent	(3)	(1,561)	(1)	(2,957)
Cash and cash equivalents - beginning of period	469,647	509,922	1,988,992	271,095
Cash and cash equivalents - end of period	\$ 166,364	\$ 123,410	\$ 166,364	\$ 123,410

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

TRUE NORTH GEMS INC.**Notes to Condensed Interim Consolidated Financial Statements – Unaudited****June 30, 2015****(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:

Subsidiary	Jurisdiction of Incorporation & Domiciled	Functional Currency
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 six month period ended June 30, 2015, the Company had incurred a net loss attributable to shareholders totaling \$2,753,272. The accumulated deficit at June 30, 2015 is \$31,162,478.

Based on the Company’s financial position at June 30, 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.

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.

TRUE NORTH GEMS INC.
Notes to Condensed Interim Consolidated Financial Statements – Unaudited
June 30, 2015
(Expressed in Canadian dollars)

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 August 26, 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.

4. Investments

	June 30, 2015		December 31, 2014	
	Cost	Accumulated unrealized holding gain (loss)	Carrying value	Carrying value
0.8% Term deposit maturing July 9, 2015	\$ 28,066	\$ -	\$ 28,066	\$ 27,950
Endurance Gold Corporation	175,000	-	175,000	250,000
Pacific Ridge Explorations Ltd.	12,000	(8,000)	4,000	6,000
	\$215,066	\$ (8,000)	\$ 207,066	\$ 283,950

5. Property, plant and equipment

	Mine construction and development costs	Plant and equipment - in construction	Computer equipment and software	Laboratory and gem processing equipment	Office furniture and equipment	Plant and equipment - exploration	Total
Cost							
Balance - December 31, 2014	\$ 24,234,918	\$ 351,922	\$ 120,208	\$ 13,634	\$ 3,828	\$ 1,193,193	\$ 25,917,703
Additions	690,054	1,839,853	4,636	-	-	-	2,534,543
Capitalized interest	97,617	-	-	-	-	-	97,617
Effect of translation	1,122,511	-	-	-	-	13,569	1,136,080
Provision for reclamation (note 8)	524,000	-	-	-	-	-	524,000
Balance - June 30, 2015	\$ 26,669,100	\$ 2,191,775	\$ 124,844	\$ 13,634	\$ 3,828	\$ 1,206,762	\$ 30,209,943
Accumulated depreciation							
Balance - December 31, 2014	\$ -	\$ -	\$ 98,000	\$ 6,153	\$ 1,808	\$ 869,068	\$ 975,029
Depreciation	-	-	3,679	742	185	55,723	60,329
Effect of translation	-	-	-	-	-	8,988	8,988
Balance - June 30, 2015	\$ -	\$ -	\$ 101,679	\$ 6,895	\$ 1,993	\$ 933,779	\$ 1,044,346
Carrying amount - December 31, 2014	\$ 24,234,918	\$ 351,922	\$ 22,208	\$ 7,481	\$ 2,020	\$ 324,125	\$ 24,942,674
Carrying amount - June 30, 2015	\$ 26,669,100	\$ 2,191,775	\$ 23,165	\$ 6,739	\$ 1,835	\$ 272,983	\$ 29,165,597

TRUE NORTH GEMS INC.**Notes to Condensed Interim Consolidated Financial Statements – Unaudited****June 30, 2015****(Expressed in Canadian dollars)****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.

6. Exploration and evaluation assets

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	100,707	-	-	100,707
Licence and application fees	23,613	-	-	23,613
Technical services	3,024	-	-	3,024
Balance - June 30, 2015	\$ 2,269,364	\$ 903,625	\$ 1	\$ 3,172,990

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	3,651,250	\$ 680,594	21,898,408	\$ 4,081,868
Qaqqatsiaq - Licence 2008/01	December 31, 2017	1,238,540	\$ 230,864	918,318	\$ 171,174
Manitsoq - Licence 2014/47	December 31, 2018	258,970	\$ 48,272	830,468	\$ 154,799

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.

TRUE NORTH GEMS INC.
Notes to Condensed Interim Consolidated Financial Statements – Unaudited
June 30, 2015
(Expressed in Canadian dollars)

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.
- b) True Blue Property
The property consists of 301 claims located 55 kilometres south of Ross River, Yukon.

7. Debt

	June 30, 2015	December 31, 2014
Current debt (a)	\$ 624,436	\$ 27,950
Non-current debt (b)		
Equity investment - Class B shares	\$ 130,888	\$ 122,977
Term loan	745,595	754,000
Non-current debt	\$ 876,483	\$ 876,977

- a) At June 30, 2015, TNGG had 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 guaranteed repayment to Greenland Ventures of loan principal, accrued interest, any costs and expenses payable in connection with the loan. 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.
- 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 bearing 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 was 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.
- c) Subsequent to period end, on August 25, 2015, TNGG and Greenland Venture entered into a revised loan agreement which replaced and consolidated the above noted credit facility and term loan (the “Consolidated Loan”). As of July

TRUE NORTH GEMS INC.**Notes to Condensed Interim Consolidated Financial Statements – Unaudited****June 30, 2015****(Expressed in Canadian dollars)**

31, 2015 (the “Consolidation Date”), the Consolidated Loan amount outstanding was DKK 7,909,255. The Consolidated Loan bears interest at a rate of 2% per month, and the principal and accrued interest is repayable on the second anniversary of the Consolidation Date (i.e. July 31, 2017). As with the previous loan agreements, the Company has unconditionally and irrevocably guaranteed repayment to Greenland Ventures of the loan principal, accrued interest, and any costs and expenses payable in connection with the loan.

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:

	Greenland Property	Baffin Island Property	Tsa da Glizsa	Total
Balance - December 31, 2014	\$ 254,475	\$ 28,500	\$ 81,772	\$ 364,747
Effect of translation	20,310	-	-	20,310
Revision in estimates	524,000	-	(81,772)	442,228
Balance - June 30, 2015	\$ 798,785	\$ 28,500	\$ -	\$ 827,285

The Company’s provision for reclamation recorded in the six month period ended June 30, 2015 and year ended December 31, 2014 includes 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 1.003% (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.

During the period, the Company received the final inspection report from the Yukon government recommending a certificate of completion of reclamation at the Tsa da Glizsa property, therefore the provision has been revised to \$nil, as no further expenditures are expected to be incurred.

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.
- c) Warrants

	June 30, 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
Warrants exercised	(8,333,334)	(262,846)	-	-
Closing balance	980,656	\$ 43,511	9,313,990	\$ 306,357

The fair value of the 8,333,334 warrants issued in connection with the unit private placement completed during the six month period ended June 30, 2014 totalled \$262,846.

TRUE NORTH GEMS INC.
Notes to Condensed Interim Consolidated Financial Statements – Unaudited
June 30, 2015
(Expressed in Canadian dollars)

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%	833,334	\$ 264,959	\$ 2,113	\$ 262,846

At June 30, 2015, the following share purchase warrants are outstanding:

Number of warrants outstanding	Exercise price	Expiry date
166,667	\$0.09	April 4, 2016
813,989	\$0.09	June 13, 2016
980,656		

d) 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 June 30, 2015, 5,661,538 options are available for future grant under the Plan.

Stock option transactions for the six month period ended June 30, 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:

	June 30, 2015		December 31, 2014	
	Number of options	Weighted Average Exercise Price of Options Exercisable	Number of options	Weighted Average Exercise Price of Options Exercisable
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	(550,000)	\$0.12	-	-
Options expired	(900,000)	\$0.11	(4,950,000)	\$0.15
Options forfeited	-	-	(550,000)	\$0.14
Closing balance	24,950,000	\$0.14	18,800,000	\$0.13

The fair value of the 7,600,000 options granted during the six month period ended June 30, 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:

Expected life	Volatility	Dividend yield	Risk-free interest rate	Options granted	Fair value
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

TRUE NORTH GEMS INC.
Notes to Condensed Interim Consolidated Financial Statements – Unaudited
June 30, 2015
(Expressed in Canadian dollars)

The fair value of the 300,000 options granted during the six month period ended June 30, 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:

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

At June 30, 2015, stock options outstanding are as follows:

Number of options outstanding and exercisable	Range of exercise prices	Weighted Average Exercise Price of Options Exercisable	Weighted Average Remaining Contractual Life
3,450,000	\$0.10	\$0.10	2.48
14,100,000	\$0.15-\$0.17	\$0.16	2.71
7,400,000	\$0.12	\$0.12	3.39
24,950,000	0.14	0.13	2.88

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 June 30, 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).

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 \$186,200) 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 \$17,643,000) 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 \$1,491,200). 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 \$5,526,800) 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 \$615,100). 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.

TRUE NORTH GEMS INC.
Notes to Condensed Interim Consolidated Financial Statements – Unaudited
June 30, 2015
(Expressed in Canadian dollars)

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

	June 30, 2015	December 31, 2014
NCI percentage	7.04%	7.04%
Current assets	\$ 102,862	\$ 1,154,683
Less - current liabilities	(4,576,338)	(2,544,402)
	(4,473,476)	(1,389,718)
Non - current assets	32,207,344	27,669,231
Less - non-current liabilities	(2,649,864)	(1,376,452)
	29,557,480	26,292,779
Net assets	\$ 25,084,004	\$ 24,903,060
Accumulated NCI	\$ 1,781,520	\$ 1,768,774

	2015	2014	2015	2014
Net loss for period	\$ (449,819)	\$ (35,205)	\$ (1,040,389)	\$ (58,698)
Loss allocated to NCI	\$ (31,687)	\$ (718)	\$ (73,288)	\$ (1,198)
Comprehensive income (loss) for period	\$ (799,552)	\$ (35,205)	\$ 180,944	\$ (58,698)
Comprehensive income (loss) allocated to NCI	\$ (56,323)	\$ (718)	\$ 12,746	\$ (1,198)

Summary of statements of cash flows

	For the three month period June 30,		For the six month period June 30,	
	2015	2014	2015	2014
Cash flows from operating activities	\$ 236,947	\$ (21,464)	\$ 54,377	\$ (41,446)
Cash flows from investing activities	\$ (2,168,011)	\$ -	\$ (2,708,988)	\$ -
Cash flows from financing activities	\$ 1,590,751	\$ -	\$ 1,590,751	\$ -

11. Supplementary disclosure of cash flow information

	For the three month period ended June 30,		For the six month period ended June 30,	
	2015	2014	2015	2014
Changes in non-cash working capital items				
Restricted cash	\$ -	\$ (170)	\$ -	\$ (338)
Accounts receivable	55,354	19,361	23,331	1,300
Deposits and prepaid expenses	8,279	35,750	5,789	1,603
Accounts payable and accrued charges	376,089	(102,238)	991,321	(255,280)
Reclamation expenditures	-	(16,137)	-	(336,794)
	\$ 439,722	\$ (63,434)	\$ 1,020,441	\$ (589,509)

TRUE NORTH GEMS INC.
Notes to Condensed Interim Consolidated Financial Statements – Unaudited
June 30, 2015
(Expressed in Canadian dollars)

	For the three month period ended		For the six month period ended	
	2015	June 30, 2014	2015	June 30, 2014
Non-cash investing and financing activities				
Property, plant and equipment				
Depreciation	\$ 27,284	\$ -	\$ 55,723	\$ -
Effect of translation	\$ (336,582)	\$ -	\$ 1,127,093	\$ -
Reclamation	\$ 292,549	\$ -	\$ 524,000	\$ -
Share-based compensation	\$ -	\$ -	\$ 140,732	\$ -
Exploration and evaluation assets				
Depreciation	\$ -	\$ 31,284	\$ -	\$ 62,558
Effect of translation	\$ (30,205)	\$ -	\$ 100,707	\$ -
Shares issued for purchase of exploration and evaluation asset	\$ -	\$ -	\$ -	\$ 550,000

	For the three month period ended June 30,		For the six month period ended June 30,	
	2015	2014	2015	2014
Interest income received	\$ 682	\$ 5,313	\$ 682	\$ 5,313

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 six month period ended June 30,	
	2015	2014
Services provided:		
Consulting fees	\$ 704,173	\$ 208,261
Directors fees	62,000	27,000
Share-based compensation	555,579	-
Key management personnel compensation	\$ 1,321,752	\$ 235,261

	June 30, 2015	December 31, 2014
Balances payable to key management personnel for compensation	\$ 547,558	\$ 96,395

Balances payable are included in accounts payable and accrued liabilities.

TRUE NORTH GEMS INC.
Notes to Condensed Interim Consolidated Financial Statements – Unaudited
June 30, 2015
(Expressed in Canadian dollars)

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:

	June 30, 2015			December 31, 2014		
	Canada	Greenland	Total	Canada	Greenland	Total
Property, plant and equipment	\$ 20,295	\$ 29,145,302	\$ 29,165,597	\$ 18,510	\$ 24,924,164	\$ 24,942,674
Restricted cash - reclamation	-	1,644,437	1,644,437	-	1,662,973	1,662,973
Exploration and evaluation assets	903,626	2,269,364	3,172,990	903,626	2,142,020	3,045,646
Total	\$ 923,921	\$ 33,059,103	\$ 33,983,024	\$ 922,136	\$ 28,729,157	\$ 29,651,293

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.

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,

TRUE NORTH GEMS INC.
Notes to Condensed Interim Consolidated Financial Statements – Unaudited
June 30, 2015
(Expressed in Canadian dollars)

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

At June 30, 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:

		June 30, 2015	December 31, 2014
Investments	Level 1	\$ 179,000	\$ 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 June 30, 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.

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 June 30, 2015, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars and Danish kroner:

	June 30, 2015		December 31, 2014	
	USD	DKK	USD	DKK
Cash	\$ 28,643	295,838	\$ 575	5,936,356
Accounts receivable	-	54,174	-	-
Accounts payable and accrued liabilities	(48,779)	(2,784,489)	-	(1,068,295)
Borrowing costs	-	(1,003,674)	-	(461,421)
Loans payable	-	(7,850,000)	-	(7,346,110)
Net liability position	\$ (20,136)	(11,288,151)	\$ 575	(2,939,470)

Based on the above net exposure as at June 30, 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 \$212,923 (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.

TRUE NORTH GEMS INC.

Notes to Condensed Interim Consolidated Financial Statements – Unaudited

June 30, 2015

(Expressed in Canadian dollars)

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.

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

On August 25, 2015, The Company entered into a share purchase and option agreement (the "Share Purchase Agreement") with Greenland Venture, under which Greenland Venture purchased 5,722,940 issued A-shares (the "Purchased Shares") of the Company's operating subsidiary in Greenland, TNGG, from the Company for a purchase price of US\$4,000,000. The Purchased Shares represent 7% of the issued and outstanding shares of TNGG.

The Company has the option under the Share Purchase Agreement to repurchase 2,861,470 of the Purchased Shares, representing 3.5% of the issued and outstanding shares of TNGG, from Greenland Venture for three years from the closing of the share purchase. The repurchase price under the option is US\$2,000,000; plus a premium of:

- (i) US\$1,000,000 if the Company exercises the repurchase option on or before the first anniversary of the closing of the share purchase;
- (ii) US\$2,500,000 if the Company exercises the repurchase option after the first anniversary but before or on the second anniversary of the closing of the share purchase; or
- (iii) US\$4,750,000 if the Company exercises the repurchase option after the second anniversary of the closing of the share purchase.

Should the Company exercise the repurchase option in the first year it will have the right to reacquire all 2,861,470 of the Purchased Shares. If the Company exercises the repurchase option in the second or third year, then LNSG will have a pro-rata right to participate in the repurchase option up to its interest in TNGG.

In connection with, and as a condition precedent to the Share Purchase Agreement, TNGG and Greenland Venture also entered into the Consolidated Loan agreement as disclosed in Note 7.