



NIGHTHAWK
GOLD CORP

Condensed Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2018

Unaudited

Presented in Canadian Dollars



November 12, 2018

MANAGEMENT'S RESPONSIBILITY FOR THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying condensed interim consolidated financial statements of Nighthawk Gold Corp. ("**Nighthawk**") are the responsibility of the Board of Directors and executive management. The unaudited condensed interim consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board. These unaudited condensed interim consolidated financial statements do not include all of the disclosures required for annual consolidated financial statements and therefore should be read in conjunction with Nighthawk's audited annual consolidated financial statements and notes thereto for the year ended December 31, 2017. These unaudited condensed interim consolidated financial statements follow the same significant accounting policies and methods of application as those included in Nighthawk's most recent audited annual consolidated financial statements, except as described in note 3. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to Nighthawk's circumstances. In the opinion of management, the unaudited condensed interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34, Interim Financial Reporting using accounting policies consistent with IFRS appropriate in the circumstances.

Management has established processes, which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the unaudited condensed interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the unaudited condensed interim consolidated financial statements and (ii) the unaudited condensed interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of Nighthawk, as of the date of and for the period presented by the unaudited condensed interim consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the internal controls over the financial reporting process, the consolidated financial statements and the auditors' report. The Audit Committee also reviews Nighthawk's Management's Discussion and Analysis to ensure that the financial information reported therein is consistent with the information presented in the consolidated financial statements. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements for issuance to the shareholders.

Management recognizes its responsibility for conducting Nighthawk's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(Signed) "Dr. Michael Byron"

Dr. Michael Byron
President & Chief Executive Officer

(Signed) "Michael Leskovec"

Michael Leskovec
Chief Financial Officer



NIGHTHAWK GOLD CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Presented in Canadian Dollars

Unaudited

As at	September 30, 2018	December 31, 2017
ASSETS		
Current Assets		
Cash	\$ 16,354,093	\$ 26,095,840
Marketable securities	70,000	170,000
Amounts receivable	370,191	64,931
Prepaid expenses and supplies	687,828	614,610
	17,482,112	26,945,381
Non-current Assets		
Restricted cash (note 5)	4,479,000	4,479,000
Exploration and evaluation assets (note 6)	66,441,565	53,333,900
	70,920,565	57,812,900
	\$ 88,402,677	\$ 84,758,281
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 1,965,310	\$ 195,227
Non-current Liabilities		
Provision for service obligation (note 7)	3,012,314	3,012,314
Reclamation provision (note 8)	401,150	401,150
Deferred tax liability	8,216,797	4,507,210
Flow-through share premium liability	-	2,453,649
	11,630,261	10,374,323
SHAREHOLDERS' EQUITY		
Share capital (note 9(a))	82,211,900	80,094,256
Warrants and broker warrants (note 9(b))	-	3,986,339
Share-based payment reserve (note 9(c))	17,586,168	12,448,488
Accumulated deficit	(24,990,962)	(22,340,352)
	74,807,106	74,188,731
	\$ 88,402,677	\$ 84,758,281

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



NIGHTHAWK GOLD CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

Presented in Canadian Dollars

Unaudited

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Expenses				
Salaries, director and consulting fees	\$ 158,652	\$ 157,838	\$ 525,240	\$ 391,155
Shareholder communication and marketing	61,529	73,399	245,935	223,864
Regulatory	17,404	36,084	163,913	210,656
Office and administration	60,203	45,672	174,018	178,729
Travel	1,831	91,244	85,087	181,648
Professional fees	12,840	37,203	80,186	162,180
Stock-based compensation (note 9(c))	875,408	-	875,408	1,912,148
	1,187,867	441,440	2,149,787	3,260,380
Other income (expense)				
Flow-through share premium	967,091	1,076,683	2,803,649	2,276,066
Interest income	155,162	32,012	467,141	103,645
Unrealized loss on investments	(50,000)	-	(100,000)	-
Gain on sale of mineral property (note 6)	-	180,000	-	180,000
	1,072,253	1,288,695	3,170,790	2,559,711
Income (loss) before income taxes	(115,614)	847,255	1,021,003	(700,669)
Deferred tax provision	(1,995,432)	(643,274)	(3,671,613)	(2,406,110)
Net income (loss) and comprehensive income (loss)	\$ (2,111,046)	\$ 203,981	\$ (2,650,610)	\$ (3,106,779)
Net income (loss) per share (note 10):				
Basic and fully diluted	\$ (0.01)	Nil	\$ (0.01)	(0.02)

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



NIGHTHAWK GOLD CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Presented in Canadian Dollars

Unaudited

	Share capital	Warrants and broker warrants	Share-based payment reserve	Accumulated deficit	Total equity
Balance at December 31, 2016	\$ 61,916,419	\$ -	\$ 9,976,849	\$ (19,221,704)	\$ 52,671,564
Issuance of shares, net of cash share issuance costs of \$1,617,273	23,502,277	-	-	-	23,502,277
Flow-through share premium	(2,844,086)	-	-	-	(2,844,086)
Tax effect of share issue costs	507,881	-	-	-	507,881
Fair value of broker warrants issued	(299,259)	299,259	-	-	-
Fair value of warrants issued	(3,712,483)	3,712,483	-	-	-
Issuance of common shares on exercise of warrants	49,000	-	-	-	49,000
Issuance of common shares on exercise of stock options	694,140	-	-	-	694,140
Fair value of stock options transferred on exercise	280,367	(25,403)	(254,964)	-	-
Stock-based compensation	-	-	2,726,603	-	2,726,603
Net loss for the period	-	-	-	(3,106,779)	(3,106,779)
Balance at September 30, 2017	80,094,256	3,986,339	12,448,488	(22,328,483)	74,200,600
Net loss for the period	-	-	-	(11,869)	(11,869)
Balance at December 31, 2017 (continued)	\$ 80,094,256	\$ 3,986,339	\$ 12,448,488	\$ (22,340,352)	\$ 74,188,731

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



NIGHTHAWK GOLD CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Presented in Canadian Dollars

Unaudited

	Share capital	Warrants and broker warrants	Share-based payment reserve	Accumulated deficit	Total equity
Balance at December 31, 2017 (continued)	\$ 80,094,256	\$ 3,986,339	\$ 12,448,488	\$ (22,340,352)	\$ 74,188,731
Issuance of shares net of cash share issuance costs of \$19,109 (<i>note 9(a)</i>)	2,480,891	-	-	-	2,480,891
Flow-through share premium	(350,000)	-	-	-	(350,000)
Tax effect of share issue costs	(37,974)	-	-	-	(37,974)
Issuance of common shares on exercise of stock options	19,496	-	-	-	19,496
Fair value of warrants and stock options transferred on exercise	5,231	-	(5,231)	-	-
Expiry of warrants and broker warrants	-	(3,986,339)	3,986,339	-	-
Stock-based compensation (<i>note 9(c)</i>)	-	-	1,156,572	-	1,156,572
Net loss for the period	-	-	-	(2,650,610)	(2,650,610)
Balance at September 30, 2018	\$ 82,211,900	\$ -	\$ 17,586,168	\$ (24,990,962)	\$ 74,807,106

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



NIGHTHAWK GOLD CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

Presented in Canadian Dollars

Unaudited

For the nine months ended September 30,	2018	2017
Cash provided by (used in)		
Operations		
Net loss for the period	\$ (2,650,610)	\$ (3,106,779)
Items not involving cash:		
Deferred income tax provision	3,671,613	2,406,110
Stock-based compensation	875,408	1,912,148
Gain on sale of mineral property	-	(180,000)
Flow-through share premium	(2,803,649)	(2,276,066)
Unrealized loss on investments	100,000	-
Change in non-cash working capital:		
Amounts receivable	(305,260)	(145,329)
Prepaid expenses and supplies	(73,218)	(248,217)
Accounts payable and accrued liabilities	1,770,083	905,343
	584,367	(732,790)
Financing		
Issuance of common shares, net of share issue costs	2,480,891	23,502,277
Exercise of warrants	-	49,000
Exercise of stock options	19,496	694,140
	2,500,387	24,245,417
Investing		
Exploration and evaluation costs	(12,706,757)	(10,111,077)
Acquisition costs	(119,744)	(81,533)
	(12,826,501)	(10,192,610)
Increase (decrease) in cash	(9,741,747)	13,320,017
Cash, beginning of period	26,095,840	14,324,806
Cash, end of period	\$ 16,354,093	\$ 27,644,823

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



NIGHTHAWK GOLD CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Presented in Canadian Dollars

Unaudited

For the nine months ended September 30, 2018

1. NATURE OF OPERATIONS

Nighthawk Gold Corp. ("**Nighthawk**" or the "**Company**") was incorporated on January 8, 2004 under the Business Corporations Act (Ontario) and is a publicly listed Canadian junior resource company with exploration and evaluation assets in Canada. Nighthawk is engaged in the identification, acquisition, exploration and evaluation of gold properties, is listed on the Toronto Stock Exchange ("**TSX**"), and trades under the symbol NHK. To date, Nighthawk has not earned any revenue from operations. The Company's registered office is located at Suite 301, 141 Adelaide Street West, Toronto, Ontario, Canada, M5H 3L5.

The condensed interim consolidated financial statements for the nine months ended September 30, 2018 have been approved for issue by the Board of Directors on November 12, 2018.

Nighthawk is in the exploration stage and is subject to risks and challenges similar to companies in a comparable stage. These risks include, but are not limited to, the challenges of securing adequate capital in view of exploration, development and operational risks inherent in the mining industry; changes in government policies and regulations; the ability to obtain the necessary environmental permitting; challenges in future profitable production or, alternatively Nighthawk's ability to dispose of its exploration and evaluation assets on an advantageous basis; as well as global economic, precious and base metal price volatility; all of which are uncertain.

2. BASIS OF PRESENTATION

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34 - Interim Financial Reporting on the basis of International Financial Reporting Standards ("**IFRS**") and interpretations as approved by the International Accounting Standards Board ("**IASB**") and are presented in Canadian dollars.

These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis, under the historical cost convention, except fair value through profit and loss assets which are carried at fair value, and have been prepared using the accrual basis of accounting except for cash flow information.

The unaudited condensed interim consolidated statement of cash flows shows the changes in cash arising during the year from operating activities, investing activities and financing activities.

The cash flows from operating activities are determined by using the indirect method. Net loss is therefore adjusted by non-cash items, such as deferred tax expenses (recoveries), stock-based compensation, write-down of exploration and evaluation assets, flow-through share premium, accretion expense, as well as changes from amounts receivable, prepaid expenses and supplies, and accounts payable and accrued liabilities. In addition, all income and expenses from cash transactions that are attributable to investing or financing activities are eliminated. The cash flows from investing and financing activities are determined by using the direct method.

These consolidated financial statements have been prepared under the historical cost convention, except fair value through profit and loss assets which are carried at fair value, and have been prepared using the accrual basis of accounting except for cash flow information.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial framework and accounting policies applied in the preparation of these unaudited condensed interim consolidated financial statements are consistent with those as disclosed in its most recently completed audited consolidated financial statements for the transitional fiscal year ended December 31, 2017.



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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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For the nine months ended September 30, 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Changes in Accounting Policies

The Company has adopted the following standard during the nine months ended September 30, 2018:

- (i) IFRS 9 - Financial Instruments - The IASB issued IFRS 9 in October 2010 and will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The effective date for the application of IFRS 9 is January 1, 2018.

Nighthawk's adoption of IFRS 9 did not have a material financial impact upon the condensed interim consolidated financial statements.

(b) Recent Accounting Pronouncements

Certain pronouncements were issued by the IASB are mandatory for accounting periods after September 30, 2018 or later periods. Many are not applicable or do not have a significant impact to Nighthawk and have been excluded from the discussion below. The following have not yet been adopted and are being evaluated to determine their impact on Nighthawk.

- (i) In January 2016, the International Accounting Standards Board (IASB) issued a new International Financial Reporting Standard (IFRS) on lease accounting which was incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in June 2016. IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 introduces a single lessee accounting model that requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Lease assets and liabilities are initially recognized on a present value basis and subsequently, similarly to other non-financial assets and financial liabilities, respectively. The lessor accounting requirements are substantially unchanged and, accordingly, continue to require classification and measurement as either operating or finance leases. The new standard also introduces detailed disclosure requirements for both the lessee and lessor. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that also apply IFRS 15 Revenue from Contracts with Customers. Nighthawk's adoption of IFRS 16 will not have a material financial impact upon the audited consolidated financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGEMENTS

The preparation of these condensed interim consolidated financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from these estimates. These condensed interim consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed interim consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.



NIGHTHAWK GOLD CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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For the nine months ended September 30, 2018

4. CRITICAL ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGEMENTS (continued)

Significant assumptions about the future and other sources of estimation and judgemental uncertainty that management has made at the consolidated statement of financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- (i) Nighthawk assesses the carrying value of exploration and evaluation assets at each reporting period to determine whether any indication of impairment exists. When an impairment exists, the calculation of recoverable amount requires the use of estimates and assumptions such as long-term commodity prices, discount rates, recoverable metals, and operating performance;
- (ii) the calculation of the fair value of warrants, broker warrants and stock options issued by Nighthawk requires the use of estimates of inputs in the Black-Scholes option pricing valuation model;
- (iii) the calculation of the reclamation liability and provision for service obligation, being the present value of the estimated costs to restore the properties is discounted at rates which reflect current market assessments and the risks specific to the liability. The calculation requires management to estimate the total restoration costs, timing of remediation and an appropriate discount rate; and
- (iv) valuation of deferred income taxes.

5. RESTRICTED CASH

During the year ended July 31, 2011, Nighthawk posted two irrevocable standby letters of credit with a Canadian chartered bank in the amount of \$401,000 (collectively, the "**Permit LOC's**") to provide security under its land use permit and water access licence for the existing reclamation work associated with the Damoti Reclamation Obligation (*notes 6 and 8*) as well as with its exploration activities relating to the Indin Lake Gold Property in the Northwest Territories, Canada. In March 2012, Nighthawk posted additional security of \$78,000 (the "**Additional Security**") upon receiving approval on its updated land use permit, which was submitted to support its expanded exploration activities on its Indin Lake Gold Property. The updated land use permit and the water access licence are valid until February 2019. The Permit LOC's are secured by guaranteed investment certificates (the "**Permit GIC's**") at a Canadian chartered bank for the same amount. The Permit GIC's and the Additional Security may be recovered by Nighthawk at expiration of the land use permit and water access licence in absence of any environmental disturbances provided Nighthawk carries out activities to satisfy the Damoti Reclamation Obligation.

On January 26, 2012, under the terms of its agreement to acquire 100% ownership of the mineral claims and leases of the former producing Colomac Gold Mine (the "**Colomac Gold Project**") (*note 6*), Nighthawk entered into three letters of credit totaling \$5,000,000 at a Canadian chartered bank in favour of Aboriginal Affairs and Northern Development Canada ("**AANDC**") to secure Nighthawk's service obligation to perform reclamation services on three other sites as follows: \$3,000,000 for the Diversified site, \$1,000,000 for the Spider Lake site and \$1,000,000 for the Chalco Lake site (collectively, the "**Colomac LOC's**") (*note 7*). The Colomac LOC's are secured by guaranteed investment certificates (the "**Colomac GIC's**") at a Canadian chartered bank for the same amounts. Upon completion of the service obligation with respect to each reclamation site to the satisfaction of an independent third party engineer, the Colomac LOC's with respect to each site will be released and the hold restriction on the related Colomac GIC will be eliminated. At any time, the Company may terminate the liability relating to this service obligation, but as a consequence would relinquish the related Colomac GIC still held as security against the Colomac LOC's at that time.

In Fiscal 2013, the reclamation activities at the Chalco Lake site were completed and the approval of the third party engineer was obtained. As a result, the Colomac LOC with respect to the Chalco Lake site was released and the hold restriction on \$1,000,000 was eliminated at that time (*note 7*).



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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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5. RESTRICTED CASH (continued)

	Permit security	Colomac GIC's	Total restricted cash
Balance - December 31, 2017 and September 30, 2018	\$ 479,000	\$ 4,000,000	\$ 4,479,000

6. EXPLORATION AND EVALUATION ASSETS

	December 31, 2017			September 30, 2018		
	Option & acquisition costs	Exploration	Balance	Option & acquisition costs	Exploration	Balance
Mineral Property						
Indin Lake Gold Property	\$ 10,287,885	\$ 43,046,015	\$ 53,333,900	\$ 10,407,629	\$ 56,033,936	\$ 66,441,565
Mineral Property						Indin Lake Gold Property
Balance - December 31, 2017						\$ 53,333,900
Acquisition costs						119,744
Exploration expenditures						12,987,921
Balance - September 30, 2018						\$ 66,441,565

(1) Expenditures for the nine months ended September 30, 2018 includes \$281,164 of non-cash capitalized stock-based compensation (nine months ended September 30, 2017 - \$814,455).

Indin Lake Gold Property

In August 2008, Nighthawk acquired 6 mining leases and 6 mining claims (the "**Damoti Lake Property**") which lie within Nighthawk's Indin Lake Gold Property in the Indin Lake Greenstone Belt located approximately 200 kilometres north of Yellowknife, Northwest Territories. The Damoti Lake Property is subject to an existing 2% net smelter return royalty. Upon acquisition, a reclamation obligation existed at the Damoti Lake Property (the "**Damoti Reclamation Obligation**"). At the time of acquisition, the estimated cost of the Damoti Reclamation Obligation could not be reliably measured. Nighthawk has since carried out environmental assessments using a third party specialist and has estimated the cost of the Damoti Reclamation Obligation to be \$401,150 (*note 8*). Nighthawk has capitalized the Damoti Reclamation Obligation, and related assessment costs, as acquisition costs related to the Damoti Lake Property as the liability was assumed at acquisition. During the nine months ended September 30, 2018, Nighthawk incurred \$86,544 of assessment costs which have been capitalized as acquisition costs.

Under agreements dated January 7, 2011, and as amended on April 4, 2013, Nighthawk acquired 100% interest in 15 mining leases and 3 mining claims (the "**Indin Lake Properties**") within the Indin Lake Greenstone Belt, subject to existing net smelter royalties on certain claims ranging from 2% to 5%, by making payments of cash and shares totalling \$725,000. In January and April 2011, Nighthawk staked 107 additional mining claims in the Northwest Territories which link the Indin Lake Properties and the Damoti Lake Property, thereby consolidating much of the Indin Lake Gold Property's ground.



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6. EXPLORATION AND EVALUATION ASSETS (continued)

In January 2012, Nighthawk completed an agreement to acquire 100% ownership of the mineral claims and leases of the Colomac Gold Project, located within the Indin Lake Greenstone Belt and contiguous to and surrounded by Nighthawk's existing Indin Lake Gold Property in the Northwest Territories, from AANDC. As consideration for the Colomac Gold Project, Nighthawk committed to perform reclamation services on three other sites within the Indin Lake Gold Property land package which are the responsibility of AANDC: the Diversified, Chalco Lake, and Spider Lake sites. The obligation for the services is to be carried out on behalf of AANDC to a maximum of \$5,000,000. See note 7 for further details on the provision for service obligation remaining at September 30, 2018. The Company did not assume the reclamation liabilities of these three sites and is not responsible for any historical environmental liabilities associated with the Colomac Gold Project. At any time, the Company may terminate the liability relating to this service obligation, but as a consequence would relinquish the related Colomac GIC still held as security against the Colomac LOC's at that time.

7. PROVISION FOR SERVICE OBLIGATION

As consideration for the Colomac Gold Project (*note 6*), Nighthawk agreed to perform reclamation services on three other sites within the Indin Lake Gold Property land package which are the responsibility of AANDC: Diversified, Chalco Lake, and Spider Lake. The obligation for the reclamation services is to be carried out on behalf of AANDC to a maximum of \$5,000,000. Upon closing, Nighthawk entered into the Colomac LOC's totaling \$5,000,000 in favour of AANDC to secure Nighthawk's obligation to perform the services for each site. The Colomac LOC's are secured by the Colomac GIC's at a Canadian chartered bank for the same amounts (*note 5*).

Nighthawk did not assume the reclamation liabilities of these three sites. Upon completion of the service obligation with respect to each site to the satisfaction of an independent third party engineer, the Colomac LOC's with respect to each site will be released and the hold restriction on the related Colomac GIC will be eliminated. At any time, the Company may terminate the liability relating to this service obligation, but as a consequence would relinquish the related Colomac GIC still held as security against the Colomac LOC's at that time. In March 2013, the reclamation activities at the Chalco Lake site were completed upon approvals of the third party engineer.

	Service Obligation
Balance - December 31, 2017 and September 30, 2018	\$ 3,012,314

8. RECLAMATION PROVISION

Upon acquisition of the Damoti Lake Property (*note 6*), the Damoti Reclamation Obligation existed at the Damoti Lake Property. At the time of acquisition, the estimated cost of the Damoti Reclamation Obligation could not be reliably measured. Nighthawk has since carried out environmental assessments using a third party specialist and estimated the cost of the Damoti Reclamation Obligation to be \$401,150. Nighthawk posted the Permit GIC's, to secure the Permit LOC's, and remitted the Additional Security for an amount of \$479,000 (*note 5*) to provide security under its land use permit and water access licence for the Damoti Reclamation Obligation as well as for exploration activities relating to the Indin Lake Gold Property.

	Amount
Balance - December 31, 2017 and September 30, 2018	\$ 401,150



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9. SHARE CAPITAL

(a) Common Shares

Authorized Capital - Unlimited common shares

Issued

	Number of shares	Consideration
Balance - December 31, 2017	188,541,010	\$ 80,094,256
Issued for cash - flow-through private placement	5,000,000	2,500,000
Flow-through share premium	-	(350,000)
Issue costs	-	(19,109)
Tax effect of share issue costs	-	(37,974)
Exercise of stock options	64,986	19,496
Fair value of stock options transferred to common shares	-	5,231
Balance - September 30, 2018	193,605,996	\$ 82,211,900

On July 11, 2018, Nighthawk completed a non-brokered private placement financing of 5,000,000 flow-through shares at a price of \$0.50 per share for gross proceeds of \$2,500,000. Share issue costs in relation to the financing were \$19,109.

(b) Warrants

	Warrants	Broker warrants	Allocated value
Balance - December 31, 2017	15,911,042	754,631	\$ 3,986,339
Expiry of warrants and broker warrants	(15,911,042)	(754,631)	(3,986,339)
Balance - September 30, 2018	-	-	\$ -

On September 2, 2018, 15,911,042 warrants and 754,631 broker warrants relating to bought deal private placement in March 2017 expired unexercised.

(c) Contributed Surplus

Share-based Payment Reserve

Balance - December 31, 2017	\$ 12,448,488
Stock-based compensation - expensed	875,408
Stock-based compensation - capitalized	281,164
Exercise of stock options	(5,231)
Expiry of warrants and broker warrants	3,986,339
Balance - September 30, 2018	\$ 17,586,168



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9. SHARE CAPITAL (continued)

(c) Contributed Surplus (continued)

Incentive Plans

The shareholders of Nighthawk have approved a stock option plan (the “**Stock Option Plan**”) and a share unit plan (the “**Share Unit Plan**” and together with the Stock Option Plan, the “**Incentive Plans**”). The Incentive Plans supersede the previous option plan of Nighthawk, however, awards outstanding under the previous option plan continue to be outstanding and governed by the previous stock option plan. The Incentive Plans are each a “rolling evergreen” plan and provide that the number of common shares of Nighthawk available for issuance from treasury under the Incentive Plans or any other security based compensation arrangement (pre-existing or otherwise, including the previous option plan), subject to adjustments, shall not exceed 10% of the issued and outstanding common shares of the Nighthawk at the time of grant. Any increase in the issued and outstanding common shares of Nighthawk will result in an increase in the available number of common shares issuable under the Incentive Plans. Any issuance of common shares from treasury pursuant to the settlement of stock options or share units granted pursuant to the Incentive Plans shall automatically replenish the number of common shares issuable under the Incentive Plans. When each option or share unit is exercise/settled (as applicable), cancelled or terminated, a common share shall automatically be made available for the grant of a stock option/share unit under the Incentive Plans.

Stock Option Plan

The Stock Option Plan provides for the issuance of stock options to acquire common shares to employees, directors, officers, consultants, and management company employees of Nighthawk. The period within which stock options may be exercised and the number of stock options which may be exercised in any such period are determined by the Board of Directors at the time of grant of such stock options, however, that the maximum term of any stock option awarded under the Stock Option Plan is ten (10) years. The exercise price per common shares under a stock option is determined by the Board of Directors, but in any event, shall not be lower than the “market price” of the common shares on the date of grant of the stock option.

Share Unit Plan

The Share Unit Plan provides for the issuance of share units to employees, directors, officers, consultants, and management company employees of Nighthawk. Share units are units created by means of an entry on the books of Nighthawk representing the right to receive one common share (subject to adjustments) issued from treasury per share unit. The number of share units granted and any applicable vesting conditions are determined in the discretion of the Board of Directors (or a committee thereof) on the date of grant. In granting share units, the Board of Directors (or a committee thereof) may include other terms, conditions, and/or vesting criteria which are not inconsistent with the Share Unit Plan. Share units are settled by way of issuance of common shares from treasury as soon as practicable following the maturity date in accordance with the Share Unit Plan. As of September 30, 2018, there are no share units issued.

Stock Options	Number of options	Weighted average exercise price
Balance - December 31, 2017	12,471,280	\$ 0.48
Granted	3,805,000	0.40
Exercised	(64,986)	0.30
Expired	(490,000)	0.60
Balance - September 30, 2018	15,721,294	\$ 0.46



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9. SHARE CAPITAL (continued)

(c) Contributed Surplus (continued)

A summary of Nighthawk's outstanding stock options at September 30, 2018 is presented below:

Grant date	Options outstanding	Options exercisable	Exercise price	Weighted average remaining life (years)
November 29, 2013	364,000	364,000	\$0.50	0.2
March 12, 2014	276,193	276,193	\$0.46	0.4
June 10, 2014	568,634	568,634	\$0.61	0.7
August 12, 2014	162,467	162,467	\$0.61	0.9
December 17, 2014	1,850,000	1,850,000	\$0.34	1.2
December 1, 2015	1,665,000	1,665,000	\$0.15	2.2
June 8, 2016	2,430,000	2,430,000	\$0.25	2.7
July 4, 2016	450,000	450,000	\$0.37	2.8
March 20, 2017	4,150,000	4,150,000	\$0.80	3.5
September 19, 2018	3,805,000	3,805,000	\$0.40	5.0
	15,721,294	15,721,294	\$0.46	3.0

Option pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Volatility is based on the historical volatility of Nighthawk. Changes in the underlying assumptions can materially affect the fair value estimates. The options issued to non-employees were valued using the fair value of the equity instrument granted in the absence of a reliable estimate of the fair value of the goods or services received.

10. NET INCOME (LOSS) PER SHARE

Net income (loss) per share has been calculated using the weighted average number of shares outstanding during the three and nine months ended September 30, 2018 and 2017.

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Net income (loss) for the period	\$ (2,111,046)	\$ 203,981	\$ (2,650,610)	\$ (3,106,779)
Basic and fully diluted weighted average number of shares outstanding during the period	193,008,170	188,383,966	190,086,299	180,481,512
Basic and fully diluted net income (loss) per share	\$ (0.01)	\$ Nil	\$ (0.01)	\$ (0.02)

Fully diluted weighted average common shares outstanding for the three and nine months ended September 30, 2018 and the nine months ended September 30, 2017 are not reflective of the outstanding stock options, warrants and broker warrants as their exercise would be anti-dilutive in the loss per share calculation.



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11. RELATED PARTY DISCLOSURES

(a) Director and Executive Management Compensation

Directors and executive management's compensation for the three and nine months ended September 30, 2018 and 2017 consisted of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Cash compensation	\$ 138,500	\$ 80,000	\$ 415,500	\$ 244,500
Employment benefits	1,317	1,317	3,951	3,951
Fair value of stock options	791,897	-	791,897	1,694,066
	\$ 931,714	\$ 81,317	\$ 1,211,348	\$ 1,942,517

Directors and executive management received the following stock options during the nine months ended September 30, 2018 and 2017:

Expiry date	Number of options	Exercise price	Grant date stock price	Black-Scholes option pricing parameters			Fair value
				Risk-free interest rate	Expected life (years)	Volatility factor	
Nine months ended September 30, 2018							
September 19, 2023	2,605,000	\$0.40	\$0.40	2.20%	5.0	102%	\$0.30
Nine months ended September 30, 2017							
March 20, 2022	2,600,000	\$0.80	\$0.80	1.02%	5.0	117%	\$0.65

(b) Director and Executive Management Transactions

The aggregate value of transactions and outstanding balances relating to entities over which directors and executive management have control or significant influence were as follows:

Transaction	Note	Transaction value for the nine months ended		Balance outstanding as at	
		September 30, 2018	September 30, 2017	September 30, 2018	December 31, 2017
Geological consulting	(1)	\$ 180,000	\$ 165,000	\$ -	\$ -
Consulting	(2)	90,000	75,000	-	-
Rent	(3)	44,787	43,398	-	-
		\$ 314,787	\$ 283,398	\$ -	\$ -

(1) During the nine months ended September 30, 2018, Nighthawk paid geological consulting fees of \$180,000 (nine months ended September 30, 2017 - \$165,000) to Byron Geological Inc., a company controlled by Dr. Michael Byron, the current Chief Executive Officer and a Director of Nighthawk. At September 30, 2018, the balance owed was \$nil (December 31, 2017 - \$nil).

(2) During the nine months ended September 30, 2018, Nighthawk paid financial consulting fees of \$90,000 (nine months ended September 30, 2017 - \$75,000) to 2245448 Ontario Inc., a company controlled by Michael Leskovec, the Chief Financial Officer of Nighthawk. At September 30, 2018, the balance owed was \$nil (December 31, 2017 - \$nil).



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11. RELATED PARTY DISCLOSURES (continued)

(b) Director and Executive Management Transactions (continued)

- (3) During the nine months ended September 30, 2018, the Company paid rent and office costs of \$44,787 (nine months ended September 30, 2017 - \$43,398) to 1249687 Ontario Ltd., a company controlled by Brent Peters, a director of the Company. At September 30, 2018, the balance owed was \$nil (December 31, 2017 - \$nil).

These transactions have been recorded at the exchange amounts established and agreed to by the related parties.

12. MANAGEMENT OF CAPITAL RISK

Nighthawk's capital management objective is to obtain adequate levels of funding to support its exploration activities, to obtain corporate and administrative functions necessary to support organizational functioning and obtain sufficient funding to further the identification and development of precious metal deposits. Achieving this objective requires management to consider the underlying nature of exploration activities, availability of capital, the cost of various capital alternatives and other factors.

Nighthawk raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through equity capital raised by way of private placements. There can be no assurance that Nighthawk will be able to continue raising equity capital in this manner.

Establishing and adjusting capital requirements is a continuous management process. Exploration involves a high degree of "discovery" risk and substantial uncertainties about the ultimate ability of Nighthawk to achieve positive cash flows from operations. Consequently, management primarily funds Nighthawk's exploration activities and administrative costs by issuing share capital rather than using other capital sources that require fixed repayments of principal or interest. Nighthawk will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Development activities may begin once a property's mineral reserves are estimated and Nighthawk makes a positive production decision. At this point, management may consider other sources of financing such as senior debt or convertible debentures as a means to reduce equity dilution.

Nighthawk's capital under management at September 30, 2018 includes share capital of \$82,211,900 (December 31, 2017 - \$80,094,256).

Nighthawk invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments, such as cash, and short-term guarantee deposits, all held with major Canadian financial institutions.

There were no changes in Nighthawk's approach to capital management during the nine months ended September 30, 2018 and Nighthawk is not subject to any externally imposed capital requirements other than the restricted cash held as guaranteed investment certificates at a Canadian chartered bank as security for the letters of credit posted with respect to Damoti Reclamation Obligation and the Colomac Security (*note 5*).

As of September 30, 2018, Nighthawk had no flow-through expenditure obligations remaining.



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13. MANAGEMENT OF FINANCIAL AND OTHER RISK

Nighthawk's financial instruments are exposed to financial risks as summarized below:

(a) Fair Value

The carrying amount of cash, amounts receivable, and accounts payable and accrued liabilities represent their fair value due to their short-term nature. The fair value of the restricted cash are equal to its carrying value. Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties and is best evidenced by a quoted market price if one exists.

(b) Credit Risk

Nighthawk's credit risk is primarily attributable to cash. Nighthawk has no significant concentration of credit risk arising from operations. Restricted cash consists of guaranteed investment certificates, which secure Nighthawk's two irrevocable standby letters of credit with a Canadian chartered bank (*note 5*) which Nighthawk considers to be a reputable financial institution. Management therefore believes the risk of loss to be remote.

(c) Liquidity Risk

Nighthawk's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2018, Nighthawk had a cash balance of \$16,354,093 (December 31, 2017 - \$26,095,840) to settle current liabilities of \$1,965,310 (December 31, 2017 - \$195,227). All of Nighthawk's financial trade liabilities have contractual maturities of 30 days or less and are subject to normal trade terms.

(d) Interest Rate Risk

Nighthawk's cash primarily includes highly liquid bank deposits that earn a fixed rate of interest thereon. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of September 30, 2018. The restricted cash and secured notes are not subject to cash flow interest rate risk due to the fixed rate of interest thereon. Future cash flows from interest income on cash will be affected by interest rate fluctuations. Nighthawk manages interest rate risk by maintaining an investment policy for short-term investments. This policy focuses primarily on preservation of capital and liquidity. Nighthawk is exposed to interest rate price risk on fixed interest rate instruments.

(e) Equity Securities Price Risk

Nighthawk is exposed to equity securities price risk of changes because of the marketable securities investments held by the Company. The Company's marketable securities investments is not part of its core operations, and accordingly, gains and losses from these investments are not representative of the Company's performance during the year. As at September 30, 2018, the impact of a 10% increase or decrease in the share prices of the marketable securities investments would have resulted in an increase or decrease of \$7,000 that would have been included in net income (loss) and comprehensive income (loss).

(f) Other Risk

Nighthawk is exposed to other risks as follows:

Commodity Price Risk

Nighthawk is exposed to price risk with respect to the commodity price of gold. Future declines in this commodity price may impact the future profitability of Nighthawk and the valuation of its mineral properties. A significant decline in gold prices may affect Nighthawk's ability to obtain capital for the exploration and development of its mineral resource properties.