NIGHTHAWK
GOLD CORP

Consolidated Financial Statements

For the Years Ended December 31, 2018 and 2017

Presented in Canadian Dollars

March 27, 2019

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Nighthawk Gold Corp. ("**Nighthawk**") were prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. 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. Nighthawk's significant accounting policies are summarized in note 3 to the consolidated financial statements.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

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 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"*	(Signed) *"Michael Leskovec"*
Dr. Michael Byron	Michael Leskovec
President & Chief Executive Officer	Chief Financial Officer

Independent Auditor's Report

To the Shareholders of Nighthawk Gold Corp.:

Opinion

We have audited the consolidated financial statements of Nighthawk Gold Corp. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and December 31, 2017, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Marufur Raza.

MNP LLP

Toronto, Ontario — Chartered Professional Accountants

March 27, 2019 — Licensed Public Accountants

NIGHTHAWK GOLD CORP.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Presented in Canadian Dollars

As at December 31,		**2018**		2017
ASSETS				
Current Assets				
Cash & cash equivalents	**$**	**13,948,633**	$	26,095,840
Marketable securities		**80,000**		170,000
Amounts receivable		**103,239**		64,931
Prepaid expenses and supplies		**616,283**		614,610
		14,748,155		26,945,381
Non-current Assets				
Restricted cash *(note 5)*		**4,479,000**		4,479,000
Exploration and evaluation assets *(note 6)*		**67,163,070**		53,333,900
		71,642,070		57,812,900
	$	**86,390,225**	$	84,758,281
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	**$**	**419,261**	$	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 *(note 10)*		**6,903,194**		4,507,210
Flow-through share premium liability		**-**		2,453,649
		10,316,658		10,374,323
SHAREHOLDERS' EQUITY				
Share capital *(note 9(a))*		**82,255,810**		80,094,256
Warrants and broker warrants *(note 9(b))*		**-**		3,986,339
Share-based payment reserve *(note 9(c))*		**17,567,258**		12,448,488
Accumulated deficit		**(24,168,762)**		(22,340,352)
		75,654,306		74,188,731
	$	**86,390,225**	$	84,758,281

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

On behalf of the Board:

(Signed) *"Morris Prychidny"*
Director

(Signed) *"Brian Howlett"*
Director

NIGHTHAWK GOLD CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
Presented in Canadian Dollars

For the years ended December 31,	**2018**	2017
Expenses		
Salaries, director and consulting fees	**$ 857,422**	$ 602,680
Shareholder communication and marketing	**304,615**	266,928
Regulatory	**282,012**	211,578
Office and administration	**226,058**	238,696
Professional fees	**111,597**	188,461
Travel	**100,537**	251,393
Stock-based compensation *(note 9(c))*	**875,408**	1,912,148
	2,757,649	3,671,884
Other income (expense)		
Flow-through share premium	**2,803,649**	2,430,877
Interest income	**573,600**	126,677
Unrealized loss on investments	**(90,000)**	(10,000)
Gain on sale of mineral property *(note 6)*	**-**	180,000
	3,287,249	2,727,554
Income (loss) before income taxes	**529,600**	(944,330)
Deferred tax provision *(note 10)*	**(2,358,010)**	(2,174,318)
Net loss and comprehensive loss	**$ (1,828,410)**	$ (3,118,648)
Net loss per share *(note 11)*:		
Basic and fully diluted	**$ (0.01)**	$ (0.02)

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

NIGHTHAWK GOLD CORP.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Presented in Canadian Dollars

	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 $1,617,273	23,502,277	-	-	-	23,502,277
Flow-through share premium	(2,844,086)	-	-	-	(2,844,086)
Tax effect of share issue costs	507,881	-	-	-	507,881
Fair value of broker warrants issued	(299,259)	299,259	-	-	-
Fair value of warrants issued	(3,712,483)	3,712,483	-	-	-
Issuance of common shares on exercise of warrants	49,000	-	-	-	49,000
Issuance of common shares on exercise of stock options	694,140	-	-	-	694,140
Fair value of stock options transferred on exercise	280,367	(25,403)	(254,964)	-	-
Stock-based compensation	-	-	2,726,603	-	2,726,603
Net loss for the year	-	-	-	(3,118,648)	(3,118,648)
Balance at December 31, 2017	**$ 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 $19,109 *(note 9(a))*	2,480,891	-	-	-	2,480,891
Flow-through share premium	(350,000)	-	-	-	(350,000)
Tax effect of share issue costs	(37,974)	-	-	-	(37,974)
Issuance of common shares on exercise of stock options	44,496	-	-	-	44,496
Fair value of warrants and stock options transferred on exercise	24,141	-	(24,141)	-	-
Expiry of warrants and broker warrants	-	(3,986,339)	3,986,339	-	-
Stock-based compensation *(note 9(c))*	-	-	1,156,572	-	1,156,572
Net loss for the year	-	-	-	(1,828,410)	(1,828,410)
Balance at December 31, 2018	**$ 82,255,810**	**$ -**	**$ 17,567,258**	**$ (24,168,762)**	**$ 75,654,306**

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

NIGHTHAWK GOLD CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Presented in Canadian Dollars

For the years ended December 31,	**2018**	2017
Cash provided by (used in)		
Operations		
Net loss for the year	**$ (1,828,410)**	$ (3,118,648)
Items not involving cash:		
Deferred income tax provision	**2,358,010**	2,174,318
Stock-based compensation	**875,408**	1,912,148
Gain on sale of mineral property	**-**	(180,000)
Flow-through share premium	**(2,803,649)**	(2,430,877)
Unrealized loss on investments	**90,000**	10,000
Change in non-cash working capital:		
Amounts receivable	**(38,308)**	338,186
Prepaid expenses and supplies	**(1,673)**	(234,176)
Accounts payable and accrued liabilities	**224,034**	(102,167)
	(1,124,588)	(1,631,216)
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	**44,496**	694,140
	2,525,387	24,245,417
Investing		
Exploration and evaluation costs	**(13,487,577)**	(10,747,566)
Acquisition costs	**(60,429)**	(95,601)
	(13,548,006)	(10,843,167)
Increase (decrease) in cash	**(12,147,207)**	11,771,034
Cash & cash equivalents, beginning of year	**26,095,840**	14,324,806
Cash & cash equivalents, end of year	**$ 13,948,633**	$ 26,095,840

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

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 consolidated financial statements for the years ended December 31, 2018 and 2017 have been approved for issue by the Board of Directors on March 27, 2019.

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 consolidated financial statements are presented in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") and International Financial Reporting Interpretations Committee ("**IFRIC**") interpretations as issued by the International Accounting Standards Board ("**IASB**") and have been consistently applied to all the years presented. The principal accounting policies applied in the preparation of these audited consolidated financial statements are set out below.

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

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

(a) Basis of Consolidation

The consolidated financial statements comprise the accounts of Nighthawk and the assets, liabilities, revenues and expenses of its wholly-owned and controlled subsidiaries, Superior Copper Corporation and Golden Sierra Inc. Superior Copper Corporation was inactive during the year ended December 31, 2018. Golden Sierra Inc. was inactive during years ended December 31, 2018 and December 31, 2017.

Subsidiary

A subsidiary is an entity over which Nighthawk has the power to govern the financial and operating policies. Subsidiaries are fully consolidated from the date on which control commences until the date on which control ceases.

The accounts of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Inter-company transactions and balances are eliminated. Unrealized gains and losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by Nighthawk.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Business Combinations

Business combinations are accounted for using the acquisition method of accounting, whereby identifiable assets acquired and liabilities assumed are recorded at fair value as of the date of acquisition with the excess of the purchase price over such fair value recorded as goodwill.

If a transaction does not meet the definition of a business combination as per IFRS standards, the transaction is recorded as an acquisition of an asset.

(c) Functional and Presentation Currency

These consolidated financial statements are presented in Canadian dollars, which is Nighthawk's functional currency. The functional currency of Nighthawk's subsidiaries is also the Canadian dollar. The functional currency of Nighthawk's consolidated entity is measured using the currency of the primary economic environment in which that entity operates.

(d) Financial Instruments

On July 24, 2014, the IASB issued the completed IFRS 9 - Financial Instruments ("IFRS 9") to come into effect on January 1, 2018 with early adoption permitted.

FRS 9 includes finalized guidance on the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured either at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL") based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 largely retains the existing requirements in IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"), for the classification and measurement of financial liabilities.

The Company adopted IFRS 9 in its financial statements on January 1, 2018. Due to the nature of its financial instruments, the adoption of IFRS 9 had no impact on the opening accumulated deficit balance on January 1, 2018. The impact on the classification and measurement of its financial instruments is set out below.

All financial assets not classified at amortized cost or FVOCI are measured at FVTPL. On initial recognition, the Company can irrevocably designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss;
- Its contractual terms give rise to cash flows that are solely payments of principal and interest.

All financial instruments are initially recognized at fair value on the statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in the statement of loss and comprehensive loss for the period. Financial assets classified at amortized cost and financial liabilities are measured at amortized cost using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial Instruments (continued)

The following table summarized the classification and measurement changes under IFRS 9 for each financial instrument:

Classification	IAS 39	IFRS 9
Cash & cash equivalents	Loans and receivables (amortized cost)	Amortized cost
Marketable securities	FVTPL	FVTPL
Amounts receivable	Loans and receivables (amortized cost)	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

The original carrying value of the Company's financial instruments under IAS 39 has not changed under IFRS 9.

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on 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 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Marketable securities are classified as Level 1.

(e) Cash & Cash Equivalents

Cash and cash equivalents include cash on hand, balances with brokers, and highly liquid investments with an original maturity at the date of purchase of three months or less.

(f) Exploration and Evaluation Assets

Exploration and evaluation costs, including the costs of acquiring claims, are capitalized as exploration and evaluation assets on an area of interest basis pending determination of the technical feasibility and the commercial viability of the project. Capitalized costs include costs directly related to exploration and evaluation activities in the area of interest. General and administrative costs are only allocated to the asset to the extent that those costs can be directly related to operational activities in the relevant area of interest. Pre-exploration costs are expensed unless it is considered probable that they will generate future economic benefits. When a claim is relinquished or a project is abandoned, the related costs are recognized in profit or loss immediately.

Exploration and evaluation assets are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount *(note 3)*.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment and intangibles.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Exploration and Evaluation Assets (continued)

Ownership in mineral properties involves certain risks due to the difficulties in determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristics of many mining interests. Nighthawk has investigated the ownership of its mineral properties and, to the best of its knowledge, ownership of its interests are in good standing.

(g) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of the asset until such time as the assets are substantially ready for their intended use. Qualifying assets are those that necessarily take a substantial period of time to prepare for its intended use or sale. All other borrowing costs are recognized as interest or accretion expense in the statement of loss in the period in which they are incurred.

(h) Impairment

(i) Financial assets

Management assesses on a forward-looking basis the expected credit losses associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Company applies a simplified approach under IFRS 9 which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(ii) Non-financial assets

The carrying amounts of Nighthawk's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit).

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Share-Based Payment Transactions

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense or capitalized to exploration and evaluation assets for grants to individuals working directly on mineral properties, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no adjustment for differences between expected and actual outcomes. Fair values of share-based payments (including stock options) are determined based on estimated fair values at the time of grant using the Black-Scholes option pricing model using the management assumptions disclosed in note 9 (b) and note 9 (c) for warrants and stock options, respectively. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including Directors of Nighthawk.

Share-based payment arrangements in which Nighthawk receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions. These transactions are measured at the fair value of goods or services received, unless that fair value cannot be estimated reliably, in which case, they are measured indirectly, by reference to the fair value of the equity instruments granted.

(j) Provisions and Asset Retirement Obligations

A provision is recognized if, as a result of a past event, Nighthawk has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions, including asset retirement obligations, are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(k) Income Tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Share Capital

Common shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Flow-through Shares

To the extent that Nighthawk issues common shares to subscribers on a flow-through basis at a premium to the market value of non-flow through common shares, any such premium is recorded as a liability on Nighthawk's consolidated statement of financial position at the time of subscription. This liability is reduced, on a pro-rata basis, as Nighthawk fulfills its expenditure renunciation obligation associated with such flow-through share issuances, with an offsetting amount recognized as income.

A deferred tax liability equal to the tax value of flow-through expenditures renounced is recognized once Nighthawk has fulfilled its obligations associated with the renunciation of related flow-through expenditures. In respect of a retrospective renunciation, such obligation is considered to have been fulfilled once management establishes the intent to make renunciation filings with the appropriate taxation authorities In respect of prospective renunciation (i.e., a look-back renunciation), the obligation is considered to be fulfilled once related flow-through expenditures have been incurred.

(m) Valuation of Equity Instruments in Private Placements

Nighthawk has adopted a relative fair value method with respect to the measurement of common shares and warrants issued as private placement units. Warrants attached to units are valued using the Black-Scholes option pricing model and the share price at the time of financing, and the shares are valued based on quoted market price.

The proceeds from the issue of units are allocated between share capital and reserve for warrants. If and when the warrants are exercised, the applicable amounts of reserve for warrants are transferred to share capital. Any consideration paid on the exercise of the warrants is credited to capital stock. For those warrants that expire after vesting, the recorded value is transferred to share-based payment reserve.

(n) Net Loss Per Share

Nighthawk presents basic and fully diluted net loss per share data for its common shares. Basic net loss per share is calculated by dividing the net loss attributable to common shareholders of Nighthawk by the weighted average number of common shares outstanding during the year, adjusted for own shares held. Fully diluted net loss per share is determined by adjusting the net loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares, which comprise warrants and stock options granted. The effect on the diluted net loss per share of the exercise of the stock options and warrants described in note 11 would be anti-dilutive.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Changes in Accounting Policies

The Company has adopted the following standard during the year ended December 31, 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 consolidated financial statements.

(p) Recent Accounting Pronouncements

Certain pronouncements were issued by the IASB are mandatory for accounting periods after December 31, 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 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 consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the 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.

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. Subsequent to year end, Nighthawk received its renewed land use permit and water access licence, thereby approving its exploration activities over the next 5 years, expiring in February 2024, and which are extendible up to February 2026. 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.

Presented in Canadian Dollars

5. RESTRICTED CASH (continued)

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)*.

	Permit security	Colomac GIC's	**Total restricted cash**
Balance - December 31, 2016, 2017 and 2018	**$ 479,000**	**$ 4,000,000**	**$ 4,479,000**

6. EXPLORATION AND EVALUATION ASSETS

	December 31, 2017			**December 31, 2018**		
Mineral Property	Option & acquisition costs	Exploration	Balance	**Option & acquisition costs**	**Exploration**	**Balance**
Indin Lake Gold Property	$ 10,287,885	$ 43,046,015	$ 53,333,900	$ 10,348,314	$ 56,814,756	**$ 67,163,070**

Mineral Property	**Indin Lake Gold Property**
Balance - December 31, 2016	$ 41,676,278
Acquisition costs	95,601
Exploration expenditures(1)	11,562,021
Balance - December 31, 2017	53,333,900
Acquisition costs	60,429
Exploration expenditures(1)	13,768,741
Balance - December 31, 2018	**$ 67,163,070**

(1) Expenditures for the year ended December 31, 2018 includes $281,164 of non-cash capitalized stock-based compensation (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 year ended December 31, 2018, Nighthawk incurred $27,229 (2017 - $62,401) 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.

Presented in Canadian Dollars

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 December 31, 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.

Superior Project

On May 28, 2016, the Company acquired Superior pursuant to a plan of arrangement with Superior Copper Corporation. No further exploration expenditures were budgeted to be spent on the Superior Project and as a result, the carrying value was write-down for the year ended July 31, 2016.

During the year ended December 31, 2017, the Company sold its interest in the Superior Project to CR Capital Corp. ("**CR Capital**"), a company with a common director of Nighthawk, for consideration of two million common shares (valued at $180,000) in the capital stock of CR Capital and the grant of a 0.5% net smelter return royalty.

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, 2016, 2017 and 2018	**$ 3,012,314**

Presented in Canadian Dollars

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, 2016, 2017 and 2018	**$ 401,150**

9. SHARE CAPITAL

(a) Common Shares

Authorized Capital - Unlimited common shares

Issued

	Number of shares	Consideration
Balance - December 31, 2016	154,823,462	$ 61,916,419
Issued for cash - bought deal private placement	16,428,573	11,500,001
Issued for cash - bought deal flow-through private placement	12,365,593	11,500,001
Issued for cash - non-brokered private placement	3,027,926	2,119,548
Flow-through share premium	-	(2,844,086)
March 2017 Broker Warrants	-	(299,259)
March 2017 Warrants	-	(3,712,483)
Issue costs	-	(1,617,273)
Tax effect of share issue costs	-	507,881
Exercise of broker warrants	70,000	49,000
Exercise of stock options	1,825,456	694,140
Fair value of stock options and broker warrants transferred to common shares	-	280,367
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	164,986	44,496
Fair value of stock options transferred to common shares	-	24,141
Balance - December 31, 2018	**193,705,996**	**$ 82,255,810**

On March 2, 2017, the Company completed a bought deal private placement (the "**Offering**") with the over-allotment option granted to the underwriters exercised in full. The Company also completed a non-brokered private placement (the "**Non-Brokered Offering**"). A total of 31,822,092 of common shares were issued for total gross proceeds of $25,119,550.

Presented in Canadian Dollars

9. SHARE CAPITAL (continued)

(a) Common Shares (continued)

Pursuant to the Offering, the Company issued an aggregate of 12,365,593 flow-through units ("**March 2017 FT Units**") at a price of $0.93 per March 2017 FT Unit and 16,428,573 units ("**March 2017 Units**") at a price of $0.70 per March 2017 Unit, for aggregate gross proceeds of $23,000,002. Each March 2017 FT Unit is comprised of one flow-through common share and one-half of one transferable common share purchase warrant (each whole common share purchase warrant, a "**March 2017 Warrant**"). Each March 2017 Unit is comprised of one common share and one-half of one March 2017 Warrant. Each March 2017 Warrant entitles the holder thereof to acquire one common share of the Company at a price of $1.10 until September 2, 2018.

Pursuant to the Non-Brokered Offering, the Company issued 3,027,926 Units at a price of $0.70 per March 2017 Unit, for aggregate gross proceeds of $2,119,548.

Share issue costs associated with the Offering and the Non-Brokered Offering were $1,617,273. As well, 824,631 compensation warrants ("**March 2017 Broker Warrants**") were issued to the underwriters having a fair value of $229,259. Each March 2017 Broker Warrant is exercisable into one common share of the Company at a price of $0.70 until September 2, 2018. The net proceeds of $23,502,277 were allocated $19,789,794 as to the common shares and $3,712,483 as to the March 2017 Warrants.

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, 2016	-	-	$ -
March 2017 Broker Warrants *(note 9(a))*	-	824,631	299,259
March 2017 Warrants *(note 9(a))*	15,911,042	-	3,712,483
Exercise of broker warrants	-	(70,000)	(25,403)
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 - December 31, 2018	**-**	**-**	**$ -**

During the year ended December 31, 2017, the following warrants were issued and valued using the Black-Scholes option pricing model parameters listed below (in each case with no dividends and a nil forfeiture rate):

				Black-Scholes Option Pricing Parameters			
	Expiry date	Exercise price	Grant date stock price	Risk-free interest rate	Expected life (years)	Volatility factor	Fair value
March 2017 Broker Warrants	Sep. 2, 2018	$0.70	$0.69	0.76%	1.5	117%	$0.36
March 2017 Warrants	Sep. 2, 2018	$1.10	$0.69	0.76%	1.5	117%	$0.23

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

Presented in Canadian Dollars

9. SHARE CAPITAL (continued)

(b) Warrants (continued)

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.

(c) Contributed Surplus

Share-based Payment Reserve

Balance - December 31, 2016	$ 9,976,849
Stock-based compensation - expensed	1,912,148
Stock-based compensation - capitalized	814,455
Exercise of stock options	(254,964)
Balance - December 31, 2017	12,448,488
Stock-based compensation - expensed	875,408
Stock-based compensation - capitalized	281,164
Exercise of stock options	(24,141)
Expiry of warrants and broker warrants	3,986,339
Balance - December 31, 2018	**$ 17,567,258**

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.

Presented in Canadian Dollars

9. SHARE CAPITAL (continued)

(c) Contributed Surplus (continued)

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 December 31, 2018, there are no share units issued.

Stock Options	**Number of options**	**Weighted average exercise price**
Balance - December 31, 2016	10,146,736	$ 0.33
Granted	4,170,000	0.80
Exercised	(1,825,456)	0.39
Expired	(20,000)	0.80
Balance - December 31, 2017	12,471,280	0.48
Granted	3,805,000	0.40
Exercised	(164,986)	0.27
Expired	(1,085,233)	0.59
Balance - December 31, 2018	**15,026,061**	**$ 0.46**

A summary of Nighthawk's outstanding stock options at December 31, 2018 is presented below:

Grant date	**Options outstanding**	**Options exercisable**	**Exercise price**	**Weighted average remaining life (years)**
March 12, 2014[(a)]	276,193	276,193	$0.46	0.2
June 10, 2014	487,401	487,401	$0.61	0.5
August 12, 2014	162,467	162,467	$0.61	0.7
December 17, 2014	1,850,000	1,850,000	$0.34	1.0
December 1, 2015	1,665,000	1,665,000	$0.15	2.0
June 8, 2016	2,330,000	2,330,000	$0.25	2.5
July 4, 2016	450,000	450,000	$0.37	2.6
March 20, 2017	4,000,000	4,000,000	$0.80	3.3
September 19, 2018	3,805,000	3,805,000	$0.40	4.8
	15,026,061	15,026,061	$0.46	2.9

(a) Subsequent to year end, 276,193 stock options having a weighted average exercise price of $0.46 expired unexercised.

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.

Presented in Canadian Dollars

10. INCOME TAXES

Income taxes has been calculated as follows:

For the years ended December 31,		**2018**		2017
Income (loss) before income taxes	**$**	**529,600**	$	(944,330)
Canadian combined federal and provincial tax rate		**26.50 %**		26.50 %
Expected income tax recovery at Canadian statutory rate	**$**	**140,344**	$	(250,250)
Stock-based compensation		**231,980**		506,720
Effect of flow-through renunciation		**2,697,380**		2,730,150
Other non-deductible expenses		**23,850**		(41,932)
Flow-through share premium		**(742,970)**		(644,180)
Change in tax rate and other		**7,426**		(126,190)
Deferred tax provision	**$**	**2,358,010**	$	2,174,318

Nighthawk's deferred tax liability is comprised of the following temporary differences:

As at December 31,		**2018**		2017
Deferred tax assets				
Losses carried forward	**$**	**4,396,206**	$	3,961,720
Share issue costs		**349,640**		567,110
Investment tax credits		**348,810**		348,810
Equipment and intangibles		**49,520**		31,590
Deferred tax liabilities				
Exploration and evaluation assets		**(12,047,370)**		(9,416,440)
Net deferred tax liability	**$**	**(6,903,194)**	$	(4,507,210)

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

At December 31, 2018, Nighthawk had unclaimed non-capital losses that expire as follows:

Year of Expiry		
2026	$	23,654
2027		164,262
2028		233,709
2029		764,642
2030		606,254
2031		1,101,119
2032		2,045,181
2033		2,533,782
2034		1,546,222
2035		2,479,955
2036		798,241
2037		2,318,589
2038		1,955,342
	$	16,570,952

Presented in Canadian Dollars

11. NET LOSS PER SHARE

Net loss per share has been calculated using the weighted average number of shares outstanding during the years ended December 31, 2018 and 2017.

For the years ended December 31,		2018		2017
Net loss for the year	**$**	**(1,828,410)**	$	(3,118,648)
Basic and fully diluted weighted average number of shares outstanding during the year		**190,974,552**		182,512,948
Basic and fully diluted net loss per share	**$**	**(0.01)**	$	(0.02)

Fully diluted weighted average common shares outstanding for the years ended December 31, 2018 and 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.

12. RELATED PARTY DISCLOSURES

(a) Director and Executive Management Compensation

Directors and executive management's compensation for the years ended December 31, 2018 and 2017 consisted of the following:

For the years ended December 31,		2018		2017
Cash compensation	**$**	**734,000**	$	523,500
Employment benefits		**11,250**		11,250
Fair value of stock options		**791,897**		1,694,066
	$	**1,537,147**	$	2,228,816

Directors and executive management received the following stock options during the years ended December 31, 2018 and 2017:

				Black-Scholes option pricing parameters			
Expiry date	**Number of options**	**Exercise price**	**Grant date stock price**	**Risk-free interest rate**	**Expected life (years)**	**Volatility factor**	**Fair value**
Year ended December 31, 2018							
September 19, 2023	2,605,000	$0.40	$0.40	2.20%	5.0	102%	$0.30
Year ended December 31, 2017							
March 20, 2022	2,600,000	$0.80	$0.80	1.02%	5.0	117%	$0.65

Presented in Canadian Dollars

12. RELATED PARTY DISCLOSURES (continued)

(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 value for the years ended		Balance outstanding as at	
Transaction	*Note*	**December 31, 2018**	December 31, 2017	**December 31, 2018**	December 31, 2017
Geological consulting	*(1)*	**$ 360,000**	$ 330,000	**$ -**	$ -
Consulting	*(2)*	**180,000**	150,000	**-**	-
Rent	*(3)*	**59,716**	57,864	**-**	-
Sale of mineral property *(note 6)*	*(4)*	**-**	(180,000)	**-**	-
		$ 599,716	$ 357,864	**$ -**	$ -

(1) During the year ended December 31, 2018, Nighthawk paid geological consulting fees of $360,000 (year ended December 31, 2017 - $330,000) to Byron Geological Inc., a company controlled by Dr. Michael Byron, the current Chief Executive Officer and a Director of Nighthawk. At December 31, 2018, the balance owed was $nil (December 31, 2017 - $nil).

(2) During the year ended December 31, 2018, Nighthawk paid financial consulting fees of $180,000 (year ended December 31, 2017 - $150,000) to 2245448 Ontario Inc., a company controlled by Michael Leskovec, the Chief Financial Officer of Nighthawk. At December 31, 2018, the balance owed was $nil (December 31, 2017 - $nil).

(3) During the year ended December 31, 2018, the Company paid rent and office costs of $59,716 (year ended December 31, 2017 - $57,864) to 1249687 Ontario Ltd., a company controlled by Brent Peters, a director of the Company. At December 31, 2018, the balance owed was $nil (December 31, 2017 - $nil).

(4) During the year ended December 31, 2017, Nighthawk sold its interest in the Superior Project to CR Capital, a company with a common director of Nighthawk, Brian Howlett, for consideration of two million common shares ($180,000) in the capital stock of CR Capital and the grant of a 0.5% net smelter return royalty. At December 31, 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.

13. 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.

13. MANAGEMENT OF CAPITAL RISK (continued)

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 December 31, 2018 includes share capital of $82,255,810 (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 year ended December 31, 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 December 31, 2018, Nighthawk had no flow-through expenditure obligations remaining.

14. 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 and amounts receivable. 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 December 31, 2018, Nighthawk had a cash balance of $13,948,633 (December 31, 2017 - $26,095,840) to settle current liabilities of $419,261 (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 December 31, 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.

14. MANAGEMENT OF FINANCIAL AND OTHER RISK (continued)

(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 December 31, 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 $8,000 that would have been included in net loss and comprehensive 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.