



NIGHTHAWK
GOLD CORP

Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended
June 30, 2017

Unaudited

Presented in Canadian Dollars



August 14, 2017

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 five month transitional year ended December 31, 2016. 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 | June 30, 2017 | December 31, 2016 |
|--|----------------------|----------------------|
| ASSETS | | |
| Current Assets | | |
| Cash | \$ 34,254,829 | \$ 14,324,806 |
| Amounts receivable | 422,203 | 403,117 |
| Prepaid expenses and supplies | 704,887 | 380,434 |
| | 35,381,919 | 15,108,357 |
| Non-current Assets | | |
| Restricted cash (note 5) | 4,479,000 | 4,479,000 |
| Exploration and evaluation assets (note 6) | 47,708,031 | 41,676,278 |
| | 52,187,031 | 46,155,278 |
| | \$ 87,568,950 | \$ 61,263,635 |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | \$ 2,465,988 | \$ 297,394 |
| Non-current Liabilities | | |
| Flow-through share premium liability | 3,685,143 | 2,040,440 |
| Provision for service obligation (note 7) | 3,012,314 | 3,012,314 |
| Reclamation provision (note 8) | 401,150 | 401,150 |
| Deferred tax liability | 4,175,032 | 2,840,773 |
| | 11,273,639 | 8,294,677 |
| SHAREHOLDERS' EQUITY | | |
| Share capital (note 9(a)) | 79,893,031 | 61,916,419 |
| Warrants and broker warrants (note 9(b)) | 4,011,742 | - |
| Share-based payment reserve (note 9(c)) | 12,457,014 | 9,976,849 |
| Accumulated deficit | (22,532,464) | (19,221,704) |
| | 73,829,323 | 52,671,564 |
| | \$ 87,568,950 | \$ 61,263,635 |

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



NIGHTHAWK GOLD CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

Presented in Canadian Dollars

Unaudited

| | Three months ended June 30, | | Six months ended June 30, | |
|---|--------------------------------|-----------------------|------------------------------|-----------------------|
| | 2017 | 2016 | 2017 | 2016 |
| Expenses | | | | |
| Salaries, director and consulting fees | \$ 126,299 | \$ 60,308 | \$ 233,317 | \$ 104,111 |
| Regulatory | 142,515 | 1,215 | 174,572 | 15,465 |
| Shareholder communication and marketing | 54,538 | 24,224 | 150,465 | 28,155 |
| Office and administration | 66,686 | 22,845 | 133,057 | 43,715 |
| Professional fees | 51,307 | 31,858 | 124,977 | 59,359 |
| Travel | 54,070 | 4,576 | 90,404 | 7,694 |
| Stock-based compensation (<i>note 9(c)</i>) | 2,499 | 355,529 | 1,912,148 | 355,529 |
| Write-down of exploration and evaluation assets (<i>note 6</i>) | - | 5,932,348 | - | 5,932,348 |
| | 497,914 | 6,432,903 | 2,818,940 | 6,546,376 |
| Other income | | | | |
| Flow-through share premium | 901,490 | - | 1,199,383 | - |
| Interest income | 48,812 | 26,792 | 71,633 | 26,792 |
| Interest and accretion expense | - | (97,174) | - | (97,174) |
| | 950,302 | (70,382) | 1,271,016 | (70,382) |
| Income (loss) before income taxes | 452,388 | (6,503,285) | (1,547,924) | (6,616,758) |
| Deferred tax provision | (1,334,259) | (56,702) | (1,762,836) | (56,702) |
| Net loss and comprehensive loss | \$ (881,871) | \$ (6,559,987) | \$ (3,310,760) | \$ (6,673,460) |
| Net loss per share (<i>note 10</i>): | | | | |
| Basic and fully diluted | \$ (0.01) | \$ (0.09) | \$ (0.02) | \$ (0.10) |

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 January 1, 2016 | \$ 39,255,662 | \$ 36,995 | \$ 9,213,114 | \$ (12,214,085) | \$ 36,291,686 |
| Issuance of shares on acquisition of Superior Copper | 9,228,571 | - | - | - | 9,228,571 |
| Issuance of shares, net of cash share issuance costs of \$226,807 | 5,773,193 | - | - | - | 5,773,193 |
| Flow-through share premium | (1,250,000) | - | - | - | (1,250,000) |
| Tax effect of share issue costs | 56,702 | - | - | - | 56,702 |
| Fair value of warrants issued | - | 651 | - | - | 651 |
| Issuance of common shares on exercise of warrants | 60,000 | - | - | - | 60,000 |
| Issuance of common shares on exercise of stock options | 38,992 | - | - | - | 38,992 |
| Fair value of warrants and stock options transferred on exercise | 5,820 | (4,352) | (1,468) | - | - |
| Stock-based compensation | - | - | 681,171 | - | 681,171 |
| Net loss for the period | - | - | - | (6,673,460) | (6,673,460) |
| Balance at June 30, 2016 | 53,168,940 | 33,294 | 9,892,817 | (18,887,545) | 44,207,506 |
| Issuance of shares, net of cash share issuance costs of \$499,757 | 9,585,243 | - | - | - | 9,585,243 |
| Flow-through share premium | (1,615,385) | - | - | - | (1,615,385) |
| Tax effect of share issue costs | 132,436 | - | - | - | 132,436 |
| Issuance of common shares on exercise of warrants | 450,000 | - | - | - | 450,000 |
| Issuance of common shares on exercise of stock options | 111,872 | - | - | - | 111,872 |
| Fair value of warrants and stock options transferred on exercise | 83,313 | (32,643) | (50,670) | - | - |
| Expiry of warrants | - | (651) | 651 | - | - |
| Stock-based compensation (<i>note 9(c)</i>) | - | - | 134,051 | - | 134,051 |
| Net income for the period | - | - | - | (334,159) | (334,159) |
| Balance at December 31, 2016 | \$ 61,916,419 | \$ - | \$ 9,976,849 | \$ (19,221,704) | \$ 52,671,564 |

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



NIGHTHAWK GOLD CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN 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 (continued) | \$ 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 (note 9(a)) | 23,502,277 | - | - | - | 23,502,277 |
| Flow-through share premium | (2,844,086) | - | - | - | (2,844,086) |
| Tax effect of share issue costs | 428,577 | - | - | - | 428,577 |
| 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 stock options | 655,148 | - | - | - | 655,148 |
| Fair value of stock options transferred on exercise | 246,438 | - | (246,438) | - | - |
| Stock-based compensation (note 9(c)) | - | - | 2,726,603 | - | 2,726,603 |
| Net loss for the period | - | - | - | (3,310,760) | (3,310,760) |
| Balance at June 30, 2017 | \$ 79,893,031 | \$ 4,011,742 | \$ 12,457,014 | \$ (22,532,464) | \$ 73,829,323 |

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 six months ended June 30, | 2017 | 2016 |
|---|----------------------|---------------------|
| Cash provided by (used in) | | |
| Operations | | |
| Net loss for the period | \$ (3,310,760) | \$ (6,673,460) |
| Items not involving cash: | | |
| Deferred income tax provision | 1,762,836 | 56,702 |
| Stock-based compensation | 1,912,148 | 355,529 |
| Write-down of exploration and evaluation assets | - | 5,932,348 |
| Accretion expense | - | 97,174 |
| Flow-through share premium | (1,199,383) | - |
| Change in non-cash working capital: | | |
| Amounts receivable | (19,086) | (21,885) |
| Prepaid expenses and supplies | (324,453) | (243,137) |
| Accounts payable and accrued liabilities | 2,168,594 | (196,858) |
| | 989,896 | (693,587) |
| Financing | | |
| Issuance of common shares, net of share issue costs | 23,502,277 | 5,773,193 |
| Cash acquired on acquisition of Superior Copper | - | 3,618,165 |
| Exercise of warrants | - | 60,000 |
| Exercise of stock options | 655,148 | 38,992 |
| | 24,157,425 | 9,490,350 |
| Investing | | |
| Exploration and evaluation costs | (5,150,243) | (442,470) |
| Acquisition costs | (67,055) | (80,964) |
| | (5,217,298) | (523,434) |
| Increase in cash | 19,930,023 | 8,273,329 |
| Cash, beginning of period | 14,324,806 | 1,142,270 |
| Cash, end of period | \$ 34,254,829 | \$ 9,415,599 |

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 six months ended June 30, 2017

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 unaudited condensed interim consolidated financial statements for the six months ended June 30, 2017 have been approved for issue by the Board of Directors on August 14, 2017.

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 PREPARATION

(a) 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.

(b) Reporting Periods and Comparatives

On November 28, 2016, the Company announced that it was prospectively changing its fiscal year end date from July 31 to December 31, effective for the December 31, 2016 reporting period. In accordance with relevant legislation for the 2017 reporting period, the Company will prepare condensed interim consolidated financial statements for the three months ending March 31, 2017, June 30, 2017 and September 30, 2017 with the comparative periods being the three months ended March 31, 2016, June 30, 2016 and September 30, 2016, respectively. The Company's next consolidated annual financial statements will be for the twelve months ended and as at December 31, 2017 with the comparative period being the five months ended as at December 31, 2016 and the twelve months ended July 31, 2016.



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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Presented in Canadian Dollars

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For the six months ended June 30, 2017

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, 2016.

(a) Changes in Accounting Policies

The Company did not adopt any new accounting policies during the six months ended June 30, 2017.

(b) Recent Accounting Pronouncements

Certain pronouncements were issued by the IASB are mandatory for accounting periods after June 30, 2017 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) IFRS 9, *Financial Instruments*, (“**IFRS 9**”) was issued by the IASB in October 2010 and will replace IAS 39, *Financial Instruments: Recognition and Measurement* (“**IAS 39**”). 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. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Nighthawk will evaluate the impact of adopting IFRS 9 on its consolidated financial statements, including the possibility of early adoption in future periods.
- (ii) IFRS 15, issued in May 2014, will specify how and when entities recognize, measure, and disclose revenue. The standard will supersede all current standards dealing with revenue recognition, including IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC 31 Revenue – Barter Transactions Involving Advertising Services. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.
- (iii) 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 GOLD CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Presented in Canadian Dollars

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For the six months ended June 30, 2017

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 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.

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.



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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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For the six months ended June 30, 2017

5. RESTRICTED CASH (continued)

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).

| | Permit security | Colomac GIC's | Total restricted cash |
|--|--------------------|---------------------|--------------------------|
| Balance - December 31, 2016 and June 30, 2017 | \$ 479,000 | \$ 4,000,000 | \$ 4,479,000 |

6. EXPLORATION AND EVALUATION ASSETS

| Mineral Property | Option & acquisition costs | Exploration | Balance December 31, 2016 | Option & acquisition costs | Exploration | Balance June 30, 2017 |
|--------------------------------|----------------------------------|---------------|---------------------------------|----------------------------------|---------------|-------------------------------------|
| Indin Lake Gold Property | \$ 10,192,284 | \$ 31,483,994 | \$ 41,676,278 | \$ 10,259,339 | \$ 37,448,692 | \$ 47,708,031 |
| Mineral Property | | | | | | Indin Lake Gold Property |
| Balance - December 31, 2016 | | | | | | \$ 41,676,278 |
| Acquisition costs | | | | | | 67,055 |
| Exploration expenditures | | | | | | 5,964,698 |
| Balance - June 30, 2017 | | | | | | \$ 47,708,031 |

(1) Expenditures for the six months ended June 30, 2017 includes \$814,455 of non-cash capitalized stock-based compensation.

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 three months ended June 30, 2017, Nighthawk incurred \$25,717 of assessment costs which have been capitalized as acquisition costs.



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6. EXPLORATION AND EVALUATION ASSETS (continued)

Indin Lake Gold Property (continued)

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.

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, 2016. 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, 2016 and June 30, 2017 | \$ 3,012,314 |



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For the six months ended June 30, 2017

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 and June 30, 2017 | \$ 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 | - | 428,577 |
| Exercise of stock options | 1,695,482 | 655,148 |
| Fair value of stock options transferred to common shares | - | 246,438 |
| Balance - June 30, 2017 | 188,341,036 | \$ 79,893,031 |

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.

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.



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9. SHARE CAPITAL (continued)

(a) Common Shares (continued)

Share issue costs associated with the Offering and the Non-Brokered Offering were \$1,617,273. As well, 824,631 compensation options ("**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.

(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 |
| Balance - June 30, 2017 | 15,911,042 | 824,631 | \$ 4,011,742 |

During the six months ended June 30, 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):

| | Expiry date | Exercise price | Grant date stock price | Black-Scholes Option Pricing Parameters | | | Fair value |
|----------------------------|--------------|----------------|------------------------|---|-----------------------|-------------------|------------|
| | | | | Risk-free interest rate | Expected life (years) | Volatility factor | |
| 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% | \$0.22 |

A summary of Nighthawk's outstanding warrants at June 30, 2017 is presented below:

| Issue date | Number of warrants | Exercise price | Expiry date |
|-------------------------------|--------------------|----------------|-------------------|
| March 2, 2017 Broker Warrants | 824,631 | \$0.70 | September 2, 2018 |
| March 2, 2017 Warrants | 15,911,042 | \$1.10 | September 2, 2018 |
| | 16,735,673 | | |

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.



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9. SHARE CAPITAL (continued)

(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 | (246,438) |
| Balance - June 30, 2017 | \$ 12,457,014 |

Stock Options

Nighthawk has a stock option plan under which stock options may be granted to Nighthawk's directors, senior officers, employees, consultants and consultant companies. The stock option plan: (i) provides that the number of common shares reserved for issuance, within a one year period, to any one optionee, shall not exceed 5% of the outstanding common shares; (ii) provides the maximum number of common shares reserved for issuance pursuant to options granted to insiders may not exceed 10%; (iii) and contains other provisions to ensure the stock option plan is compliant with stock exchange regulations. The options granted vest immediately or as otherwise determined by Nighthawk's Board of Directors.

| | Number of options | Weighted average exercise price |
|--------------------------------|-------------------|---------------------------------|
| Balance - December 31, 2016 | 10,146,736 | \$ 0.33 |
| Granted | 4,170,000 | 0.80 |
| Exercised | (1,695,482) | 0.39 |
| Balance - June 30, 2017 | 12,621,254 | \$ 0.48 |

During the six months ended June 30, 2017, the following stock options 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):

| 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 | |
| Six months ended June 30, 2017 | | | | | | | |
| March 20, 2022 | 4,170,000 | \$0.80 | \$0.80 | 1.02% | 5.0 | 117% | \$0.65 |



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9. SHARE CAPITAL (continued)

(c) Contributed Surplus (continued)

A summary of Nighthawk's outstanding stock options at June 30, 2017 is presented below:

| Grant date | Options outstanding | Options exercisable | Exercise price | Weighted average remaining life (years) |
|--------------------|---------------------|---------------------|----------------|---|
| September 13, 2012 | 129,974 | 129,974 | \$0.30 | 0.2 |
| January 29, 2013 | 64,986 | 64,986 | \$0.30 | 0.6 |
| July 15, 2013 | 490,000 | 490,000 | \$0.60 | 1.0 |
| November 29, 2013 | 364,000 | 364,000 | \$0.50 | 1.4 |
| March 12, 2014 | 276,193 | 276,193 | \$0.46 | 1.7 |
| June 10, 2014 | 568,634 | 568,634 | \$0.61 | 1.9 |
| August 12, 2014 | 162,467 | 162,467 | \$0.61 | 2.1 |
| December 17, 2014 | 1,850,000 | 1,850,000 | \$0.34 | 2.5 |
| December 1, 2015 | 1,665,000 | 1,665,000 | \$0.15 | 3.4 |
| June 8, 2016 | 2,430,000 | 2,430,000 | \$0.25 | 3.9 |
| July 4, 2016 | 450,000 | 400,000 | \$0.37 | 4.0 |
| March 20, 2017 | 4,170,000 | 4,170,000 | \$0.80 | 4.7 |
| | 12,621,254 | 12,571,254 | \$0.48 | 3.5 |

(a) Subsequent to period end, 1,506,126 stock options having a weighted average exercise price of \$0.39 were exercised for gross proceeds of \$591,822.

The weighted average exercise price of the outstanding and exercisable options was \$0.48. The weighted average remaining contractual life of outstanding options is 3.5 years.

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 LOSS PER SHARE

Net loss per share has been calculated using the weighted average number of shares outstanding during the three and six months ended June 30, 2017 and 2016.

| | Three months ended June 30, | | Six months ended June 30, | |
|---|--------------------------------|----------------|------------------------------|----------------|
| | 2017 | 2016 | 2017 | 2016 |
| Net loss for the period | \$ (881,871) | \$ (6,559,987) | \$ (3,310,760) | \$ (6,673,460) |
| Basic and fully diluted weighted average number of shares outstanding during the period | 187,638,689 | 69,964,667 | 176,464,796 | 69,964,667 |
| Basic and fully diluted net loss per share | \$ Nil | \$ (0.09) | \$ (0.02) | \$ (0.10) |

Fully diluted weighted average common shares outstanding for the three and six months ended June 30, 2017 and 2016 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 six months ended June 30, 2017 and 2016 consisted of the following:

| | Three months ended June 30, | | Six months ended June 30, | |
|-----------------------------|--------------------------------|------------|------------------------------|------------|
| | 2017 | 2016 | 2017 | 2016 |
| Cash compensation | \$ 80,000 | \$ 57,500 | \$ 163,000 | \$ 115,000 |
| Employment benefits | 1,317 | 1,317 | 2,634 | 2,634 |
| Fair value of stock options | - | 199,500 | 1,694,066 | 199,500 |
| | \$ 81,317 | \$ 258,317 | \$ 1,859,700 | \$ 317,134 |

Directors and executive management received the following stock options during the six months ended June 30, 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 | |
| March 20, 2022 | 2,600,000 | \$0.80 | \$0.80 | 1.02% | 5.0 | 117% | \$0.65 |

The total fair value of stock options granted to directors and executive management for the six months ended June 30, 2017 was \$1,694,066. All of the stock options granted vested immediately on the date of grant and have a contractual life of 5 years from the date of grant.

Stock-based compensation of \$260,626 to executive management has been capitalized to the exploration and evaluations assets for the six months ended June 30, 2017.

(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 periods ended | | Balance outstanding as at | |
|-----------------------|------|--|-----------------------------|---------------------------|----------------------|
| | | Six months Jun. 30, 2017 | Six months Jun. 30, 2016 | June 30, 2017 | December 31, 2016 |
| Geological consulting | (1) | \$ 110,000 | \$ 75,000 | \$ 18,333 | \$ 12,500 |
| Consulting | (2) | 50,000 | 40,000 | 8,333 | - |
| Rent | (3) | 28,932 | - | - | - |
| | | \$ 188,932 | \$ 115,000 | \$ 26,666 | \$ 12,500 |

(1) During the six months ended June 30, 2017, Nighthawk paid geological consulting fees of \$110,000 (six months ended June 30, 2016 - \$75,000) to Byron Geological Inc., a company controlled by Dr. Michael Byron, the current Chief Executive Officer and a Director of Nighthawk. At June 30, 2017, the balance owed was \$18,333 (December 31, 2016 - \$12,500).

(2) During the six months ended June 30, 2017, Nighthawk paid financial consulting fees of \$50,000 (six months ended June 30, 2016 - \$40,000) to 2245448 Ontario Inc., a company controlled by Michael Leskovec, the Chief Financial Officer of Nighthawk. At June 30, 2017, the balance owed was \$8,333 (December 31, 2016 - \$nil).



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11. RELATED PARTY DISCLOSURES (continued)

(b) Director and Executive Management Transactions (continued)

- (3) During the six months ended June 30, 2017, the Company paid rent and office costs of \$28,932 (six months ended June 30, 2016 - \$nil) to 1249687 Ontario Ltd., a company controlled by Brent Peters, a director of the Company. At June 30, 2017, the balance owed was \$nil (December 31, 2016 - \$nil).

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 June 30, 2017 includes share capital of \$79,893,031 (December 31, 2016 - \$61,916,419).

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 six months ended June 30, 2017 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 June 30, 2017, Nighthawk had \$3,644,578, and \$11,500,001 of flow-through expenditure obligations remaining, which must be expended by December 31, 2017 and December 31, 2018, respectively.



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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 June 30, 2017, Nighthawk had a cash balance of \$34,254,829 (December 31, 2016 - \$14,324,806) to settle current liabilities of \$2,465,988 (December 31, 2016 - \$297,394). 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 do not earn interest. 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 June 30, 2017. 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) 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.