



Consolidated Financial Statements
For The Years Ended
July 31, 2016 and 2015

Presented in Canadian Dollars



November 28, 2016

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"

Dr. Michael Byron
President & Chief Executive Officer

(Signed) "Michael Leskovec"

Michael Leskovec
Chief Financial Officer

Independent Auditors' Report



To the Shareholders of Nighthawk Gold Corp.:

We have audited the accompanying consolidated financial statements of Nighthawk Gold Corp. (the "Company"), which comprise the consolidated statement of financial position as at July 31, 2016 and July 31, 2015, and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years ended 2016 and 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Nighthawk Gold Corp. as at July 31, 2016 and July 31, 2015 and its financial performance and its cash flows for the years ended 2016 and 2015 in accordance with International Financial Reporting Standards.

Toronto, Ontario
November 28, 2016

MNP **LLP**
Chartered Professional Accountants
Licensed Public Accountants





NIGHTHAWK GOLD CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Presented in Canadian Dollars

As at July 31,	2016	2015
		<i>(Restated - Note 18)</i>
ASSETS		
Current Assets		
Cash	\$ 8,199,849	\$ 1,502,002
Amounts receivable	267,069	245,184
Prepaid expenses and supplies	516,588	273,451
	8,983,506	2,020,637
Non-current Assets		
Restricted cash <i>(note 6)</i>	4,479,000	4,479,000
Exploration and evaluation assets <i>(note 7)</i>	39,353,425	37,755,094
	43,832,425	42,234,094
	\$ 52,815,931	\$ 44,254,731
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 1,485,950	\$ 131,675
Non-current Liabilities		
Flow-through share premium liability	1,250,000	-
Provision for service obligation <i>(note 9)</i>	3,012,314	3,012,314
Reclamation provision <i>(note 10)</i>	401,150	401,150
Deferred income tax liability <i>(note 12)</i>	2,288,290	2,563,314
	6,951,754	5,976,778
SHAREHOLDERS' EQUITY		
Share capital <i>(note 11(a))</i>	53,168,940	39,255,662
Warrants and broker warrants <i>(note 11(b))</i>	32,643	1,496,523
Share-based payment reserve <i>(note 11(c))</i>	9,978,865	7,649,204
Accumulated deficit	(18,802,221)	(10,255,111)
	44,378,227	38,146,278
	\$ 52,815,931	\$ 44,254,731

Subsequent Events *(note 17)*

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

On behalf of the Board:

 (Signed) "Luc Lessard"
 Director

 (Signed) "Morris Prychidny"
 Director



NIGHTHAWK GOLD CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

Presented in Canadian Dollars

For the years ended July 31,	2016	2015
		<i>(Restated - Note 18)</i>
Expenses		
Salaries, director and consulting fees	\$ 562,560	\$ 457,722
Professional fees	89,838	42,721
Office and administration	78,811	129,283
Regulatory and shareholder information	68,853	33,910
Travel	15,803	49,023
Write-down of exploration and evaluation assets <i>(note 7)</i>	7,381,627	-
Stock-based compensation <i>(note 11(c))</i>	489,144	521,134
Write-down of equipment	-	85,000
	8,686,636	1,318,793
Other income (expense)		
Interest income	67,966	79,381
Interest and accretion expense <i>(note 8)</i>	(146,762)	-
Gain on settlement of mineral property option payments <i>(note 7)</i>	-	11,282
	(78,796)	90,663
Loss before income taxes	(8,765,432)	(1,228,130)
Deferred income tax recovery (provision) <i>(note 12)</i>	218,322	(1,365,058)
Net loss and comprehensive loss	\$ (8,547,110)	\$ (2,593,188)
Net loss per share <i>(note 13)</i>:		
Basic and fully diluted	\$ (0.12)	\$ (0.04)

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 July 31, 2014	\$ 39,116,944	\$ 1,496,523	\$ 6,903,035	\$ (7,661,923)	\$ 39,854,579
Issuance of common shares for mineral property options (<i>note 7</i>)	138,718	-	-	-	138,718
Stock-based compensation	-	-	746,169	-	746,169
Net loss for the year	-	-	-	(2,593,188)	(2,593,188)
Balance at July 31, 2015 (<i>restated note 18</i>)	39,255,662	1,496,523	7,649,204	(10,255,111)	38,146,278
Issuance of shares on acquisition of Superior Copper (<i>note 5</i>)	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	-	37,646	-	-	37,646
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)	-	-
Expiry of warrants and broker warrants	-	(1,497,174)	1,497,174	-	-
Stock-based compensation (<i>note 11(c)</i>)	-	-	833,955	-	833,955
Net loss for the year	-	-	-	(8,547,110)	(8,547,110)
Balance at July 31, 2016	\$ 53,168,940	\$ 32,643	\$ 9,978,865	\$ (18,802,221)	\$ 44,378,227

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 July 31,	2016	2015
		<i>(Restated - Note 18)</i>
Cash provided by (used in)		
Operations		
Net loss for the year	\$ (8,547,110)	\$ (2,593,188)
Items not involving cash:		
Write-down of exploration and evaluation assets	7,381,627	-
Stock-based compensation	489,144	521,134
Accretion expense	146,762	-
Deferred income tax provision (recovery)	(218,322)	1,365,058
Gain on settlement of mineral property option payments	-	(11,282)
Write-down of equipment	-	85,000
Interest income receivable on restricted cash	(130,665)	-
Change in non-cash working capital:		
Amounts receivable	(21,885)	47,053
Prepaid expenses and supplies	(243,137)	366,066
Accounts payable and accrued liabilities	1,354,275	(1,500,916)
	210,689	(1,721,075)
Financing		
Issuance of common shares	5,773,193	-
Cash acquired on acquisition of Superior Copper	3,618,165	-
Exercise of warrants	60,000	-
Exercise of stock options	38,992	-
Proceeds from secured notes	806,272	-
Repayment of secured notes	(916,039)	-
	9,380,583	-
Investing		
Exploration and evaluation costs	(2,756,187)	(4,318,779)
Option payments and acquisition costs	(137,238)	(268,085)
Expenditures incurred under service obligation	-	(11,337)
	(2,893,425)	(4,598,201)
Increase (decrease) in cash	6,697,847	(6,319,276)
Cash, beginning of year	1,502,002	7,821,278
Cash, end of year	\$ 8,199,849	\$ 1,502,002

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



NIGHTHAWK GOLD CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Presented in Canadian Dollars

For the years ended July 31, 2016 and 2015

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 TSX Venture Exchange ("**TSXV**"), 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 July 31, 2016 and 2015 have been approved for issue by the Board of Directors on November 28, 2016.

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.

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.

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

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.. Golden Sierra Inc. was inactive during the years ended July 31, 2016 and 2015.

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.



NIGHTHAWK GOLD CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Presented in Canadian Dollars

For the years ended July 31, 2016 and 2015

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

(i) Non-derivative financial assets

Nighthawk initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which Nighthawk becomes a party to the contractual provisions of the instrument.

Nighthawk derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by Nighthawk is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, Nighthawk has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Nighthawk's non-derivative financial assets are comprised of loans and receivables, cash and restricted cash.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

(ii) Non-derivative financial liabilities

Nighthawk initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which Nighthawk becomes a party to the contractual provisions of the instrument.

Nighthawk derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, Nighthawk has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.



NIGHTHAWK GOLD CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Presented in Canadian Dollars

For the years ended July 31, 2016 and 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Financial Instruments (continued)

(ii) Non-derivative financial liabilities (continued)

Nighthawk's non-derivative financial liabilities comprise accounts payable and accrued liabilities and the Secured Notes.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

(e) Cash

Cash includes balances held with a Canadian chartered bank.

(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(h)*).

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.

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. Nighthawk capitalizes that portion of its borrowing costs related to the Secured Notes (*note 8*) which relate to the acquisition of the Colomac Gold Project.



NIGHTHAWK GOLD CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Presented in Canadian Dollars

For the years ended July 31, 2016 and 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Impairment

(i) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. All impairment losses are recognized in profit or loss.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in profit or loss.

(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.



NIGHTHAWK GOLD CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Presented in Canadian Dollars

For the years ended July 31, 2016 and 2015

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 11 (b) and note 11 (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.



NIGHTHAWK GOLD CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Presented in Canadian Dollars

For the years ended July 31, 2016 and 2015

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 related renunciation filings have been made 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.

Warrants issued in connection with the Secured Notes (*note 8*) were valued using the Black-Scholes option pricing model.

(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 13 would be anti-dilutive.

(o) Changes in Accounting Policies

The Company did not adopt any new accounting policies during the years ended July 31, 2016.



NIGHTHAWK GOLD CORP. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Presented in Canadian Dollars

For the years ended July 31, 2016 and 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Recent Accounting Pronouncements

Certain pronouncements were issued by the IASB are mandatory for accounting periods after July 31, 2016 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.

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 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.



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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) in connection with the issuance of the Secured Notes, holders received 3,400,000 Secured Note Warrants as additional consideration. Nighthawk has allocated the total principal received between the debt and equity components based on the residual method. The carrying value of the equity instrument was valued as the principal less the fair value of the debt element. The calculation of the fair value of the debt element required management to estimate a grant date discount rate derived from reviewing comparable entities with outstanding convertible debentures and estimating the effective interest rate assuming no conversion feature;
- (iv) 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
- (v) valuation of deferred income taxes.

5. ACQUISITION OF SUPERIOR COPPER CORPORATION

On May 28, 2016, Nighthawk acquired all of the outstanding common shares of Superior Copper Corporation ("**Superior**") by way of a plan of arrangement (the "**Superior Transaction**"). The principal assets of Superior included cash and the Superior Project (*note 7*). Former Superior shareholders received 54,285,714 common shares of Nighthawk, representing approximately 48.15% of Nighthawk's common shares issued and outstanding post Superior Transaction.

In accordance with IFRS 3, Business Combinations, this transaction does not meet the definition of a business combination as the primary assets (cash and a mineral property) have not commenced principal operations and are in the exploration stage. Consequently, the transaction has been recorded as an acquisition of an asset.

On May 28, 2016, a total of 54,285,714 common shares valued at \$9,228,571, were issued for the acquisition of Superior. Replacement stock options and warrants were also issued and were valued at \$183,809 and \$651, respectively. Nighthawk also incurred transaction costs which amounted to \$105,999. As a result, total consideration paid for the net assets of Superior was \$9,519,030.

The purchase price of \$9,519,030 was allocated to the assets acquired and the liabilities assumed based on the fair value of the total consideration at the date of acquisition. All financial assets acquired and financial liabilities assumed were recorded at fair value.



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5. ACQUISITION OF SUPERIOR COPPER CORPORATION (continued)

The excess of the consideration paid over the amounts assigned to the acquired assets was allocated to the exploration and evaluation assets acquired. The purchase price to acquire Superior has been allocated as follows:

Cash	\$ 3,618,165
Current assets	59,834
Exploration and evaluation assets - Superior Project	5,925,531
Current liabilities	(84,500)
Net assets	\$ 9,519,030
Share consideration	\$ 9,228,571
Replacement stock options	183,809
Replacement warrants	651
Transaction costs	105,999
Total consideration	\$ 9,519,030

6. 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 7 and 10*) as well as with its exploration activities relating to the Indin Lake Gold Property in the Northwest Territories, Canada. In March 2012, Nighthawk posted additional security of \$78,000 (the "**Additional Security**") upon receiving approval on its updated land use permit, which was submitted to support its expanded exploration activities on its Indin Lake Gold Property. The updated land use permit and the water access licence are valid until February 2019. The Permit LOC's are secured by guaranteed investment certificates (the "**Permit GIC's**") at a Canadian chartered bank for the same amount. The Permit GIC's and the Additional Security may be recovered by Nighthawk at expiration of the land use permit and water access licence in absence of any environmental disturbances provided Nighthawk carries out activities to satisfy the Damoti Reclamation Obligation.

On January 26, 2012, under the terms of its agreement to acquire 100% ownership of the mineral claims and leases of the former producing Colomac Gold Mine (the "**Colomac Gold Project**") (*note 7*), 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 9*). 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 9*).

	Permit security	Colomac GIC's	Total restricted cash
Balance - July 31, 2014, 2015 and 2016	\$ 479,000	\$ 4,000,000	\$ 4,479,000



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7. EXPLORATION AND EVALUATION ASSETS

Mineral Property	Option & acquisition costs	Exploration	Balance July 31, 2015	Option & acquisition costs	Exploration	Balance July 31, 2016
Indin Lake Gold Property	\$ 10,551,501	\$ 27,203,593	\$ 37,755,094	\$ 10,138,739	\$ 29,214,686	\$ 39,353,425
Mineral Property				Superior Project	Indin Lake Gold Property	Total
Balance - July 31, 2014				\$ -	\$ 32,793,195	\$ 32,793,195
Option payments				-	300,000	300,000
Acquisition costs				-	118,085	118,085
Exploration expenditures ^(a)				-	4,543,814	4,543,814
Balance - July 31, 2015				-	37,755,094	37,755,094
Acquisition costs				5,925,531	137,238	6,062,769
Exploration expenditures ^(a)				6,817	2,910,372	2,917,189
Write-down of exploration and evaluation assets				(5,932,348)	(1,449,279)	(7,381,627)
Balance - July 31, 2016				\$ -	\$ 39,353,425	\$ 39,353,425

(a) Expenditures for the years ended July 31, 2016 includes \$161,002 (2015 - \$225,035) of capitalized stock-based compensation.

(a) 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 10*). 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 July 31, 2016, Nighthawk incurred \$104,038 (2015 - \$64,231) 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 a 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 9 for further details on the provision for service obligation remaining at July 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.



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7. EXPLORATION AND EVALUATION ASSETS (continued)

(a) Indin Lake Gold Property (continued)

Under an agreement dated December 18, 2013 and subsequently terminated on December 29, 2015, Nighthawk was granted an option to acquire a 100% interest in 4 contiguous mining leases adjacent to Nighthawk's existing Indin Lake Gold Property, known as the Kim and Cass mining leases. To exercise this option, Nighthawk was required to make payments totalling \$1,550,000 in tranches as follows:

- Upon execution of the agreement: \$125,000 in cash (paid);
- Upon execution of the agreement: \$125,000 (paid through the issuance of 353,669 common shares);
- On or before December 31, 2014: \$300,000 (settled by payment of \$150,000 in cash and the issuance of 462,392 common shares valued at \$138,718. The number of common shares issued was calculated based on the 30-day volume weighted average share price as of December 5, 2014 (\$0.324); the fair value of the common shares issued was calculated based on the closing common share price on December 5, 2014 (\$0.30), resulting in a gain on settlement of mineral property option payment of \$11,282);
- On or before December 31, 2015: \$450,000; and
- On or before December 31, 2016: \$550,000.

On December 29, 2015, Nighthawk terminated the option on the Kim and Cass mining leases. As a result, the payments due on December 31, 2015 and 2016 were not made and therefore the capitalized costs associated with these leases of \$1,449,279 were written off during the year. This was evaluated by determining total acquisition and option payments incurred as well as an estimate of drilling costs on the Kim and Cass mining leases.

(b) Superior Project

On May 28, 2016, the Company acquired Superior pursuant to plan of arrangement (*note 5*). A purchase price allocation of \$5,925,531 was allocated to the Superior Project.

The Superior Project is a 100% owned land position which is located in the Batchawana Bay area, approximately 85 kilometres northwest of Sault Ste. Marie, Ontario.

No further exploration expenditures are budgeted to be spent on the Superior Project as the Company's focus is its Indin Lake Gold Property. As a result, the carrying value of the Superior Project is unlikely to be recovered from development or sale and a write-down of \$5,932,348 has been recorded on the consolidated statement of comprehensive loss for the year ended July 31, 2016.

8. SECURED NOTES

	Issued November 20, 2015
Present value of the principal - \$850,000 payable May 20, 2017	\$ 679,686
Present value of the interest - \$156,876 payable semi-annually	133,319
Transaction costs	(43,728)
Total liability component at issuance of Secured Notes	769,277
Equity component allocated to Secured Note Warrants (by deduction)	36,995
Net proceeds of Secured Notes	\$ 806,272



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8. SECURED NOTES (continued)

	Liability component
Balance - July 31, 2015	\$ -
Liability component at issuance of Secured Notes	769,277
Interest and accretion	146,762
Cash repayments	(916,039)
Balance - July 31, 2016	\$ -

On November 20, 2015, Nighthawk completed a non-brokered private placement offering of secured notes (the "Secured Notes") for a principal amount of \$850,000. The Secured Notes paid interest at a rate of 12% per annum, compounded monthly, payable in cash semi-annually, and were secured by a general security agreement on the real and personal property of Nighthawk. Nighthawk had the ability to prepay the Secured Notes without penalty, provided that any interest owed to the date of prepayment was also paid to the Secured Note holders. In July 2016, the Company repaid the Secured Notes in cash. In connection with the issuance of the Secured Notes, the Secured Note holders were issued 3,400,000 warrants (the "Secured Note Warrants"). Each Secured Note Warrant entitled the holder to acquire one common share at an exercise price of \$0.15 per share until May 20, 2017. As the Secured Notes were repaid within a year from issuance, the expiry date of the Secured Notes Warrants was reduced to November 20, 2016 (*note 11(b)*).

The Secured Notes are classified as a liability, with the exception of the portion relating to the Secured Note Warrants, resulting in the carrying value of the Secured Notes being less than its face value. The discount is being accreted over the term of the Secured Notes, utilizing the effective interest rate method at an interest rate of 18.8% and using a 15% discount rate. Transaction costs of \$43,728 associated with the Secured Notes were prorated between the debt (\$41,932) and equity components (\$1,796). Those allocated to the debt portion of the Secured Notes are deferred and accreted over the term of the Secured Notes. An amount of \$146,762 in interest and accretion was recorded on the statement of comprehensive loss for the year ended July 31, 2016 (2015 - \$nil).

In July 2016, Nighthawk repaid \$850,000 of outstanding principal and \$66,039 of interest of the Secured Notes in cash. As a result, the Secured Notes were repaid in full and the general security on Nighthawk's real and personal property has been removed from title.

9. PROVISION FOR SERVICE OBLIGATION

As consideration for the Colomac Gold Project (*note 7*), 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 6*). 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 - July 31, 2014, 2015 and 2016	\$ 3,012,314



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10. RECLAMATION PROVISION

Upon acquisition of the Damoti Lake Property (*note 7*), 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 6*) 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 - July 31, 2014, 2015 and 2016	\$ 401,150

11. SHARE CAPITAL

(a) Common Shares

Authorized Capital - Unlimited common shares
Issued

	Number of shares	Consideration
Balance - July 31, 2014	57,991,301	\$ 39,116,944
Issuance of common shares for mineral property option (<i>note 7</i>)	462,392	138,718
Balance - July 31, 2015	58,453,693	39,255,662
Issuance of shares on acquisition of Superior Copper (<i>note 5</i>)	54,285,713	9,228,571
Issued for cash - private placement	4,444,444	1,000,000
Issued for cash - flow-through private placement	16,666,667	5,000,000
Flow-through share premium	-	(1,250,000)
Issue costs	-	(226,807)
Tax effect of share issue costs	-	56,702
Issuance of common shares on exercise of warrants	400,000	60,000
Issuance of common shares on exercise of stock options	129,974	38,992
Fair value of warrants and stock options transferred on exercise	-	5,820
Balance - July 31, 2016	134,380,491	\$ 53,168,940

In June 2016, Nighthawk completed a non-brokered private placement financing of 4,444,444 common shares (the "June 2016 Common Shares") at a price of \$0.225 per June 2016 Common Share and 16,666,667 flow-through shares (the "June 2016 FT Shares") at a price of \$0.30 per June 2016 FT Share for gross proceeds of \$6,000,000. Share issue costs in relation to the financing were \$226,807.



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11. SHARE CAPITAL (continued)

(b) Warrants

	Number of warrants	Number of broker warrants	Allocated value
Balance - July 31, 2014 and 2015	10,000,000	1,200,000	\$ 1,496,523
Secured Note Warrants (<i>note 8</i>)	3,400,000	-	36,995
Superior Warrants (<i>note 5</i>) and (<i>note 11(a)</i>)	2,255,287	-	651
Exercise of Secured Note Warrants	(400,000)	-	(4,352)
Expiry of warrants, broker warrants and Superior Warrants	(12,255,287)	(1,200,000)	(1,497,174)
Balance - July 31, 2016	3,000,000	-	\$ 32,643

During the year ended July 31, 2016, the Secured Note Warrants were issued having a fair value of \$36,995 as described in note 8.

On December 25, 2015, 10,000,000 warrants and 1,200,000 broker warrants relating to a private placement in June 2014 expired unexercised. On July 24, 2016, 2,255,287 Superior Warrants related to the Superior Transaction (*note 5*) expired unexercised.

A summary of Nighthawk's outstanding warrants at July 31, 2016 is presented below:

Issue date	Number of warrants	Exercise price	Expiry date
Secured Note Warrants ^(a)	3,000,000	\$0.15	November 20, 2017

(a) Subsequent to year end, 3,000,000 Secured Note Warrants were exercised.

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 - July 31, 2014	\$ 6,903,035
Stock-based compensation	746,169
Balance - July 31, 2015	7,649,204
Stock-based compensation	833,955
Exercise of stock options	(1,468)
Expiry of warrants, broker warrants and Superior Warrants	1,497,174
Balance - July 31, 2016	\$ 9,978,865



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11. SHARE CAPITAL (continued)

(c) Contributed Surplus (continued)

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 - July 31, 2014	1,646,000	\$ 0.59
Granted	3,150,000	0.34
Expired	(50,000)	1.16
Balance - July 31, 2015	4,746,000	0.42
Granted	5,365,000	0.22
Options granted in relation to Superior Transaction (<i>note 5</i>)	2,315,150	0.50
Exercised	(129,974)	0.30
Expired	(1,402,000)	0.41
Balance - July 31, 2016	10,894,176	\$ 0.33

During the years ended July 31, 2016 and 2015, 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	
Year ended July 31, 2016							
December 1, 2020	2,285,000	\$0.15	\$0.045	0.80%	5.0	113%	\$0.03
June 8, 2021	2,630,000	\$0.25	\$0.235	0.72%	5.0	116%	\$0.19
July 4, 2021	450,000	\$0.37	\$0.37	0.60%	5.0	117%	\$0.30
Year ended July 31, 2015							
December 17, 2019	3,150,000	\$0.34	\$0.30	1.32%	5.0	113%	\$0.24



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11. SHARE CAPITAL (continued)

(c) Contributed Surplus (continued)

A summary of Nighthawk's outstanding stock options at July 31, 2016 is presented below:

Expiry date	Options outstanding	Options exercisable	Exercise price	Weighted average remaining life (years)
August 11, 2016	48,740	48,740	\$0.30	0.1
January 17, 2017	81,233	81,233	\$0.30	0.5
September 13, 2017	129,974	129,974	\$0.30	1.1
January 29, 2018	113,726	113,726	\$0.30	1.5
July 15, 2018	680,000	680,000	\$0.60	2.0
November 29, 2018	364,000	364,000	\$0.50	2.3
March 12, 2019	747,347	747,347	\$0.46	2.6
June 10, 2019	901,689	901,689	\$0.61	2.9
August 12, 2019	162,467	162,467	\$0.61	3.0
December 17, 2019	2,300,000	2,300,000	\$0.34	3.4
December 1, 2020	2,285,000	2,285,000	\$0.15	4.3
June 8, 2021	2,630,000	2,630,000	\$0.25	4.9
July 4, 2021	450,000	250,000	\$0.37	4.9
	10,894,176	10,694,176	\$0.33	3.7

The weighted average exercise price of the outstanding and exercisable options was \$0.33. The weighted average remaining contractual life of outstanding options is 3.7 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.

12. INCOME TAXES

Income taxes has been calculated as follows:

For the years ended July 31,	2016	2015
		<i>(Restated - Note 18)</i>
Loss before income taxes	\$ (8,765,432)	\$ (1,228,130)
Canadian combined federal and provincial tax rate	26.50 %	26.50 %
Expected income tax recovery at Canadian statutory rate	\$ (2,322,839)	\$ (325,454)
Stock-based compensation	129,623	138,101
Capitalized exploration and evaluation costs	42,666	-
Effect of flow-through renunciation	305,543	1,524,304
Tax effect of share issue costs	56,702	-
Other non-deductible expenses	1,537,205	641
Gain on settlement of mineral property option payments	-	(2,990)
Change in tax rate and other	32,778	30,456
Deferred income tax provision (recovery)	\$ (218,322)	\$ 1,365,058



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12. INCOME TAXES (continued)

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

As at July 31,	2016	2015
		<i>(Restated - Note 18)</i>
Exploration and evaluation assets	\$ (5,834,755)	\$ (5,971,328)
Losses carried forward	3,072,637	2,673,990
Share issue costs	83,676	184,631
Equipment and intangibles	23,716	182,957
Investment tax credits	366,436	366,436
	\$ (2,288,290)	\$ (2,563,314)

At July 31, 2016, 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	1,458,740
2035	1,205,970
2036	1,457,543
	\$ 11,594,856

13. NET LOSS PER SHARE

Net loss per share has been calculated using the weighted average number of shares outstanding during the years ended July 31, 2016 and 2015.

For the years ended July 31,	2016	2015
		<i>(Restated - Note 18)</i>
Net loss for the year	\$ (8,547,110)	\$ (2,593,188)
Basic and fully diluted weighted average number of shares outstanding during the year	69,964,667	58,292,808
Basic and fully diluted net loss per share	\$ (0.12)	\$ (0.04)

Fully diluted weighted average common shares outstanding for the years ended July 31, 2016 and 2015 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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14. RELATED PARTY DISCLOSURES

(a) Director and Executive Management Compensation

Directors and executive management's compensation for the years ended July 31, 2016 and 2015 consisted of the following:

For the years ended July 31,	2016	2015
Cash compensation	\$ 455,000	\$ 406,250
Employment benefits	5,268	11,300
Fair value of stock options	222,897	319,787
	\$ 683,165	\$ 737,337

Directors and executive management received the following stock options during the years ended July 31, 2016 and 2015:

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	
Year ended July 31, 2016							
December 1, 2020	825,000	\$0.15	\$0.045	0.80%	5.0	113%	\$0.03
June 8, 2021	1,050,000	\$0.25	\$0.235	0.72%	5.0	116%	\$0.19
Year ended July 31, 2015							
December 17, 2019	1,350,000	\$0.34	\$0.30	1.32%	5.0	113%	\$0.24

The total fair value of stock options granted to directors and executive management for the years ended July 31, 2016 was \$222,897 (2015 - \$319,787). 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 \$64,106 to executive management has been capitalized to the exploration and evaluations assets for the year ended July 31, 2016 (2015 - \$69,564).

(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 year ended July 31,		Balance outstanding as at July 31,	
		2016	2015	2016	2015
Consulting	(1)	\$ 225,000	\$ 180,000	\$ -	\$ -
	(2)	80,000	80,000	-	-
Geological consulting	(3)	150,000	150,000	12,500	12,500
		\$ 455,000	\$ 410,000	\$ 12,500	\$ 12,500

(1) During the year ended July 31, 2016, Nighthawk paid consulting fees of \$225,000 (2015 - \$180,000) to Heather Grace & Co., a company controlled by David Wiley, the former Chief Executive Officer of Nighthawk. At July 31, 2016, the balance owed was \$nil (July 31, 2015 - \$nil).



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14. RELATED PARTY DISCLOSURES (continued)

(b) Director and Executive Management Transactions (continued)

- (2) During the year ended July 31, 2016, Nighthawk paid financial consulting fees of \$80,000 (2015 - \$80,000) to 2245448 Ontario Inc., a company controlled by Michael Leskovec, the Chief Financial Officer of Nighthawk. At July 31, 2016, the balance owed was \$nil (July 31, 2015 - \$nil).
- (3) During the year ended July 31, 2016, Nighthawk paid geological consulting fees of \$150,000 (2015 - \$150,000) to Byron Geological Inc., a company controlled by Dr. Michael Byron, the current Chief Executive Officer and a Director of Nighthawk. At July 31, 2016, the balance owed was \$12,500 (July 31, 2015 - \$12,500).

15. 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 July 31, 2016 includes share capital of \$53,168,940 (July 31, 2015 - \$39,255,662).

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 July 31, 2016 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 6*).

As of July 31, 2016, Nighthawk had \$3,928,372 of flow-through expenditure obligations remaining, which must be expended by December 31, 2017.



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16. 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 6*) 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 July 31, 2016, Nighthawk had a cash balance of \$8,199,849 (July 31, 2015 - \$1,502,002) to settle current liabilities of \$1,485,950 (July 31, 2015 - \$131,675). 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 July 31, 2016. 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.

17. SUBSEQUENT EVENTS

- (a) Subsequent to year end, the Company completed a non-brokered private placement (the "Offering") of 6,170,000 common shares (the "**November 2016 Common Shares**") at a price of \$0.50 per November 2016 Common Share and 10,769,231 flow-through shares (the "**November 2016 FT Shares**") at a price of \$0.65 per November 2016 FT Share for aggregate gross proceeds of \$10,085,000.
- (b) Subsequent to year end, 3,000,000 Secured Note Warrants having an exercise price of \$0.15, and 503,740 stock options having a weighted average exercise price of \$0.22 were exercised.



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18. RESTATEMENT

During the year ended July 31, 2016 and 2015, the Company identified certain accounting differences necessitating restatement of previously issued financial statements. The nature of the accounting differences related to unrecognized deferred income tax on exploration and evaluation expenditures resulting from the renunciation of flow-through expenditures. The impact to the 2015 consolidated financial statements is as follows:

	As previously reported	Adjustment	As restated
Deferred income tax liability	\$ 1,039,010	\$ 1,524,304	\$ 2,563,314
Deferred income tax provision	159,246	(1,524,304)	(1,365,058)
Net loss and comprehensive loss	(1,068,884)	(1,524,304)	(2,593,188)
Accumulated deficit	(8,730,807)	(1,524,304)	(10,255,111)
Loss per share	\$ (0.02)	\$ (0.02)	\$ (0.04)

Certain notes to the consolidated financial statements have been restated to reflect the impact of the adjustments above.