



NIGHTHAWK
GOLD CORP

Condensed Interim Consolidated Financial Statements
For The Three Months Ended
October 31, 2016

Unaudited

Presented in Canadian Dollars



December 29, 2016

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying condensed interim consolidated financial statements of Nighthawk Gold Corp. ("**Nighthawk**") are the responsibility of the Board of Directors and executive management. The unaudited condensed interim consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board. These unaudited condensed interim consolidated financial statements do not include all of the disclosures required for annual consolidated financial statements and therefore should be read in conjunction with Nighthawk's audited annual consolidated financial statements and notes thereto for the year ended July 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

AUDITOR INVOLVEMENT

The accompanying unaudited condensed interim consolidated financial statements of Nighthawk have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements as at and for the three months ended October 31, 2016 have not been reviewed by Nighthawk's auditors.



NIGHTHAWK GOLD CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Presented in Canadian Dollars

As at	October 31, 2016	July 31, 2016
	<i>(Unaudited)</i>	<i>(Audited)</i>
ASSETS		
Current Assets		
Cash	\$ 4,630,594	\$ 8,199,849
Amounts receivable	484,716	267,069
Prepaid expenses and supplies	483,926	516,588
	5,599,236	8,983,506
Non-current Assets		
Restricted cash <i>(note 5)</i>	4,479,000	4,479,000
Exploration and evaluation assets <i>(note 6)</i>	41,502,889	39,353,425
	45,981,889	43,832,425
	\$ 51,581,125	\$ 52,815,931
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 232,916	\$ 1,485,950
Non-current Liabilities		
Flow-through share premium liability	1,250,000	1,250,000
Provision for service obligation <i>(note 7)</i>	3,012,314	3,012,314
Reclamation provision <i>(note 8)</i>	401,150	401,150
Deferred income tax liability	2,288,290	2,288,290
	6,951,754	6,951,754
SHAREHOLDERS' EQUITY		
Share capital <i>(note 9(a))</i>	53,460,187	53,168,940
Warrants and broker warrants <i>(note 9(b))</i>	23,938	32,643
Share-based payment reserve <i>(note 9(c))</i>	9,967,173	9,978,865
Accumulated deficit	(19,054,843)	(18,802,221)
	44,396,455	44,378,227
	\$ 51,581,125	\$ 52,815,931

Subsequent Events *(note 14)*

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

For the three months ended October 31,	2016	2015
Expenses		
Salaries, director and consulting fees	\$ 88,021	\$ 101,258
Regulatory and shareholder information	49,456	905
Professional fees	40,493	19,411
Office and administration	27,546	10,461
Travel	16,879	2,290
Stock-based compensation (note 9(c))	38,978	-
	261,373	134,325
Other income (expense)		
Interest income	8,751	36,160
Net loss and comprehensive loss	\$ (252,622)	\$ (98,165)
Net loss per share (note 10):		
Basic and fully diluted	\$ Nil	\$ Nil

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



NIGHTHAWK GOLD CORP.

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 July 31, 2015	\$ 39,255,662	\$ 1,496,523	\$ 7,649,204	\$ (10,255,111)	\$ 38,146,278
Net loss for the period	-	-	-	(98,165)	(98,165)
Balance at October 31, 2015	39,255,662	1,496,523	7,649,204	(10,353,276)	38,048,113
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	-	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 9(c)</i>)	-	-	833,955	-	833,955
Net loss for the period	-	-	-	(8,448,945)	(8,448,945)
Balance at July 31, 2016	53,168,940	32,643	9,978,865	(18,802,221)	44,378,227
Issuance of common shares on exercise of warrants	120,000	-	-	-	120,000
Issuance of common shares on exercise of stock options	111,872	-	-	-	111,872
Fair value of warrants and stock options transferred on exercise	59,375	(8,705)	(50,670)	-	-
Stock-based compensation (<i>note 9(c)</i>)	-	-	38,978	-	38,978
Net loss for the period	-	-	-	(252,622)	(252,622)
Balance at October 31, 2016	\$ 53,460,187	\$ 23,938	\$ 9,967,173	\$ (19,054,843)	\$ 44,396,455

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 three months ended October 31,	2016	2015
Cash provided by (used in)		
Operations		
Net loss for the period	\$ (252,622)	\$ (98,165)
Items not involving cash:		
Stock-based compensation	38,978	-
Change in non-cash working capital:		
Amounts receivable	(217,647)	(118,584)
Prepaid expenses and supplies	32,662	218,306
Accounts payable and accrued liabilities	(1,253,034)	600,118
	(1,651,663)	601,675
Financing		
Exercise of warrants	120,000	-
Exercise of stock options	111,872	-
	231,872	-
Investing		
Exploration and evaluation costs	(2,132,080)	(1,323,017)
Acquisition costs	(17,384)	(32,595)
	(2,149,464)	(1,355,612)
Decrease in cash	(3,569,255)	(753,937)
Cash, beginning of period	8,199,849	1,502,002
Cash, end of period	\$ 4,630,594	\$ 748,065

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 three months ended October 31, 2016

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 unaudited condensed interim consolidated financial statements for the three months ended October 31, 2016 have been approved for issue by the Board of Directors on December 29, 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.

These unaudited condensed interim consolidated financial statements do not include all of the disclosures required for annual financial statements and therefore should be read in conjunction with Nighthawk's audited annual consolidated financial statements and notes thereto for the year ended July 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.

2. BASIS OF PRESENTATION

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

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

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

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

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 annual consolidated financial statements for the year ended July 31, 2016.



NIGHTHAWK GOLD CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of Consolidation

The unaudited condensed interim 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 three months ended October 31, 2016.

(b) Changes in Accounting Policies

The Company did not adopt any new accounting policies during the three months ended October 31, 2016.

(c) Recent Accounting Pronouncements

Certain pronouncements were issued by the IASB are mandatory for accounting periods after October 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.



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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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For the three months ended October 31, 2016

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.

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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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 - July 31 and October 31, 2016	\$ 479,000	\$ 4,000,000	\$ 4,479,000

6. EXPLORATION AND EVALUATION ASSETS

Mineral Property	Option & acquisition costs	Exploration	Balance July 31, 2016	Option & acquisition costs	Exploration	Balance October 31, 2016
Indin Lake Gold Property	\$ 10,138,739	\$ 29,214,686	\$ 39,353,425	\$ 10,156,123	\$ 31,346,766	\$ 41,502,889
Mineral Property						Indin Lake Gold Property
Balance - July 31, 2016						\$ 39,353,425
Acquisition costs						17,384
Exploration expenditures						2,132,080
Balance - October 31, 2016						\$ 41,502,889

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 October 31, 2016, Nighthawk incurred \$17,384 (three months ended October 31, 2015 - \$32,595) of assessment costs which have been capitalized as acquisition costs.



NIGHTHAWK GOLD CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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For the three months ended October 31, 2016

6. EXPLORATION AND EVALUATION ASSETS (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 October 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 - July 31 and October 31, 2016	\$ 3,012,314

8. RECLAMATION PROVISION

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

	Amount
Balance - July 31 and October 31, 2016	\$ 401,150



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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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For the three months ended October 31, 2016

9. SHARE CAPITAL

(a) Common Shares

Authorized Capital - Unlimited common shares

Issued

	Number of shares	Consideration
Balance - July 31, 2016	134,380,491	\$ 53,168,940
Issuance of common shares on exercise of warrants	800,000	120,000
Issuance of common shares on exercise of stock options	503,740	111,872
Fair value of warrants and stock options transferred on exercise	-	59,375
Balance - October 31, 2016	135,684,231	\$ 53,460,187

(b) Warrants

	Number of warrants	Allocated value
Balance - July 31, 2016	3,000,000	\$ 32,643
Secured Note Warrants	(800,000)	(8,705)
Balance - October 31, 2016	2,200,000	\$ 23,938

During the year ended July 31, 2016, warrants were issued in connection with a debt financing in November 2015 (the "**Secured Note Warrants**"). The Secured Note Warrants were issued having a fair value of \$36,995.

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

Issue date	Number of warrants	Exercise price	Expiry date
Secured Note Warrants ^(a)	2,200,000	\$0.15	November 20, 2017

(a) Subsequent to period end, 2,200,000 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, 2016	\$ 9,978,865
Stock-based compensation	38,978
Exercise of stock options	(50,670)
Balance - October 31, 2016	\$ 9,967,173



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9. 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, 2016	10,894,176	\$ 0.33
Exercised	(503,740)	0.22
Expired	(243,700)	0.48
Balance - October 31, 2016	10,146,736	\$ 0.34

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

Expiry date	Options outstanding	Options exercisable	Exercise price	Weighted average remaining life (years)
January 17, 2017	81,233	81,233	\$0.30	0.2
September 13, 2017	129,974	129,974	\$0.30	0.9
January 29, 2018	64,986	64,986	\$0.30	1.2
July 15, 2018	680,000	680,000	\$0.60	1.7
November 29, 2018	364,000	364,000	\$0.50	2.1
March 12, 2019	633,620	633,620	\$0.46	2.4
June 10, 2019	820,456	820,456	\$0.61	2.6
August 12, 2019	162,467	162,467	\$0.61	2.8
December 17, 2019	2,200,000	2,200,000	\$0.34	3.1
December 1, 2020	2,030,000	2,030,000	\$0.15	4.1
June 8, 2021	2,530,000	2,530,000	\$0.25	4.6
July 4, 2021	450,000	300,000	\$0.37	4.7
	10,146,736	9,996,736	\$0.34	3.5

The weighted average exercise price of the outstanding and exercisable options was \$0.34. 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.



NIGHTHAWK GOLD CORP.

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Presented in Canadian Dollars

Unaudited

For the three months ended October 31, 2016

10. NET LOSS PER SHARE

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

For the three months ended October 31,	2016	2015
Net loss for the period	\$ (252,622)	\$ (98,165)
Basic and fully diluted weighted average number of shares outstanding during the period	135,106,991	58,292,808
Basic and fully diluted net loss per share	\$ Nil	\$ Nil

Fully diluted weighted average common shares outstanding for the three months ended October 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.

11. RELATED PARTY DISCLOSURES

(a) Director and Executive Management Compensation

Directors and executive management's compensation for the three months ended October 31, 2016 and 2015 consisted of the following:

For the three months ended October 31,	2016	2015
Cash compensation	\$ 57,500	\$ 102,500
Employment benefits	4,578	2,051
	\$ 62,078	\$ 104,551

(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		Balance outstanding as at	
		for the three months ended Oct. 31, 2016	2015	October 31, 2016	July 31, 2016
Geological consulting	(1)	37,500	37,500	12,500	12,500
Consulting	(2)	20,000	20,000	-	-
	(3)	\$ -	\$ 45,000	\$ -	\$ -
		\$ 57,500	\$ 102,500	\$ 12,500	\$ 12,500

(1) During the three months ended October 31, 2016, Nighthawk paid geological consulting fees of \$37,500 (three months ended October 31, 2015 - \$37,500) to Byron Geological Inc., a company controlled by Dr. Michael Byron, the current Chief Executive Officer and a Director of Nighthawk. At October 31, 2016, the balance owed was \$12,500 (July 31, 2016 - \$12,500).

(2) During the three months ended October 31, 2016, Nighthawk paid financial consulting fees of \$20,000 (three months ended October 31, 2015 - \$20,000) to 2245448 Ontario Inc., a company controlled by Michael Leskovec, the Chief Financial Officer of Nighthawk. At October 31, 2016, the balance owed was \$nil (July 31, 2016 - \$nil).

(3) During the three months ended October 31, 2016, Nighthawk paid consulting fees of \$nil (three months ended October 31, 2015 - \$45,000) to Heather Grace & Co., a company controlled by David Wiley, the former Chief Executive Officer of Nighthawk. At October 31, 2016, the balance owed was \$nil (July 31, 2016 - \$nil).



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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 October 31, 2016 includes share capital of \$53,460,187 (July 31, 2016 - \$53,168,940).

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 three months ended October 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 5*).

As of October 31, 2016, Nighthawk had \$1,807,455 of flow-through expenditure obligations remaining, which must be expended by December 31, 2017.

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.



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13. MANAGEMENT OF FINANCIAL AND OTHER RISK (continued)

(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 October 31, 2016, Nighthawk had a cash balance of \$4,630,594 (July 31, 2016 - \$8,199,849) to settle current liabilities of \$232,916 (July 31, 2016 - \$1,485,950). 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 October 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.

14. SUBSEQUENT EVENTS

- (a) Subsequent to period end on November 1, 2016, 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 period end in November 2016, 2,200,000 Secured Note Warrants having an exercise price of \$0.15 were exercised for gross proceeds of \$330,000.