



Unaudited Condensed Consolidated Interim Financial Statements of

**NxGold Ltd.**

For the three and nine months ended September 30, 2018 and October 31, 2017

**NXGOLD LTD.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**  
(Unaudited - Expressed In Canadian Dollars)  
**AS AT**

	Note	September 30, 2018	December 31, 2017
<b>ASSETS</b>			
<b>Current</b>			
Cash		\$ 3,495,916	\$ 1,298,888
Accounts receivable and prepaid expenses		134,414	41,731
Available for sale securities	5	733,052	898,128
Fuel inventory		-	77,997
Deposits	4	-	1,491,150
		<b>4,363,382</b>	<b>3,807,894</b>
<b>Non-Current</b>			
Equipment	6	44,062	45,060
Exploration and evaluation assets	7	8,419,681	1,938,429
<b>TOTAL ASSETS</b>		<b>\$ 12,827,125</b>	<b>\$ 5,791,383</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities		\$ 92,850	\$ 136,387
<b>TOTAL LIABILITIES</b>		<b>\$ 92,850</b>	<b>\$ 136,387</b>
<b>EQUITY</b>			
Share capital	8	17,512,567	8,371,896
Reserves	8	2,138,660	1,520,904
Accumulated other comprehensive income		602,313	767,389
Deficit		(7,519,265)	(5,005,193)
<b>TOTAL EQUITY</b>		<b>12,734,275</b>	<b>5,654,996</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 12,827,125</b>	<b>\$ 5,791,383</b>

Nature of business (Note 1)

The accompanying notes are an integral part of the condensed consolidated interim financial statements  
These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on  
November 13, 2018

“Leigh Curyer”  
Leigh Curyer, Director

“Trevor Thiele”  
Trevor Thiele, Director

**NXGOLD LTD.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
(Unaudited - Expressed In Canadian Dollars)

	Note	Three months ended		Nine months ended	
		September 30, 2018	October 31, 2017	September 30, 2018	October 31, 2017
Share-based compensation	8	\$ 337,612	\$ 192,505	\$ 393,665	\$ 1,078,307
Salaries and director fees		187,888	177,939	592,189	539,383
Professional fees		7,498	14,532	95,255	41,843
Investor relations		223,599	-	251,106	267
Office and other		25,994	36,545	92,031	97,585
Travel		14,533	16,825	51,551	51,952
<b>Loss before other items</b>		<b>(797,124)</b>	<b>(438,346)</b>	<b>(1,475,797)</b>	<b>(1,809,337)</b>
Impairment of Chicobi	7(b)	(8,045)	-	(1,056,217)	-
Foreign exchange loss		(136)	-	(5,354)	-
Interest income		16,500	6,614	23,296	25,099
<b>Loss</b>		<b>(788,805)</b>	<b>(431,732)</b>	<b>(2,514,072)</b>	<b>(1,784,238)</b>
Unrealized gain (loss) on available for sale securities	5	53,160	(204,248)	(165,076)	(321,735)
<b>Comprehensive loss</b>		<b>\$ (735,645)</b>	<b>\$ (635,980)</b>	<b>\$ (2,679,148)</b>	<b>\$ (2,105,973)</b>
<b>Loss per common share – basic and diluted</b>		<b>\$ (0.01)</b>	<b>\$ (0.02)</b>	<b>\$ (0.04)</b>	<b>\$ (0.06)</b>
<b>Weighted average number of common shares outstanding - basic and diluted</b>		<b>81,632,286</b>	<b>38,147,143</b>	<b>64,729,256</b>	<b>37,694,749</b>

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

**NXGOLD LTD.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY**  
(Unaudited - Expressed In Canadian Dollars)

	Notes	Common shares		Share subscription receivable	Reserves	Accumulated other comprehensive income	Accumulated deficit	Total
		Shares	Amount					
			\$					
<b>Balance, January 31, 2017</b>		37,033,043	8,065,371	(25,000)	247,284	868,090	(2,952,971)	6,202,774
Shares issued for exploration and evaluation asset		800,000	288,000	-	-	-	-	288,000
Private placement		-	-	25,000	-	-	-	25,000
Exercise of warrants		314,100	18,525	-	-	-	-	18,525
Share-based compensation		-	-	-	1,137,614	-	-	1,137,614
Unrealized loss on available-for-sale securities		-	-	-	-	(321,735)	-	(321,735)
Net loss		-	-	-	-	-	(1,784,238)	(1,784,238)
<b>Balance, October 31, 2017</b>		<b>38,147,143</b>	<b>8,371,896</b>	<b>-</b>	<b>1,384,898</b>	<b>546,355</b>	<b>(4,737,209)</b>	<b>5,565,940</b>
<b>Balance, December 31, 2017</b>		<b>38,147,143</b>	<b>8,371,896</b>	<b>-</b>	<b>1,520,904</b>	<b>767,389</b>	<b>(5,005,193)</b>	<b>5,654,996</b>
Private placement	8	23,725,143	4,270,526	-	-	-	-	4,270,526
Share issuance costs	8	-	(465,055)	-	170,476	-	-	(294,579)
Shares issued to acquire Mt. Roe Limited	4	19,760,000	5,335,200	-	-	-	-	5,335,200
Share-based compensation	8	-	-	-	447,280	-	-	447,280
Unrealized loss on available-for-sale securities	5	-	-	-	-	(165,076)	-	(165,076)
Net loss		-	-	-	-	-	(2,514,072)	(2,514,072)
<b>Balance, September 30, 2018</b>		<b>81,632,286</b>	<b>17,512,567</b>	<b>-</b>	<b>2,138,660</b>	<b>602,313</b>	<b>(7,519,265)</b>	<b>12,734,275</b>

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

**NXGOLD LTD.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
(Unaudited - Expressed In Canadian Dollars)  
For the nine months ended

	September 30, 2018	October 31, 2017
<b>Cash flows from (used in) operating activities</b>		
Loss for the period	\$ (2,514,072)	\$ (1,784,238)
Items not involving cash:		
Share-based payments	393,665	1,078,307
Depreciation expense	8,298	5,770
Asset impairment	1,056,217	-
Changes in non-cash working capital		
Account receivable	5,460	(12,341)
Inventory	27,365	-
Deposits	7,500	-
Accounts payable and accrued liabilities	(61,382)	30,343
	<b>\$ (1,076,949)</b>	<b>\$ (682,159)</b>
<b>Cash flows used in investing activities</b>		
Acquisition of Roe Gold Limited, net of cash acquired	\$ (39,404)	\$ -
Additions to exploration and evaluation assets	(655,266)	(1,329,162)
Additions to fixed assets	(7,300)	(50,265)
	<b>\$ (701,970)</b>	<b>\$ (1,379,427)</b>
<b>Cash flows provided by financing activities</b>		
Shares issued	\$ 4,270,526	\$ 25,000
Share issuance costs	(294,579)	-
Proceeds from the exercise of warrants	-	18,525
	<b>\$ 3,975,947</b>	<b>\$ 43,525</b>
<b>Change in cash</b>	<b>\$ 2,197,028</b>	<b>\$ (2,018,061)</b>
Cash, beginning of period	1,298,888	5,217,346
<b>Cash, end of period</b>	<b>\$ 3,495,916</b>	<b>\$ 3,199,285</b>

**Supplemental cash flow information (Note 10)**

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

**NXGOLD LTD.**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian Dollars)

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND OCTOBER 31, 2017**

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**1. NATURE OF BUSINESS**

NxGold Ltd. (the “**Company**” or “**NxGold**”) was incorporated under the *Business Corporations Act* (British Columbia) on April 26, 2004. The Company’s registered and records office is located on the 22<sup>nd</sup> Floor, 885 West Georgia Street, Vancouver, British Columbia V6C 3E8. The Company is engaged in acquiring and exploring early-stage mineral resource properties.

In March 2018, the Company changed its financial and fiscal year end from October 31 to December 31, to align its reporting with peers. The Company’s statement of financial position is as at September 30, 2018 and as at December 31, 2017 and the statements of loss and comprehensive loss, cash flows and changes in equity are for the three and nine months ended September 30, 2018 compared to the three and nine months ended October 31, 2017.

The Company is considered to be in the development stage and is currently exploring mineral properties. During the nine months ended September 30, 2018, the Company had a net loss of \$2,514,072 and working capital of \$4,270,532 as at September 30, 2018. The Company believes that it will have sufficient capital to operate over the next 12 months, however additional funding will be necessary to complete its earn in options on projects and fund other exploration activities (Note 7).

These financial statements are prepared in accordance with International Financial Reporting Standards (“**IFRS**”) appropriate for a going concern. The going concern basis of accounting assumes the Company will continue to realize the value of its assets and discharge its liabilities and other obligations in the ordinary course of business. Should the Company be required to realize the value of its assets in other than the ordinary course of business, the net realizable value of its assets may be materially less than the amounts shown in the financial statements. These financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that may be necessary should the Company be unable to repay its liabilities and meet its other obligations in the ordinary course of business or continue operations.

**2. BASIS OF PRESENTATION**

**Statement of Compliance**

These condensed interim consolidated financial statements for the nine months ended September 30, 2018, including comparatives for the nine months ended October 31, 2017, have been prepared in accordance with International Accounting Standard (“**IAS**”) 34 Interim Financial Reporting. They do not include all of the information required by IFRS for annual financial statements and should be read in conjunction with the audited financial statements for the fiscal year ended and as at December 31, 2017.

**Basis of Presentation**

These financial statements have been prepared on a historical cost basis, except for certain financial instruments which have been measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. All monetary references expressed in these notes are references to Canadian dollar amounts (“\$”). These financial statements are presented in Canadian dollars, which is the functional currency of the Company.

**NXGOLD LTD.**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian Dollars)

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND OCTOBER 31, 2017**

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**2. BASIS OF PRESENTATION (continued)**

**Critical accounting judgments, estimates and assumptions**

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances. Uncertainty about these judgments, estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Information about significant areas of estimation uncertainty considered by management in preparing the financial statements are set out in Note 3 to the audited financial statements for the fiscal year ended December 31, 2017 and have been consistently followed in preparation of these condensed consolidated interim financial statements.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies followed by the Company are set out in Note 3 to the audited financial statements for the fiscal year ended December 31, 2017 and have been consistently followed in preparation of these condensed consolidated interim financial statements except for the following policies:

**New standards adopted:**

The Company reviewed certain new standards that were issued by the IAS board that are mandatory for accounting periods beginning on or after January 1, 2018.

IFRS 2 – Share-based payments is an amended standard to clarify how to account for certain types of share-based payment transactions. The amendments provide for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations, and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The adoption of this policy had no impact on the Company.

IFRS 9 – Financial Instruments is a new standard that replaced IAS 39 – Financial Instruments: Recognition and Measurement for classification and measurement of financial instruments.

As a result of the adoption of IFRS 9, the Company has changed its accounting policy for financial assets retrospectively, for assets that were recognized at the date of application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit or loss. The Company determines the classification of the financial assets at initial recognition. The basis of classification depends on the Company's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change for liabilities is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income (loss) rather than in net earnings. Investments in equity instruments are required to be measured by default at fair value through profit or loss. However, on the day of acquisition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as fair value through other comprehensive income. The Company elected to measure the available for sale securities as fair value through other comprehensive income

**NXGOLD LTD.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian Dollars)

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND OCTOBER 31, 2017**

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)****Future Accounting Pronouncements:**

The following standard has not been adopted by the Company and is being evaluated:

IFRS 16 – Leases is a new standard that will replace IAS 17 - Leases for the accounting and measurement of leases with a term of more than 12 months, effective for annual periods beginning on or after January 1, 2019. The Company does not expect the standard to have a material impact on its financial statements.

**4. ACQUISITION OF ROE GOLD LIMITED**

In December 2017 the Company executed a binding term sheet (the “**Agreement**”) with Roe Gold Limited (“**RGL**”) and its shareholders to acquire an 80% interest in the Mt. Roe Gold Project (“**Mt. Roe**” or the “**Project**”), located in the Pilbara region of Western Australia. The transaction closed in January 2018.

Pursuant to the Agreement: (i) NxGold advanced to RGL, A\$1.5million in December 2017; (ii) RGL used those funds to acquire an 80% interest in the Project and a special purpose vehicle (“**SPV**”) formed by the shareholders of RGL will acquire a 20% interest in the Project, all pursuant to the terms of an existing option agreement; (iii) in January 2018, NxGold acquired all of the issued and outstanding shares of RGL in exchange for 19 million common shares of the Company. The Project will be held as a joint venture between RGL and the SPV pursuant to which the SPV will be free-carried through to Bankable Feasibility Study with standard dilution applying after that. If the SPV's interest in the Project falls below 5%, the balance of its interest will be transferred immediately to NxGold. The SPV will be granted a US\$20 per ounce royalty over the Project. An additional 760,000 shares were issued as a finder's fee. All of the shares issued were valued at \$0.27 per share which was the closing price on the day the Agreement was executed.

**Purchase price:**

Fair value of shares issued for RGL	\$ 5,130,000
Fair value of shares issued for transaction costs	205,200
Transaction costs	58,736
	<hr/>
	\$ 5,393,936

**Purchase price allocations:**

Cash	\$ 19,331
Other current assets	4,119
Mineral properties	6,871,980
Liabilities	(17,844)
Due to NxGold Ltd.	(1,483,650)
	<hr/>
	\$ 5,393,936



**NXGOLD LTD.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian Dollars)

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND OCTOBER 31, 2017****5. AVAILABLE FOR SALE SECURITIES**

Available for sale securities consist of 279,791 common shares of NexGen Energy Ltd. (“NexGen”), a corporation with several common directors and officers, the common shares of which are listed on the Toronto Stock Exchange and NYSE American LLC. The carrying value is based on the estimated fair value of NexGen common shares and determined using published closing prices. The cost was \$130,764.

	September 30, 2018	December 31, 2017
Opening	\$ 898,128	\$ 677,094
Unrealized gain (loss)	(165,076)	221,034
Closing	\$ 733,052	\$ 898,128

**6. EQUIPMENT**

	Computing Equipment	Equipment	Total
<b>Cost</b>			
Balance, October 31, 2017 and December 31, 2017	\$ 3,809	\$ 48,910	\$ 52,719
Additions	-	7,300	7,300
<b>Balance, September 30, 2018</b>	<b>3,809</b>	<b>56,210</b>	<b>60,019</b>
<b>Accumulated depreciation</b>			
Balance, October 31, 2017	\$ 1,047	\$ 4,891	\$ 5,938
Depreciation	253	1,468	1,721
Balance, December 31, 2017	<b>1,300</b>	<b>6,359</b>	<b>7,659</b>
Depreciation	1,036	7,262	8,298
<b>Balance, September 30, 2018</b>	<b>\$ 2,336</b>	<b>\$ 13,621</b>	<b>\$ 15,957</b>
<b>Net book Value:</b>			
Balance, December 31, 2017	\$ 2,509	\$ 42,551	\$ 45,060
<b>Balance, September 30, 2018</b>	<b>\$ 1,473</b>	<b>\$ 42,589</b>	<b>\$ 44,062</b>

**NXGOLD LTD.**
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian Dollars)

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND OCTOBER 31, 2017**
**7. EXPLORATION AND EVALUATION ASSETS**

	Kuulu (a)	Chicobi (b)	Pilbara (see Note 4)	Total
<b>Acquisition costs:</b>				
Balance, October 31, 2017 and December 31, 2017	\$ 135,160	\$ 447,065	\$ -	\$ 582,225
Additions (impairment)	-	(447,065)	6,871,980	6,424,915
<b>Balance, September 30, 2018</b>	<b>\$ 135,160</b>	<b>\$ -</b>	<b>\$ 6,871,980</b>	<b>\$ 7,007,140</b>
<b>Deferred exploration costs:</b>				
Balance, October 31, 2017	\$ 809,814	\$ 373,953	\$ -	\$ 1,183,767
Additions:				
Geological	6,966	8,010	-	14,976
Survey	-	167,908	-	167,908
Travel	10,618	5,956	-	16,574
Salaries	19,898	20,413	-	40,311
Share-based payments	5,228	3,137	-	8,365
Less reclassified to inventory	(75,697)	-	-	(75,697)
<b>Balance, December 31, 2017</b>	<b>776,827</b>	<b>579,377</b>	<b>-</b>	<b>1,356,204</b>
Additions:				
Drilling	(43,767)	-	-	(43,767)
Trenching	-	-	84,265	84,265
Land management	46,736	21,434	63,429	131,599
Survey	-	62,971	61,037	124,008
Geochemistry	-	-	10,229	10,229
Travel and camp	31,737	-	51,026	82,763
Salaries	52,978	32,374	150,230	235,582
Share-based payments	11,122	4,229	38,264	53,615
General exploration	6,963	2,791	20,833	30,587
Reclassification of inventory	50,632	-	-	50,632
Investment tax credit	-	(94,024)	-	(94,024)
Impairment	-	(609,152)	-	(609,152)
<b>Deferred exploration for the nine months ended September 30, 2018</b>	<b>156,401</b>	<b>(579,377)</b>	<b>479,313</b>	<b>56,337</b>
<b>Balance, September 30, 2018</b>	<b>\$ 933,228</b>	<b>\$ -</b>	<b>\$ 479,313</b>	<b>\$ 1,412,541</b>
<b>Total exploration and evaluation assets:</b>				
Balance, October 31, 2017	\$ 944,974	\$ 821,018	\$ -	\$ 1,765,992
Balance, December 31, 2017	\$ 911,987	\$ 1,026,442	\$ -	\$ 1,938,429
Balance, September 30, 2018	\$ 1,068,388	\$ -	\$ 7,351,293	\$ 8,419,681

**(a) Kuulu Property**

In October 2016, the Company entered into an earn-in agreement (the “**Kuulu Earn-In Agreement**”) with Meliadine Gold Ltd. (“**MGL**”) (amended and restated February 3, 2017 and having an effective date of January 17, 2017), to earn up to a 70% interest in the Kuulu Project (the “**Kuulu Project**”) upon satisfaction of certain requirements. The Kuulu Project is located in the Kavilliq region of Nunavut.

**NXGOLD LTD.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian Dollars)

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND OCTOBER 31, 2017****7. EXPLORATION AND EVALUATION ASSETS (continued)**

Specifically, the Company has the right to acquire an undivided 50% interest in the Kuulu Project (the **"First Earn-In Option"**) and the right to acquire an additional undivided 20% interest in the Kuulu Project (the **"Second Earn-In Option"**) by incurring the expenditures and payments set out below:

<b>To be spent by:</b>	<b>Minimum expenditure</b>	<b>Cash payment</b>	<b>Total</b>
<b>First Earn-In Option (50% undivided interest)</b>			
January 17, 2018	\$ 1,000,000	\$ 75,000	\$ 1,075,000
January 17, 2019	4,000,000	75,000	4,075,000
January 17, 2020	5,000,000	75,000	5,075,000
	<b>\$ 10,000,000</b>	<b>\$ 225,000</b>	<b>\$ 10,225,000</b>
<b>Second Earn-In Option (additional 20% undivided interest)</b>			
January 17, 2021	\$ 2,000,000	\$ 75,000	\$ 2,075,000
January 17, 2022	3,000,000	75,000	3,075,000
January 17, 2023	5,000,000	75,000	5,075,000
January 17, 2024	15,000,000	75,000	15,075,000
	<b>\$ 25,000,000</b>	<b>\$ 300,000</b>	<b>\$ 25,300,000</b>

The Second Earn-In Option is also subject to delivering to MGL a bankable feasibility study on or before January 17, 2024. The Company may extend the delivery date for the bankable feasibility study for up to three additional one-year periods, upon payment to MGL of \$2.5 million in cash for each such one-year extension. The Company may also extend the date for incurring any of the expenditures required by the Second Earn-In Option for an additional one-year period, at no additional cost.

In November 2017, the Company delivered a notice of force majeure to MGL suspending its obligations under the Kuulu Earn-In Agreement, due to the continued delay in the renewal of the existing Land Use Licences, KVL311B01 and KVRW12E01. As of the date of this report, the land use licenses are yet to be renewed. The land use licences are the only outstanding permits for the Company's proposed exploration program at the Kuulu Project. The Company has paid the \$75,000 and incurred approximately \$800,000 related to the first earn-in option required to be spent by January 17, 2018.

The Kuulu Property is subject to a 1% net smelter returns royalty and a 12% net profit interest royalty.

**(b) Chicobi Property**

Effective September 7, 2017, the Company entered into an option agreement with Kenorland Minerals Ltd. (the **"Kenorland Option Agreement"**) to earn up to a 100% interest in the Chicobi Project, located approximately 30 km northeast of Amos, Quebec (the **"Chicobi Project"**). Pursuant to the Kenorland Option Agreement, the Company has the exclusive right to earn an undivided 80% interest in the Chicobi Project (the **"First Option"**) upon: (i) paying \$100,000 cash (paid) and issuing 800,000 common shares (complete); and (ii) incurring an aggregate of \$2 million in expenditures on the Chicobi Project on or before October 1, 2018. The 800,000 shares issued were recorded at their estimated fair value of \$288,000.

During the second quarter of 2018 the Company gave notice to withdraw from the Chicobi project in order to focus its capital and effort on other projects. As a result, an impairment charge and other exit costs of \$1,056,217 were recorded in the nine months ended September 30, 2018.

**NXGOLD LTD.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian Dollars)

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND OCTOBER 31, 2017****8. SHARE CAPITAL**

The Company's authorized share capital is an unlimited number of common shares without par value. All issued common shares are fully paid.

**Common shares**

In January 2018 the Company issued 19,760,000 common shares related to the acquisition of RGL (see Note 4).

On June 15, 2018 the Company issued 23,725,143 units (the "**Units**") at a price of C\$0.18 per Unit for net proceeds of \$3,975,947. Each Unit is comprised of one common share of the Company (a "**Common Share**") and one common share purchase warrant (a "**Warrant**"), each Warrant entitling the holder thereof to acquire one Common Share at a price of C\$0.27 until June 15, 2021.

In connection with the Offering, the Company paid the finders a cash fee up to 7.0% of the gross proceeds raised by the finders and finders were granted 1,088,356 common share purchase warrants (the "**Finder Warrants**") entitling them to subscribe for that number of Common Shares equal to up to 7.0% of the aggregate number of Units sold by the finders. Each Finder Warrant is exercisable at a price of C\$0.18 until June 14, 2021.

**Warrants**

As at September 30, 2018 the Company had the following warrants outstanding:

Expiry date	Exercise price	Number of warrants	Remaining life (years) at September 30, 2018
15-Oct-20	\$0.07	2,000,000	2.0
15-Oct-20	\$0.05	4,890,000	2.0
28-Jul-20	\$0.05	3,500,000	1.8
13-Dec-19	\$0.50	9,920,300	1.2
13-Dec-19	\$0.25	426,900	1.2
13-Jan-20	\$0.50	1,058,000	1.2
Balance, December 31, 2017	\$0.28	21,795,200	1.5
15-Jun-21	\$0.27	23,725,143	2.7
14-Jun-21	\$0.18	1,186,356	2.7
Balance, September 30, 2018	\$0.27	46,706,699	2.2

There were no warrants exercised in the nine months ended September 30, 2018.

**Stock Options**

Pursuant to the Company's stock option plan, directors may, from time to time, authorize the issuance of options to directors, officers, employees and consultants of the Company, entitling them to acquire up to 10% of the issued and outstanding common shares of the Company. The options can be granted for a maximum term of 10 years and are subject to vesting provisions as determined by the Board of Directors of the Company.

**NXGOLD LTD.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian Dollars)

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND OCTOBER 31, 2017****8. SHARE CAPITAL (continued)**

Stock option transactions and the number of stock options outstanding on the dates set forth below are summarized as follows:

	Number of options	Weighted average exercise price per share
Outstanding October 31, 2016	-	
Granted	3,550,000	\$ 0.52
Outstanding October 31, 2017 and December 31, 2017	3,550,000	\$ 0.52
Granted	4,200,000	\$ 0.20
Forfeited	(900,000)	\$ 0.52
Outstanding September 30, 2018	6,850,000	\$ 0.32
Number of options exercisable	3,194,668	\$ 0.37

As at September 30, 2018, the Company has stock options outstanding and exercisable as follows:

Number of options	Exercise price per option	Number of options exercisable	Exercise price per option	Remaining contractual life (years)	Expiry date
2,400,000	\$ 0.52	1,600,000	\$ 0.52	3.3	February 1, 2022
250,000	\$ 0.45	166,668	\$ 0.45	3.6	April 25, 2022
4,200,000	\$ 0.20	1,428,000	\$ 0.20	4.9	August 20, 2023
6,850,000	\$ 0.32	3,194,668	\$ 0.37		

The options granted vest one-third annually with 34% vesting immediately. The Company uses the Black-Scholes option pricing model to calculate the fair value of granted stock options. The model requires management to make estimates, which are subjective and may not be representative of actual results. Changes in assumptions can materially affect fair value estimates. On August 8, 2018, the Company granted 4,200,000 incentive stock options to certain officers, directors, consultants and employees of the Company pursuant to the Company's Stock Option Plan. The following weighted average assumptions were used to estimate the grant date fair values for the nine months ended September 30, 2018:

Expected stock price volatility	159.4%
Expected life of options	5.00
Risk free interest rates	2.27%
Expected dividend yield	0.00%
Weighted average share price	\$ 0.20
Weighted average fair value per option granted	\$ 0.19

Share-based compensation for options in the three and nine months ended September 30, 2018 amounted to \$372,442 and \$447,280, respectively of which \$337,612 and \$393,665, respectively was expensed to the statement of loss and comprehensive loss, and \$34,830 and \$53,615, respectively was capitalized to exploration and evaluation assets (Note 7). In the three and nine months ended September 30, 2018 forfeitures of unvested options resulted in the reversal of \$nil and \$95,895, respectively of amounts recognized in previous periods.

**NXGOLD LTD.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian Dollars)

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND OCTOBER 31, 2017**

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**9. MANAGEMENT OF CAPITAL**

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as share capital, cash and available-for-sale securities.

The properties in which the Company currently has an interest are in the exploration stage. As such, the Company has historically relied on the equity markets to fund its activities. Although the Company has been successful in raising funds to date, there is no assurance that the Company will be successful in obtaining required financing in the future or that such financing will be available on terms acceptable to the Company. The Company 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.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the period.

**10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

There was no cash paid for income tax or interest in the nine months ended September 30, 2018 and October 31, 2017.

Non-cash transactions in the nine months ended September 30, 2018 and October 31, 2017 included:

- a) The issue of 19,760,000 common shares in January 2018 pursuant to the acquisition of and finders fee for RGL valued at \$5,335,200 (see Note 4).
- b) Share-based payments capitalized to exploration and evaluation assets of \$53,615 (October 31, 2017 - \$59,308).
- c) The value of Finder Warrants of \$170,476 issued pursuant to the June 15, 2018 private placement (see Note 8).

**11. SEGMENTED INFORMATION**

The Company has one operating segment in two geographic areas – acquisition of exploration mineral properties, in Canada and Australia, and with the corporate office in Canada. Segmented disclosure and Company-wide information is as follows:

	<b>Canada</b>	<b>Australia</b>	<b>Total</b>
Exploration and evaluation assets	\$ 1,068,388	\$ 7,351,293	\$ 8,419,681
Other assets	4,384,538	22,906	4,407,444
<b>Total assets</b>	<b>\$ 5,452,926</b>	<b>\$ 7,374,199</b>	<b>\$ 12,827,125</b>
Total liabilities	\$ 68,673	\$ 24,177	\$ 92,850

## **12. FINANCIAL INSTRUMENTS**

### **Fair value**

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of input described in the following hierarchy:

- Level 1 - applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.
- Level 2 - applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.
- Level 3 - applies to assets or liabilities for which there are unobservable market data.

The Company's financial instruments recorded at fair value consist of cash and available for sale securities and are measured based on Level 1 inputs.

The book value of accounts payable and accrued liabilities approximates its fair value due to the short-term nature.

### **Financial risk management objectives and policies**

The Company's financial instruments include cash, amounts receivable, available for sale securities, and accounts payable and accrued liabilities. The risks associated with these financial instruments and the policies regarding their management are discussed below. Management monitors these risk exposures to ensure appropriate measures are implemented in a timely and effective manner.

### **Interest rate risk**

The Company is not exposed to significant interest rate risk.

### **Credit risk**

Credit risk is the risk of an unexpected loss if a counterparty to a financial instrument fails to meet its contractual obligations. The credit risk associated with cash is believed to be minimal as cash is on deposit with Canadian banks that are believed to be creditworthy. Amounts receivable is comprised primarily of amounts due from the Government of Canada and Quebec. The Company does not believe it is exposed to significant credit risk.

### **Liquidity risk**

Liquidity risk is managed by ensuring sufficient financial resources are available to meet obligations associated with financial liabilities. The Company manages its liquidity by continuously monitoring and forecasting cash flows from operations and anticipating any investing and financing activities.

## **13. RELATED PARTY DISCLOSURES**

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of executive and non-executive members of the Company's Board of Directors and corporate officers.

**NXGOLD LTD.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian Dollars)

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND OCTOBER 31, 2017****13. RELATED PARTY DISCLOSURES (continued)**

Remuneration attributed to key management personnel is summarized as follows:

<b>Nine months ended September 30, 2018</b>	<b>Short term compensation</b>	<b>Share-based compensation</b>	<b>Total</b>
Expensed in the statement of loss and comprehensive loss	\$ 513,429	\$ 409,615	\$ 923,044
Capitalized to exploration and evaluation assets	141,353	45,959	187,312
	\$ 654,782	\$ 455,574	\$ 1,110,356

<b>Nine months ended October 31, 2017</b>	<b>Short term compensation</b>	<b>Share-based compensation</b>	<b>Total</b>
Expensed in the statement of loss and comprehensive loss	\$ 487,500	\$ 849,624	\$ 1,337,124
Capitalized to exploration and evaluation assets	103,846	59,279	163,125
	\$ 591,346	\$ 908,903	\$ 1,500,249

As at September 30, 2018 there was \$nil (December 31, 2017 – \$65,000) included in accounts payable and accrued liabilities owing to directors and officers for compensation.

The Company shares office space and administrative expenses with IsoEnergy Ltd. ("IsoEnergy"), a Company with officers and directors in common. During the nine months ended September 30, 2018, office lease and administrative expenditures billed to NxGold amounted to \$32,200. The 2017 comparative amounts were nil. As at September 30, 2018, the Company owes nil to IsoEnergy (December 31, 2017: nil).