



Consolidated Financial Statements of

NxGold Ltd.

For the year ended December 31, 2018 and the two-month fiscal year ended December
31, 2017

(Expressed in Canadian dollars)



Independent Auditor's Report

To the Shareholders of NxGold Ltd.

Opinion

We have audited the consolidated financial statements of NxGold Ltd. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and December 31, 2017, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the year ended December 31, 2018 and for the two months ended December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Other Information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.



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

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

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

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

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

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

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



D&H Group LLP
Chartered Professional Accountants
10th Floor, 1333 West Broadway
Vancouver, BC V6H 4C1

dhgroup.ca
t 604.731.5881
f 604.731.9923

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

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

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

A handwritten signature in black ink that reads "D&H Group LLP". The signature is written in a cursive, slightly stylized font.

Vancouver, B.C.
February 28, 2019

Chartered Professional Accountants

NXGOLD LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31
(Audited - Expressed In Canadian Dollars)

	Note	2018	2017
ASSETS			
Current			
Cash		\$ 3,087,663	\$ 1,298,888
Accounts receivable and prepaid expenses		106,020	41,731
Marketable securities	5	674,296	898,128
Fuel inventory		-	77,997
Deposits	4	-	1,491,150
		3,867,979	3,807,894
Non-Current			
Equipment	6	56,509	45,060
Exploration and evaluation assets	7	8,614,110	1,938,429
TOTAL ASSETS		\$ 12,538,598	\$ 5,791,383
LIABILITIES			
Current			
Accounts payable and accrued liabilities		\$ 131,505	\$ 136,387
TOTAL LIABILITIES		\$ 131,505	\$ 136,387
EQUITY			
Share capital	9	17,512,567	8,371,896
Reserves	9	2,286,943	1,520,904
Accumulated other comprehensive income		543,557	767,389
Deficit		(7,935,974)	(5,005,193)
TOTAL EQUITY		12,407,093	5,654,996
TOTAL LIABILITIES AND EQUITY		\$ 12,538,598	\$ 5,791,383

Nature of business (Note 1)

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

These consolidated financial statements were authorized for issue by the Board of Directors on February 28, 2019

“Leigh Curyer”
Leigh Curyer, Director

“Trevor Thiele”
Trevor Thiele, Director

NXGOLD LTD.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Audited - Expressed In Canadian Dollars)

	Note	For the year ended December 31, 2018	For the two-month fiscal year ended December 31, 2017
Share-based compensation	9	\$ 528,467	\$ 127,642
Salaries and director fees		816,923	115,000
Professional fees		118,214	24,458
Investor relations		248,333	-
Office and other		148,426	9,811
Travel		75,552	117
Loss before other items		(1,935,915)	(277,028)
Impairment of Chicobi	7(b)	(1,025,778)	-
Foreign exchange loss		(6,858)	-
Interest income		37,770	9,044
Loss		(2,930,781)	(267,984)
Unrealized gain (loss) on marketable securities	5	(223,832)	221,034
Comprehensive loss		\$ (3,154,613)	\$ (46,950)
Loss per common share – basic and diluted		\$ (0.04)	\$ (0.01)
Weighted average number of common shares outstanding - basic and diluted		71,150,537	38,147,143

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

NXGOLD LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Audited - Expressed In Canadian Dollars)

	Notes	Common shares			Accumulated other comprehensive income	Accumulated deficit	Total
		Shares	Amount	Reserves			
			\$	\$			
Balance, October 31, 2017		38,147,143	8,371,896	1,384,898	546,355	(4,737,209)	5,565,940
Share-based compensation	9	-	-	136,006			136,006
Unrealized loss on marketable securities	5	-	-	-	221,034	-	221,034
Net loss		-	-	-	-	(267,984)	(267,984)
Balance, December 31, 2017		38,147,143	8,371,896	1,520,904	767,389	(5,005,193)	5,654,996
Private placement	9	23,725,143	4,270,526	-	-	-	4,270,526
Share issuance costs	9	-	(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	9	-	-	595,563	-	-	595,563
Unrealized loss on marketable securities	5	-	-	-	(223,832)	-	(223,832)
Net loss		-	-	-	-	(2,930,781)	(2,930,781)
Balance, December 31, 2018		81,632,286	17,512,567	2,286,943	543,557	(7,935,974)	12,407,093

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

NXGOLD LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Audited - Expressed In Canadian Dollars)

	For the year ended December 31, 2018	For the two-month fiscal year ended December 31, 2017
Cash flows from (used in) operating activities		
Loss for the period	\$ (2,930,781)	\$ (267,984)
Items not involving cash:		
Share-based payments	528,467	127,642
Depreciation expense	11,408	1,721
Asset impairment	1,025,778	-
Changes in non-cash working capital		
Accounts receivable	(24,836)	(10,360)
Inventory	27,365	(2,300)
Deposits	7,500	(1,483,650)
Accounts payable and accrued liabilities	(22,726)	(25,696)
	\$ (1,377,825)	\$ (1,660,627)
Cash flows used in investing activities		
Acquisition of Roe Gold Limited, net of cash acquired	\$ (39,404)	\$ -
Additions to exploration and evaluation assets	(747,086)	(239,770)
Additions to equipment	(22,857)	-
	\$ (809,347)	\$ (239,770)
Cash flows provided by financing activities		
Shares issued	\$ 4,270,526	\$ -
Share issuance costs	(294,579)	-
	\$ 3,975,947	\$ -
Change in cash	\$ 1,788,775	\$ (1,900,397)
Cash, beginning of period	1,298,888	3,199,285
Cash, end of period	\$ 3,087,663	\$ 1,298,888

Supplemental cash flow information (Note 11)

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

NXGOLD LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Audited - Expressed in Canadian Dollars)

FOR THE YEAR ENDED DECEMBER 31, 2018 AND TWO-MONTH FISCAL YEAR ENDED DECEMBER 31, 2017

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 22nd 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 December 31, 2018 and as at December 31, 2017 and the statements of loss and comprehensive loss, cash flows and changes in equity are for the year ended December 31, 2018 compared to the two-month fiscal year ended December 31, 2017.

The Company is currently exploring mineral properties. During the year ended December 31, 2018, the Company had a net loss of \$2,930,781 and working capital of \$3,736,474 as at December 31, 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 consolidated financial statements for the year ended December 31, 2018, including comparatives for the two-month fiscal year ended December 31, 2017, have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“**IASB**”) and interpretations of the International Financial Reporting Interpretations Committee.

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.

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.

NXGOLD LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Audited - Expressed in Canadian Dollars)

FOR THE YEAR ENDED DECEMBER 31, 2018 AND TWO-MONTH FISCAL YEAR ENDED DECEMBER 31, 2017

2. BASIS OF PRESENTATION (continued)

Information about significant areas of estimation uncertainty considered by management in preparing the financial statements is as follows:

i. Impairment

At the end of each financial reporting period the carrying amounts of the Company's non-financial assets are reviewed to determine whether there is any indication that an impairment loss or reversal of previous impairment should be recorded. Where such an indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment, if any. With respect to exploration and evaluation assets, the Company is required to make estimates and judgments about future events and circumstances and whether the carrying amount of intangible exploration assets exceeds its recoverable amount. Recoverability depends on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the exploration and evaluation assets themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or its ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets.

ii. Share-based payments

The Company uses the Black-Scholes option pricing model to determine the fair value of options to calculate share-based payment expenses. The Black-Scholes model involves six key inputs to determine the fair value of an option: risk-free interest rate, exercise price, market price at date of issue, expected dividend yield, expected life and expected volatility. Certain of the inputs are estimates that involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control. The Company is also required to estimate the future forfeiture rate of options based on historical information in its calculation of share-based payment expenses. Refer to Note 9 for further details.

In situations where equity instruments are issued to settle amounts due or for goods or services received by the entity as consideration which cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of the amount settled or goods or services received. The significant share-based payment transactions are listed in Note 9 and include property acquisitions.

Information about significant areas of judgment exercised by management in preparing these financial statements are as follows:

i. Going concern

The Company's management has assessed the Company's ability to continue as a going concern as disclosed in Note 1 and is satisfied that the Company has the resources to continue its business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, these financial statements continue to be prepared on a going concern basis.

NXGOLD LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Audited - Expressed in Canadian Dollars)

FOR THE YEAR ENDED DECEMBER 31, 2018 AND TWO-MONTH FISCAL YEAR ENDED DECEMBER 31, 2017

2. BASIS OF PRESENTATION (continued)

- ii. Exploration and evaluation expenditures

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment to determine whether future economic benefits are likely from either future exploitation or sale, or whether activities have reached a stage which permits a reasonable assessment of the existence of mineral reserves or resources. The determination of mineral reserves and resources is itself an estimation process that requires varying degrees of uncertainty depending on how the resources are classified.

3. SIGNIFICANT ACCOUNTING POLICIES

In addition to the Company, the consolidated financial statements include all subsidiaries. Subsidiaries are all corporations over which the Company is able, directly or indirectly, to control financial and operating policies, which is the authority usually connected with holding majority voting right. Subsidiaries are fully consolidated from the date on which control is acquired. Inter-company transactions and balances are eliminated upon consolidation. They are de-consolidated from the date that control ceases.

The Company has one 100% owned subsidiary, NxGold Australia Pty. Ltd. ("**NxGold Australia**"), which was incorporated in Australia on December 18, 2017. NxGold Australia owns 100% of Roe Gold Limited ("**RGL**").

The accounting policies followed by the Company as set out below have been consistently followed in the preparation of these financial statements.

(a) Functional and Presentation Currency

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries.

Translation of transactions and balances

Foreign currency transactions are translated into the Company's functional currency using the exchange rate prevailing at the date of the transaction or the date of valuation (when items are re-measured). Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the spot rate of exchange in effect as at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated into the reporting currency using the exchange rate as at the date of the initial transaction.

(b) Cash

Cash includes deposits held with banks and which are available on demand.

(c) Exploration and Evaluation Assets

Once the legal right to explore a property has been acquired, exploration and evaluation costs are capitalized as exploration and evaluation assets on an area of interest basis, pending determination of the technical feasibility and commercial viability of the property. 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. When a claim is relinquished, or a project is abandoned, the related deferred costs are recognized in profit or loss immediately.

NXGOLD LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Audited - Expressed in Canadian Dollars)

FOR THE YEAR ENDED DECEMBER 31, 2018 AND TWO-MONTH FISCAL YEAR ENDED DECEMBER 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Proceeds received from the sale of any interest in a property will be credited against the carrying value of the property, with any excess included in operations for the period. If a property is abandoned, the acquisition and deferred exploration costs will be written off to operations.

Although the Company has taken steps to verify its title to exploration and evaluation assets in which it has an interest, in accordance with industry standards for similarly advanced exploration properties, these procedures do not guarantee the Company's title. A property may be subject to unregistered prior agreements or inadvertent non-compliance with regulatory requirements.

Management regularly assesses the carrying value of non-producing properties and properties for which events and circumstances may indicate possible impairment.

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

(d) Equipment

(i) Recognition and measurement

Items of equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

(ii) Subsequent costs

The cost of replacing part of an item of equipment is recognized when that cost is incurred, if it is probable that the future economic benefits of the item will flow to the Company and the cost of the item can be measured reliably.

(iii) Depreciation

The carrying amount of equipment (including initial and subsequent capital expenditures) is amortized to the estimated residual value over the estimated useful life of the specific assets. Depreciation is calculated over the estimated useful life of each significant component of equipment as follows:

- Computing equipment 55% declining balance basis
- Field equipment 20% declining balance basis

Depreciation methods, useful lives, and residual values are reviewed at least annually and adjusted if appropriate.

(iv) Disposal

Gains and losses on disposition of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount of the item and recognized in profit or loss.

NXGOLD LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Audited - Expressed in Canadian Dollars)

FOR THE YEAR ENDED DECEMBER 31, 2018 AND TWO-MONTH FISCAL YEAR ENDED DECEMBER 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Impairment

An impairment loss is recognized when the carrying amount of an asset, or a cash generating unit ("CGU"), exceeds its recoverable amount. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount of an asset is the greater of an asset's fair value less the cost to sell the asset and its value in use. In assessing value in use, estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment.

(f) Decommissioning and Restoration Provisions

Decommissioning and restoration provisions are recorded when a present legal or constructive obligation exists as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation and discount rates. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows discounted for the market discount rate.

Over time, the discounted liability is increased for changes in present value based on the current market discount rates and liability risks. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

Changes in reclamation estimates are accounted for prospectively as a change in the corresponding capitalized cost.

The Company did not have any decommissioning and restoration provisions for the period presented.

NXGOLD LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Audited - Expressed in Canadian Dollars)

FOR THE YEAR ENDED DECEMBER 31, 2018 AND TWO-MONTH FISCAL YEAR ENDED DECEMBER 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity. Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued.

(h) Share-based Payments

The Company's stock option plan allows Company employees, directors, officers and consultants to acquire common shares of the Company. The fair value of options granted is recognized as a share-based payment expense or capitalized to exploration and evaluation assets with a corresponding increase in equity reserves.

Fair value is measured at grant date, and each tranche is recognized using the graded vesting method over the period during which the options vest. The fair value of granted options is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest. In situations where equity instruments are issued to settle amounts due or for goods or services received by the Company as consideration which cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of the amount settled or goods or services received.

(i) Warrants

The Company issues warrants either as part of a financing, whereby the investor acquires a unit which is comprised of a common share and a warrant, or for services. Warrants allow the holder to acquire common shares of the Company. Where the warrant is issued as part of a unit, the residual method is used to value the warrant. Under this method the amount received by the Company for the unit is allocated first to the common share, based on the fair market value on the date of issue and the residual amount, if any, is allocated to the warrant. Where the warrant is issued for services received by the Company as consideration which cannot be specifically identified, they are measured at the fair value of the warrant. Otherwise, the warrants are measured at the fair value of the amount settled or goods or services received. The fair value of the warrant is valued using a Black-Scholes pricing model.

(j) Financial Instruments

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income ("FVOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

NXGOLD LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Audited - Expressed in Canadian Dollars)

FOR THE YEAR ENDED DECEMBER 31, 2018 AND TWO-MONTH FISCAL YEAR ENDED DECEMBER 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities carried at FVTPL are initially recorded at fair value. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise.

Financial assets and liabilities carried at FVOCI are initially recorded at fair value. Unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVOCI are included in comprehensive income or loss in the period they arise. On recognition, communicative gains and losses of financial assets in other comprehensive income or loss are reclassified to period in which profit or loss.

Impairment of Financial Assets at Amortized Cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. Regardless of whether credit risk has increased significantly, the loss allowance for trade receivables without a significant financing component classified at amortized cost, are measured using the lifetime expected credit loss approach. The Company shall recognize in the statements of net (loss) income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of net (loss) income.

(k) Loss per Share

Basic loss per share is calculated by dividing the loss for the year by the weighted average number of common shares outstanding during the year.

The Company uses the treasury stock method to compute the dilutive effect of options and other similar instruments. Under this method, the weighted average number of shares outstanding used in the calculation of diluted loss per share assumes that the deemed proceeds received from the exercise of stock options and their equivalents would be used to repurchase common shares of the Company at the average market price during the period.

Existing stock options have not been included in the computation of diluted loss per share as to do so would be anti-dilutive. Accordingly, basic and diluted loss per share is the same for the years presented.

NXGOLD LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Audited - Expressed in Canadian Dollars)

FOR THE YEAR ENDED DECEMBER 31, 2018 AND TWO-MONTH FISCAL YEAR ENDED DECEMBER 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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.

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

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

(Audited - Expressed in Canadian Dollars)

FOR THE YEAR ENDED DECEMBER 31, 2018 AND TWO-MONTH FISCAL YEAR ENDED DECEMBER 31, 2017**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

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 marketable securities as fair value through other comprehensive income.

	Original under IAS 39		New under IFRS	
	<u>Classification</u>	<u>Carrying amount</u>	<u>Classification</u>	<u>Carrying amount</u>
Cash	FVTPL	1,298,888	FVTPL	1,298,888
Accounts receivable	Loans and receivables	41,731	Amortized costs	41,731
Marketable securities	Available for sale	898,128	FVTOCI	898,128
Accounts payable and accrued liabilities	Loans and receivables	136,387	Amortized costs	136,387

Future Accounting Pronouncements:

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

IFRS 16 – *Leases* (“IFRS 16”) 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.

On January 1, 2019 the Company plans to adopt IFRS 16 retrospectively with the cumulative effect on initially applying the standard recognized at the date of initial application. The Company will also elect to account for leases with lease terms that end within 12 months of the date of initial application as short-term leases whereby the Company will recognize the lease payments as an expense over the lease term.

Upon the adoption of IFRS 16, the Company anticipates it will record a balance of lease right of use asset of approximately \$130,000 and associated lease liability for the same amount related to its only lease with a term of 12 months or more on the Statement of Financial Position at January 1, 2019. The lease is related to office space and extends to May 31, 2023. Due to the recognition of additional lease assets and liabilities, a higher amount of depreciation expense and interest on lease liabilities will be recognized under IFRS 16 as compared to the current standard. The Company expects a reduction in cash flows from operating activities with a corresponding increase in financing cash outflows activities.

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

(Audited - Expressed in Canadian Dollars)

FOR THE YEAR ENDED DECEMBER 31, 2018 AND TWO-MONTH FISCAL YEAR ENDED DECEMBER 31, 2017**4. ACQUISITION OF ROE GOLD LIMITED**

In December 2017 the Company executed a binding term sheet (the “**Agreement**”) with 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 acquired 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 is held as a joint venture between RGL and the SPV pursuant to which the SPV is 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 has been 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
Cash	1,483,650
Transaction costs	58,736
	<u>\$ 6,877,586</u>

Purchase price allocations:

Cash	\$ 19,331
Other current assets	4,119
Mineral properties	6,871,980
Liabilities	(17,844)
	<u>\$ 6,877,586</u>

5. MARKETABLE SECURITIES

Marketable 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.

	2018	2017
Opening	\$ 898,128	\$ 677,094
Unrealized gain (loss)	(223,832)	221,034
Closing	<u>\$ 674,296</u>	<u>\$ 898,128</u>

NXGOLD LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Audited - Expressed in Canadian Dollars)
FOR THE YEAR ENDED DECEMBER 31, 2018 AND TWO-MONTH FISCAL YEAR ENDED DECEMBER 31, 2017

6. EQUIPMENT

	Computing Equipment	Equipment	Leasehold Improvements	Total
Cost				
Balance, October 31, 2017 and December 31, 2017	\$ 3,809	\$ 48,910	\$ -	\$ 52,719
Additions	-	7,300	15,557	22,857
Balance, December 31, 2018	3,809	56,210	15,557	75,576
Accumulated depreciation				
Balance, October 31, 2017	\$ 1,047	\$ 4,891	\$ -	\$ 5,938
Depreciation	253	1,468	-	1,721
Balance, December 31, 2017	1,300	6,359	-	7,659
Depreciation	1,381	10,027	-	11,408
Balance, December 31, 2018	\$ 2,681	\$ 16,386	\$ -	\$ 19,067
Net book Value:				
Balance, December 31, 2017	\$ 2,509	\$ 42,551	\$ -	\$ 45,060
Balance, December 31, 2018	\$ 1,128	\$ 39,824	\$ 15,557	\$ 56,509

NXGOLD LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Audited - Expressed in Canadian Dollars)

FOR THE YEAR ENDED DECEMBER 31, 2018 AND TWO-MONTH FISCAL YEAR ENDED DECEMBER 31, 2017
7. EXPLORATION AND EVALUATION ASSETS

	Kuulu (a)	Chicobi (b)	Pilbara (see Note 4)	Total
Acquisition costs:				
Balance, October 31, 2017 and December 31, 2017	\$ 135,160	\$ 447,065	\$ -	\$ 582,225
Additions (impairment)	-	(447,065)	6,871,980	6,424,915
Balance, December 31, 2018	\$ 135,160	\$ -	\$ 6,871,980	\$ 7,007,140
Deferred exploration costs:				
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)
Balance, December 31, 2017	776,827	579,377	-	1,356,204
Additions:				
Drilling	(43,767)	-	-	(43,767)
Trenching	-	-	96,906	96,906
Land management	60,693	21,434	62,079	144,206
Survey	-	62,971	61,372	124,343
Geochemistry	-	-	24,598	24,598
Travel and camp	46,484	-	75,644	122,128
Salaries	66,395	32,374	221,717	320,486
Share-based payments	14,603	4,229	48,264	67,096
General exploration	6,978	2,791	37,545	47,314
Reclassification of inventory	50,632	-	-	50,632
Investment tax credit	-	(124,863)	-	(124,863)
Impairment	-	(578,313)	-	(578,313)
Deferred exploration for the year ended December 31, 2018	202,018	(579,377)	628,125	250,766
Balance, December 31, 2018	\$ 978,845	\$ -	\$ 628,125	\$ 1,606,970
Total exploration and evaluation assets:				
Balance, October 31, 2017	\$ 944,974	\$ 821,018	\$ -	\$ 1,765,992
Balance, December 31, 2017	\$ 911,987	\$ 1,026,442	\$ -	\$ 1,938,429
Balance, December 31, 2018	\$ 1,114,005	\$ -	\$ 7,500,105	\$ 8,614,110

(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 CONSOLIDATED FINANCIAL STATEMENTS**

(Audited - Expressed in Canadian Dollars)

FOR THE YEAR ENDED DECEMBER 31, 2018 AND TWO-MONTH FISCAL YEAR ENDED DECEMBER 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:

To be spent by:	Minimum expenditure	Cash payment	Total
First Earn-In Option (50% undivided interest)			
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
	\$ 10,000,000	\$ 225,000	\$ 10,225,000
Second Earn-In Option (additional 20% undivided interest)			
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
	\$ 25,000,000	\$ 300,000	\$ 25,300,000

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 licences 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 of expenditures 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 June 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 \$1,025,778 were recorded in the year ended December 31, 2018.

NXGOLD LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Audited - Expressed in Canadian Dollars)
FOR THE YEAR ENDED DECEMBER 31, 2018 AND TWO-MONTH FISCAL YEAR ENDED DECEMBER 31, 2017

8. INCOME TAXES

The significant components of the Company's deferred income taxes are as follows:

	2018	2017
Deferred income taxes		
Benefit of loss carry forwards	\$ 1,425,938	\$ 806,128
Marketable securities	73,377	99,757
Exploration and evaluation assets	510,168	224,674
Other	116,758	70,295
	2,126,241	1,200,854
Less: Unrecognized deferred tax asset	(2,126,241)	(1,200,854)
	\$ -	\$ -

The following reconciliation of the statutory combined federal and provincial income taxes to the effective income taxes:

	For the year ended December 31, 2018	For the two-months fiscal year ended December 31, 2017
Loss from operations	\$ (2,930,781)	\$ (267,984)
Statutory rate	27%	26%
Expected tax recovery	(791,311)	(69,676)
Share issue costs	(35,777)	(3,189)
Share-based payments	142,686	33,187
Write-down of mining assets	285,120	-
Unrecognized deferred tax asset	399,282	39,678
	\$ -	\$ -

At December 31, 2018, the Company has non-capital losses of \$5,330,611 which will expire in 2028-2038. Tax attributes are subject to review and potential adjustments by tax authorities.

9. 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 1,186,356 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.

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

(Audited - Expressed in Canadian Dollars)

FOR THE YEAR ENDED DECEMBER 31, 2018 AND TWO-MONTH FISCAL YEAR ENDED DECEMBER 31, 2017**9. SHARE CAPITAL (continued)****Warrants**

As at December 31, 2018 the Company had the following warrants outstanding:

Expiry date	Exercise price	Number of warrants	Remaining life (years) at December 31, 2018
15-Oct-20	\$0.07	2,000,000	1.8
15-Oct-20	\$0.05	4,890,000	1.8
28-Jul-20	\$0.05	3,500,000	1.6
13-Dec-19	\$0.50	9,920,300	1.0
13-Dec-19	\$0.25	426,900	1.0
13-Jan-20	\$0.50	1,058,000	1.0
15-Jun-21	\$0.27	23,725,143	2.5
14-Jun-21	\$0.18	1,186,356	2.5
Balance, December 31, 2018	\$0.27	46,706,699	1.9

There were no warrants exercised in the year ended December 31, 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.

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, 2017 and December 31, 2017	3,550,000	\$ 0.52
Granted	4,200,000	\$ 0.20
Forfeited	(900,000)	\$ 0.52
Outstanding December 31, 2018	6,850,000	\$ 0.32
Number of options exercisable	3,194,668	\$ 0.37

As at December 31, 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	3.1	February 1, 2022
250,000	\$ 0.45	166,668	\$ 0.45	3.3	April 25, 2022
4,200,000	\$ 0.20	1,428,000	\$ 0.20	4.6	August 8, 2023
6,850,000	\$ 0.32	3,194,668	\$ 0.37		

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

(Audited - Expressed in Canadian Dollars)

FOR THE YEAR ENDED DECEMBER 31, 2018 AND TWO-MONTH FISCAL YEAR ENDED DECEMBER 31, 2017

9. SHARE CAPITAL (continued)

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 year ended December 31, 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 year ended December 31, 2018 amounted to \$691,458 (2017 - \$136,007) of which \$624,362 (2017 - 127,642) was expensed to the statement of loss and comprehensive loss, and \$67,096 (2017 - \$8,365) was capitalized to exploration and evaluation assets (Note 7). In addition, in the year ended December 31, 2018 forfeitures of unvested options resulted in the reversal of \$95,895 (2017 - nil) of amounts recognized in previous periods.

10. 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 marketable 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.

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

(Audited - Expressed in Canadian Dollars)

FOR THE YEAR ENDED DECEMBER 31, 2018 AND TWO-MONTH FISCAL YEAR ENDED DECEMBER 31, 2017**11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

There was no cash paid for income tax or interest in the year ended December 31, 2018 and the two-month fiscal year ended December 31, 2017.

Non-cash transactions in the year ended December 31, 2018 and two-month fiscal year ended 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 \$67,096 (December 31, 2017 - \$8,365).
- c) The value of Finder warrants of \$170,476 issued pursuant to the June 15, 2018 private placement (see Note 9).

12. SEGMENTED INFORMATION

As of January 2018, 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:

	Canada	Australia	Total
Exploration and evaluation assets	\$ 1,114,005	\$ 7,500,105	\$ 8,614,110
Other assets	3,870,741	53,747	3,924,488
Total assets	\$ 4,984,746	\$ 7,553,852	\$ 12,538,598
Total liabilities	\$ 124,664	\$ 6,841	\$ 131,505

13. 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 instrument recorded at fair value consist of cash and marketable 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.

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

(Audited - Expressed in Canadian Dollars)

FOR THE YEAR ENDED DECEMBER 31, 2018 AND TWO-MONTH FISCAL YEAR ENDED DECEMBER 31, 2017**13. FINANCIAL INSTRUMENTS (continued)****Financial risk management objectives and policies**

The Company's financial instruments include cash, amounts receivable, marketable 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.

14. 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.

Remuneration attributed to key management personnel is summarized as follows:

Year ended December 31, 2018	Short term compensation	Share-based compensation	Total
Expensed in the statement of loss and comprehensive loss	\$ 682,421	\$ 540,974	\$ 1,223,395
Capitalized to exploration and evaluation assets	192,357	49,944	242,301
	\$ 874,778	\$ 590,918	\$ 1,465,696

Two-month fiscal years ended December 31, 2017	Short term compensation	Share-based compensation	Total
Expensed in the statement of loss and comprehensive loss	\$ 108,333	\$ 125,708	\$ 234,041
Capitalized to exploration and evaluation assets	33,333	8,364	41,697
	\$ 141,666	\$ 134,072	\$ 275,738

As at December 31, 2018 there was \$50,000 (December 31, 2017 – \$65,000) included in accounts payable and accrued liabilities owing to directors and officers for compensation.

NXGOLD LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Audited - Expressed in Canadian Dollars)

**FOR THE YEAR ENDED DECEMBER 31, 2018 AND TWO-MONTH FISCAL YEAR ENDED
DECEMBER 31, 2017**

14. RELATED PARTY DISCLOSURES (continued)

The Company shares office space and administrative expenses with IsoEnergy Ltd. ("IsoEnergy"), a Company with officers and directors in common. During the year ended December 31, 2018, office lease and administrative expenditures billed to NxGold amounted to \$70,623. The 2017 comparative amounts were nil. As at December 31, 2018, the Company owes nil to IsoEnergy (December 31, 2017: nil).