



NXGOLD LTD.
(formerly Lancaster Capital Corp.)
Condensed Consolidated Interim Financial Statements
For the three months ended January 31, 2017
(Unaudited - Expressed in Canadian Dollars)

NxGold Ltd.

Condensed Consolidated Interim Statement of Financial Position

(Unaudited - Expressed in Canadian Dollars)

	As at January 31, 2017 \$	As at October 31, 2016 \$
Assets		
Current assets		
Cash	5,217,346	452,565
Amounts receivable	19,031	2,312
Available for sale securities (Note 3)	998,829	450,464
Prepaid expenses and deposits	<u>7,500</u>	<u>-</u>
	6,242,706	905,341
Non-current		
Exploration and evaluation assets (Note 4)	89,523	-
Equipment	<u>2,285</u>	<u>-</u>
	<u>91,808</u>	<u>-</u>
Total assets	6,334,514	905,341
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	<u>131,740</u>	<u>227,819</u>
Shareholders' equity		
Share capital (Note 5)	8,065,371	3,012,442
Share subscription receivable	(25,000)	-
Share-based payments reserve	247,284	149,684
Accumulated other comprehensive income	868,090	319,723
Deficit	<u>(2,952,971)</u>	<u>(2,804,327)</u>
	<u>6,202,774</u>	<u>677,522</u>
Total shareholders' equity and liabilities	6,334,514	905,341

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

Nature of business (Note 1)

Events after the reporting period (Note 10)

These consolidated financial statements were approved for issue by the Board of Directors on March 28, 2017.

NxGold Ltd.

Condensed Consolidated Interim Statements of Comprehensive Income

(Unaudited - Expressed in Canadian Dollars)

	Three months ended January 31, 2017 \$	Three months ended January 31, 2016 \$
Expenses		
Depreciation of equipment	169	-
Office	30,698	27
Professional fees	21,725	-
Travel	10,750	-
Salaries	<u>85,302</u>	<u>-</u>
Net loss	(148,644)	(27)
Other comprehensive income	-	13,774
Unrealized holding gain on available for sale securities	<u>548,367</u>	<u>-</u>
Comprehensive income	<u>399,723</u>	<u>13,747</u>
Net income per common share - basic and diluted	0.00	0.00
Weighted average number of common shares outstanding	26,057,720	4,312,876

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)

	<u>Common shares</u>		Share-based payments reserve	Share subscription receivable	Accumulated other comprehensive income	Accumulated Deficit	Total
	Shares	Amount \$					
Balance, October 31, 2015	13,776,443	2,947,442	149,684	-	82,110	(2,600,783)	578,453
Unrealized holding gain on available for sale securities	-	-	-	-	13,771	-	13,771
Exercise of warrants	1,300,000	65,000	-	-	-	-	65,000
Net loss	-	-	-	-	-	(27)	(27)
Balance, January 31, 2016	15,076,443	3,012,442	149,684	-	95,881	(2,600,810)	657,197
Balance, October 31, 2016	15,076,443	3,012,442	149,684	-	319,723	(2,804,327)	677,522
Unrealized holding gain on available for sale securities	-	-	-	-	548,367	-	548,367
Private placement	21,956,600	5,489,150	-	(25,000)	-	-	5,464,150
Share issuance costs	-	(436,221)	97,600	-	-	-	(338,621)
Net loss	-	-	-	-	-	(148,644)	(148,644)
Balance, January 31, 2017	37,033,043	8,065,371	247,284	(25,000)	868,090	(2,952,971)	6,202,774

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)

	Three months ended January 31, 2017 \$	Three months ended January 31, 2016 \$
Operating		
Net loss	(148,644)	(27)
Adjustment for item not affecting cash		
Depreciation of equipment	169	-
Changes in non-cash working capital accounts		
Amounts receivable	(16,718)	-
Prepaid expenses	(7,500)	-
Accounts payable and accrued liabilities	<u>(96,079)</u>	<u>(144)</u>
	<u>(268,772)</u>	<u>(171)</u>
Financing		
Cash from exercise of warrants	-	65,000
Cash from private placement	5,464,150	-
Share issue costs paid	<u>(338,620)</u>	<u>-</u>
	<u>5,125,530</u>	<u>65,000</u>
Investing		
Purchase of equipment	(2,454)	-
Exploration expenditures	<u>(89,523)</u>	<u>-</u>
	<u>(91,977)</u>	<u>-</u>
Net change in cash	4,764,781	64,829
Cash, beginning of period	<u>452,565</u>	<u>505,114</u>
Cash, end of period	5,217,346	569,943

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

NxGold Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

Three months ended January 31, 2017

(Unaudited - Expressed in Canadian Dollars)

1. Nature of business

NxGold Ltd. (the "Company"), which changed its name from Lancaster Capital Corp. on November 18, 2016, was incorporated under the *Business Corporations Act* (British Columbia) on April 26, 2004. The Company's principal office is located at 3150 - 1021 West Hastings Street, Vancouver, British Columbia. Since August 5, 2008, the Company has been engaged in acquiring and exploring unproven mineral resource interests in Canada.

The Company is in the process of evaluating its exploration and evaluation assets and has not yet determined whether they contain mineral reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete development and upon future profitable production from the development or sale of the interests.

These condensed consolidated interim 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 consolidated financial statements. These consolidated 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 consolidated interim financial statements are prepared using accounting policies consistent with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") and are 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 Company's financial statements as at and for the year ended October 31, 2016. Accordingly, accounting policies applied, other than as disclosed, are the same as those applied in the Company's annual financial statements.

Basis of Presentation

These condensed consolidated interim financial statements have been prepared on a historical cost basis, as modified by the revaluation of available-for-sale financial assets at fair value through profit or loss. The condensed consolidated interim financial statements are presented in Canadian dollars, which is also the Company's functional currency, unless otherwise indicated. The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as disclosed in the notes to the annual audited financial statements of the Company as at October 31, 2016.

NxGold Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

Three months ended January 31, 2017

(Unaudited - Expressed in Canadian Dollars)

2. Basis of presentation - continued

The condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiary, 0930646 British Columbia Ltd. 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 rights. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. They are de-consolidated from the date that control by the Company ceases.

3. Available for sale securities

Available for sale securities consist of common shares of NexGen Energy Ltd. ("NexGen"), a corporation with common directors and officers whose common shares are listed on the Toronto Stock Exchange.

The estimated fair value of NexGen common shares is based on published closing prices.

	\$	\$	\$
	Cost	Unrealized holding gain	Book value
October 31, 2016			
279,791 common shares	130,764	319,700	450,464
January 31, 2017			
279,791 common shares	130,764	868,065	998,829

4. Exploration and evaluation assets

The Company's exploration and evaluation assets consist of one early-stage exploration project as follows:

Kuulu (formerly Peter Lake Gold) Property

On October 25, 2016, the Company entered into an agreement with a private company (the "Vendor") with an effective date of January 17, 2017, to earn up to a 70% interest in the Kuulu property (formerly the Peter Lake Gold property) (the "Property") upon satisfaction of certain requirements.

The Company has the right to acquire an initial undivided 50% interest (the "First Earn-In Option") in the Property by:

- i) Incurring a minimum of \$ 1 million in expenditures on the Property by January 17, 2018;
- ii) Incurring an additional \$ 4 million in expenditures on the Property by January 17, 2019;
- iii) Incurring an additional \$ 5 million in expenditures on the Property by January 17, 2020;
- iv) Paying \$ 75,000 in cash to the Vendor on each of January 17, 2017 (paid), 2018, 2019 and 2020.

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4. Exploration and evaluation assets - continued

The Company has the right to acquire an additional undivided 20% interest (the "Second Earn-In Option") in the Property by:

- i) Incurring in addition to any expenditures in the First Earn-In Option, a minimum of \$ 2 million in expenditures on the Property by January 17, 2021;
- ii) Incurring an additional \$ 3 million in expenditures on the Property by January 17, 2022;
- iii) Incurring an additional \$ 5 million in expenditures on the Property by January 17, 2023;
- iv) Incurring an additional \$ 15 million in expenditures and preparing and delivering to the Vendor a bankable feasibility study on or before January 17, 2024;
- v) Paying \$ 75,000 in cash to the Vendor on each of January 17, 2021, 2022, 2023 and 2024.

The Company may extend the delivery date for the bankable feasibility study for additional one year periods, to a maximum of 3 additional years, in each case, upon payment to the Vendor of \$ 2.5 million in cash for each additional one-year extension.

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

5. 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.

a) Common shares

During the period ended January 31, 2017, the Company issued 21,956,600 units for aggregate gross proceeds of \$ 5,489,150 including \$ 25,000 which was received after the period-end, on a private placement basis. Each unit consisted of one common share and one-half of a share purchase warrant. Each warrant is exercisable into a common share for \$ 0.50 per share until December 13, 2019. The Company incurred share issue costs of \$ 338,620 and issued 441,000 finder's warrants. The finder's warrants are exercisable into common shares for \$ 0.25 per share until December 13, 2019 and were accounted for at their estimated fair value of \$ 97,600.

b) Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Share purchase warrants	\$ Weighted average exercise price
Balance, October 31, 2015	11,990,000	0.05
Exercised	(1,300,000)	0.05
Balance, October 31, 2016	10,690,000	0.05
Issued	11,419,300	0.49
Balance, January 31, 2017	22,109,300	0.28

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Three months ended January 31, 2017

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5. Share capital - continued

As at January 31, 2017, the Company had the following warrants outstanding:

Expiry dates:	\$	
	Exercise price	Number
October 15, 2020	0.07	2,000,000
October 15, 2020	0.05	5,190,000
July 28, 2020	0.05	3,500,000
December 13, 2019	0.50	9,920,300
December 31, 2019	0.25	441,000
January 13, 2020	0.50	<u>1,058,000</u>
		<u>22,109,300</u>

The weighted average remaining contractual life of the outstanding warrants at January 31, 2017 was 3.24 years (2016 - 4.64 years).

6. Share-based payments

The Company may award share options to directors, officers, employees and consultants in accordance with the TSX Venture Exchange's policies. Awarded share options may be exercisable for up to ten years at exercise prices determined by the Board of Directors (the "Board") at the time of award. The vesting schedule, if any, applicable to a grant of share options is at the discretion of the Board. The Company's issued share options are limited up to 10% of the Company's issued and outstanding common shares.

Stock option transactions and the number of stock options outstanding are summarized as follows:

	\$	
	Options outstanding	Weighted average exercise price
Balance, October 31, 2015	22,500	1.88
Expired	(22,500)	-
Balance, October 31, 2016	-	-
Balance, January 31, 2017	-	-

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7. 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 short-term investments. 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.

8. 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 consists of cash and available for sale securities and are measured based on Level 1 inputs.

The fair value of accounts payable and accrued liabilities approximates their fair value due to their 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. The Company does not believe it is exposed to significant credit risk.

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8. **Financial instruments** - continued

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.

9. **Related party disclosures**

During the quarter ended January 31, 2017, the Company paid \$ 61,019 (2016 - \$ Nil) of salaries to officers and directors.

10. **Events after the reporting period**

Subsequent to January 31, 2017, the Company awarded 3,300,000 stock options exercisable at \$ 0.52 per share for five years and which vest one third on each of February 1, 2017, 2018 and 2019.