



NxGold Ltd.
(formerly Lancaster Capital Corp.)
Financial Statements
For the years ended October 31, 2017 and October 31, 2016
(Expressed in Canadian Dollars)



Independent Auditor's Report

To the Shareholders of NxGold Ltd.

We have audited the accompanying financial statements of NxGold Ltd., which comprise the statements of financial position as at October 31, 2017 and October 31, 2016, and the statements of income (loss) and comprehensive income (loss), statements of changes in equity and statements of cash flows for the years ended October 31, 2017 and October 31, 2016, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of NxGold Ltd. as at October 31, 2017 and October 31, 2016, and its financial performance and its cash flows for the years ended October 31, 2017 and October 31, 2016 in accordance with International Financial Reporting Standards.

Vancouver, B.C.
January 23, 2018

"D&H Group LLP"

Chartered Professional Accountants

NxGold Ltd.

Statements of Financial Position

(Expressed in Canadian Dollars)

	As at October 31, 2017 \$	As at October 31, 2016 \$
Assets		
Current assets		
Cash	3,199,285	452,565
Amounts receivable	31,371	2,312
Available for sale securities (Note 4)	677,094	450,464
Prepaid expenses and deposits	<u>7,500</u>	<u>-</u>
	<u>3,915,250</u>	<u>905,341</u>
Non-current assets		
Exploration and evaluation assets (Note 5)	1,765,992	-
Equipment (Note 6)	<u>46,781</u>	<u>-</u>
	<u>1,812,773</u>	<u>-</u>
Total assets	<u>5,728,023</u>	<u>905,341</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	<u>162,083</u>	<u>227,819</u>
Shareholders' equity		
Share capital (Note 8)	8,371,896	3,012,442
Share-based payments reserve	1,384,898	149,684
Accumulated other comprehensive income	546,355	319,723
Accumulated deficit	<u>(4,737,209)</u>	<u>(2,804,327)</u>
Total shareholders' equity	<u>5,565,940</u>	<u>677,522</u>
Total shareholders' equity and liabilities	<u>5,728,023</u>	<u>905,341</u>

The accompanying notes are an integral part of these annual financial statements.

Nature of business (Note 1)

Events after the reporting period (Note 14)

These financial statements were approved for issue by the Board of Directors on January 23, 2018 and are signed on its behalf by:

"Leigh Curyer"
Director

"Trevor Thiele"
Director

NxGold Ltd.

Statements of Income (Loss) and Comprehensive Income (Loss)

(Expressed in Canadian Dollars)

	Year ended October 31, 2017 \$	Year ended October 31, 2016 \$
Expenses		
Depreciation of equipment	5,939	-
Office	67,396	12,715
Professional fees	117,388	52,133
Salaries (Note 12)	624,685	195,883
Share-based payments	1,078,307	-
Travel	<u>64,266</u>	<u>-</u>
Loss before other items	<u>(1,957,981)</u>	<u>(260,731)</u>
Other items		
Interest income	25,099	-
Gain on sale of exploration and evaluation assets (Note 5)	-	44,998
Settlement of debt	<u>-</u>	<u>12,189</u>
	<u>25,099</u>	<u>57,187</u>
Net loss	(1,932,882)	(203,544)
Other comprehensive income		
Unrealized gain on available for sale securities	<u>226,632</u>	<u>237,613</u>
Comprehensive income (loss)	(1,706,250)	34,069
Net loss per common share - basic and diluted	(0.06)	(0.01)
Weighted average number of common shares outstanding	34,761,580	14,919,613

The accompanying notes are an integral part of these annual financial statements.

NxGold Ltd.

Statements of Changes in Equity

(Expressed in Canadian Dollars)

	Shares	Common shares Amount \$	Share-based payments reserve \$	Accumulated other comprehensive income \$	Accumulated Deficit \$	Total \$
Balance, October 31, 2015	13,776,443	2,947,442	149,684	82,110	(2,600,783)	578,453
Exercise of warrants	1,300,000	65,000	-	-	-	65,000
Unrealized gain on available for sale securities	-	-	-	237,613	-	237,613
Net loss	-	-	-	-	(203,544)	(203,544)
Balance, October 31, 2016	15,076,443	3,012,442	149,684	319,723	(2,804,327)	677,522
Balance, October 31, 2016	15,076,443	3,012,442	149,684	319,723	(2,804,327)	677,522
Unrealized gain on available for sale securities	-	-	-	226,632	-	226,632
Private placement	21,956,600	5,489,150	-	-	-	5,489,150
Shares issued for option agreement (Note 15)	800,000	288,000	-	-	-	288,000
Share issuance costs	-	(436,221)	97,600	-	-	(338,621)
Stock option awards	-	-	1,137,614	-	-	1,137,614
Exercise of warrants	314,100	18,525	-	-	-	18,525
Net loss	-	-	-	-	(1,932,882)	(1,932,882)
Balance, October 31, 2017	38,147,143	8,371,896	1,384,898	546,355	(4,737,209)	5,565,940

The accompanying notes are an integral part of these annual financial statements.

NxGold Ltd.

Statements of Cash Flows

(Expressed in Canadian Dollars)

	Year ended October 31, 2017 \$	Year ended October 31, 2016 \$
Cash flows from (used in) operating activities		
Net loss	(1,932,882)	(203,544)
Adjustments for items not affecting cash:		
Depreciation of equipment	5,939	-
Gain on sale of exploration and evaluation assets	-	(44,998)
Settlement of debt	-	(12,189)
Stock-based compensation	1,078,307	-
Changes in non-cash working capital accounts:		
Amounts receivable	(29,059)	313
Prepaid expenses and deposits	(7,500)	-
Accounts payable and accrued liabilities	<u>(65,736)</u>	<u>142,869</u>
	<u>(950,931)</u>	<u>(117,549)</u>
Cash flows from financing activities		
Proceeds from exercise of warrants	18,525	65,000
Proceeds from share issuance	5,489,150	-
Share issue costs	<u>(338,620)</u>	<u>-</u>
	<u>5,169,055</u>	<u>65,000</u>
Cash flows from (used in) Investing activities		
Purchase of equipment	(52,719)	-
Exploration expenditures	<u>(1,418,685)</u>	<u>-</u>
	<u>(1,471,404)</u>	<u>-</u>
Net change in cash	2,746,720	(52,549)
Cash, beginning of year	<u>452,565</u>	<u>505,114</u>
Cash, end of year	<u>3,199,285</u>	<u>452,565</u>

Supplemental disclosure with respect to cash flows (Note 13)

The accompanying notes are an integral part of these annual financial statements.

NxGold Ltd.

Notes to the Financial Statements

Years ended October 31, 2017 and October 31, 2016

(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. The Company is engaged in the business of acquiring and exploring mineral properties 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 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. Statement of compliance and basis of preparation

The Company's financial statements are prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). The Company's financial statements have been prepared on the historical cost basis except for the revaluation of certain financial assets and financial liabilities to fair value.

3. Significant accounting policies

Functional and presentation currency

The Company's functional currency, being the currency of the primary economic environment in which it operates, is the Canadian dollar. The financial statements are presented in Canadian dollars.

NxGold Ltd.

Notes to the Financial Statements

Years ended October 31, 2017 and October 31, 2016

(Expressed in Canadian Dollars)

3. Significant accounting policies - continued

Critical judgments and sources of estimation uncertainty

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical judgments

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

- i) Management is required to assess impairment in respect of exploration and evaluation assets. The triggering events are defined in IFRS 6. In making this assessment, management is required to make judgments about the status of each project and of future plans to undertake additional exploration and evaluation work.

Estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

- i) Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxation authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

Amounts receivable

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Receivables are classified as loans and receivables. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Accounts payable and accrued liabilities

Payables are obligations to pay for materials or services that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Payables are classified as other financial liabilities initially at fair value and subsequently measured at amortized cost using the effective interest method.

NxGold Ltd.

Notes to the Financial Statements

Years ended October 31, 2017 and October 31, 2016

(Expressed in Canadian Dollars)

3. Significant accounting policies - continued

Exploration and evaluation assets

The Company capitalizes all costs, net of any recoveries, relating to the acquisition, exploration and development of exploration and evaluation assets. These costs will be depleted over the useful life of each asset upon commencement of commercial production or written off if the asset is abandoned or the related claims are allowed to lapse. The carrying amount of exploration and evaluation assets represent costs incurred to date and does not necessarily reflect present or future values.

The Company may acquire or dispose of exploration and evaluation assets pursuant to the terms of option agreements. As options are exercisable entirely at the discretion of the optionee, amounts payable or receivable are not recorded until paid. Option payments are recorded as costs or recoveries when the payments are made or received.

On a periodic basis, management reviews the carrying values of exploration and evaluation assets with a view to assessing whether there has been any impairment in value. Management takes into consideration various information including, but not limited to, results of exploration activities conducted to date, estimated future metal prices, and reports and opinions of outside geologists, mine engineers and consultants. When it is determined that a project or interest will be abandoned or its carrying value has been impaired, a provision is made for any expected loss on the project or interest therein. Although the Company has taken steps to ensure the title to its mineral interests, such procedures do not guarantee the Company's title. Mineral interests may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

Impairment of long-lived assets

At each financial position reporting date, the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

NxGold Ltd.

Notes to the Financial Statements

Years ended October 31, 2017 and October 31, 2016

(Expressed in Canadian Dollars)

3. Significant accounting policies - continued

Provision for restoration and decommissioning costs

Obligations to retire a non-current asset, including dismantling, restoration and similar activities, are provided for at the time they are incurred or when an event occurs giving rise to such an obligation. The Company is subject to laws and regulations relating to environmental matters, including land reclamation and discharge of hazardous materials, in all jurisdictions in which it operates. The Company may be found to be responsible for damage caused by prior owners and operators of its unproven mineral interests and in relation to mineral interests previously held by the Company. The Company believes it has conducted its exploration and evaluation activities in compliance with applicable environmental laws and regulations. On initial recognition, the estimated fair value of a provision is recorded as a liability and a corresponding amount is added to the capitalized cost of the related non-current asset. The liability is increased over time through periodic charges to profit and loss. The provision is evaluated at the end of each reporting period for changes in the estimated amount or timing of settlement of the obligation. The Company is not presently aware of any such obligations.

Loss per share

Basic loss per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method.

Share capital

Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares, share purchase warrants and share options are recognized as a deduction from equity, net of any related income tax effects.

Equity financing

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. Units typically comprise a certain number of common shares and share purchase warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the terms of the transaction. The Company adopted a residual value method with respect to the measurement of common shares and share purchase warrants issued as private placement units. The fair value of the common shares issued in the private placements is determined by the closing quoted bid price on the price reservation date, if applicable, or the announcement date. The balance, if any, is allocated to the attached share purchase warrants.

NxGold Ltd.

Notes to the Financial Statements

Years ended October 31, 2017 and October 31, 2016

(Expressed in Canadian Dollars)

3. Significant accounting policies - continued

Share-based payments

The fair value, at the grant date, of equity-settled share awards is charged to comprehensive income (loss) over the period for which the benefits of employees, directors and officers and consultants providing similar services are expected to be received. The corresponding accrued entitlement is recorded in the share-based payments reserve. Share-based payments are measured at the fair value of goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transactions are measured at the fair value of the equity instruments granted at the date the Company receives the goods or services. The fair value of awards are calculated using the Black-Scholes option pricing model which considers the following factors:

- § Exercise price
- § Expected volatility
- § Risk-free interest rate
- § Expected life of the award
- § Current market price of the underlying shares
- § Expected forfeitures

Stock options granted with graded vesting schedules are accounted for as separate grants with different vesting periods and fair values. Expected volatility is based on available historical volatility of the Company's share price. Cash received on exercise of stock options is credited to share capital along with any share-based payments previously recorded that are applicable to the options exercised.

Current and deferred income taxes

Income tax expense comprises current and deferred income tax. Income tax is recognized in the statement of comprehensive income (loss), except to the extent that it relates to items recognized in other comprehensive income (loss) or directly in equity. In this case the income tax is also recognized in other comprehensive income (loss) or directly in equity, respectively.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

NxGold Ltd.

Notes to the Financial Statements

Years ended October 31, 2017 and October 31, 2016

(Expressed in Canadian Dollars)

3. Significant accounting policies - continued

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority.

Financial instruments

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss.

Financial assets classified as fair value through profit or loss are measured at fair value with unrealized gains and losses recognized through comprehensive income (loss). Cash is classified as fair value through profit or loss.

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost.

Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary.

Transaction costs associated with fair value through profit or loss are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial liabilities are initially recorded at fair value and designated upon inception as fair value through profit or loss or other financial liabilities.

Financial liabilities classified as other financial liabilities are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities.

Financial liabilities classified as fair value through profit or loss are measured at fair value with unrealized gains and losses recognized through comprehensive income (loss).

Accounting standards and interpretations issued but not yet adopted

The following is an overview of accounting standard changes that the Company will be required to adopt in future years. The Company does not expect to adopt any of these standards before their effective dates. The Company continues to evaluate the impact of these standards on its financial statements.

- i) **IFRS 9 - *Financial Instruments***. This standard partially replaces IAS 39 - *Financial Instruments: Recognition and Measurement*. IFRS 9 measures financial assets, after initial recognition, at either amortized cost or fair value. Existing IAS 39 classifies financial assets into four measurement categories. The standard is effective for annual periods beginning on or after January 1, 2018. In the year of adoption, the Company is required to provide additional disclosure relating to the reclassified financial assets and liabilities. The Company may, but is not required to, apply the standard retroactively. In and after the year of adoption, certain disclosures relating to financial assets will change to conform to the new categories.

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(Expressed in Canadian Dollars)

4. 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, 2017			
279,791 common shares	130,764	546,330	677,094
October 31, 2016			
279,791 common shares	130,764	319,723	450,464

5. Exploration and evaluation assets

	Kuulu \$	Chicobi \$	Total \$
Acquisition costs:			
Balance, October 31, 2016	-	-	-
Additions	<u>135,160</u>	<u>447,065</u>	<u>582,225</u>
Balance, October 31, 2017	<u>135,160</u>	<u>447,065</u>	<u>582,225</u>
Deferred exploration costs:			
Balance, October 31, 2016	-	-	-
Additions:			
Geological	297,553	20,874	318,427
Survey	296,098	258,813	554,911
Travel	61,948	6,932	68,880
Salaries	124,561	57,680	181,241
Share-based payments (Note 9)	<u>29,654</u>	<u>29,654</u>	<u>59,308</u>
	<u>809,814</u>	<u>373,953</u>	<u>1,183,767</u>
Balance, October 31, 2017	<u>944,974</u>	<u>821,018</u>	<u>1,765,992</u>

As at October 31, 2017, the Company's exploration and evaluation assets consist of two early-stage exploration projects as follows:

Kuulu 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 (the "Kuulu Property") upon satisfaction of certain requirements. The Kuulu Property is located in the Kavilliq region of Nunavut.

NxGold Ltd.

Notes to the Financial Statements

Years ended October 31, 2017 and October 31, 2016

(Expressed in Canadian Dollars)

5. Exploration and evaluation assets - continued

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

- i) Incurring a minimum of \$ 1 million in expenditures on the Kuulu Property by January 17, 2018;
- ii) Incurring an additional \$ 4 million in expenditures on the Kuulu Property by January 17, 2019;
- iii) Incurring an additional \$ 5 million in expenditures on the Kuulu 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.

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

- i) Incurring in addition to any expenditures in the First Earn-In Option, a minimum of \$ 2 million in expenditures on the Kuulu Property by January 17, 2021;
- ii) Incurring an additional \$ 3 million in expenditures on the Kuulu Property by January 17, 2022;
- iii) Incurring an additional \$ 5 million in expenditures on the Kuulu 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 Kuulu Property is subject to a 1% net smelter returns royalty and a 12% net profit interest royalty.

See also Note 14.

Chicobi Property

On April 12, 2017, the Company entered into an option agreement (the "Option Agreement") with Kenorland Minerals Ltd. ("Kenorland") to earn up to a 100% interest in the Chicobi Property, located approximately 30 km northeast of Amos, Quebec (the "Chicobi Property"). Pursuant to the Option Agreement, the Company has the exclusive right to earn an undivided 80% interest in the Chicobi Property (the "First Option") upon: (i) paying Kenorland \$ 100,000 cash (paid) and issuing Kenorland 800,000 common shares in the capital of the Company (complete) and (ii) incurring an aggregate of \$ 2 million in expenditures choice on the Chicobi Property on or before October 1, 2018. The Option Agreement has an effective date of June 7, 2017 (the "Effective Date"). The 800,000 common shares were accounted for at their estimated fair value of \$ 288,000.

Upon earning an 80% interest in the Chicobi Property, the Company has the exclusive right to earn an additional 20% interest in the project (the "Second Option"), thereby increasing its interest in the project to 100%, by incurring an additional \$ 1 million of expenditures on the property, on or before the third anniversary of the Effective Date.

In connection with the grant of the First and Second Option, the Company agreed to grant of a 2% net smelter returns royalty in favor of Kenorland in respect of minerals produced from the property and supporting hypotec in respect of the property.

In the event the Company exercises the First Option but not the Second Option, the parties will be deemed to have formed a joint venture with the Company having an 80% interest and Kenorland having a 20% interest.

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Notes to the Financial Statements

Years ended October 31, 2017 and October 31, 2016

(Expressed in Canadian Dollars)

6. Equipment			2017 \$
	<u>Computer equipment</u>	<u>Equipment</u>	<u>Total</u>
Cost			
Balance, November 1, 2016	-	-	-
Additions	<u>3,809</u>	<u>48,910</u>	<u>52,719</u>
Balance, October 31, 2017	<u>3,809</u>	<u>48,910</u>	<u>52,719</u>
Depreciation			
Balance, November 1, 2016	-	-	-
Depreciation	<u>1,047</u>	<u>4,891</u>	<u>5,938</u>
Balance, October 31, 2017	<u>1,047</u>	<u>4,891</u>	<u>5,938</u>
Carrying amount at October 31, 2017	<u>2,762</u>	<u>44,019</u>	<u>46,781</u>

7. Income taxes

The significant components of the Company's deferred income taxes are as follows as at October 31:

	2017 \$	2016 \$
Deferred income taxes		
Benefit of loss carryforwards	1,049,100	522,386
Available for sale securities	71,023	41,564
Exploration and evaluation assets	<u>189,226</u>	<u>-</u>
	1,309,349	563,950
Less: Unrecognized deferred tax assets	<u>(1,309,349)</u>	<u>(563,950)</u>
	-	-

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Notes to the Financial Statements

Years ended October 31, 2017 and October 31, 2016

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7. Income taxes - continued

The following is a reconciliation of the statutory combined federal and provincial income taxes to the effective income taxes for the years ended October 31:

	2017	2016
	\$	\$
Expected income taxes (recovery) at statutory income tax rates (2017 - 26%, 2016 - 25%)	(502,550)	(52,921)
Share issue costs	(69,575)	(3,050)
Unrecognized deferred tax assets	<u>572,125</u>	<u>55,971</u>
	-	-

As at June 30, 2013 the Company had loss carryforwards of approximately \$ 4,035,000, which expire between the 2028 and 2037 fiscal years, available to reduce future years' income taxes.

NxGold Ltd.

Notes to the Financial Statements

Years ended October 31, 2017 and October 31, 2016

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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.

a) Common shares

On December 13, 2016, the Company issued 19,840,600 units at a price of \$ 0.25 per unit, for gross proceeds of \$ 4,960,150. Each unit comprised one common share and one-half of one share purchase warrant, with each whole warrant entitling the holder to purchase an additional common share at a price of \$ 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 in common shares for \$ 0.25 per share until December 13, 2019 and were accounted for at their estimated fair value of \$ 97,600.

On January 13 2017, the Company issued 2,116,000 units at price of \$ 0.25 per unit, for gross proceeds of \$ 529,000. Each unit comprised one common share and one-half of one share purchase warrant, with each whole warrant entitling the holder to purchase an additional common share until January 13, 2020 at a price of \$ 0.50 per share.

b) Warrants

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
Exercised	(314,100)	0.06
Balance October 31, 2017	21,795,200	0.28

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8. Share capital - continued

As at October 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	4,890,000
July 28, 2020	0.05	3,500,000
December 13, 2019	0.50	9,920,300
December 13, 2019	0.25	426,900
January 13, 2020	0.50	<u>1,058,000</u>
		<u>21,795,200</u>

The weighted average remaining contractual life of the outstanding warrants at October 31, 2017 was 2.48 years (2016 - 3.9 years).

9. 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.

The number of stock options outstanding are summarized as follows:

	\$	
	Options outstanding	Weighted average exercise price
Balance, October 31, 2015	22,500	2.00
Expired	(22,500)	2.00
Balance, October 31, 2016	-	-
Awarded	3,550,000	0.52
Balance, October 31, 2017	<u>3,550,000</u>	<u>0.52</u>

NxGold Ltd.

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9. Share-based payments - continued

As at October 31, 2017, the Company has stock options outstanding and exercisable as follows:

Expiry dates:	Exercise price	Number of share options issued	Number of share options exercisable
February 1, 2022	0.52	3,300,000	1,100,000
April 25, 2022	0.45	<u>250,000</u>	<u>83,333</u>
		3,550,000	1,183,333

The weighted average remaining contractual life of the outstanding and exercisable options at October 31, 2017 was 4.53 years (2016 - 0.17).

The fair value of share options awarded was estimated on the date of award using the Black-Scholes option pricing model with the following assumptions:

§	Risk-free interest rate	-	0.5 %
§	Estimated volatility	-	114 %
§	Expected life	-	5 years
§	Estimated forfeiture rate	-	0 %

The weighted average fair value of share options awarded during the year ended October 31, 2017, estimated using the Black-Scholes option pricing model, was \$ 0.46 per option. The Black-Scholes option pricing model requires the input of highly subjective assumptions, particularly as to the expected price volatility of the Company's common shares. Changes in these assumptions can materially affect fair value estimates.

Share-based payments for options vested in the current year amounted to \$ 1,137,614 (2016 - \$ Nil) of which \$ 1,078,307 (2016 - \$ Nil) was expensed to the statement of comprehensive income and \$ 59,307 (2016 - \$ Nil) was capitalized to exploration and evaluation assets.

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 available-for-sale securities. 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.

NxGold Ltd.

Notes to the Financial Statements

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11. 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 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.

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.

12. Related party disclosures

During the year ended October 31, 2017, the Company paid \$ 578,519 (2016 - \$ Nil) of salaries to officers and directors.

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13. Supplemental cash flow information

During the year ended October 31, 2017 and 2016, non-cash investing activities were conducted by the Company as follows:

	2017	2016
	\$	\$
Investing		
Proceeds on sale of exploration assets	-	(45,000)
Available for sale securities received	-	45,000
Acquisition of mineral interests	288,000	-
Shares issued for option agreement	<u>(288,000)</u>	<u>-</u>
	-	-

14. Events after the reporting period

Kuluu Project

In November 2017, the Company delivered a notice of force majeure under the Earn-In Agreement, which continues to be in effect, due to the continued delay in obtaining required permits.

Mt. Roe Acquisition

On January 23, 2018, the Company acquired an 80% interest in the Mt. Roe gold project (the "Roe Project"), located in the Pilbara region of Western Australia by purchasing all of the issued and outstanding shares of Roe Gold Limited in exchange for AU\$ 1.5 million and 19 million common shares of the Company. In connection with the transaction of the Company also issued 760,000 common shares in its capital as a finder's fee. Pursuant to the terms of transaction, the holder of the remaining 20% in the Roe Project, 1) will be free-carried by the Company to completion of a bankable feasibility study and 2) will be granted a US\$ 20 per ounce royalty from the Roe Project.