# NEWMARKET GOLD INC.

## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### For the Three and Six Months Ended June 30, 2015 and 2014

(Expressed in Canadian Dollars - Unaudited)

**NOTICE OF NO AUDITOR REVIEW**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

# Newmarket Gold Inc.

*(An Exploration Stage Company)*

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**

(Expressed in Canadian Dollars – Unaudited)

| | Notes | June 30, 2015 | December 31, 2014 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | $ 738,265 | $ 2,099,947 |
| Trade and other receivables | | 92,043 | 12,848 |
| Prepaid expenses | | 26,262 | 31,328 |
| **Total current assets** | | 856,570 | 2,144,123 |
| **Non-current** | | | |
| Restricted cash | 6 | 24,828,665 | - |
| Exploration and evaluation assets | 5 | 717,081 | 714,221 |
| Other long-term assets | 6 | 415,626 | - |
| **Total assets** | | $ 26,817,942 | $ 2,858,344 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| **Current liabilities** | | | |
| Trade and other payables | | $ 2,065,021 | $ 345,853 |
| **Non-current liabilities** | | | |
| Subscriptions received | 6 | 25,000,000 | - |
| **Total liabilities** | | 27,065,021 | 345,853 |
| **Shareholders' equity** | | | |
| Share capital | 6 | 6,419,830 | 6,419,830 |
| Share-based payments reserve | | 515,826 | 481,186 |
| Warrants reserve | | 687,496 | 687,496 |
| Accumulated deficit | | (7,870,231) | (5,076,021) |
| **Total shareholders' equity (deficit)** | | (247,079) | 2,512,491 |
| **Total liabilities and shareholders' equity** | | $ 26,817,942 | $ 2,858,344 |

*Subsequent Event – Note 9*

**On behalf of the Board:**

*"Raymond Threlkeld"* Director *"Douglas B. Forster"* Director

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

# Newmarket Gold Inc.

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**
For the Three and Six Months Ended June 30, 2015 and 2014
(Expressed in Canadian Dollars – Unaudited)

| | Three Months Ended June 30, 2015 | Three Months Ended June 30, 2014 | Six Months Ended June 30, 2015 | Six Months Ended June 30, 2014 |
|---|---|---|---|---|
| **EXPENSES** | | | | |
| Accounting and audit fees | $ 16,017 | $ 6,751 | $ 32,077 | $ 12,692 |
| Bank and interest charges | 272 | 268 | 611 | 410 |
| Consultants (Note 7) | 101,500 | 92,500 | 203,000 | 185,000 |
| Consulting fees - chairman | 37,834 | 33,738 | 75,310 | 39,373 |
| Insurance | 3,840 | 3,855 | 7,680 | 7,710 |
| Legal | - | 17,696 | 939 | 41,786 |
| Marketing | 2,455 | 1,257 | 4,821 | 3,836 |
| Office | 2,355 | 1,115 | 4,288 | 2,105 |
| Project review and due diligence | 1,885,166 | - | 2,131,398 | 207,427 |
| Rent | 25,705 | 15,000 | 40,705 | 30,000 |
| Salaries and benefits | 67,503 | 55,250 | 133,599 | 115,205 |
| Shareholder relations | 3,101 | 2,135 | 3,264 | 2,275 |
| Share-based compensation | 10,344 | 89,061 | 34,640 | 194,912 |
| Trade show and conferences | 2,173 | - | 2,948 | 26,015 |
| Transfer agent and regulatory fees | 5,096 | 1,781 | 13,175 | 11,456 |
| Travel | 67,383 | 19,257 | 110,508 | 21,356 |
| | (2,230,744) | (339,664) | (2,798,963) | (901,558) |
| **OTHER INCOME** | | | | |
| Interest income | 3,011 | 3,652 | 4,753 | 7,867 |
| **Net Loss and Comprehensive loss for the Period** | $ (2,227,733) | $ (336,012) | $ (2,794,210) | $ (893,691) |
| **Net Loss per Share – Basic and Diluted** | $ (0.04) | $ (0.01) | $ (0.05) | $ (0.02) |
| **Weighted average number of shares outstanding:** | | | | |
| - **Basic and diluted** | 51,590,374 | 51,590,374 | 51,590,374 | 51,590,374 |

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

# Newmarket Gold Inc.

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)**
FOR THE SIX MONTHS ENDED JUNE 30, 2015 AND 2014
(Expressed in Canadian Dollars – Unaudited)

| | Common shares | | Share-based payments reserve | Warrants reserves | Accumulated deficit | Total |
|---|---|---|---|---|---|---|
| | Number | Amount | | | | |
| Balance – January 1, 2014 | 51,590,374 | $ 6,419,830 | $ 195,460 | $ 687,496 | $ (3,209,341) | $ 4,093,445 |
| Share-based compensation (Note 6) | - | - | 194,912 | - | - | 194,912 |
| Net loss for the period | - | - | - | - | (893,691) | (893,691) |
| Balance – June 30, 2014 | 51,590,374 | $ 6,419,830 | $ 390,372 | $ 687,496 | $ (4,103,032) | $ 3,394,666 |
| Balance – January 1, 2015 | 51,590,374 | $ 6,419,830 | $ 481,186 | $ 687,496 | $ (5,076,021) | $ 2,512,491 |
| Share-based compensation (Note 6) | - | - | 34,640 | - | - | 34,640 |
| Net loss for the period | - | - | - | - | (2,794,210) | (2,794,210) |
| Balance – June 30, 2015 | 51,590,374 | $ 6,419,830 | $ 515,826 | $ 687,496 | $ (7,870,231) | $ (247,079) |

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

# Newmarket Gold Inc.

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOW**

For the Six Months Ended June 30, 2015

(Expressed in Canadian Dollars – Unaudited)

| | Notes | For The Six Months Ended June 30, 2015 | June 30, 2014 |
|---|---|---|---|
| **CASH PROVIDED BY (USED IN):** | | | |
| **Operating Activities** | | | |
| Net loss for the period | | $ (2,794,210) | $ (893,691) |
| Non-cash item: | | | |
| Share-based compensation | | 34,640 | 194,912 |
| Changes in non-cash working capital: | | | |
| Trade and other receivables | | (79,195) | 7,823 |
| Prepaid expenses | | 5,066 | (2,290) |
| Trade and other payables | | 1,595,582 | (6,235) |
| **Decrease in Cash and Cash Equivalents from Operating** | | (1,238,117) | (699,481) |
| **Investing Activities** | | | |
| Other long term assets | | (72,390) | (18,118) |
| Interest earned on restricted cash and held in escrow | | (3,000) | - |
| Exploration and evaluation expenditures | | (3,355) | (181,451) |
| **Decrease in Cash and Cash Equivalents from Investing** | | (78,745) | (199,569) |
| **Financing Activities** | | | |
| Proceeds on subscription receipts | | 25,000,000 | - |
| Financing fees paid, included in long term assets | | (219,155) | - |
| Net amounts of subscription receipts held as restricted cash | | (24,825,665) | - |
| **Decrease in Cash and Cash Equivalents from Financing** | | (44,820) | - |
| **Decrease in Cash and Cash Equivalents** | | (1,361,682) | (899,050) |
| **Cash and Cash Equivalents – Beginning of Period** | | 2,099,947 | 3,654,200 |
| **Cash and Cash Equivalents – End of Period** | | $ 738,265 | $ 2,755,150 |
| **Supplemental Disclosure of Non-Cash Investing and Financing Activities** | | | |
| Financing costs included in accounts payable | | $ 124,080 | $ - |
| Exploration and evaluation costs included in accounts payable | | $ - | $ 3,465 |

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

## 1. NATURE OF OPERATIONS

Newmarket Gold Inc. ("Newmarket" or the "Company") was originally incorporated by a Certificate of Incorporation issued pursuant to the provisions of the *Business Corporations Act* (British Columbia) on May 27, 1998. The address of the Company is suite 1680 – 200 Burrard Street, Vancouver, British Columbia, V6C 3L6. The Company's common shares were previously listed on the TSX Venture Exchange (TSX-V: NGN) in Canada, however, as a result of the completion of the amalgamation with Crocodile Gold Corp. (discussed below and in Note 9), the Company's common shares are presently listed on the Toronto Stock Exchange ("TSX") in Canada under the symbol NMI.

Since October 2013, the Company has owned a 100% interest in the Point Leamington Gold-Zinc-Silver-Copper-Lead massive sulphide deposit (the "Point Leamington Project") located in north-central Newfoundland. The details of the purchase of the Point Leamington Project are discussed in Note 5. The purchase of this project formed the basis for the Company's reactivation from the NEX Board of the TSX Venture Exchange to the Tier 2 on the TSX Venture Exchange in October 2013.

Subsequent to June 30, 2015, the Company completed an arrangement agreement with Crocodile Gold Corp. ("Crocodile Gold") to combine entities and form one company under the name Newmarket Gold Inc. The details of the arrangement are discussed in Note 9. Prior to the arrangement taking effect, Crocodile Gold was a TSX listed gold mining and exploration company under the trading symbol CRK. Subsequent to the completion of the amalgamation, the combined entity has continued operations of its three operating gold mines in Australia, continues to maintain a portfolio of development opportunities on its significant land package throughout Australia and own its 100% interest in the Point Leamington Project. In addition, the combined entity continues to seek and review other quality gold production assets and outstanding development opportunities in politically stable jurisdictions worldwide.

For accounting purposes, Crocodile Gold acquired the Company and these condensed consolidated financial statements represent the Company up to June 30, 2015, before the acquisition.

## 2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including International Accounting Standards 34, *Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standards Board ("IASB").

The accounting policies applied in the preparation of these unaudited condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the period ended December 31, 2014, except as noted below. These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the period ended December 31, 2014, which have been prepared in accordance with IFRS as issued by the IASB. These condensed interim consolidated financial statements were authorized for issue by the Audit Committee on July 29, 2015.

## 3. SIGNIFICANT ACCOUNTING POLICIES

Standards, amendments and interpretations not yet effective

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee and are mandatory for future periods only and as such have not been applied to these consolidated financial statements. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its consolidated financial statements or whether to early adopt any of the new requirements.

- IAS 1, *Presentation of Financial Statements* ("IAS 1") was amended in December 2014 in order to clarify, amount other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements, and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016 with earlier adoption permitted.

- In July 2014, the IASB issued IFRS 9, *Financial Instruments* ("IFRS 9"). The IASB has previously published versions of IFRS 9 that introduced new classification and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). The July 2014 publication represents the final version of the standard, replaces earlier versions of IFRS 9 and substantially completes the IASB's project to replace IAS 39 – *Financial Instruments: Recognition and Measurement*.

  This standard replaces the current multiple classification and measurement models for financial assets liabilities with a single mode that has only three classification categories: amortized cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flows characteristics of the financial asset or liability. The standard introduces a new, expected loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new standard requires entities to account for expected credit losses. The new standard also introduces a substantially – reformed model for hedge accounting with enhanced disclosures about risk management activity and aligns hedge accounting more closely with risk management. The new standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

- In May 2014, the IASB issued IRFS 15: *Revenue from Contracts with Customers*, which replaces IAS 18: *Revenues* and covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2017.

- In May 2014, the IASB issued amendments to IAS 16: *Property, Plant, and Equipment* and IAS 38: *Intangibles*, prohibiting the use of revenue-based deprecation for property, plant and equipment and significantly limiting the use of revenue – based amortization for intangible assets. These amendments are effective for annual periods beginning on or after January 1, 2016.

## 5. EXPLORATION AND EVALUATION ASSETS

Details of the Company's expenditures on exploration and evaluation assets for the six months ended June 30, 2015 and 2014, and for the year ended December 31, 2014 are as follows:

| | Six Months Ended June 30, 2015 | Six Months Ended June 30, 2014 | Year Ended December 31, 2014 |
|---|---|---|---|
| **Point Leamington, Canada** | | | |
| Cost, beginning of period | $ 714,221 | $ 464,291 | $ 464,291 |
| Analysis | - | 7,101 | 48,439 |
| Camp and supplies | - | 7,664 | 7,664 |
| Drilling | - | 67,860 | 67,860 |
| Equipment rental | - | 6,093 | 6,193 |
| Geological consulting | 2,860 | 77,120 | 81,054 |
| Property maintenance | - | - | 21,033 |
| Travel and transportation | - | 17,687 | 17,687 |
| Total expenditures during the period | 2,860 | 183,525 | 249,930 |
| Cost, end of period | $ 717,081 | $ 647,816 | $ 714,221 |

In October 2013, the Company completed the purchase of a 100% interest in the Point Leamington Project, which consists of a 263 hectare mining lease, located in north-central Newfoundland, Canada.

As consideration for the Point Leamington Project, the Company issued 1,000,000 of its common shares and paid $250,000 on closing. The vendor retains a 0.5% net smelter return royalty on production from the Point Leamington Project, which can be purchased by the Company at any time for $1,000,000.

In addition to the above, the mining lease is also subject to a separate 2% net smelter return royalty, which is held by a third party.

## 6. SHARE CAPITAL

Authorized

The authorized share capital of the Company is comprised of an unlimited number of common shares without par value.

Stock Options

The Company has a stock option plan (the "Plan"), whereby the Company has reserved a number of common shares for issuance pursuant to the exercise of stock options. On July 4, 2014, the shareholders of the Company approved 10,000,000 number of common shares are to be reserved for issuance under the Plan. The Plan is administered by the Compensation Committee of the Company's Board. Options granted under the Plan will be exercisable at a price not less than the market value of the Company's common shares on the date of grant and granted for a term not to exceed five years from the date of grant. Any options granted under the Plan shall vest based on a periodic vesting schedule as determined by the Compensation Committee. In general, options have been granted to vest 25% immediately and 25% at each six month interval after the date of grant until fully vested. As a result of the arrangement, the Company adopted new incentive plans effective for the combined entity, the terms of the new plans are provided in Note 9.

**6. SHARE CAPITAL** - *continued*

Stock Options - *continued*

During the six months ended June 30, 2015, the Company did not grant any new options, in addition, no options were exercised, forfeited, or expired since the Company's most recently completed fiscal year end. As at June 30, 2015, stock options exercisable and outstanding are as follows:

| | Options Outstanding | | Options Exercisable | |
|---|---|---|---|---|
| Exercise Price | Number | Weighted Average Remaining Contractual Life (yrs.) | Number | Weighted Average Remaining Contractual Life (yrs.) |
| $0.20 | 2,000,000 | 3.27 | 2,000,000 | 3.27 |
| $0.33 | 300,000 | 3.77 | 225,000 | 3.77 |
| $0.38 | 600,000 | 3.59 | 450,000 | 3.59 |
| $0.47 | 300,000 | 0.67 | 300,000 | 0.67 |
| | 3,200,000 | 3.13 | 2,975,000 | 3.09 |

Stock-based Compensation

The Company amortizes the total fair value of options granted over each option's vesting schedule. Consequently, the total compensation expense recognized for options granted during the six months ended June 30, 2015 or prior periods was $34,640 (2014 - $194,912).

The Company did not grant any options during the six months ended June 30, 2015. The weighted average fair value on the grant date of options granted during the six months ended June 30, 2014 was $0.27. The fair value of the options granted in 2014 was determined using the Black-Scholes pricing model with a weighted average risk-free rate of 1.57%, weighted average volatility factor of 100%, a weighted average expected life of five years, a weighted average forfeiture rate of 0% and a weighted average expected dividend yield of 0%.

Warrants

There were no warrants issued, expired, or forfeited during the six months ended June 30, 2015. As at June 30, 2015 and December 31, 2014, the Company had 23,333,334 warrants outstanding and exercisable at a price of $0.30 and expiring on October 4, 2015.

Subscriptions received

As at June 30, 2015, in connection with the arrangement agreement (described in Note 9), the Company received total gross proceeds of $25 million. As at June 30, 2015, $24,825,665 of the gross proceeds (net of $174,335 in transaction fees paid on receipt of funds) was held in escrow pending closing of the transaction. Interest earned on account of the funds held in escrow amounted to $3,000 as at June 30, 2015. As at June 30, 2015, the Company paid an additional $44,820 and accrued $124,080 in legal and regulatory fees related to the financing, which is included in other long term assets. As at June 30, 2015, the entire gross proceeds of $25 million is shown as a liability, as the closing of the transaction did not occur until after the period end and these funds would have been returned to the investors should the transaction failed to complete. Subsequent to June 30, 2015, the transaction was completed and the funds were released from escrow and the subscription receipts, net of financing costs paid, was reclassified to share capital.

## 7. RELATED PARTY TRANSACTIONS

Key management personnel and compensation

Key management personnel of the Company are members of the Board of Directors, as well as the President and CEO, the CFO and Corporate Secretary, and the Vice-President. Key management compensation includes salaries and benefits and various consulting fees as follows:

| | Six Months Ended June 30, 2015 | Six Months Ended June 30, 2014 |
|---|---|---|
| Salaries and wages [(i)] | $ 112,500 | $ 112,500 |
| Share-based payments [(ii)] | $ 16,970 | $ 84,152 |
| Consulting fees - chairman | $ 75,310 | $ 39,373 |
| Rent paid to a company with directors in common | $ 30,000 | $ 30,000 |
| Consulting and advisory fees paid to key management personnel | $ 191,000 | $ 173,000 |

(i) Salaries, wages, and benefits paid to key management personnel.

(ii) Share-based payments are the fair value of options granted to key management personnel and consultants as at the grant date, which is being amortized over the vesting period.

The acquisition of Point Leamington described in Note 5 was purchased from Calibre Mining Corp. ("Calibre"). Calibre is considered a related party to the Company, as there is an officer and certain directors in common. As discussed in the note, Calibre retains a 0.5% net smelter royalty on production from the Point Leamington Project, which can be purchased by the Company at any time for $1,000,000.

All of the above transactions were incurred in the normal course of operations and are recorded at the amount agreed upon by the related parties.

## 8. SEGMENTED INFORMATION

During the six months ended June 30, 2015 and 2014, the Company's principal activity is the exploration and development of mineral properties with these properties being located in Canada.

## 9. SUBSEQUENT EVENT

On May 11, 2015, the Company and Crocodile Gold, a company listed on the TSX under the ticker symbol CRK, entered into a definitive arrangement agreement (the "Arrangement") to combine entities ("NewCo"). Crocodile and its wholly-owned subsidiaries operate three operating gold mines in Australia.

On July 6, 2015, shareholders of Newmarket completed a special meeting and approved (i) the continuance of the Company from the Province of British Columbia into the Province of Ontario in accordance with the Business Corporations Act (Ontario) ("OBCA"); (ii) the arrangement involving the Company and Crocodile Gold under Sections 182 and 183 of the OBCA; and (iii) the adoption of a new incentive stock option plan and a new share unit plan of the amalgamated company following the completion of the Arrangement.

On July 6, 2015, shareholders of Crocodile Gold completed a special meeting and approved (i) the Arrangement resolution; and (ii) the adoption of a new incentive stock option plan and a new share unit plan of the amalgamated company following the completion of the Arrangement.

**9. SUBSEQUENT EVENT** - *continued*

Crocodile Gold and Newmarket obtained the final order to implement the Arrangement from the Superior Court of Justice Ontario on July 8, 2015, and following the completion of certain other conditions, the Arrangement was completed on July 10, 2015. NewCo has continued to operate under the name Newmarket Gold Inc. and commenced trading under the symbol NMI on the TSX on July 14, 2015.

As part of the Arrangement, Newmarket entered into an underwriting agreement with GMP Securities L.P. on behalf of a syndicate of underwriters (the "Underwriters") including BMO Capital Markets as co-lead underwriter, to complete a private placement of subscription receipts (the "Subscription Receipts") for total gross proceeds of $24.8 million (the "Private Placement") at a price per Subscription Receipt of C$1.25 (the "Subscription Price"). On closing, being July 10, 2015, the Underwriters received (i) a cash commission equal to 5% of the gross proceeds of the Private Placement (other than up to C$10 million in respect of subscription receipts subscribed for by directors and officers of Newmarket or their affiliates of Newmarket on which no cash commission will be payable) totaling $803,869 and (ii) 992,000 broker warrants, which equals 5% of the number of Subscription Receipts sold in the Private Placement, each entitling the holder to acquire one NewCo Share for a period of 18 months following the effective time of the Arrangement at an exercise price of $1.25 per warrant. Concurrently, Newmarket also completed a non-brokered private placement of Subscription Receipts of $200,000 at a price per Subscription Receipt of C$1.25. Subsequent to June 30, 2015, GMP Securities L.P. also received a total success fee payment of $1,600,000 following the successful closing of the Arrangement.

Each Subscription Receipt entitled the holder thereof to receive five common shares of Newmarket upon satisfaction of the release conditions, which five common shares of Newmarket where immediately exchanged at the effective time of the Arrangement for one NewCo Share in connection with the completion of the Arrangement.

On July 10, 2015, pursuant to the Arrangement, among other things, Crocodile Gold and Newmarket amalgamated and continued as NewCo. Newmarket shareholders received 0.2 shares of NewCo for each Newmarket share held immediately prior to closing. Each Crocodile Gold shareholder had the option to receive consideration per each Crocodile Gold share, at their election, on a per Crocodile Gold share basis of either (i) 0.2456 of a NewCo share or (ii) $0.37 in cash, subject to proration if Crocodile Gold Shareholders elect to receive an aggregate of greater than $20,000,000 in cash. At Crocodile Gold's special meeting held on July 6, 2015, Crocodile Gold shareholders elected to receive the maximum cash allotment allowable under the terms of the Arrangement, and consequently, immediately prior to the closing, $25 million of the gross subscription receipt financing were released from escrow and the underlying NewCo shares issued and $20 million of the proceeds were used to fund the maximum cash consideration payable to former Crocodile Gold shareholders who elected to receive cash in connection with the Arrangement. The remaining proceeds were available for working capital purposes.

Following the completion of the Arrangement, NewCo has approximately 134.2 million common shares issued and outstanding, with a breakdown comprised as follows:

| | Crocodile Gold Shareholders | Newmarket Shareholders | NewCo Shareholders |
|---|---|---|---|
| Common shares outstanding as at July 10, 2015 | 477,111,983 | 51,590,374 | - |
| Crocodile Gold shares tendered for cash | (54,054,054) | - | - |
| Net common shares for conversion | 423,057,929 | 51,590,374 | - |
| Conversion ratio | 0.2456 | 0.2000 | - |
| Newmarket Gold common shares | 103,902,917 | 10,318,075 | 114,220,992 |
| Subscription receipt financing | | | 20,000,000 |
| **NewCo common shares upon closing** | | | **134,220,992** |

**9. SUBSEQUENT EVENT** – *continued*

Each of the companies' convertible securities continued into NewCo under the following terms:

- The Crocodile Gold options and Crocodile Gold warrants are exercisable for 0.2456 NewCo Shares in accordance with the terms of their respective governing documents.

- The Newmarket warrants remain issued and outstanding and shall be exercisable for 0.2 NewCo shares in accordance with their terms.

- Any Newmarket options with a strike price in excess of $0.40 were cancelled. 2.9 million Newmarket Options, with a strike price less than $0.40 outstanding immediately prior to the closing, continued to be outstanding following completion of the Arrangement. Each Newmarket option entitles the holder thereof to receive 0.2 of a NewCo share. The exercise price of each Newmarket option will be equal to the exercise price per Newmarket share subject to such Newmarket option immediately prior to the closing. Each Newmarket option shall continue to be governed by and subject to the terms of the Newmarket Option Plan.

- Crocodile Gold's Convertible Debentures were convertible, at the option of the holder, into Crocodile Gold Shares at a conversion price of $0.25 per Crocodile Gold Share, being a conversion rate of 4,000 Crocodile Gold Shares for each $1,000 principal amount of Convertible Debentures. Pursuant to the Arrangement, NewCo assumed all the covenants and obligations of Crocodile Gold in respect of the outstanding Convertible Debentures. Following the closing, outstanding Convertible Debentures are convertible into NewCo shares, with each $1,000 principal being convertible into approximately 982.4 NewCo shares, being 4,000 Crocodile Gold Shares multiplied by the Crocodile Gold Share Consideration representing 0.2456 of a NewCo share for each Crocodile Gold Share. As a result of the amalgamation, the Debenture is convertible at the holder's option into common shares at any time prior to maturity at a conversion price of $1.02. Also, following the closing, the volume weighted average price at which the NewCo shares must trade for a 20 day period prior to triggering the option of NewCo to redeem the Convertible Debentures is $1.52 per NewCo share.

In conjunction with the Arrangement, shareholders of both companies approved new incentive plans for NewCo. The new incentive plans superseded all existing executive-based compensation plans of Crocodile Gold and Newmarket however, existing awards remain outstanding pursuant to their terms in accordance with the terms of the Arrangement (as described above).

The NewCo Plan and NewCo Share Unit Plan are consistent with current TSX Policies. Below is a brief summary of both new incentive plans:

<u>NewCo Stock Option Plan ("NewCo Option Plan")</u>

The NewCo Option Plan provides for the issuance of NewCo options to employees, directors, or officers of NewCo or any of its subsidiaries or affiliates, consultants, and management employees. The aggregate number of NewCo shares available at all times for issuance under the NewCo Option Plan or any other security based compensation arrangements (pre-existing or otherwise) shall not exceed 20,000,000 NewCo shares. Any NewCo option which has been cancelled or terminated prior to exercise in accordance with the terms of the NewCo Option Plan will again be available under the NewCo Option Plan. The Board of Directors have the power to determine terms of any options granted under the NewCo Option Plan, including setting exercise prices, vesting terms and expiry dates.

**9. SUBSEQUENT EVENT** – *continued*

NewCo Units Plan ("NewCo Units Plan")

The NewCo Option Plan provides for the issuance of NewCo units to employees, directors, or officers of NewCo or any of its subsidiaries or affiliates, consultants, and management employees. The aggregate number of NewCo units available at all times for issuance under the NewCo Unit Plan or any other security based compensation arrangements (pre-existing or otherwise) shall not exceed 20,000,000 NewCo shares. Any NewCo unit which has been cancelled or terminated prior to exercise in accordance with the terms of the NewCo Unit Plan will again be available under the NewCo Unit Plan. The Board of Directors have the power to determine terms of any units granted under the NewCo Option Plan, including setting exercise prices, vesting terms and expiry dates.

Following the closing, NewCo made certain grants of NewCo options, totalling 8,170,000, and Newco share units, totalling 4,118,000, to directors, officers, advisors, and consultants of NewCo. The options granted have an exercise price of $1.50 and expire five years from the date of grant. The share units granted have an expiry of three years from the date of grant and vest based on the 20-day volume weighted average price on the TSX of the NewCo Shares: (i) as to one-third when the price of the NewCo Shares is $2.25 or greater; (ii) as to one-third when the price of the NewCo Shares is $3.00 or greater; and (iii) as to one-third when the price of the NewCo Shares is $3.75 or greater.

Following the granting of the options and units noted above, the Company has approximately 2.475 million in allowable options or units that can be granted at a future date under the current NewCo Plan.

For accounting purposes, the Arrangement Agreement constitutes an asset acquisition by Crocodile Gold, as Newmarket does not meet the definition of a business, as defined in IFRS 3, *Business Combinations*. Accordingly, effective as at the date of closing, July 10, 2015, the assets and liabilities of Crocodile Gold will continue at their carrying values and Newmarket's net assets will be consolidated based on their fair value as at July 10, 2015. As at the date of these interim financial statements, the initial accounting for the business combination is not yet finalized, as the Company has not yet completed the analysis of the fair values of the assets acquired and the liabilities assumed. Following closing, the amalgamated Company adopted the accounting policies, in all material respects, of Crocodile Gold as described in Note 3 and with the principles of consolidation described in Note 2 of the audited financial statements for Crocodile Gold Corp. as at and for the year ended December 31, 2014.

Subsequent to June 30, 2015, in connection with the completion of the Arrangement, the Company entered into a number of new executive and management contracts. These contracts contain provisions which provide a lump sum payment to certain key management personnel on a change of control. The total amount payable, should a change of control result, would be approximately $2,427,000. Minimum commitments upon termination of these contracts are approximately $2,194,000. The minimum due within one year under the terms of these contracts is $1,940,000.

In addition, the Company executed a new head office lease expiring in August 2022. The following schedule details the Company's minimum commitments as it relates to this lease:

| | | |
|---|---|---|
| Remainder of 2015 | $ | 122,000 |
| 2016 | | 246,000 |
| 2017 | | 260,000 |
| 2018 | | 288,000 |
| 2019 | | 294,000 |
| 2020 | | 299,000 |
| Thereafter | | 511,000 |
| | $ | 2,020,000 |