NGEX RESOURCES INC

DECEMBER 31, 2016

This management's discussion and analysis ("MD&A") of the results of operations and financial condition for NGEx Resources Inc. ("the Company", "NGEx", "we" or "us") has been prepared as of February 20, 2017 and should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2016 and the related notes therein (collectively the "Financial Statements"). The Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. This MD&A focuses on significant factors that have affected the Company and its subsidiaries and such factors that may affect its future performance. All dollars amounts are presented in Canadian dollars, unless otherwise indicated. The effective date of this MD&A is February 20, 2017.

Technical disclosure for the Company's projects included in this MD&A, with the exception of the technical disclosure related to engineering studies, has been reviewed and approved by Bob Carmichael P. Eng. (BC). Mr. Carmichael is NGEx's Vice-President of Exploration and a Qualified Person ("QP") under National Instrument 43-101 Standards of Disclosure for Mineral Projects (NI 43-101). Technical disclosure related to the engineering studies has been reviewed and approved by James Beck P. Eng. (ON). Mr. Beck is the Company's Vice President of Corporate Development and Projects and a Qualified Person under National Instrument 43-101 Standards of Disclosure for Mineral Projects (NI 43-101).

Some of the statements in this MD&A are forward-looking statements that are subject to risk factors set out in the cautionary note contained herein. Additional information about the Company and its business activities is available on SEDAR at www.sedar.com and on the Company's website at www.ngexresources.com.

HIGHLIGHTS AND SIGNIFICANT EVENTS

The Company achieved a number of significant milestones during fiscal 2016, most notably the release of the results of the Preliminary Economic Assessment (the "Integrated PEA") of Project Constellation and the completion of the spin out of the Filo del Sol property into Filo Mining Corp.

On January 7, 2016 the Company published the results of the Integrated PEA for Project Constellation, which contemplates the combined development of the Los Helados and Josemaría deposits, whereby material from both deposits would be processed at a centralized processing plant located in Argentina. The Integrated PEA estimated Project Constellation's after-tax NPV and after-tax IRR to be US$2.61 billion and 16.6%, respectively.

To minimize dilution of the Company's Project Constellation while further unlocking the value of the Filo del Sol Project, the Company initiated the spin out of the Company's wholly-owned Filo del Sol property into Filo Mining Corp., through a Plan of Arrangement under the Canada Business Corporations Act. The spin out was completed on August 16, 2016. Filo Mining Corp. common shares began trading on the TSX Venture Exchange and the Nasdaq First North Exchange on August 26, 2016 and September 6, 2016, respectively under the trading symbol "FIL".

With the spin out of Filo Mining complete, the Company is focused on advancing its Project Constellation. On September 19, 2016 NGEx provided an update on the Company's plans to advance Project Constellation and take advantage of opportunities to add value at modest costs by evaluating lower cost development options including: testing the heap leach potential of the oxide cap at Josemaría; and continuing baseline environmental studies. The Company continues to pursue these de-risking opportunities and will seek to engage with potential partners to lay the groundwork for either the eventual development by the Company and its partners or through a sale to a third party. The Company also plans to evaluate a number of earlier stage exploration targets between Los Helados and Josemaría.

During the third quarter of 2016, NGEx completed an agreement which provides surface rights covering the Los Helados deposit, including areas for infrastructure and access, representing an important milestone in Project Constellation's development. A minimum annual payment of US$0.5 million is required, with a total of US$1.2 million paid by the Company as of the date of this MD&A. Work during the fourth quarter of 2016 focused on developing the metallurgical test program for the oxide cap at Josemaría in addition to regional exploration targeting.

The Company completed three separate private placements during the year which sold an aggregate of 25,333,333 common shares for net proceeds totaling $20.4 million. On November 10, 2016, the Company also received $0.9 million in cash from the sale of its remaining interests in the GJ royalties including a transfer of its future common share consideration receivable from Skeena Resources Limited.

The Company announced the following corporate updates during the year ended December 31, 2016 and as of the date of this MD&A:

- On November 10, 2016, the Company announced the retirement of Mr. Paul Conibear as a director of the Company. Paul has served on the Board of the Company and its predecessor companies for many years and was involved with the NGEx projects since the late 1990s and played a key role in the management of the early work. To fill Mr. Conibear's vacant position, and to add additional depth and diversity, the Company appointed Mr. Jack Lundin and Ms. Cheri Pedersen to the Company's Board of Directors.

  Mr. Jack Lundin received a Bachelor of Science degree in Business Administration from Chapman University and a Master of Engineering degree in Mineral Resource Engineering from the University of Arizona. He previously worked as an analyst for Lundin Petroleum and is currently employed with Lundin Gold Inc. on the construction of the world class Fruta del Norte gold project in Ecuador.

  Ms. Pedersen holds a Bachelor of Commerce degree and a law degree, both from the University of British Columbia. Ms. Pedersen practiced securities law in Vancouver, British Columbia for over 30 years, retiring from law practice in April 2016.
- On November 10, 2016, Ms. Joyce Ngo was appointed Chief Financial Officer. Ms. Ngo previously held the position of Interim Chief Financial Officer and, before that, Corporate Controller.
- On February 1, 2017 Mr. James Beck was appointed Vice President, Corporate Development and Projects. Mr. Beck previously held the position of Director, Corporate Development.

CORE BUSINESS

NGEx is principally engaged in the acquisition, exploration, and development of precious and base metal properties located in Chile and Argentina. The Company's common shares are listed on the Toronto Stock Exchange (the "TSX") and NASDAQ OMX Stockholm ("Nasdaq Stockholm") under the symbol "NGQ".

NGEx has built a strong portfolio of copper-gold projects in Chile and Argentina. The Company successfully completed the spin out of Filo Mining Corp. during the year, which enables a more focused approach going forward to advance its core asset, Project Constellation.

The Company's long term view of the copper market is positive, with the expectation that tightening mine supply and growing demand, especially from developing countries, will contribute to stronger prices and require the development of new greenfield mining projects. The Company's strategy is to create and add value for its shareholders by expanding and increasing the quality of its resources through successful exploration and advancing the engineering and other studies that are required to prepare its projects for eventual development by the Company and its partners or by third parties. The overall objective is to position the Company as a top tier copper industry investment.

(EXPRESSED IN CANADIAN DOLLARS, UNLESS OTHERWISE INDICATED)

PROJECT CONSTELLATION

The Company's principal project is Project Constellation, a combination of the Los Helados and Josemaría Projects, which are advanced exploration stage copper/gold/silver projects located in Chile and Argentina, respectively.

In January 2016 NGEx announced the results of a Preliminary Economic Assessment ("Integrated PEA") that evaluated the development of Project Constellation. A National Instrument 43-101 Technical Report with an effective date of February 12, 2016, an amended signature date of March 31, 2016, and titled "*Constellation Project incorporating the Los Helados Deposit, Chile and the Josemaría Deposit, Argentina NI 43-101 Technical Report on Preliminary Economic Assessment*" (the "Project Constellation Report") was prepared by Amec Foster Wheeler International Ingeniería y Construcción Limitada ("AMEC") under the direction of Jamie Beck, P. Eng., (NGEx Resources). The report has been filed on SEDAR and is available for review under the Company's profile on SEDAR (www.sedar.com).

The Integrated PEA contemplates combining the Los Helados and Josemaría projects, whereby material from both deposits would be processed at a centralized processing plant located in Argentina. The results of the Integrated PEA indicate positive economics and position Project Constellation amongst the largest and most exciting development projects in South America. Pursuant to the Integrated PEA, Project Constellation is expected to produce 150,000 tonnes of copper, 180,000 ounces of gold and 1,180,000 ounces of silver per year for 48 years, and is projected to have after-tax NPV (8%) and after-tax IRR to be US$2.61 billion and 16.6%, respectively.

Integrated PEA Summary

Pre-Tax NPV (8%) & IRR	$4.43 billion NPV 20.7% IRR	
After-Tax NPV (8%) & IRR	$2.61 billion NPV 16.6% IRR	
Payback Period (undiscounted, after-tax cash flow)	3.6 years	
Metals Prices Assumed	$3.00/lb Cu $1,275/oz Au $20.00/oz Ag	
Initial Capital Expenditures	$3.08 billion	
LOM Sustaining Capital Expenditures	$4.36 billion	
LOM C-1 Cash Costs (net of by-product credits)	$1.05/lb Cu payable	
Nominal Mill Capacity	150,000 t/d	
Mine Life	48 years	
Average Annual Metal Production (rounded)	**Life of Mine**	**First 5 years**
	150,000 t Cu 180,000 oz Au 1,180,000 oz Ag	185,000 t Cu 345,000 oz Au 1,310,000 oz Ag
LOM Average Process Recovery	88.3% Cu 72.7% Au 61.4% Ag	

* All figures in the table above are in 2015 US dollars and on a 100% Project and 100% equity basis valuation.

Note: The reader is advised that the Integrated PEA results in this MD&A are only intended to provide an initial, high-level summary of the project. The Integrated PEA is preliminary in nature and includes the use of inferred mineral resources, which are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves and there is no certainty that the Integrated PEA results will be realized. Mineral resources are not mineral reserves and do not have demonstrated economic viability.

Both Los Helados and Josemaría are subject to separate Joint Exploration Agreements with joint exploration partners. The Company is the majority partner and operator for both projects.

Activities in the Fourth Quarter of 2016

The Company initiated a phased metallurgical testing program to evaluate the leach amenability of the oxide cap at Josemaría during the fourth quarter. The oxide cap contains approximately 450,000 ounces of gold within an Indicated resource of 43 million tonnes at a grade of 0.32 g/t gold. This material was considered as waste in the Integrated PEA mine plan. Bottle roll leaching of composite and individual samples will be completed to study the rate of gold, silver and copper leaching, and determine whether further testwork is warranted. If the results are positive, this material could contribute to Project Constellation's economics.

In addition to environmental baseline data collection in support Project Constellation, the Company also conducted a review of earlier stage exploration targets within the large land package that surrounds Josemaría and Los Helados. This work has highlighted several potential targets for further work including, most notably, the Cerro Blanco target located less than 2 km from Los Helados. All targets are within a few kilometers of the proposed processing plant and display coincident geological and geochemical signatures typical of porphyry systems.

Other Chilean and Argentinean Projects

In addition to its efforts on Project Constellation, the Company continued with its ongoing project evaluation program through field visits and data reviews of a number of mineral projects during 2016.

SELECTED ANNUAL FINANCIAL INFORMATION

The following financial data, presented below in Canadian dollars, has been derived from the Company's audited consolidated financial statements for the years ended December 31, 2016, 2015, and 2014 prepared in accordance with International Financial Reporting Standards ("IFRS"):

	Years ended December 31, 2016	2015	2014
Statement of Operations Data ($000's)			
Total revenue	NIL	NIL	NIL
Exploration expenditures:			
Project Constellation	2,689	8,316	8,416
Filo del Sol *	2,104	9,382	8,929
Others	1,224	2,139	1,912
Total exploration expenditures	6,017	19,837	19,257
General and administration ("G&A")	3,145	3,026	4,660
Operating loss	9,162	22,863	23,917
Net (income) / loss	(21,335)	21,377	23,352
(* costs incurred up to the effective date of the Arrangement for the projects that were transferred to Filo Mining Corp.)			
Data per Common Share ($)			
Basic and diluted net (income) / loss	(0.11)	0.11	0.13
Balance Sheet Data ($000's)			
Total Assets *(Note a)*	18,968	17,008	48,671
Long Term Liability *(Note b)*	815	875	-

Note a –The primary assets of the Company are cash and cash equivalents and mineral properties. Fluctuations in the total assets at each fiscal year-end are directly affected by the availability and usage of cash as well as the acquisition of mineral properties during the year.

Note b –The long term liability of the Company as at December 31, 2016 relates to the fair value of the remaining obligation due to its joint exploration partner Pan Pacific Copper Co., Ltd. ("PPC") on the initial acquisition of the Filo del Sol project. As further described in the audited consolidated financial statements ended December 31, 2016, the liability has no predefined maturity date and will be drawn down and settled in the future as funding towards the exploration expenditures at the La Rioja Properties are met.

Exploration activities for fiscal 2016 were limited as the Company did not include a drill program at Project Constellation for the current exploration season. The Company primarily focused its resources on executing the spin out of Filo Mining Corp., which was completed in August 2016. Exploration expenditures for the current year were the lowest compared to the previous three years as costs incurred for the Filo del Sol property in the 2016-2017 season post spin-off are reflected on the financial statements of Filo Mining Corp. The largest component of costs spent on Los Helados for the current year were related to the US$0.5 million land surface right payment, which was expensed on the Statement of Comprehensive Income/loss. With no drill program planned for the current exploration season, costs incurred for the Josemaría project were minimal, while more personnel resources were devoted towards new exploration targets and project investigation activities.

Total G&A costs for the current year were overall consistent with the prior year. The slight increase noted for the current year's G&A costs was primarily due to additional professional and regulatory fees incurred to execute and complete the spin-off, offset by other reductions in management fees and corporate travel costs.

The Company recorded a $30 million gain for fiscal 2016 as a result of accounting for the spin-out of Filo Mining as a distribution in kind to its shareholders. The distribution to shareholders must be accounted for at fair value under IFRS, with the difference between that value and the carrying amount of the net assets recognized in the statement of comprehensive income.

Net income for fiscal 2016 totaled $21 million, compared to net losses reported in prior years. Foreign currency translation adjustment for the current year, as an item on Other Comprehensive Income, also decreased compared to prior years due to the transfer of the Filo del Sol project, which has operations in Argentina and Chile, to Filo Mining Corp. following the completion of the spin out.

SELECTED QUARTERLY INFORMATION

Financial Data for 8 Quarters								
Three Months Ended	**Dec-16** *(4th qtr)*	**Sept-16** *(3rd qtr)*	**Jun-16** *(2nd qtr)*	**Mar-16** *(1st qtr)*	**Dec-15** *(4th qtr)*	**Sep-15** *(3rd qtr)*	**Jun-15** *(2nd qtr)*	**Mar-15** *(1st qtr)*
(In thousands $ except for per share amounts)								
Exploration and project investigation expenses	810	1,880	1,052	2,275	2,740	1,965	2,765	12,367
Net (income) / loss	993	(27,812)	2,113	3,371	1,701	2,674	4,434	12,568
Total basic and diluted (income) / loss per share (i)	(0.00)	(0.14)	0.01	0.02	0.01	0.01	0.02	0.07

(i) As a result of rounding, the sum of the quarterly amounts may differ from the year to date.

Net income / loss, quarter over quarter, is affected by the level of exploration and project investigation expenses incurred and write-off/down of mineral properties interests, and will vary accordingly. Net income / loss is also impacted by the recognition of share-based payments in each quarter, which depends on the number of stock options granted and vested. Exploration and project investigation expenditures are affected to some extent by seasonal factors, exploration results, share-based payments and availability of funds.

The Company's business is driven by: seasonal trends through increased exploration activity during the summer months in South America, as well as the achievement of project milestones such as the achievement of various technical, environmental, socio-economic and legal objectives, including obtaining the necessary permits, preparation of engineering designs, as well as receipt of financings to fund these activities.

As drilling activities are generally not conducted during the winter season in South America, exploration expenditures and net losses in the 2nd and 3rd quarter of each year are typically lower, compared to other quarters. Exploration programs are tailored and performed based on the level of cash resources available.

As the exploration expenditures for the fourth quarter of 2016 exclude the costs of operating the Filo del Sol property post spin-off, and no significant drilling programs were planned for the 2016-2017 exploration season, exploration and project investigation expenses were the lowest compared to the prior quarters. Cost savings from a devalued Argentine peso further contributed to the reduction in exploration and project investigation expenses for the fourth quarter of 2016.

Due to minimal corporate and exploration activities post-spin off, the net income/loss reported for the fourth quarter of 2016 was lower than prior periods. Effective September 2016, the Company formalized a cost-sharing arrangement with Filo Mining to share certain exploration, management personnel and corporate resources, upon which NGEx began to benefit from cost synergies going forward. With the Filo del Sol property no longer part of the Company's assets following the completion of the spin out, and considering the cost savings to be realized from its cost-sharing arrangement with Filo Mining, the Company expects to spend no more than $3 million to complete the remainder of the 2016/2017 exploration season as of the date of this MD&A. Management's focus is to advance and continue to find ways to add value to Project Constellation at modest costs in the upcoming year.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2016, the Company had cash and working capital of $11.2 million and $10.7 million, respectively, compared to cash and working capital of $2.1 million and $0.9 million, respectively, at December 31, 2015.

Net cash used in operating activities during the fiscal 2016 year totaled $9.0 million. A total of $6 million were spent on operating the exploration programs in South America, with the remainder used for general and corporate overhead purposes. Going forward, net cash used in operating activities is expected to be reduced, as the Filo del Sol project is operated under a separate entity and with the cost savings through sharing certain expenses with Filo Mining Corp. Based on current cost projections, the Company estimates a reduction of approximately $0.5 million in general and administration costs in the upcoming 2017 year.

Total cash received from financing activities totaled $17.7 million, from the completion of three private placements which raised net proceeds of $20.4 million during the year, offset by the $3 million paid to Filo Mining in connection with the spin-out.

The Company also received proceeds of $1.5 million upon the disposition of investments and other mineral property assets. An additional $0.3 million was received for option exercises during the 2016 year.

With a strong cash and working capital position as at December 31, 2016, the Company is expected to have adequate funds to support its planned exploration activities in South America including the required annual payment for land surface access rights, and for general corporate activities. The credit facility that was initiated at the beginning of the 2016 year matured as of January 20, 2017, with no outstanding balance due.

The operating losses are a reflection of the Company's status as a non-revenue producing mineral exploration company. As the Company has no source of income, losses are expected to continue. The Company finances its exploration activities by raising capital through equity financings, joint ventures or disposition of mineral properties and investments, and additional financings may be required to fund further exploration and corporate expenses. There can be no assurance that such financings will be available to the Company in the amount required at any time, or for any period or, if available, that such financings can be obtained on terms satisfactory to the Company.

COMMITMENTS

On August 25, 2016, the Company successfully reached an agreement with the owners of the surface rights covering the Los Helados Project. The agreement contemplates annual payments of between US US$0.5 million and US$0.8 million depending on the amount of surface disturbance. The annual payment will increase to US$1 million in 2024 and to US$1.5 million from 2025 onwards. A one-time payment of US$6 million is due upon approval of the Environmental Impact Study ("EIS") and a one-time payment of US$15 million is payable upon commercial production. The Company may terminate the agreement at any time by making a one-time termination payment equal to the amount of the most recent annual payment. As at December 31, 2016, the Company paid land surface rights payment totaling US$0.5 million, which was expensed on the Statement of Comprehensive Income/Loss.

	Minimum Payments due per period				
In USD	**< 1 year**	**1 -3 years**	**3 – 5 years**	**5-7 years**	**Total**
Land access rights payments	$ 500,000	$ 1,500,000	$ 1,500,000	$1,500,000	$ 5,000,000

Based on current cash and working capital to date, the Company anticipates its working capital would be sufficient to meet the above annual contractual obligation.

OUTLOOK

The completion of the spin out of Filo Mining Corp. during the year enables the Company to focus on advancing Project Constellation and on continued efforts to lay the groundwork for the development of this significant flagship project. Work is planned to explore the varied development options that the Project provides in this new mining region. Specifically, the Company sees clear opportunities to add value, at modest costs, by evaluating lower cost development options and identifying other opportunities to improve the Project including:

- Testing the potential recovery of gold from the oxide cap at Josemaría;
- Evaluating high potential regional exploration targets within a few kilometers of the existing deposits and the proposed plant site;
- Continuing baseline environmental studies and community relations programs; and
- Exploring potential regional synergies and cooperative development plans with other regional operators to utilize spare capacity of processing plants and infrastructure, including port facilities. Innovative development concepts such as Teck & Goldcorp's NuevaUnión Project open up the potential for sharing infrastructure on a regional scale by connecting deposits via long distance conveyor systems.

The Company continues to pursue these de-risking opportunities and will seek to engage with potential partners to lay the groundwork for either the eventual development by the Company and its partners or through a sale to a third party. Efforts will be focused on exploring all potential development scenarios for the Project Constellation assets while keeping costs to a minimum.

RELATED PARTIES

a) Related party services and balances

The Company has a cost sharing arrangement with Filo Mining, a related party by way of providing key management personnel services to the Company. Filo Mining was incorporated during 2016 and spun out of the Company as a separate legal entity pursuant to the Arrangement. Under the terms of this arrangement, Filo Mining provides executive management and personnel services to NGEx, while NGEx provides financial management and administrative services to Filo Mining. These transactions were in the normal course of operations.

(EXPRESSED IN CANADIAN DOLLARS, UNLESS OTHERWISE INDICATED)

	Year ended December 31, 2016	2015
Financial management and administrative services provided to Filo Mining	$ 58,131	-
Executive management and personnel services received from Filo Mining	(325,186)	-

The amounts due to/from related party by the Company, and the components of the audited consolidated statement of financial position in which they are included, are as follows:

	Year ended December 31, 2016	2015
Receivables and other assets	$ 56,025	-
Trade payables and accrued liabilities	(222,049)	-

Due to the fact that Filo Mining was not incorporated until May 12, 2016, and the Arrangement was not completed until August 16, 2016, there were no provision and sharing of management services between the related parties prior to that date.

b) Key management compensation

The key management personnel have authority and responsibility for overseeing, planning, directing and controlling the activities of the Company and include the Board of Directors and members of the executive management team. Total compensation expense for key management personnel, and the composition thereof, is as follows:

	Year ended December 31, 2016	2015
Salaries	$ 496,704	$ 651,938
Employee benefits	37,169	37,910
Director fees	69,079	67,000
Share-based compensation	523,396	572,728
	$ 1,126,348	$ 1,329,576

CRITICAL ACCOUNTING ESTIMATES

The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and expenditures on the financial statements. These estimates and assumptions are based on management's best knowledge of the relevant facts and circumstances taking into account previous experience. Actual results could differ from those estimates and such differences could be material. Estimates are reviewed on an ongoing basis and are based on historical experience and other facts and circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively. Information about estimates and assumptions that could have the most significant effect on the recognition and measurement of assets is provided below.

(EXPRESSED IN CANADIAN DOLLARS, UNLESS OTHERWISE INDICATED)

Provisions – The Company's most significant provision relates to the remaining obligation due to its joint exploration partner on its initial acquisition of the Filo del Sol project which has been transferred to Filo Mining as part of the NGEx Arrangement on August 16, 2016. As the Company is contractually permitted to settle the remaining obligation on the acquisition by funding an alternative exploration project without a predetermined maturity date, in lieu of direct cash outflow, and the Company intends to settle the obligation in this manner, the Company measures the provision (liabilities of uncertain timing or amount) at the best estimate of the expenditure required to settle the liability, taking into account the nature and timing of the exploration activities that will be conducted on the project in its measurement. The Company discounts the provision to its present value using a pre-tax, discount rate.

Share consideration receivable – Share consideration receivable in the future is discounted using a discount rate that approximates the risk profile for the entity issuing the shares based on financial information that is publicly available. The value of the share consideration receivable could be impacted if the actual risk assessment turns out to be different from the estimate applied by the Company in its valuation of the share consideration receivable.

NEW ACCOUNTING PRONOUNCEMENTS

A number of new standards and/or amendments to standards and interpretations that are effective for periods after December 31, 2016 have not been applied in preparing these consolidated financial statements. These new accounting standards and/or amendments are listed below:

Pronouncement	Effective Date
IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments: Recognition and Measurement. The standard includes: (i) a third measurement category for financial assets – fair value through other comprehensive income and (ii) a single, forward-looking 'expected loss' impairment model.	Required to be applied for years beginning on or after January 1, 2018.
IFRS 7 *Financial instruments – disclosure* has been amended to require additional disclosures on transition from IAS 39 to IFRS 9.	Required to be applied for years beginning on or after January 1, 2018.
IFRS 16 *Leases* specifies how leases should be recognized, measured, presented and disclosed. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance.	Required to be applied for years beginning on or after January 1, 2019.

Management is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

FINANCIAL INSTRUMENTS

The Company classifies its financial instruments as either held-to-maturity, available-for-sale, held for trading, loans and receivables or other financial liabilities. The Company's financial instruments consist of cash and cash equivalents, receivables and other assets, investments, trades payable and accrued liabilities, and amounts due to joint exploration partners. With the exception of investments, the carrying value of its financial investments approximates their fair value due to their immediate or short-term maturity. The fair value of investments is determined directly by reference to quoted market prices in active markets.

OUTSTANDING SHARE DATA

As at the date of this MD&A, the Company had 213,473,963 common shares outstanding and 6,330,000 share options outstanding under its stock-based incentive plans.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Audit Committee is responsible for reviewing the contents of this document along with the interim quarterly financial statements to ensure the reliability and timeliness of the Company's disclosure while providing another level of review for accuracy and oversight.

DISCLOSURE CONTROLS AND PROCEDURES & INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required disclosure.

Management, including the CEO and CFO, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures. As of December 31, 2016, the CEO and CFO have each concluded that the Company's disclosure controls and procedures, as defined in NI 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings, are effective to achieve the purpose for which they have been designed.

The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with International Financial Reporting Standards. The Company's internal controls over financial reporting include policies and procedures that: pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and disposition of assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with IFRS; that receipts and expenditures are being made only in accordance with authorization of management and directors of the Company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the financial statements.

Any system, no matter how well conceived or operated, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable, not absolute, assurance with respect to financial statement preparation and presentation and will not prevent all, or detect all, misstatements and frauds. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any control system also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

Management has used the Internal Control – Integrated Framework (2013 Framework) issued by the Committee of Sponsoring Organizations for the Treadway Commission (COSO) in order to assess the effectiveness of the Company's internal control over financial reporting.

Management, including the CEO and CFO, has evaluated the effectiveness of the design and operation of the Company's internal controls over financial reporting. As of December 31, 2016, the CEO and CFO have each concluded that the Company's internal controls over financial reporting, as defined in NI 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings, are effective to achieve the purpose for which they have been designed.

RISKS AND UNCERTAINTIES

Below is a summary of the principal risks and related uncertainties facing the Company. Readers are encouraged to read and consider the risk factors more particularly described in the Company's AIF filed on SEDAR for the year ended December 31, 2015.

The operations of the Company are speculative due to the high risk nature of its business. Material risk factors and uncertainties, which should be taken into account in assessing the Company's activities, include, but are not necessarily limited to, those set out below. Any one or more of these risks and others could have a material adverse effect on the Company.

RISKS RELATING TO THE BUSINESS

Uncertainty of Funding

The exploration and development of mineral properties requires a substantial amount of capital and may depend on the Company's ability to obtain financing through joint ventures, debt financing, equity financing or other means. General market conditions, volatile metals prices, a claim against the Company, a significant disruption to the Company's business, or other factors may make it difficult to secure the necessary financing. There is no assurance that the Company will be successful in obtaining required financing as and when needed on acceptable terms. Failure to obtain any necessary additional financing may result in delaying or indefinite postponement of exploration or development or even a loss of property interest. If the Company needs to raise additional funds, such financing may substantially dilute the interests of shareholders of NGEx and reduce the value of their investment.

Foreign Operations Risk

The Company conducts exploration activities in foreign countries, including Argentina and Chile. Each of these countries exposes the Company to risks that may not otherwise be experienced if all operations were located in Canada. The risks vary from country to country and can include, but are not limited to, civil unrest or war, terrorism, illegal mining, changing political conditions, fluctuations in currency exchange rates, expropriation or nationalization without adequate compensation, changes to royalty and tax regimes, high rates of inflation, labour unrest and difficulty in understanding and complying with the regulatory and legal framework respecting ownership and maintenance of mineral properties. Changes in mining or investment policies or shifts in political attitudes may also adversely affect the Company's existing assets and operations. Real and perceived political risk may also affect the Company's ability to finance exploration programs and attract joint venture or option partners, and future mine development opportunities.

Numerous countries have introduced changes to mining regimes that reflect increased government control or participation in the mining sector, including, but not limited to, changes of law affecting foreign ownership, mandatory government participation, taxation and royalties, exploration licensing, export duties, and repatriation of income or return of capital. There can be no assurance that industries which are deemed of national or strategic importance in countries in which the Company has assets, including mineral exploration, will not be nationalized. The risk exists that further government limitations, restrictions or requirements, not presently foreseen, will be implemented. Changes in policy that alter laws regulating the mining industry could have a material adverse effect on the Company. There can be no assurance that the Company's assets in these countries will not be subject to nationalization, requisition or confiscation, whether legitimate or not, by an authority or body.

In addition, in the event of a dispute arising from foreign operations, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada. The Company may also be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. It is not possible for the Company to accurately predict such developments or changes in laws or policy or to what extent any such developments or changes may have a material adverse effect on the Company.

Economic and Political Instability in Argentina

The Josemaria project is located in San Juan Province, Argentina. There are risks relating to an uncertain or unpredictable political and economic environment in Argentina, especially as social opposition to mining operations in certain parts of the country and increasingly protectionist economic measures are implemented by the National Government. During an economic crisis in 2001 to 2003, Argentina defaulted on foreign debt repayments and on the repayment on a number of official loans to multinational organizations. In addition, the government has renegotiated or defaulted on contractual arrangements. The previous Argentinean government placed currency controls on the ability of companies and its citizens to obtain United States dollars, in each case requiring Central Bank approval (resulting in, at times, a limitation on the ability of multi-national companies to distribute dividends abroad in United States dollars) and revoked exemptions previously granted to companies in the oil and gas and mining sectors from the obligation to repatriate 100% of their export revenues to Argentina for conversion in the local foreign exchange markets, prior to transferring funds locally or overseas. Similarly, the government adopted a requirement that importers provide notice to the government and obtain approval for importation before placing orders for certain goods. These actions indicate that the Argentinean government may alter or impose additional requirements or policies that may adversely affect the Company's activities in Argentina or in its ability to attract joint venture partners or obtain financing for its projects in the future. A new government took office in December 2015 and has taken steps to reverse some of the policies described above and has stated its intent to improve the environment for foreign investors in order to attract capital investment.

Corruption and Bribery

The Company is required to comply with anti-corruption and anti-bribery laws, including the *Extractive Sector Transparency Measures Act*, Canadian *Corruption of Foreign Public Officials Act* and the U.S. *Foreign Corrupt Practices Act*, as well as similar laws in the countries in which the Company conducts its business. If the Company finds itself subject to an enforcement action or is found to be in violation of such laws, this may result in significant penalties, fines and/or sanctions imposed on the Company resulting in a material adverse effect on the Company.

Environmental and Socio-Political Risks

The Company seeks to operate within environmental protection standards that meet or exceed existing requirements in the countries in which the Company conducts its activities. The Company also aims to conduct its activities in accordance with high corporate social responsibility principles. Present or future laws and regulations, however, may affect the Company's operations. Future environmental costs may increase due to changing requirements or costs associated with exploration and the developing, operating and closing of mines. The Company is subject to environmental regulation in the various jurisdictions in which it operates. Failure to comply with these laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may also be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Furthermore, environmental hazards may exist on the properties on which the Company holds interests which are unknown to the Company at present and which have been caused by previous or existing owners or operators of the properties.

Programs may also be delayed or prohibited in some areas due to technical factors, new legislative constraints, social opposition or local government capacity or willingness to issue permits to explore in a timely manner.

In parts of Argentina, there is significant environmental opposition to both mineral exploration and mining. This has affected properties in some of the provinces where the Company works, in particular in Mendoza where the Company has a drill ready project that it is unable to work on. In certain other Argentine provinces, including La Rioja, there is a significant degree of anti-mining sentiment which affects the risk of successfully exploring and developing the Company's assets in those provinces.

The Argentine Congress has passed legislation designed to protect the country's glaciers. This law would restrict development on and around glaciers. The detailed regulations that will govern implementation of the law have not yet been written but this legislation could affect the Company's ability to develop parts of the Company's Josemaría project in Argentina. The Chilean Congress is also considering legislation designed to protect the country's glaciers. This legislation has not yet been approved but depending on its final language could affect the Corporation's ability to develop the Los Helados project.

Indigenous Peoples

The Company operates in some areas including parts of the Los Helados areas presently or previously inhabited or used by indigenous peoples. Various international and national laws, codes, resolutions, conventions, guidelines, and other material relate to the rights of indigenous peoples. Many of these materials impose obligations on government to respect the rights of indigenous people. Some mandate that government consult with indigenous people regarding government actions which may affect indigenous people, including actions to approve or grant mining rights or permits. ILO Convention 169, which has been ratified by Argentina and Chile, is an example of such an international convention. The obligations of government and private parties under the various international and national materials pertaining to indigenous people continue to evolve and be defined. Examples of recent developments in this area include the United Nations Declaration of the Rights of Indigenous People and the International Finance Corporation's revised Performance Standard 7 which requires governments to obtain the free, prior, and informed consent of indigenous peoples who may be affected by government action, such as the granting of mining concessions or approval of mine permits. The Company's current and future operations are subject to a risk that one or more groups of indigenous people may oppose continued operation, further development, or new development of the Company's projects or operations. Such opposition may be directed through legal or administrative proceedings or expressed in manifestations such as protests, roadblocks or other forms of public expression against the Company's activities. Opposition by indigenous people to the Company's operations may require modification of or preclude operation or development of the Company's projects or may require the Company to enter into agreements with indigenous people with respect to the Company's projects.

Title Risk

The Company has investigated its right to explore and exploit its properties and, to the best of its knowledge, those rights are in good standing except for anti-mining legislation affecting all mineral exploration in Mendoza and La Rioja provinces in Argentina. The results of the Company's investigations should not be construed as a guarantee of title. Other parties may dispute the title to a property or the property may be subject to prior unregistered agreements or liens and transfers or land claims by aboriginal, native, or indigenous peoples. The title may be affected by undetected encumbrances or defects or governmental actions. The Company has not conducted surveys of all of its properties, and the precise area and location of claims or the properties may be challenged and no assurances can be given that there are no title defects affecting such properties. Any defects in the title to the Company's properties could have a material and adverse effect on the Company.

No assurance can be given that applicable governments will not revoke or significantly alter the conditions of the applicable exploration and mining authorizations nor that such exploration and mining authorizations will not be challenged or impugned by third parties. Although the Company has not had any problem renewing its licenses in the past there is no guarantee that it will always be able to do so. Inability to renew a license could result in the loss of any project located within that license.

The Company is earning an interest in certain of its properties through option agreements and acquisition of title to the properties is completed only when the option conditions have been met. These conditions include making property payments, incurring exploration expenditures on the properties and satisfactory completion of certain pre-feasibility studies and third party agreements.

If the Company does not satisfactorily complete these option conditions in the time frame laid out in the option agreements, the Company's title to the related property will not vest and the Company will have to write down its previously capitalized costs related to that property.

Dependence on Key Personnel

The Company's success will largely depend on the efforts and abilities of certain senior officers and key employees. Most of these senior officers and employees are employed by Filo Mining Corp. and its subsidiaries, and currently perform service for the Company pursuant to the cost share arrangement with Filo Mining Corp. Certain of these individuals have significant experience in the mining industry and, in particular the mining industry in South America. While the Company does not foresee any reason why such officers and key employees will not remain with the Company, if for any reason they do not, the Company could be adversely affected. The Company has not purchased key man life insurance for any of these individuals.

Internal Controls

Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation.

Conflicts of Interest

Some of the directors of the Company are also directors of other companies that are similarly engaged in the business of acquiring, exploring and developing natural resource properties. Such associations may give rise to conflicts of interest from time to time. In particular, one of the consequences will be that corporate opportunities presented to a director of the Company may be offered to another corporation or companies with which the director is associated, and may not be presented or made available to the Company. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company, to disclose any interest which they may have in any project or opportunity of the Company, and to abstain from voting on such matter. Conflicts of interest that arise will be subject to and governed by the procedures prescribed by the Company's Code of Business Conduct and Ethics and the CBCA.

Currency Risk
The Company will transact business in a number of currencies including but not limited to the US Dollar, the Argentine Peso and the Chilean Peso. The Argentine Peso in particular has had significant fluctuations in value relative to the US and Canadian dollars. Ongoing economic uncertainty in Argentina as well as unpredictable changes to foreign exchange rules may result in fluctuations in the value of the Argentine Peso that are greater than those experienced in the recent past. Fluctuations in exchange rates may have a significant effect on the cash flows of the Company. Future changes in exchange rates could materially affect the Company's results in either a positive or negative direction. The Company does not currently engage in foreign currency hedging activities.

Tax
The Company runs its business in different countries and strives to run its business in as tax efficient a manner as possible. The tax systems in certain of these countries are complicated and subject to changes. For this reason, future negative effects on the result of the Company due to changes in tax regulations cannot be excluded. Repatriation of earnings to Canada from other countries may be subject to withholding taxes. The Company has no control over withholding tax rates.

Joint Exploration Properties
Certain of the Company's properties including Los Helados and Josemaria are subject to joint exploration agreements. The Company is the operator of the these joint projects but they are nonetheless subject to the risks normally associated with the conduct of joint exploration partners, such as (i) disagreement with joint exploration partners regarding how to explore, develop, and operate the projects efficiently; (ii) inability to exert influence over certain strategic decisions made; (iii) inability of joint exploration partners to meet their obligations; and (iv) litigation between joint exploration partners regarding joint exploration matters. The existence of any of these circumstances may have a material adverse impact on the Company.

Surface Access
The Corporation does not own any surface rights at the Los Helados Project. Surface rights in the area of the Los Helados Project are held by a local community *Comunidad Civil Ex Estancia Pulido*, with whom the Company has signed a life of project lease agreement for 20,000 hectares covering the Los Helados Project area to secure the surface rights needed for all future exploration, development and mining.

The Company has surface access rights but does not own any surface rights at the Josemaria Project. The owners of the surface rights are in agreement with Deprominsa conducting exploration activities on their ground.

From time to time, a land possessor may dispute the Company's surface access rights, and as a result the Company may be barred from its legal temporary occupation rights. Surface access issues have the potential to result in the delay of planned exploration programs, and these delays may be significant. Such delays may have a material adverse effect on the Company.

The Company may require additional surface rights and property interests to further develop or exploit the resources on its properties, which will require negotiations with private landowners for the additional ownership and/or surface rights in order for the Company to fully operate. Surface rights may also be regulated and restricted by applicable law. There is no assurance that the Company will be able to obtain the required surface rights or negotiate successfully with private landowners to allow it to develop its properties and establish commercial mining operations on a timely basis. To the extent additional surface rights are available, they may only be acquired at significantly increased prices, potentially adversely impacting financial performance of the Company.

Current Global Financial Condition
Market events and conditions have caused significant volatility to commodity prices. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. Increased levels of volatility can adversely affect the Company's operations and the value and price of the Shares. The Company is dependent on the equity markets as its main source of operating working capital and the Company's capital resources are largely determined by the strength of the resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for the investor support of its projects. Access to public financing has been negatively impacted by concerns over global growth rates and conditions. Consequently, equity financing may not be available to the Company in the amount required at any time or for any period or, if available, it may not be obtained on terms satisfactory to the Company.

RISKS RELATING TO THE MINING INDUSTRY

Infrastructure
Development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power and water supplies are important determinants which affect costs. The Company's ability to obtain a secure supply of power and water at a reasonable cost depends on many factors, including: global and regional supply and demand; political and economic conditions; problems that can affect local supplies; delivery; and relevant regulatory regimes. Power and water are currently in short supply throughout Northern Chile and this may adversely affect the ability of the Company to explore and develop its Chilean projects. Unusual or infrequent weather phenomena, sabotage or government, and other interference in the maintenance or provision of such infrastructure could adversely affect the activities and profitability of the Company.

Establishing such infrastructure will require significant resources, identification of adequate sources of raw materials and supplies and necessary cooperation from national and regional governments, none of which can be assured. There is no guarantee that the Company will secure these power, water and access rights going forward or on reasonable terms.

Mineral Resource Estimates
The Company's reported Mineral Resources are only estimates. No assurance can be given that the estimated Mineral Resources will be recovered. By their nature Mineral Resource estimates are imprecise and depend, to a certain extent, upon statistical inferences which may ultimately prove unreliable because among other factors they are based on limited sampling, and, consequently, are uncertain because the samples may not be representative. Mineral Resource estimates may require revision. Market fluctuations in the price of metals, as well as increases in estimated production costs or reductions in estimated recovery rates, may render certain Mineral Resources uneconomic and may ultimately result in a restatement of estimated resources.

Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability and there is no assurance that they will ever be mined or processed profitably. Due to the uncertainty which may attach to Mineral Resources, there is no assurance that all or any part of Measured or Indicated Mineral Resources will ever be converted into Mineral Reserves; and no assurance that all or any part of an Inferred Mineral Resources exists, or is economically or legally mineable.

Exploration and Development Risk

Some of the Company's properties are in early exploration stages and are without a known body of commercial ore. Exploration for Mineral Resources involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. The risks and uncertainties inherent in exploration activities include but are not limited to: legal and political risk arising from operating in certain developing countries, civil unrest, general economic, market and business conditions, the regulatory process and actions, failure to obtain necessary permits and approvals, technical issues, new legislation, competitive and general economic factors and conditions, the uncertainties resulting from potential delays or changes in plans, the occurrence of unexpected events and management's capacity to execute and implement its future plans. Discovery of mineral deposits is dependent upon a number of factors, not the least of which are the technical skills of the exploration personnel involved and the capital required for the programs. The cost of conducting programs may be substantial and the likelihood of success is difficult to assess. There is no assurance that the Company's mineral exploration activities will result in any discoveries of new bodies of commercial ore. There is also no assurance that even if commercial quantities of ore are discovered that a new ore body would be developed and brought into commercial production. The commercial viability of a mineral deposit once discovered is also dependent upon a number of factors, some of which are the particular attributes of the deposit (such as size, grade, metallurgy and proximity to infrastructure and labour), the interpretation of geological data obtained from drilling and sampling, feasibility studies, the cost of water and power; anticipated climatic conditions; cyclical metal prices; fluctuations in inflation and currency exchange rates; higher input commodity and labour costs, commodity prices, government regulations, including regulations relating to prices, taxes, royalties, land tenure and use, allowable production, importing and exporting of minerals, and environmental protection. Most of the above factors are beyond the control of the Company. Development projects will also be subject to the successful completion of final feasibility studies, issuance of necessary permits and other governmental approvals and receipt of adequate financing. The exact effect of these factors cannot be accurately predicted, but the combination of any of these factors may adversely affect the Company's business. The Company attempts to mitigate its exploration risk by maintaining a diversified portfolio that includes several metal commodity targets in a number of geological and political environments. Management also balances the exploration risks through joint ventures and option agreements with other companies.

Metal Price Risk

The Company's portfolios of properties and investments have exposure to predominantly copper, gold, and silver. Commodity prices fluctuate widely and are affected by numerous factors beyond the Company's control, such as the sale or purchase of metals by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of major metals-producing and metals-consuming countries throughout the world. The prices of these metals greatly affect the value of the Company, the price of the common shares of the Company and the potential value of its properties and investments. This, in turn, greatly affects its ability to form joint ventures, option agreements and the structure of any joint ventures formed. This is due, at least in part, to the underlying value of the Company's assets at different metals prices.

Competition

There is aggressive competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential, as well as the necessary labour and supplies required to develop such properties. The Company competes with other exploration and mining companies, many of which have greater financial resources, operational experience and technical capabilities than the Company, for the acquisition of mineral claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel. The Company may not be able to maintain or acquire attractive mining properties on terms it considers acceptable, or at all. Consequently, its financial condition could be materially adversely affected.

Uninsurable Risk
Exploration, development and production operations on mineral properties involve numerous risks, including unexpected or unusual geological operating conditions, rock bursts, cave-ins, fires, floods, earthquakes and other environmental occurrences, as well as political and social instability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks because of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any further profitability and result in increasing costs and a decline in the value of the securities of the Company. The Company does not maintain insurance against political risks.

RISKS RELATING TO AN INVESTMENT IN THE COMPANY'S SHARES

Market Price of Shares
Securities of mining companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic conditions in North America and globally, and market perceptions of the attractiveness of particular industries. The price of the Company's securities is also likely to be significantly affected by short-term changes in commodity prices, other mineral prices, currency exchange fluctuation, or in its financial condition or results of exploration on its projects. Other factors unrelated to the performance of the Company that may have an effect on the price of the securities of the Company include the following: the extent of analytical coverage available to investors concerning the business of the Company may be limited if investment banks with research capabilities do not follow the Company's securities; lessening in trading volume and general market interest in the Company's securities may affect an investor's ability to trade significant numbers of securities of the Company; the size of the Company's public float and its inclusion in market indices may limit the ability of some institutions to invest in the Company's securities; and a substantial decline in the price of the securities of the Company that persists for a significant period of time could cause the Company's securities to be delisted from an exchange, further reducing market liquidity. If an active market for the securities of the Company does not continue, the liquidity of an investor's investment may be limited and the price of the securities of the Company may decline. If an active market does not exist, investors may lose their entire investment in the Company. As a result of any of these factors, the market price of the securities of the Company at any given point in time may not accurately reflect the long-term value of the Company. Securities class-action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

Future offerings of debt or equity securities
The Company may require additional funds to finance further exploration, development and production activities, or to take advantage of unanticipated opportunities. If the Company raises additional funds by issuing additional equity securities, such financing would dilute the economic and voting rights of the Company's shareholders. Since the Company's capital needs depend on market conditions and other factors beyond its control, it cannot predict or estimate the amount, timing or nature of any such future offering of securities. Thus, holders of common shares of the Company bear the risk of any future offerings reducing the market price of the common shares and diluting their shareholdings in the Company.

Regulatory Compliance

As a reporting issuer listed on the TSX and Nasdaq Stockholm, the Company is subject to various rules and regulations governing matters such as timely disclosure, continuous disclosure obligations and corporate governance practices. Non-compliance with such rules and regulations may result in enforcement actions by the applicable securities regulatory authorities and/or the TSX and Nasdaq Stockholm.

FINANCIAL INFORMATION

The report for the three months ended March 31, 2017 is expected to be published on May 8, 2017.

OFF BALANCE SHEET AGREEMENTS

The Company has no off-balance sheet arrangements.

CAUTIONARY NOTE REGARDING FORWARD LOOKING INFORMATION AND STATEMENTS

Certain statements made and information contained herein in the MD&A constitutes "forward-looking information" and forward-looking statements" within the meaning of applicable securities legislation (collectively, "forward-looking information"). The forward-looking information contained in this MD&A is based on information available to the Company as of the date of this MD&A. Except as required under applicable securities legislation, the Company does not intend, and does not assume any obligation, to update this forward looking information. Generally, this forward-looking information can frequently, but not always, be identified by use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events, conditions or results "will", "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative connotations thereof.

All statements other than statements of historical fact may be forward-looking statements. Forward-looking information is necessarily based on estimates and assumptions that are inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to: risks and uncertainties relating to, among other things, inherent uncertainties regarding cost estimates, changes in commodity prices, currency fluctuation, financing, unanticipated resource grades, infrastructure, results of exploration activities, cost overruns, availability of materials and equipment, timeliness of government approvals, taxation, political risk and related economic risk and unanticipated environmental impact on operations as well as other risks. uncertainties and other factors, including, without limitation, those referred to in the "Risks and Uncertainties" section of the MD&A, the Company's Annual Information Form for the year ended December 31, 2015, under the heading "Risks Factors", and elsewhere, which may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information.

The Company believes that the expectations reflected in the forward-looking statements and information included in this MD&A are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements and information should not be unduly relied upon. This statement and information speaks as of the date of the MD&A. In particular, this MD&A contains forward-looking statements or information pertaining to the potential development of the Constellation Project; cost estimates and other assumptions used in the Integrated PEA and expectations from the Integrated PEA; assumptions used in the updated mineral resources estimates for the Los Helados and Josemaría projects; exploration and development expenditures; the timing and nature of any potential development scenarios; opportunities to improve project economics; estimation of commodity prices, mineral resources, costs and the success of exploration activities; expectations with regard to adding to mineral resources through exploration; permitting time lines; ability to obtain surface and water rights and property interests; currency exchange rate fluctuations; requirements for additional capital; government regulation of mining activities; environmental risks; unanticipated reclamation expenses; title disputes or claims; limitations on insurance coverage; and other risks and uncertainties.

Forward-looking information is based on certain assumptions that the Company believes are reasonable, including that the current price of and demand for commodities will be sustained or will improve, the supply of commodities will remain stable, that the general business and economic conditions will not change in a material adverse manner, that financing will be available if and when needed on reasonable terms and that the Company will not experience any material labour dispute, accident, or failure of plant or equipment. These factors are not, and should not be construed as being, exhaustive. Although the Company has attempted to identify important factors that would cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated, or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. All of the forward-looking information contained in this document is qualified by these cautionary statements. Readers are cautioned not to place undue reliance on forward-looking information due to the inherent uncertainty thereof.

Statements relating to "mineral resources" are deemed to be forward looking information, as they involve the implied assessment, based on certain estimates and assumptions, that the mineral resources described can be profitably produced in the future.

CAUTIONARY NOTE TO U.S. READERS

As a Canadian reporting issuer, the Company is subject to rules, policies and regulations issued by Canadian regulatory authorities and is required to provide detailed information regarding its properties including mineralization, drilling, sampling and analysis, security of samples and mineral resource and mineral reserve estimates. In addition, as a Canadian reporting issuer, the Company is required to describe mineral resources associated with its properties utilizing Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") definitions of "indicated" or "inferred", which categories of resources are recognized by Canadian regulations but are not recognized by the United States Securities and Exchange Commission ("SEC").

The SEC allows mining companies, in their filings with the SEC to disclose only those mineral deposits they can economically and legally extract or produce. Accordingly, information contained in this MD&A regarding our mineral deposits may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements under the United States federal securities laws and the rules and regulations of the Commission thereunder.

In particular, this MD&A uses the term "indicated" resources. U.S. readers are cautioned that while that term is recognized and required by Canadian regulations, the SEC does not recognize it. U.S. investors are cautioned not to assume that any part or all of mineral deposits in this category will ever be converted into mineral reserves.

This MD&A also uses the term "inferred" resources. U.S readers are cautioned that while this term is recognized and required by Canadian regulations, the SEC does not recognize it. "Inferred resources" have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases. U.S. readers are cautioned not to assume that part or all of an inferred resource exists, or is economically or legally mineable.

February 20, 2017

Independent Auditor's Report

To the Shareholders of NGEx Resources Inc.

We have audited the accompanying consolidated financial statements of NGEx Resources Inc., which comprise the consolidated balance sheets as at December 31, 2016 and December 31, 2015 and the consolidated statements of comprehensive loss, cash flows and changes in equity for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7
T: +1 604 806 7000, F: +1 604 806 7806, www.pwc.com/ca

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of NGEx Resources Inc. as at December 31, 2016 and December 31, 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

signed "PricewaterhouseCoopers LLP"

Chartered Professional Accountants

NGEx Resources Inc.
Consolidated Balance Sheets
(All amounts expressed in Canadian Dollars, unless otherwise indicated.)

	Note		**December 31, 2016**		**December 31, 2015**
ASSETS					
Current assets:					
Cash and cash equivalents		$	11,185,093	$	2,112,705
Investments	*5*		606,026		651,658
Receivables and other assets	*7*		357,822		467,493
			12,148,941		3,231,856
Share consideration receivable			385,600		860,537
Equipment			111,729		145,240
Mineral properties	*8*		6,321,915		12,770,477
TOTAL ASSETS		$	18,968,185	$	17,008,110
LIABILITIES					
Current liabilities:					
Trade payables and accrued liabilities		$	1,345,105	$	2,262,111
Due to joint exploration partner			58,261		40,140
			1,403,366		2,302,251
Due to joint exploration partner	*8b*		815,102		875,541
TOTAL LIABILITIES			2,218,468		3,177,792
EQUITY					
Share capital	*9*		231,912,760		250,063,406
Reserved for issuance	*9c*		-		1,284
Contributed surplus	*10*		9,673,280		8,955,949
Deficit			(216,526,131)		(237,861,437)
Accumulated other comprehensive loss			(8,310,192)		(7,328,884)
TOTAL EQUITY			16,749,717		13,830,318
TOTAL LIABILITIES AND EQUITY		$	18,968,185	$	17,008,110

Commitment (Note 16)

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

ON BEHALF OF THE BOARD:

/s/William A. Rand
Director

/s/Wojtek A. Wodzicki
Director

NGEx Resources Inc.
Consolidated Statements of Comprehensive Income / Loss
(All amounts expressed in Canadian Dollars, unless otherwise indicated.)

	Note	For the year ended December 31, 2016	2015
Expenses			
Exploration and project investigation	*12*	6,017,081	19,837,334
General and Administration:			
Salaries and benefits		737,086	756,567
Share-based compensation	*10*	598,052	712,984
Management fees		286,000	407,000
Professional fees		780,485	344,498
Travel		49,851	172,109
Promotion and public relations		228,459	248,371
Office and general		465,398	384,674
Operating loss		9,162,412	22,863,537
Other items			
Interest income		(39,469)	(30,387)
Foreign exchange loss / (gain)		211,617	(267,667)
Other expenses		321,216	220,109
Gain on disposition & exchange of investments	*5*	(587,813)	-
Gain on spin-off transaction	*2*	(30,032,471)	-
Accretion of share consideration receivable		(127,304)	-
Gain on disposition of mineral properties and other assets	*6*	(243,494)	(1,552,525)
Unrealized loss on investments		-	144,000
Net (income) / loss		(21,335,306)	21,377,067
Other Comprehensive (Income) / Loss			
Items that may be reclassified subsequently to net loss:			
Change in fair value of available-for-sale securities		(645,644)	265,443
Recognition of unrealized loss on investments to net loss		-	(114,000)
Recycle gain on disposition & exchange of investments		574,000	-
Foreign currency translation adjustment		1,052,952	1,640,270
Comprehensive (income) / loss		$ (20,353,998)	$ 23,168,780
Basic and diluted (income)/loss per common share		$ (0.11)	$ 0.11
Weighted average common shares outstanding		202,673,501	187,712,994

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

NGEx Resources Inc.
Consolidated Statements of Cash Flows
(All amounts expressed in Canadian Dollars, unless otherwise indicated.)

	Note	For the Year Ended December 31, 2016	2015
Cash flows used in operating activities			
Net income / (loss) for the year		$ 21,335,306	$ (21,377,067)
Items not involving cash and cash equivalents:			
Depreciation		27,426	34,933
Share-based compensation		818,726	949,496
Unrealized foreign exchange loss / (gain)		199,993	(267,667)
Gain on disposition of mineral properties		(72,759)	(1,552,525)
Unrealized loss on investment		-	144,000
Gain on spinoff transaction	*2*	(30,032,471)	
Accretion of share consideration receivable		(127,304)	
Other expenses		84,857	-
Gain on disposition and exchange of investments	*5*	(587,813)	-
Net changes in working capital items:			
Receivables and other		139,544	1,106,657
Due from/(to) related party		163,925	-
Trade payables and accrued liabilities		(956,795)	(2,715,025)
Due to joint exploration partners		(42,319)	(3,824,941)
		(9,049,684)	(27,502,139)
Cash flows from financing activities			
Private placement, net	*9*	20,404,053	-
Share issuance from option exercise		298,100	-
Cash paid in connection with the Arrangement	*2*	(3,048,613)	-
		17,653,540	-
Cash flows from (used in) investing activities			
Mineral properties and related expenditures		(1,020,617)	(457,969)
Proceeds from disposition of mineral property interest and other assets	*6*	875,000	260,000
Proceeds from disposition and exchange of investments	*5*	700,350	-
Acquisition of equipment and other assets		-	(16,537)
		554,733	(214,506)
Effect of exchange rate change on cash and cash equivalents		(86,201)	1,349,217
Increase / (decrease) in cash and cash equivalents during the year		9,072,388	(26,367,428)
Cash and cash equivalents, beginning of year		2,112,705	28,480,133
Cash and cash equivalents, end of year		$ 11,185,093	$ 2,112,705

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

NGEx Resources Inc.
Consolidated Statements of Changes in Equity
(All amounts expressed in Canadian Dollars, unless otherwise indicated.)

	Number of shares issued and outstanding	Number of shares reserved for issuance	Share capital	Reserved for issuance	Contributed surplus	Accumulated other comprehensive loss	Accumulated Deficit	Total
Balance, January 1, 2016	187,712,994	20,240	$ 250,063,406	$ 1,284	$ 8,955,949	$ (7,328,884)	$ (237,861,437)	$ 13,830,318
Private placement (Note 9)	25,333,333	-	20,404,053	-	-	-	-	20,404,053
Issuance of shares previously reserved (Note 9)	20,230	(20,240)	1,284	(1,284)	-	-	-	-
Debenture financing consideration (Note 11)	17,406	-	10,444	-	-	-	-	10,444
Transfer of net assets pursuant to spin-out (Note 2)	-	-	(38,965,922)	-	-	-	-	(38,965,922)
Exercise of options	390,000	-	399,495	-	(101,395)	-	-	298,100
Share-based compensation	-	-	-	-	818,726	-	-	818,726
Change in fair value of available-for-sale securities	-	-	-	-	-	645,644	-	645,644
Recycle gain on disposition and exchange of investments	-	-	-	-	-	(574,000)	-	(574,000)
Foreign currency translation adjustment	-	-	-	-	-	(1,052,952)	-	(1,052,952)
Net income for the year	-	-	-	-	-	-	21,335,306	21,335,306
Balance, December 31, 2016	213,473,963	-	$ 231,912,760	$ -	$ 9,673,280	$ (8,310,192)	$ (216,526,131)	$ 16,749,717
Balance, January 1, 2015	187,712,994	20,240	$ 250,063,406	$ 1,284	$ 8,006,453	$ (5,537,171)	$ (216,484,370)	$ 36,049,602
Share-based compensation	-	-	-	-	949,496	-	-	949,496
Change in fair value of available-for-sale securities	-	-	-	-	-	(265,443)	-	(265,443)
Recognition of unrealized loss on income statement	-	-	-	-	-	114,000	-	114,000
Foreign currency translation adjustment	-	-	-	-	-	(1,640,270)	-	(1,640,270)
Net loss for the year	-	-	-	-	-	-	(21,377,067)	(21,377,067)
Balance, December 31, 2015	187,712,994	20,240	$ 250,063,406	$ 1,284	$ 8,955,949	$ (7,328,884)	$ (237,861,437)	$ 13,830,318

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

(All amounts expressed in Canadian Dollars, unless otherwise indicated.)

1. NATURE OF OPERATIONS

NGEx Resources Inc. and its subsidiaries (collectively referred to as the "Company") are principally engaged in the acquisition, exploration and development of mineral properties located in South America.

The Company is governed by the Canada Business Corporations Act ("CBCA") and its registered office is located at Suite 2200, 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8, Canada. The Company's common shares are listed on the Toronto Stock Exchange and the NASDAQ OMX Stockholm Stock Exchange (Stock symbol "NGQ").

2. PLAN OF ARRANGEMENT

On August 16, 2016, the Company completed a Plan of Arrangement (the "Arrangement") under the CBCA pursuant to which NGEx transferred its wholly owned subsidiaries that directly or indirectly hold the Filo del Sol project in Argentina and the Tamberias project in Chile, including $3,048,613 in cash and cash equivalent to Filo Mining Corp. ("Filo Mining") in exchange for the 51,270,950 Filo Mining common shares. The Company subsequently distributed the Filo Mining common shares to the Company's shareholders as a return of capital. Filo Mining began trading on the TSX Venture Exchange ("TSXV") and the NASDAQ First North Exchange under the symbol "FIL" on August 26, 2016 and September 6, 2016, respectively.

The carrying value of the net assets transferred to Filo Mining, pursuant to the Arrangement consisted of the following:

Assets:		
Cash and cash equivalents	$	3,048,613
Receivables and other assets		100,980
Mineral properties		5,991,033
Total assets		**9,140,626**
Liabilities:		
Trade payables and accrued liabilities		(207,175)
Carrying value of net assets		**8,933,451**
Fair value of net assets		**38,965,922**
Gain on distribution of net assets to shareholders	**$**	**30,032,471**

In accordance with *IFRIC 17, Distributions of Non-cash Assets to Owners*, the Company recognized the distribution of net assets to its shareholders at fair value with the difference between that value and the carrying amount of the net assets recognized in the statement of comprehensive income. Upon completion of the Arrangement, the Company recorded a gain of $30 million on the spin out of Filo Mining.

3. BASIS OF PRESENTATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business. These consolidated financial statements are prepared on a historical cost basis except for certain financial assets, which are measured at fair value.

The consolidated financial statements were approved by the Board of Directors of the Company on February 20, 2017.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany balances, transactions, income and expenses, and profits or losses between group companies are eliminated in full on consolidation. As at December 31, 2016, the Company's significant operating subsidiaries include Desarrollo de Prospectos Mineros S.A. (Argentina) and Minera Frontera del Oro SPA (Chile).

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases. All of the Company's subsidiaries are wholly-owned.

b) Critical accounting estimates and assumptions

The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and expenditures on the financial statements. These estimates and assumptions are based on management's best knowledge of the relevant facts and circumstances taking into account previous experience. Actual results could differ from those estimates and such differences could be material. Estimates are reviewed on an ongoing basis and are based on historical experience and other facts and circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively. Information about estimates and assumptions that could have the most significant effect on the recognition and measurement of assets is provided below.

Provisions – The Company's most significant provision relates to the remaining obligation due to its joint exploration partner on its acquisition of the Filo del Sol project, which has been transferred to Filo Mining as part of the NGEx Arrangement on August 16, 2016 as described in Note 2. As the Company is contractually permitted to settle the remaining obligation on the acquisition by funding an alternative exploration project without a predetermined maturity date, in lieu of direct cash outflow, and the Company intends to settle the obligation in this manner, the Company measures the provision (liabilities of uncertain timing or amount) at the best estimate of the expenditure required to settle the liability, taking into account the nature and timing of the exploration activities that are expected to be conducted on the project in its measurement. The Company discounts the provision to its present value using a pre-tax discount rate.

Share consideration receivable – Share consideration receivable in the future is discounted using a discount rate that approximates the risk profile for the entity issuing the shares based on financial information that is publicly available. The value of the share consideration receivable could be impacted if the actual risk assessment turns out to be different from the estimate applied by the Company in its valuation of the share consideration receivable.

c) Foreign currency translation

The consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

The majority of the Company's significant foreign subsidiaries do not have the Canadian dollar as their functional currency. Accordingly, foreign exchange gains and losses arising from the translation of these foreign subsidiaries' accounts into Canadian dollars are reported as a component of other comprehensive income. Their results and financial position are translated into Canadian dollars as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet.
- Income and expenses for each income statement are translated at average exchange rate.
- All resulting exchange differences are recognized in other comprehensive income.

d) Mineral properties and exploration expenditure

The Company has been actively exploring its mineral properties and has adopted the policy of capitalizing significant acquisition costs for property rights, including payments for exploration rights and estimated fair value of exploration properties acquired as part of a business acquisition.

Mineral exploration costs and maintenance payments are expensed prior to the determination that a property has economically recoverable ore reserves. When it has been established that a mineral property is considered to be sufficiently advanced to the development stage and economic viability has been demonstrated, all further expenditures for the current year and subsequent years are capitalized as incurred.

e) Financial instrument classification and risks

In respect of the recognition and measurement of financial instruments, the Company has adopted the following policies:

	Accounting Classification		
Financial instruments	**Loans and receivables**	**Available for sale**	**Other financial liabilities**
Measured at amortized cost:			
Receivables and others, cash and cash equivalents	X		
Trade payables and accrued liabilities			X
Due to joint exploration partners			X

Measured at fair value:	
Investments	X

f) Investments

The Company accounts for investments as available-for-sale financial assets which are measured at fair value determined directly by reference to quoted market prices in active markets. The carrying values of available-for-sale investments are adjusted to fair value, with such adjustment being included in the Consolidated Statements of Loss and Comprehensive Loss as a component of other comprehensive income.

A significant or prolonged decline in the fair value of the security below its cost could indicate that the investments are impaired and the decline in the value is not temporary in nature. If any such evidence for these available-for-sale financial assets exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the separate consolidated statement of loss.

g) Receivables and other assets

The Company assesses at the end of each reporting period whether there is objective evidence that its receivable and other assets are impaired. They are considered to be impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognized in the consolidated statement of loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in the consolidated statement of loss.

h) Current and deferred income tax

The Company follows the liability method of accounting for income taxes. Under the liability method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, unused tax losses and other income tax deductions. Deferred income tax assets are recognized for deductible temporary differences, unused tax losses and other income tax deductions to the extent that it is probable the Company will have taxable income against which those deductible temporary differences, unused tax losses and other income tax deductions can be utilized.

Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the related assets are realized or the liabilities are settled. The measurement of deferred income tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover and settle the carrying amounts of its assets and liabilities, respectively. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in the period in which the change is substantively enacted.

i) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

j) Share-based compensation

The Company has a share-based compensation plan, under which participants may receive options to purchase its common shares at a price equal to their fair market value at the time of grant. The fair value of services received from participants in exchange for options granted is recognized as an expense on its financial statements.

The Company uses the Black-Scholes option-pricing model to estimate the fair value of options granted under its share option plan. This pricing model requires estimation, which includes making assumptions about the expected dividends, volatility of its share price (which is based on historical volatility in the price of the shares), estimate of risk-free interest rates (which is based on the Government of Canada yield curve that is current at the time of grant) and the expected life of its options (which is based on the historical share option award exercise data). In addition, judgment is required to estimate the number of awards expected to be forfeited.

The Company issues new common shares to satisfy stock option exercises. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and contributed surplus.

k) Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognized when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

l) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

m) Segment Reporting

Operating segments are components of an entity that engage in business activities from which they incur expenses and whose operating results are regularly reviewed by a chief operating decision-maker to make resource allocation decisions and to assess performance. The Chief Executive Officer (chief operating decision-maker for the Company) obtains and reviews operating results of each operating segment on a monthly basis.

As the Company primarily focuses its activity on the exploration and development of mineral properties, its operating and reportable segments are Project Constellation (which comprises of the Los Helados project and the Josemaria project), and other exploration projects.

(All amounts expressed in Canadian Dollars, unless otherwise indicated.)

n) New accounting pronouncements

A number of new standards, amendment to standards and interpretations are effective for periods after December 31, 2016 and accordingly have not been applied in preparing these consolidated financial statements.

Pronouncement	Effective Date
IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments: Recognition and Measurement. The standard includes: (i) a third measurement category for financial assets – fair value through other comprehensive income and (ii) a single, forward-looking 'expected loss' impairment model.	Required to be applied for years beginning on or after January 1, 2018.
IFRS 7 *Financial instruments – disclosure* has been amended to require additional disclosures on transition from IAS 39 to IFRS 9.	Required to be applied for years beginning on or after January 1, 2018.
IFRS 16 *Leases* specifies how leases should be recognized, measured, presented and disclosed. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	Required to be applied for years beginning on or after January 1, 2019.

Management is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

(All amounts expressed in Canadian Dollars, unless otherwise indicated.)

5. INVESTMENTS

	December 31, 2016	December 31, 2015
Goldgroup Mining Inc. (Note a)	$ 26,000	$ 220,000
VMS Ventures Inc. (Note b)	-	36,000
RNC Minerals (Note b)	41,431	-
North American Nickel Inc. (Note b)	11,051	-
Legend Gold Corp.	20,000	15,000
Skeena Resources Ltd. ("Skeena")	507,544	380,658
	$ 606,026	$ 651,658

Note a - The Company recognized a $523,256 gain on disposition of investments from the sale of 2,000,000 common shares of Goldgroup Mining Inc. during the year ended December 31, 2016.

Note b - The acquisition of VMS Venture Inc ("VMS") by RNC Minerals, formerly Royal Nickel Corporation, ("RNC") under a previously announced plan of arrangement ("RNC Arrangement") was completed on April 27, 2016. Pursuant to the terms of the RNC Arrangement, the 600,000 common shares of VMS previously held by the Company were exchanged for the following:

- 147,968 common shares of RNC,
- 122,794 common shares of North American Nickel Inc. ("NAN") as a dividend in kind, and
- $14,294 in cash consideration.

The common shares of RNC and NAN received in connection with the RNC Arrangement have been classified as available for sale investments, and a gain on exchange of investment totaling $64,557 was recorded as a result of the share exchange as described above.

(All amounts expressed in Canadian Dollars, unless otherwise indicated.)

6. GAIN ON DISPOSITION OF MINERAL PROPERTIES AND OTHER ASSETS

	December 31, 2016	December 31, 2015
Gain on disposition of GJ royalties and share consideration receivable (a)	$ 243,494	$ 1,387,525
Gain on disposition of Assean Lake	-	165,000
	$ 243,494	$ 1,552,525

a. On November 3, 2015, the Company completed the sale of its interests in the GJ Project to Skeena in exchange for $245,000 in cash and 6,344,294 common shares of Skeena, representing its 49% share of the initial proceeds from the sale. Teck Resources Limited ("Teck"), the other party to the GJ joint exploration project prior to the sale, received the remaining 51% share of the sale proceeds. An additional common share consideration valued at $1.47 million is payable to the Company over a five year period, with the first trenche payable by October 2017 and the second trenche payable by October 2020.

   The sale of the GJ project by the Company and Teck (the "Parties") during fiscal 2015 excludes a 2% Net Smelter Return (NSR) Royalty on the GJ block and a 1% NSR Royalty on the Northern block (Collectively the "Retained Royalties"). Teck and the Company's royalties were held under separate royalty agreements in favour of the Parties respectively. As such, the Company held a 0.98% NSR on the GJ block and a 0.49% NSR on the Northern block.

   On November 10, 2016, the Company completed the sale of its Retained Royalties and transferred the common share consideration to be received from Skeena Resources Limited ("Skeena") by October 5, 2017 to Aurico Metals Canadian Royalty Partnership ("Aurico") in exchange for a cash payment of $875,000. The Company retains the common share consideration with a value of $735,000 to be received from Skeena by October 5, 2020. The present value of the remaining share consideration receivable is $385,600, using a discount rate of 17.5%.

   The Company's interests in the Retained Royalties were not previously recorded on the financial statements.

7. RECEIVABLES AND OTHER ASSETS

	December 31, 2016	December 31, 2015
Current:		
Taxes recoverable	$ 134,010	$ 144,512
Due from related party	56,025	-
Receivables and prepaid expenses	167,787	322,981
	$ 357,822	$ 467,493

(All amounts expressed in Canadian Dollars, unless otherwise indicated.)

8. MINERAL PROPERTIES

	South America				**North America**	**Total**
	Project Constellation (Joint Exploration Agreement)		**Projects transferred to Filo Mining pursuant to the Arrangement**		**GJ / Kinaskan**	
	Los Helados (Chile)	**Josemaria (Argentina)**	**Filo del Sol (Argentina)**	**Tamberias (Chile)**		
	Note a		**Note b**		**Note c**	
January 1, 2015	**$ 2,873,619**	**$ 4,611,377**	**$ 8,840,154**	**$ 1,667,092**	**$ 136,997**	**$ 18,129,239**
Additions	153,388	-	-	304,581	-	457,969
Disposition	-	-	-	-	(136,997)	(136,997)
Adjustment to acquisition consideration for Filo del Sol from PPC	-	-	(2,881,858)	-	-	(2,881,858)
Currency translation effect	109,989	(1,019,018)	(1,916,084)	27,237	-	(2,797,876)
December 31, 2015	**$ 3,136,996**	**$ 3,592,359**	**$ 4,042,212**	**$ 1,998,910**	**$ -**	**$ 12,770,477**
Additions	264,098	-	-	756,519	-	1,020,617
Write-off of mineral property interests	-	-	(74,413)	-	-	(74,413)
Currency translation effect	50,966	(722,504)	(710,885)	(21,310)	-	(1,403,733)
Transferred to Filo Mining pursuant to the Arrangement (Note 2)	-	-	(3,256,914)	(2,734,119)	-	(5,991,033)
December 31, 2016	**$ 3,452,060**	**$ 2,869,855**	**$ -**	**$ -**	**$ -**	**$ 6,321,915**

a) Project Constellation

A Preliminary Economic Assessment (the "Integrated PEA) of Project Constellation was announced on January 7, 2016. The Integrated PEA contemplates an integrated project combining the Los Helados and Josemaria projects, whereby material from both the Los Helados and Josemaria deposits would be processed at a centralized processing plant located in Argentina.

The Los Helados and Josemaria projects are subject to their own Joint Exploration Agreements ("JEA"), with the Company initially holding a 60% interest and the joint exploration partners holding the remaining 40% interest. Each party is required to fund its pro-rata share of exploration expenditures incurred by the joint exploration. The Company is the operator for both projects.

Los Helados
Effective September 1, 2015, the joint exploration partner for the Los Helados project Pan Pacific Copper Co. ("PPC") has elected not to fund its pro-rata share of expenditures and as a result elected to

dilute its interest pursuant to the JEA. Accordingly, the Company has funded 100% of the Los Helados project starting September 1, 2015. As at December 31, 2016, PPC's interest in the Los Helados Project has been diluted to 38.69%.

Josemaria
The joint exploration partner for the Josemaria project Japan Oil, Gas, and Metals National Corporation ("JOGMEC") continues to hold a 40% participating interest in the Josemaria project.

b) The Filo del Sol Project

The Filo del Sol project straddles the international border between San Juan Province, Argentina and Region III, Chile.

In October 2014, the Company effectively holds a 100% interest in the Filo del Sol project after acquiring the remaining 40% interest in Filo del Sol from its joint exploration partner PPC in exchange for cash consideration of US$3.5 million and by assuming the obligation to fund US$3.5 million of PPC's share of expenditures on the remaining joint exploration properties (the "La Rioja Properties").

The Filo del Sol project was transferred to Filo Mining on August 16, 2016 pursuant to the Arrangement as described in Note 2. Notwithstanding the transfer of the Filo del Sol mineral property to Filo Mining, the remaining obligation due to PPC and the subsequent settlement through future exploration expenditures on the La Rioja Properties as described above resides with the Company and was not transferred to Filo Mining. As at December 31, 2016, the La Rioja Properties are held through a subsidiary of NGEx.

As at December 31, 2016, the Company has incurred cumulatively expenditures totaling $31,408 at the La Rioja properties. The Company considered the estimated timeframe required to expend US$3.5 million on behalf of PPC at the La Rioja properties and has presented the US$3.5 million due to PPC as a non-current liability, discounted to its present value at an annual effective rate of 8%.

c) GJ Properties, B.C.

The GJ property was sold to Skeena on November 3, 2015 (Note 6).

9. SHARE CAPITAL

The Company has authorized an unlimited number of voting common shares without par value. All issued shares are fully paid.

a) Private placements:

The Company completed private placements totaling 25,333,333 common shares of the Company for gross proceeds of $20.9 million during the fiscal 2016 year. Share issuance costs totaling $0.5 million were paid in relation to the private placements. The net proceeds received by the Company upon completion of the private placements totaled $20.4 million.

(All amounts expressed in Canadian Dollars, unless otherwise indicated.)

b) The Arrangement:

Pursuant to the Arrangement, NGEx distributed all of the common shares of Filo Mining (the "Filo Common Shares") to its shareholders on the basis of one Filo Common Share for every four NGEx common shares held by way of a reduction and return of share capital. Filo Mining was a wholly owned subsidiary of NGEx Resources Inc. prior to the effective date of the Arrangement.

c) Issuance of shares previously reserved:

Prior to the completion of the Arrangement, the Company issued common shares that were previously reserved for a predecessor company.

10. SHARE OPTIONS

a) Share Option Plan

The Company has a rolling share option plan approved and ratified by shareholders on June 12, 2014, reserving an aggregate of 10% of the issued and outstanding shares of the Company for issuance upon the exercise of options granted.

During the year ended December 31, 2016, the Company granted a total of 2,060,000 (2015 – 2,625,000) share options to officers, employees, directors and other eligible persons at exercise price of $0.61 per share.

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model with weighted average assumptions and resulting values for grants as follows:

	December 31, 2016	December 31, 2015
Assumptions:		
Risk-free interest rate *(%)*	0.43	0.66
Expected life *(years)*	2.50	2.50
Expected volatility *(%)*	59.10	49.27
Expected dividend	Nil	Nil
Results:		
Weighted average fair value of options granted *(per option)*	$ 0.22	$ 0.29

Pursuant to the Arrangement (Note 2), all share options outstanding as at August 16, 2016 were exchanged for one fully-vested replacement NGEx option ("NGEx replacement option") and one-quarter of one fully-vested option of Filo Mining. The NGEx replacement options are governed by the NGEx share option plan and the exercise prices were adjusted based on the market value of the two companies after completion of the Plan of Arrangement (Note 10b). As all the NGEx replacement options became fully-vested, with no further service obligations required by the participants upon the completion of the Arrangement, the Company recognized all remaining share-based compensation for the NGEx replacement options during fiscal 2016. There were no stock option grants made subsequent to the completion of the Arrangement up to December 31, 2016.

The total share-based compensation for the year ended December 31, 2016 was $818,726 (2015 - $949,496) of which $598,052 (2015 - $712,984) has been allocated to general and administration expenses, and $220,674 (2015 - $236,512) to exploration and project investigation expenses.

(All amounts expressed in Canadian Dollars, unless otherwise indicated.)

b) Share Options Outstanding

The following is a summary of the movements in the number of share options outstanding and their related weighted average exercise prices:

	December 31, 2016		December 31, 2015	
	Number of share issuable pursuant to share options	**Weighted average exercise price per share****	**Number of share issuable pursuant to share options**	**Weighted average exercise price per share****
Balance at beginning of year	5,722,500	$ 1.54	4,812,500	$ 1.95
Granted	2,060,000	0.61	2,875,000	0.94
Exercised (*)	(390,000)	0.80	-	-
Forfeited	(83,334)	1.61	(54,168)	1.37
Expired	(934,166)	2.29	(1,910,832)	1.65
Balance at end of year	6,375,000	$ 1.18	5,722,500	$ 1.54

* The weighted average share price on the exercise date for the stock options exercised during the year ended December 31, 2016 was $1.25.

** The weighted average exercise prices are before the exercise price adjustment applied pursuant to the Arrangement (Note 2). The exercise prices were adjusted at the time of the NGEx Arrangement such that the aggregate In-the-Money amounts for the outstanding options remain the same before and after the Arrangement.

The following table summarizes information about the fully vested share options outstanding at December 31, 2016:

Exercise Price	Vested options outstanding	Expiry date
$1.80	1,930,000	May 7, 2017
$0.89	2,310,000	May 11, 2018
$0.79	250,000	Nov 25, 2018
$0.61	1,845,000	Feb 24, 2019
$0.68	40,000	Mar 31, 2019
	6,375,000	

11. DEBENTURE

On January 20, 2016, the Company secured a US$525,000 credit facility evidenced by a debenture to provide additional financial flexibility to fund general corporate purposes. A total of 17,406 common shares were issued to the lender as consideration for providing the credit facility to the Company. The amount previously drawn under the credit facility had been repaid in full during the year, with no outstanding balance due on the debenture as at December 31, 2016. Pursuant to the terms of the agreement, the debenture matured on January 20, 2017.

(All amounts expressed in Canadian Dollars, unless otherwise indicated.)

12. EXPLORATION AND PROJECT INVESTIGATION

The Company expensed the following mineral properties costs, all incurred in South America, for the year ended December 31, 2016:

	Project Constellation (Joint Exploration Agreement)		Projects transferred to Filo Mining pursuant to the Arrangement *		Others	Total
	Los Helados	Josemaria	Filo del Sol	Tamberias		
Land holding costs	$1,116,590	$ 58,724	$ 16,118	$ 100,438	$ 89,942	$ 1,381,812
Drilling, fuel, camp costs and field supplies	337,999	46,919	195,464	26,582	18,631	625,595
Roadwork, travel and transport	110,746	6,076	313,222	1,634	59,378	491,056
Conceptual studies	51,747	-	31,535	-	-	83,282
Consultants, geochemistry and geophysics	18,194	8,787	235,022	-	2,341	264,344
Environmental and community relations	177,231	49,943	15,853	-	1,079	244,106
VAT and other taxes	125,318	3,148	218,040	997	134,930	482,433
Office, field and admin salaries, overhead and other costs	274,169	224,523	833,134	6,322	885,631	2,223,779
Share-shared compensation	68,205	10,285	102,852	7,525	31,807	220,674
Total for the year	**$ 2,280,199**	**$ 408,405**	**$ 1,961,240**	**$ 143,498**	**$1,223,739**	**$ 6,017,081**

* These were costs incurred up to the effective date of the Arrangement for the projects that were transferred to Filo Mining (Note 2).

The Company expensed the following mineral properties costs, all incurred in South America, for the year ended December 31, 2015:

	Project Constellation (Joint Exploration Agreement)		Filo del Sol	Tamberias	Others	Total
	Los Helados	Josemaria				
Land holding costs	$ 168,634	$ 74,614	$ 101,228	$ 53,650	$ 569,595	$ 967,721
Drilling, fuel, camp costs and field supplies	2,003,509	135,734	3,905,773	515,703	60,913	6,621,632
Roadwork, travel and transport	456,768	85,275	899,468	245,780	231,606	1,918,897
Conceptual studies	1,014,955	520,395	-	-	-	1,535,350
Consultants, geochemistry and geophysics	96,563	62,651	409,006	92,514	41,413	702,147
Environmental and community relations	1,278,078	855,628	119,101	27,217	-	2,280,024
VAT, fees and other taxes	539,992	197,326	1,371,582	192,729	479,976	2,781,605
Office, field and admin salaries, overhead and other costs	620,818	105,853	1,230,606	106,459	729,710	2,793,446
Share-shared compensation	74,562	24,585	96,975	14,891	25,499	236,512
Total for the year	**$ 6,253,879**	**$ 2,062,061**	**$ 8,133,739**	**$ 1,248,943**	**$2,138,712**	**$ 19,837,334**

(All amounts expressed in Canadian Dollars, unless otherwise indicated.)

13. RELATED PARTY TRANSACTIONS

a) Related party services and balances

NGEx has a cost sharing arrangement with Filo Mining, a related party by way of providing key management personnel services to the Company. Filo Mining was incorporated during 2016 and spun out of the Company as a separate legal entity pursuant to the Arrangement (Note 2). Under the terms of this arrangement, Filo Mining provided executive management and personnel services to NGEx, while NGEx provided financial management and administrative services to Filo Mining. These transactions were in the normal course of operations.

	Year ended December 31, 2016	2015
Financial management and administrative services provided to Filo Mining	$ 58,131	-
Executive management and personnel services received from Filo Mining	(325,186)	-

The amounts due from/to related parties by the Company, and the components of the consolidated statement of financial position in which they are included, are as follows:

	December 31, 2016	December 31, 2015
Receivables and other assets	$ 56,025	-
Trade payables and accrued liabilities	(222,049)	-

Due to the fact that Filo Mining was not incorporated until May 12, 2016, and the Arrangement was not completed until August 16, 2016, there were no provision and sharing of management services between the related parties prior to that date.

b) Key management compensation

The key management personnel have authority and responsibility for overseeing, planning, directing and controlling the activities and consist of the Board of Directors and members of the executive management team. Total compensation expense for key management personnel, and the composition thereof, is as follows:

	Year ended December 31, 2016	2015
Salaries	$ 496,704	$ 651,938
Employee benefits	37,169	37,910
Director fees	69,079	67,000
Share-based compensation	523,396	572,728
	$ 1,126,348	$ 1,329,576

(All amounts expressed in Canadian Dollars, unless otherwise indicated.)

14. INCOME TAXES

	December 31, 2016	December 31, 2015
Combined basic federal and provincial income tax rates	26.00%	26.00%
Net loss before taxes	$ 21,335,306	$ (21,377,067)
Expected income recovery	$ 5,547,180	$ (5,558,037)
Non-deductible share based compensation	212,869	246,869
Other non-deductible expenses and permanent differences	(6,743,183)	410,262
Difference in foreign tax rates	(36,260)	(145,737)
Income tax benefits not recognized and other items	1,019,394	5,046,643
Future income tax recovery	$ -	$ -

	December 31, 2016	December 31, 2015
Loss carry-forwards	$ 6,494,630	$ 6,327,769
Capital losses	190,856	190,856
Mineral properties and related expenditures	28,597,352	31,489,970
Other	290,599	293,740
Unrecognized deferred tax assets	$ 35,573,437	$ 38,302,335

As at December 31, 2016, the Company has the following tax losses, primarily in Canada and Argentina, which may be used to reduce future taxable income. The income tax benefit, if any, of these losses have not been recorded in the consolidated financial statements due to the uncertainty of their recovery. The future expiration of the losses is as follows:

Year of Expiry	Canada	Argentina	Other	Total
2017	-	2,272,874	2,790	2,275,664
2018	-	1,119,733	16,351	1,136,084
2019	-	91,681	11,471	103,152
2020	-	503,904	42,844	546,748
2021	-	270,074	155,331	425,405
Subsequent to 2021	19,021,079	-	-	19,021,079
No expiry	-	-	5,118	5,118
Total	$ 19,021,079	$ 4,258,266	$ 233,905	$ 23,513,250

(All amounts expressed in Canadian Dollars, unless otherwise indicated.)

15. SEGMENTED INFORMATION

The Company is principally engaged in the acquisition, exploration and development of mineral properties in South America. The segments presented below together with the mineral property information presented in Note 8 and Note 12 reflects the way in which management reviews its business performance. Operating segments are reported in a manner consistent with internal reporting provided to executive management who act as the chief operating decision-makers. The Chief Executive Officer is responsible for allocating resources and assessing performance of the operating segments.

The geographic distribution of the non-current assets is as follows:

	At December 31, 2016		At December 31, 2015	
	Equipment	**Mineral properties**	**Equipment**	**Mineral properties**
Canada	$ 93,400	$ -	$ 111,700	$ -
South America	18,329	6,321,915	33,540	12,770,477
	$ 111,729	$ 6,321,915	$ 145,240	$ 12,770,477

16. COMMITMENT

On August 25, 2016 the Company reached an agreement with the owners of the surface rights covering the Los Helados Project. The agreement contemplates annual payments of between US$0.5 million and US$0.8 million depending on the amount of surface disturbance. The annual payment will increase to US$1 million in 2024 and to US$1.5 million from 2025 onwards. A one-time payment of US$6 million is due upon approval of the Environmental Impact Study ("EIS") and a one-time payment of US$15 million is payable upon commercial production. The Company may terminate the agreement at any time by making a one-time termination payment equal to the amount of the most recent annual payment. As at December 31, 2016, the Company has paid land surface rights payment totaling US$0.5 million, which was expensed on the Statement of Comprehensive Income/Loss.

17. MANAGEMENT OF FINANCIAL RISKS

The Company's financial instruments are exposed to certain financial risks, including credit, market, liquidity and currency risks.

(i) Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge its obligations. The Company closely monitors its financial assets to ensure it does not have significant concentration of credit risk. Credit risk is primarily associated with trade receivables but could also arise on cash equivalents. Credit risks associated with cash and cash equivalents is minimal as the Company deposits the majority of its cash with a large Canadian financial institution that has been accorded a strong investment grade rating by a primary rating agency.

(ii) Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities and is minimized through the management of its capital structure as explained on Note 18. The Company also closely monitors and reviews its costs to date and actual cash flows against the approved budget on a monthly basis to ensure funds are adequate to support the Company's operations on an ongoing basis. Accounts payable and accrued liabilities are due within the current operating

period. With the completion of three separate private placements, raising more than $20 million in net financing proceeds during the current fiscal year, the Company is expected to have sufficient cash and working capital to manage and fund ongoing exploration activities and corporate working capital purposes for at least the next 12 months.

(iii) Currency risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risks as its operations are primarily conducted in Argentina and Chile. Exploration and project investigation costs are primarily denominated in Argentina pesos, Chilean pesos and the US dollar. As the functional and presentation currency is the Canadian dollar, significant changes in these foreign exchange rates would have a direct impact to the Company's other comprehensive income/loss, financial position and cash flow.

The official Argentina currency continued to devalue relative to the Canadian dollar during fiscal 2016 following the lifting of currency controls by the Argentina government in December 2015. This Argentina peso devaluation effectively reduced the costs of conducting exploration activities in Argentina. Following the transfer of the Filo del Sol project which includes the corresponding mineral property to Filo Mining pursuant to the Arrangement, the Company has reduced its composition of Argentine expenditures and assets based in Argentina as at December 31, 2016 compared to the prior year. Accordingly, the impact of fluctuations in the Argentina peso to the reported value of the Company's Argentina mineral property assets and expenditures has been reduced as at and for the year ended December 31, 2016.

While the Company has not used any hedging strategies to manage its exposure to currency fluctuations, management strives to minimize currency risks by maintaining most of its cash in U.S. dollars. Based on the Company's net exposures at December 31, 2016, a 10% depreciation or appreciation in the Argentina and Chilean pesos relative to the Canadian dollar would have resulted in an approximate $0.3 million increase or decrease in the Company's net loss, respectively.

18. CAPITAL STRUCTURE MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management and definition of capital, the Company considers the items included in shareholders' equity to be capital.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its assets. In order to maintain or adjust the capital structure, the Company may attempt to issue new shares or debt instruments, acquire or dispose of assets, or to bring in joint venture partners.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.