



**SEPTEMBER 30, 2014**

**NGEx RESOURCES INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014**

This MD&A focuses on significant factors that have affected NGEx Resources Inc. (the "Company" or "NGEx") and its subsidiaries and such factors that may affect its future performance. The MD&A should be read in conjunction with the unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2014 and the December 31, 2013 year end audited consolidated financial statements and the related notes therein. The financial information in this MD&A is derived from the Company's consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar amounts are expressed in Canadian dollars, unless otherwise indicated.

The effective date of this MD&A is November 10, 2014.

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](http://www.sedar.com) and at the Company's website [www.ngexresources.com](http://www.ngexresources.com).

## **CORE BUSINESS AND STRATEGY**

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

NGEx has built a strong portfolio of exploration stage copper-gold projects in Chile, Argentina, and Canada. The Company has a strong management team and board with extensive experience in Chile and Argentina and an appropriate mix of geological, engineering, financial, and business skills to advance its projects and to generate value for its shareholders.

The Company's principal projects are the Los Helados and Josemaria projects which are advanced exploration stage copper-gold projects located in Chile and Argentina respectively as well as Filo del Sol located in Argentina which is in the resource definition stage. The Company's long term view of the copper market is positive, with the expectation that over time tightening mine supply and growing demand especially from developing countries will contribute to stronger prices and will require the development of new greenfield mining projects. The Company's strategy is to create value for its shareholders by expanding and increasing the quality of its resources as well as by 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 Company intends to increase shareholder value through successful exploration and to eventually convert its exploration successes into tomorrow's development projects positioning the Company as a top tier copper industry investment.

## HIGHLIGHTS AND SIGNIFICANT EVENTS

- On October 20, 2014, the Company announced the results of a Preliminary Economic Assessment ("PEA") and an updated Mineral Resource estimate for the Los Helados Project. The study defines a robust resource which forms a strong base for a mining and processing solution, indicating that Los Helados as a standalone operation has the potential to become a large, low cost mine producing a highly marketable concentrate
- On October 23, 2014, the Company announced the acquisition of the 40% interest in the Filo del Sol Project held by its partner Pan Pacific Co., Ltd. ("PPC") for total cash consideration of US\$7.0 million. The Company believes that the Filo del Sol Project has excellent exploration potential and has the potential to grow into a significant asset.

## QUALIFIED PERSONS

Technical disclosure for the Company's projects included in this MD&A, with the exception of the technical disclosure related to ongoing 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 Anthony George P. Eng. (BC). Mr. George is the Company's Project Manager and a Qualified Person under National Instrument 43-101 Standards of Disclosure for Mineral Projects (NI 43-101).

### ***Los Helados Project, Chile***

Los Helados is a large copper-gold porphyry deposit located approximately 125 kilometres southeast of the city of Copiapo in Region III of Chile. Nearby deposits held by other companies include Caserones-Regalito (PPC), Candelaria (Lundin Mining/Sumitomo), and El Morro-La Fortuna (Goldcorp/New Gold). Los Helados is subject to a Joint Exploration Agreement with PPC (the "PPC JEA") in which the Company holds a 60% interest and PPC holds a 40% interest. Each party funds its pro-rata share of exploration expenditures. PPC is a Japanese mining and smelting company that is owned by JX Nippon Mining and Metals (66%) and Mitsui Mining and Smelting (34%).

On October 20, 2014, the Company announced the results of a Preliminary Economic Assessment ( the "PEA") completed on the Los Helados Project, together with an updated Mineral Resource Estimate. The proposed project concept is to develop a green-fields underground mine using block cave mining methods, followed by (Semi-Autogenous Grinding) SAG milling and conventional sulphide flotation producing a copper concentrate containing significant gold and silver with all deleterious elements below penalty levels.

For more detailed information on the PEA and the Resource Estimate refer to the Company's news release dated October, 20, 2014. The PEA was prepared by AMEC International Ingeniería y Construcción Limitada ("AMEC") of Santiago, Chile, under the direction of Anthony George, Project Manager (NGEx Resources). The National Instrument 43-101 Technical Report summarizing the results of the PEA and updated Mineral Resource Estimate will be filed on SEDAR ([www.sedar.com](http://www.sedar.com)) and on the Company's website ([www.ngexresources.com](http://www.ngexresources.com)) within 45 days. Subsequent to the effective date of the PEA, the corporate tax rate in Chile was raised from 20% to 27%. Accordingly, the Company has asked the QP authors to prepare the Technical Report using the new 27% rate. The after-tax financial results shown below reflect this increase in tax rate and differ from those first reported in the October 20, 2014 news release.

PEA Summary

|                                                | 130,000 t/d Option                             | 65,000 t/d Option                              |
|------------------------------------------------|------------------------------------------------|------------------------------------------------|
| Pre-Tax NPV (8%) & IRR                         | \$923 million NPV<br>10.8% IRR                 | \$723million NPV<br>10.4% IRR                  |
| After-Tax NPV (8%) & IRR                       | \$270 million NPV<br>8.9% IRR                  | \$198 million NPV<br>8.8% IRR                  |
| Metals Prices                                  | \$3.25/lb Cu<br>\$1,300/oz Au<br>\$21.50/oz Ag | \$3.25/lb Cu<br>\$1,300/oz Au<br>\$21.50/oz Ag |
| Initial Capital Expenditures                   | \$4.3 billion                                  | \$3.1 billion                                  |
| LOM Sustaining Capital Expenditures            | \$1.3 billion                                  | \$1.3 billion                                  |
| LOM C-1 Cash Costs (net of by-product credits) | \$1.10/lb Cu sold                              | \$1.13/lb Cu sold                              |
| Nominal Mill Capacity                          | 130,000 t/d                                    | 65,000 t/d                                     |
| Mine Life                                      | 26 years                                       | 37 years                                       |
| LOM Average Annual Metal Production            | 115,000 t Cu<br>133,000 oz Au<br>675,000 oz Ag | 81,000 t Cu<br>93,000 oz Au<br>474,000 oz Ag   |
| LOM Average Process Recovery                   | 89.4% Cu<br>80.2% Au<br>51.0% Ag               | 89.4% Cu<br>80.2% Au<br>51.0% Ag               |

\* All figures reported are in 2014 US dollars and on a 100% Project and 100% equity basis valuation. A US dollar (USD) to Chilean Peso (CLP) exchange rate of 500 CLP = 1 USD was used for all cost estimates.

Note: The reader is advised that the PEA study results in this MD&A are only intended to provide an initial, high-level summary of the project. The 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 PEA results will be realized. Mineral resources are not mineral reserves and do not have demonstrated economic viability.

*Mineral Resource Estimate*

Los Helados has a current Mineral Resource at a base case 0.33% copper equivalent ("CuEq") cutoff, as follows:

- 2,099 million tonnes at a grade of 0.38% copper, 0.15 g/t gold, and 1.37 g/t silver for a copper equivalent grade of 0.48% (17.6 billion pounds of copper, 10.1 million ounces of gold, and 92.5 million ounces of silver) in the Indicated Resource category; and
- 827 million tonnes at a grade of 0.32% copper, 0.10 g/t gold, and 1.32 g/t silver for a copper equivalent grade of 0.39% (5.8 billion pounds of copper, 2.7 million ounces of gold, and 35.1 million ounces of silver) in the Inferred Resource category.

Copper Equivalent (CuEq) is calculated using US\$3.00/lb copper, US\$1,300/oz gold and US\$23/oz Ag, and includes a provision for selling costs and metallurgical recoveries corresponding to three zones which vary with depth. The formulas used are:  $CuEq\% = Cu\% + 0.6264 * Au (g/t) + 0.0047 * Ag (g/t)$  for the Upper Zone (surface to ~ 250m);  $Cu\% + 0.6366 * Au (g/t) + 0.0077 * Ag (g/t)$  for the Intermediate Zone (~250m to ~600m);  $Cu\% + 0.6337 * Au (g/t) + 0.0096 * Ag (g/t)$  for the Deep Zone (> ~600m).

Mineral Resources are reported within a block cave underground mining shape based on \$13.07/tonne operating costs and including a provision for capital expenditure. The base case cutoff grade of 0.33% CuEq was derived through an economic evaluation of several block cave shapes developed over a range of different cutoff grades and is the cutoff grade which results in a zero NPV.

The Mineral Resource estimate for the Los Helados Project has an effective date of September 19, 2014 and was prepared by Gino Zandonai, B.Sc., M.Sc. Registered Member of the Comision Calificadora de Competencias en Recursos y Reservas Mineras (Chilean Mining Commission), Senior Associate of Behre Dolbear International Ltd. in accordance with NI 43-101. Mr. Zandonai is the Qualified Person for the estimate and is independent of the Company. For more information about the current resource estimate refer to the Company's news release dated October 20, 2014.

It should be noted that the Mineral Resource estimate presented here is not a Mineral Reserve, and does not have demonstrated economic viability. While the Company strongly believes that the Mineral Resource warrants additional study to determine the development potential, there can be no guarantee that any or all of the Mineral Resource will ultimately be determined to be economically viable.

#### *Activities in the Current Quarter*

##### *Engineering Studies*

On October 20, 2014, the Company announced the results of a PEA completed on the Los Helados Project. The study defines a robust resource which forms a strong base for a mining and processing solution, indicating that Los Helados as a standalone operation has the potential to become a large, low cost mine producing a highly marketable concentrate. Future studies are planned during the next 18 months which will focus on opportunities to improve project returns by seeking ways to reduce initial capital costs by realizing potential synergies with other deposits in the region, as well as opportunities to increase the tonnage mined, improve metallurgical recoveries, and potentially increase throughput. Work is ongoing and a variety of potential development scenarios continue to be considered.

Baseline environmental programs, including review of areas for potential infrastructure in support of the PEA are ongoing. Field and desktop work in support of the environmental studies were carried out during the current quarter. Field work will resume in the fourth quarter of 2014 and is expected to include approximately 9,000 metres of infill drilling which is expected to convert a portion of the Indicated Resource to Measured. The drilling will also be used to gather detailed geotechnical information and provide additional samples for metallurgical test work.

#### **Josemaria Project, Argentina**

Josemaria is a large copper/gold porphyry project located in San Juan Province, Argentina. The Josemaria deposit is located 11 kilometres southeast of Los Helados. The project is being explored under a separate Joint Exploration Agreement with Japan Oil, Gas and Metals National Corporation ("JOGMEC") in which the Company holds a 60% interest and JOGMEC holds a 40% interest. Each party funds its pro-rata share of expenditures.

##### *Mineral Resource Estimate*

Josemaria has a current Resource at a base case 0.30% copper equivalent\* ("CuEq") cutoff, as follows:

##### Sulphide Resource (0.3% CuEq\* cutoff):

- 789 million tonnes at a grade of 0.35% copper and 0.24 g/t gold for a copper equivalent grade of 0.53% (6.1 billion pounds of copper and 6.1 million ounces of gold) in the Indicated Resource category; and,
- 315 million tonnes at a grade of 0.28% copper and 0.17 g/t gold for a copper equivalent grade of 0.41% (1.9 billion pounds of copper and 1.7 million ounces of gold) in the Inferred Resource category.

Plus: Oxide Resource (0.2 g/t Au cutoff):

- 45 million tonnes at a grade of 0.14% copper and 0.32 g/t gold (463 thousand ounces of gold) in the Indicated Resource category; and,
- 3 million tonnes at a grade of 0.05% copper and 0.33 g/t gold (30 thousand ounces of gold) in the Inferred Resource category.

\*CuEq - Copper Equivalent is calculated using US\$3.00/lb copper, US\$1,400/oz gold and US\$23/oz Ag, with no provision for metallurgical recoveries. The formula used is  $CuEq\% = Cu\% + 0.6806 * Au (g/t) + 0.011 * Ag (g/t)$ .

The Mineral Resource estimate for the Josemaria Project has an effective date of September 27, 2013 and was prepared by Gino Zandonai, B.Sc., M.Sc. Registered Member of the Comision Calificadora de Competencias en Recursos y Reservas Mineras (Chilean Mining Commission), Senior Associate of Behre Dolbear International Ltd. in accordance with NI 43-101. Mr. Zandonai is the Qualified Person for the estimate and is independent of the Company. To put the Josemaria resource into its full context the reader is encouraged to read the Technical Report dated November 13, 2013 and amended March 24, 2014 and titled "*Second Updated Mineral Resource Estimate for the Josemaria Property San Juan Province Argentina*". This report describing the details of the resource estimate is available under the Company's profile on SEDAR [www.sedar.com](http://www.sedar.com). It should be noted that the Mineral Resource estimate presented here is not a Mineral Reserve, and does not have demonstrated economic viability. While the Company strongly believes that the Mineral Resource warrants additional study to determine the development potential, there can be no guarantee that any or all of the Mineral Resource will ultimately be determined to be economically viable.

*Activities in the Current Quarter*

Drilling at Josemaria was completed during the first quarter of 2014 and no field work was carried out during the second and third quarter. Final assay results from the 2013/2014 drill program were released on April 24, 2014.

*Engineering Studies*

Mine engineering studies at the Josemaria project are on hold while the Company focuses its efforts on the studies underway at Los Helados. Metallurgical test work and baseline environmental programs, including review of areas for potential infrastructure continued during the quarter. Field work in support of the environmental program was carried out during the quarter.

**Filo del Sol Property, Argentina**

Filo del Sol project is an exploration project located approximately 17 kilometres south of Los Helados in San Juan Province, Argentina.

Filo del Sol is a high sulphidation epithermal copper-gold-silver system that overlies a porphyry copper-gold system. Filo del Sol is a very large mineralized system, with minimum dimensions, based on wide spaced drill holes, of 2.8 kilometres in a north-south direction and 1 kilometre in an east-west direction. Overlapping mineralizing events combined with weathering effects, including supergene enrichment, have created several different styles of mineralization at Filo, including copper-gold porphyry, structurally-controlled gold, manto-style high-grade silver (+/- copper) and high-grade supergene copper enrichment.

### *Activities in the Current Quarter*

On October 23, 2014, the Company announced the acquisition of the 40% interest in the Filo del Sol Project held by its partner PPC for total cash consideration of US\$7.0 million effective September 1, 2014. The consideration is payable in two installments: US\$3.5 million payable in November 2014 and US\$3.5 million by the earlier of November 1, 2015 or upon completion of an administrative restructuring of certain exploration licenses. As a result, the Company holds a 100% interest in the Filo del Sol Project. In addition the Company holds a 100% interest in the Tamberias Project which is located across the international border in Chile and is interpreted to have the potential to host a possible extension of the mineralization at Filo del Sol.

The 2013/2014 drill program was completed during the first quarter of 2014, and no field work was carried out at Filo del Sol during the second and third quarter.

The Company is working on an initial resource estimate for the Filo del Sol project. This is expected to be completed in the fourth quarter of 2014. A step out drill program of approximately 6,000 metres is expected to begin late in the fourth quarter of 2014.

### **Other Chilean and Argentinean Projects**

The Company holds a number of early stage exploration projects in Chile and Argentina. Work on these projects is currently on hold while the Company focuses its efforts on Los Helados, Josemaria, and Filo del Sol.

## **NORTH AMERICAN PROJECTS**

### **GJ Project, British Columbia, Canada**

The GJ Project is located in northern British Columbia covers an area of about 150 square kilometres and covers a number of significant mineral showings, including the Donnelly, GJ and North zones. The GJ project is the subject of a NI 43-101 technical report entitled "Technical Report on the GJ Copper-Gold Porphyry Project Laird Mining Division British Columbia, Canada" dated April 30, 2007. The Report is available under the Corporation's profile on SEDAR [www.sedar.com](http://www.sedar.com).

The project has a Measured and Indicated resource of 153.3 million tonnes grading 0.32% copper and 0.37 g/t gold, at a cutoff grade of 0.20% copper which contains 1.09 billion pounds of copper and 1.82 million ounces of gold. The resource estimate was prepared by Qualified Person Mr. Gary Giroux P.Eng. and is filed on SEDAR under the Company's profile.

The Company has optioned the GJ Project to Teck Resources Limited ("Teck") whereby Teck can earn an initial 51% interest in the project by spending \$12 million by December 31, 2014 and up to a 75% interest by making exploration expenditures totaling \$44 million by December 31, 2020. Teck has cumulatively spent \$11.7 million to December 31, 2013. Teck carried out exploration in 2013 which comprised a total of 2,027 metres of diamond drilling in 3 holes, as well as re-logging of existing drill core, geological mapping, and geochemical sampling from areas of interest, including the Sun Plateau and infill lines on the Donnelly Plateau. Work done at GJ during the third quarter of 2014 included re-logging of selected core intervals, the collection of 271 soil samples and targeted geological mapping over the deposit area.

## SELECTED QUARTERLY INFORMATION

| Financial Data for 8 Quarters                                     |         |         |         |         |         |         |          |         |
|-------------------------------------------------------------------|---------|---------|---------|---------|---------|---------|----------|---------|
| Three Months Ended                                                | Sep-14  | Jun-14  | Mar-14  | Dec-13  | Sep-13  | Jun-13  | Mar-13   | Dec-12  |
| (In thousands \$ except for per share amounts)                    |         |         |         |         |         |         |          |         |
| Exploration and project investigation, net of recoveries          | 1,837   | 2,300   | 8,221   | 2,339   | 1,505   | 3,385   | 15,469   | 6,866   |
| Net loss from continuing operations                               | (1,834) | (4,354) | (9,358) | (3,186) | (2,066) | (5,994) | (17,042) | (7,512) |
| Net loss from discontinued operations                             | (5)     | (10)    | (3)     | 96      | (106)   | (25)    | (49)     | (790)   |
| Net loss                                                          | (1,839) | (4,364) | (9,361) | (3,090) | (2,172) | (6,019) | (17,091) | (8,302) |
| Basic and diluted loss per share from continuing operations (i)   | (0.01)  | (0.03)  | (0.05)  | (0.02)  | (0.01)  | (0.04)  | (0.10)   | (0.05)  |
| Basic and diluted loss per share from discontinued operations (i) | (0.00)  | (0.00)  | (0.00)  | 0.00    | (0.00)  | (0.00)  | (0.00)   | (0.00)  |
| Total basic and diluted loss per share (i)                        | (0.01)  | (0.03)  | (0.05)  | (0.02)  | (0.01)  | (0.04)  | (0.10)   | (0.05)  |

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

## QUARTERLY ANALYSIS

Net 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 loss is also impacted by the recognition of share-based payments in each quarter which depends on 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.

Exploration and project investigation expenditures during the first and second quarter of 2014 mainly relate to exploration activity at Filo del Sol and conceptual studies on the Los Helados and Josemaria projects. In the third quarter of 2014, exploration and project investigation expenditures were higher than the same quarter in 2013 given that the Company incurred expenditures relating to the conceptual studies at Los Helados which resulted in the announcement of the completion of the PEA in October 2014. During the third quarter of 2013, the conceptual studies at Los Helados and Josemaria were only in its early stages.

The net loss from continuing operations was \$0.2 million lower for the third quarter ended September 30, 2014 compared to the same period in 2013. This is mainly due to an increase of \$1.4 million of foreign exchange gain offset by an increase in exploration and project investigation expenditures of \$0.3 million as explained above and an increase in general and administrative expenses of \$0.5 million due to the payment of performance incentive bonuses to key employees of the Company. In addition, the Company recorded an unrealized loss on investments of \$0.1 million during the third quarter of 2014 compared to a gain on disposal of investments of \$0.2 million recorded during the third quarter of 2013.

The net loss from discontinued operations is due to exploration activities in Africa which were accounted for as discontinued operations in 2012 with the Company's decision to divest its non-core African properties and the eventual sale of Hambok mineral property in Eritrea to Bisha Mining Share Company. The remaining expenditures relate to costs to wind-up the Company's operations in Eritrea.

## **RESULTS OF OPERATIONS**

The Company's net loss for the nine months ended September 30, 2014 was \$15.6 million or \$0.09 per share as compared to a loss of \$25.3 million or \$0.15 per share for 2013. Net loss from continuing operations for the nine months ended September 30, 2014 was \$15.5 million or \$0.09 per share compared with a net loss from continuing operations of \$25.1 million or \$0.15 per share for 2013. The decrease in the net loss of \$9.7 million is mainly due to a decrease in exploration and project investigation expenditures of \$8.0 million resulting from a reduction in drilling activity at Los Helados and Josemaria offset by costs relating to conceptual studies at these properties and the commencement of drilling at Filo del Sol. In addition, the Company recorded a write-down of certain mineral property interests during the nine months ended September 30, 2013 of \$1.2 million.

The quarterly variances are discussed in greater detail in the previous section.

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 objectives.

## **LIQUIDITY AND CAPITAL RESOURCES**

At September 30, 2014, the Company had cash and working capital of \$34.0 million and \$28.1 million, respectively, as compared to cash and working capital of \$21.3 million and \$14.2 million, respectively, at December 31, 2013. The increase in cash and working capital is primarily a result of the completion of a private placement whereby the Company sold an aggregate of 17,412,935 common shares of the Company for gross proceeds of approximately \$35 million. This is offset by exploration and general and administrative expenses incurred during the period.

Net cash used in operating activities was \$20.9 million for the nine months ended September 30, 2014 and consisted primarily of the loss from operations of \$15.6 million, which included exploration and project investigation expenditures and conceptual studies work of \$12.4 million and was adjusted for the impact of non-cash items and changes in non-cash working capital.

Cash flow from financing activities was \$33.4 million, which comprised of net proceeds from the private placement completed during the period and proceeds from the exercise of stock options.

Net cash used in investing activities was \$0.4 million, which consisted primarily of expenditures relating to mineral property option payments.

As the Company is an exploration company and has no sources of revenue, the Company expects that it will operate at a loss for the foreseeable future.

The Company anticipates that its current financial position will provide sufficient working capital to fund its share of planned exploration and project investigation expenditures, which are discretionary, and corporate expenses for the next twelve months. As the Company is an exploration company and has no sources of revenue, additional funding from equity financing, joint ventures or disposition of mineral properties and investments may be required to fund further exploration and corporate expenses.

There can be no assurance that such financing will be available to the Company in the amount required at any time or for any period or, if available, that it can be obtained on terms satisfactory to the Company.

## **OUTLOOK**

At Los Helados, the completion of the PEA helped identify a number of opportunities to potentially improve the project economics, many of which have already been initiated in the ongoing project development process for Los Helados. These include:

- Exploring regional synergies for capital and operating cost reductions;
  - Through potential synergies and cooperative development plans with other regional operators to utilize spare capacity of process plants and infrastructure – desalination plants, water pipeline routes and ports;
  - Through expanding the resource base within our regional land package which includes the Josemaria and Filo del Sol projects – all within 20 kilometres of the Los Helados deposit;
- Extending the life of mine, and project cash-flow, of the Los Helados resource through the application of a variable cut-off grade which over the life of mine has the potential to add tonnage to the proposed mine plans – extending the life of mine and increasing cash for later life mine planning;
- Increasing metallurgical recoveries with further test work and optimization;
- Evaluating the use of seawater in the process plant reducing capital and operating costs for the desalination plant;
- Reviewing the suitability of High Pressure Grinding Roll technology (HPGR) and its potential to reduce overall power use and costs; and
- Delineating more or higher grade feed material for the process plant through continued exploration.

An infill drilling program expected to total approximately 9,000 metres is expected to start in December 2014, in order to upgrade a portion of the Los Helados mineral resource to the Measured Category and to build upon our geotechnical understanding of the resource. Baseline environmental programs will continue.

The Company is currently working on an initial resource estimate for the Filo del Sol project. The Filo del Sol resource estimate is expected to be completed during the fourth quarter of 2014. A step out drilling program expected to total approximately 6,000 metres is planned for Filo del Sol. Drilling is expected to start in December 2014.

The Company plans to incorporate the results of the 2013/2014 drill program into an updated resource estimate. Once the metallurgical test work that is currently underway is complete, we expect to be in a position to complete an updated NI 43-101 Technical Report during the first quarter of 2015.

## **CRITICAL ACCOUNTING ESTIMATES**

The preparation of consolidated financial statements in accordance with IFRS requires the Company's management to make certain critical accounting estimates, judgments and assumptions about future events that effect the amounts reported in the consolidated financial statements and related notes to the financial statements. It also requires management to exercise judgment in applying the Company's accounting policies. These judgments, estimates and assumptions are based on management's best

knowledge of the relevant facts and circumstances taking into account previous experience, but actual results may differ from amounts included in the financial statements.

For a complete discussion of critical accounting estimates, refer to the Company's annual 2013 Management Discussion and Analysis.

## **RELATED PARTY TRANSACTIONS**

During the nine months ended September 30, 2014, the Company incurred:

- (a) management fees of \$405,000 (2013 - \$405,000) in respect of office facilities and administrative services from Namdo Management Services Ltd. ("Namdo"), a company controlled by a director. At September 30, 2014, \$Nil (December 31, 2013 - \$982) was due to this company.
- (b) \$114,048 (2013 - \$135,504) of aircraft chartered service from Mile High Holdings Ltd, a company associated with the Chairman of the Company.
- (c) \$33,825 (2013 - \$128,246) of technical consulting services from Lucara Diamond Corp. and Lundin Mining Corporation, companies related by common directors. The Company engaged technical personnel on a part-time basis from these companies to support technical studies at the Company's projects. At September 30, 2014, \$18,267 (December 31, 2013 - \$26,489) was payable to these companies.
- (d) \$49,701 (2013 - \$12,470) of legal services from Cassels Brock & Blackwell LLP, a company in which a director is the Senior Business Advisor.

## **OUTSTANDING SHARE DATA**

As at the date of this MD&A, the Company had 186,515,494 common shares outstanding and 7,327,750 share options outstanding under its stock-based incentive plans.

## **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 others, investments, due from joint exploration partners, trade payable and accrued liabilities, due to related parties and 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.

## **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. There have been no changes in the Company's disclosure controls and procedures during the nine months ended September 30, 2014.

## **DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING**

### ***Disclosure controls and procedures***

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 and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures. As of December 31, 2013, the Chief Executive Officer and Chief Financial Officer 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.

### ***Internal Control over financial reporting***

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. Management is also responsible for the design of the Company's internal control over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

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 and 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.

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's internal controls over financial reporting. As of December 31, 2013, the Chief Executive Officer and Chief Financial Officer 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.

Because of their inherent limitations, internal controls over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As required under Multilateral Instrument 52-109, management advises that there have been no changes in the Company's internal control over financial reporting that occurred during the most recent interim period, beginning July 1, 2014 and ending September 30, 2014, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## **RISKS AND UNCERTAINTIES**

There have been no material changes in the risks and uncertainties affecting the Company that were discussed in the Company's 2013 annual MD&A filed March 28, 2014.

## **FINANCIAL INFORMATION**

The report for the year ended December 31, 2014 is expected to be published on February 26, 2015.

## **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. Generally, these forward-looking statements or information can frequently, but not always, be identified by use of forward-looking terminology such as "expects", "anticipates", "believes", "intends", "estimates", "potential", "planned", "budget", "scheduled", "possible", "project" or variations of such words and phrases, or statements that certain actions, events, conditions or results "will", "may", "could", "would" or "should" occur or achieved.

The forward-looking statements and information are based on the opinions and estimates of management as of the date such statements and information are made and they are subject to a number of known and unknown 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 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 statements or 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 contain forward-looking statements or information pertaining to the following: the Company's exploration and development expenditures, cost estimates and other assumptions used in the Los Helados PEA, programs and objectives, mineral resources estimates, geology, size, grade and continuity of mineral deposits, exploration/drill results and budgets; impact of metal prices and foreign currency fluctuations; uncertain political and economic environments; changes in laws or policies; delays or the inability to obtain the necessary government permits; the need to obtain financing and uncertainty as to the availability and terms of future financing; uncertainties involved in dispute or litigation and other risks and uncertainties.

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 reserves and mineral resources described can be profitably produced in the future.

Cautionary Note to United States Investors Concerning Estimates of Measured, Indicated and Inferred Resources: This MD&A may use the terms "Measured", "Indicated" and "Inferred" Resources. United States investors are advised that while such terms are recognized and required by Canadian regulations, the United States Securities and Exchange Commission does not recognize them. "Inferred Mineral Resources" have a great amount of uncertainty as to their existence, and 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 other economic studies. United States investors are cautioned not to assume that all or any part of Measured or Indicated Mineral Resources will ever be converted into Mineral Reserves. United States investors are also cautioned not to assume that all or any part of an Inferred Mineral Resource exists, or is economically or legally mineable.

The forward-looking statements and information contained herein are based on a number of material assumptions, including, but not limited to, assumptions regarding general business and economic conditions, metal prices, timing and receipt of government permits, success of exploration/drill results, ability to carry out the Company's exploration activities as planned, sufficiency of Company's funds to perform the planned activities, financial markets, accuracy of the Company's resource and reserves estimates (including with respect to size, grade and recoverability) and geological, operational and price assumptions on which these are based, and our ongoing relations with joint exploration partners.

The list of assumptions and factors are not and should not be construed as exhaustive. Events or circumstances beyond the Company's control could cause actual results to vary materially.

Readers are encouraged to see our Annual Information Form for the year ended December 31, 2013 filed on SEDAR for additional information on risks, uncertainties and other factors relating to forward-looking information and statements. There can be no assurance that such forward-looking statements or information will prove to be accurate. Accordingly, readers should not place undue reliance on forward-looking information or statements, which speak only as of the date the statements were made. The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement. The Company does not undertake or assume any obligations to update or revise any forward-looking statements and information after the date of this MD&A, except as required by applicable laws.

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

|                                                 | <b>September 30,<br/>2014</b> | <b>December 31,<br/>2013</b> |
|-------------------------------------------------|-------------------------------|------------------------------|
| <b>ASSETS</b>                                   |                               |                              |
| Current assets:                                 |                               |                              |
| Cash and cash equivalents (Note 3)              | \$ 34,025,181                 | \$ 21,259,598                |
| Investments                                     | 441,000                       | 326,000                      |
| Receivables and other assets                    | 772,752                       | 1,118,105                    |
|                                                 | <hr/> 35,238,933              | <hr/> 22,703,703             |
| Equipment                                       | 166,460                       | 247,077                      |
| Mineral properties (Note 4)                     | 17,202,346                    | 10,438,840                   |
| Other non-current assets                        | 8,000                         | 8,000                        |
| <b>TOTAL ASSETS</b>                             | <hr/> \$ 52,615,739           | <hr/> \$ 33,397,620          |
| <b>LIABILITIES</b>                              |                               |                              |
| Current liabilities:                            |                               |                              |
| Trade payables and accrued liabilities (Note 4) | \$ 5,520,214                  | \$ 4,355,561                 |
| Due to joint exploration partners               | 1,649,785                     | 4,101,231                    |
|                                                 | <hr/> 7,169,999               | <hr/> 8,456,792              |
| Other non-current liabilities (Note 4)          | 3,922,800                     | 319,080                      |
| <b>TOTAL LIABILITIES</b>                        | <hr/> 11,092,799              | <hr/> 8,775,872              |
| <b>EQUITY</b>                                   |                               |                              |
| Share capital (Note 5)                          | 248,587,661                   | 214,924,582                  |
| Reserved for issuance                           | 1,284                         | 1,284                        |
| Contributed surplus (Note 6)                    | 8,379,434                     | 7,482,860                    |
| Cumulative deficit                              | (208,696,311)                 | (193,132,284)                |
| Accumulated other comprehensive loss            | (6,749,128)                   | (4,654,694)                  |
| <b>TOTAL EQUITY</b>                             | <hr/> 41,522,940              | <hr/> 24,621,748             |
| <b>TOTAL LIABILITIES AND EQUITY</b>             | <hr/> \$ 52,615,739           | <hr/> \$ 33,397,620          |

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

ON BEHALF OF THE BOARD:

/s/William A. Rand  
Director

/s/Wojtek A. Wodzicki  
Director

**NGEx Resources Inc.**  
**Condensed Interim Consolidated Statements of Comprehensive Loss**  
**(All amounts expressed in Canadian Dollars, unless otherwise indicated.)**  
**(Unaudited)**

|                                                       | <b>Three months ended<br/>September 30,</b> |                     | <b>Nine months ended<br/>September 30,</b> |                      |
|-------------------------------------------------------|---------------------------------------------|---------------------|--------------------------------------------|----------------------|
|                                                       | <b>2014</b>                                 | <b>2013</b>         | <b>2014</b>                                | <b>2013</b>          |
| <b>Expenses</b>                                       |                                             |                     |                                            |                      |
| Exploration and project investigation<br>(Note 7)     | 1,837,359                                   | 1,505,102           | 12,358,978                                 | 20,359,377           |
| General and Administration:                           |                                             |                     |                                            |                      |
| Salaries and benefits (Note 8)                        | 727,470                                     | 168,189             | 1,194,731                                  | 878,585              |
| Share-based compensation (Note 6)                     | 194,408                                     | 287,905             | 887,328                                    | 896,122              |
| Management fees (Note 8)                              | 135,000                                     | 135,000             | 405,000                                    | 405,000              |
| Professional fees                                     | 77,818                                      | 93,104              | 229,943                                    | 233,064              |
| Travel                                                | 87,602                                      | 42,803              | 204,103                                    | 141,768              |
| Promotion and public relations                        | 37,974                                      | 49,816              | 292,138                                    | 267,846              |
| Donation                                              | -                                           | -                   | -                                          | 340,000              |
| Office and general                                    | 52,031                                      | 26,049              | 337,424                                    | 242,613              |
| <b>Operating loss</b>                                 | <b>3,149,662</b>                            | <b>2,307,968</b>    | <b>15,909,645</b>                          | <b>23,764,375</b>    |
| <b>Other (income) expenses</b>                        |                                             |                     |                                            |                      |
| Interest income                                       | (15,974)                                    | (59,043)            | (34,350)                                   | (192,463)            |
| Foreign exchange gain                                 | (1,443,033)                                 | (3,838)             | (308,166)                                  | (191,204)            |
| Other expenses                                        | 33,653                                      | 813                 | 198,948                                    | 111,638              |
| Unrealized (gain) / loss on investments               | 110,000                                     | -                   | (220,000)                                  | 594,000              |
| Write-down of mineral property interests              | -                                           | -                   | -                                          | 1,196,128            |
| Gain on disposition of investments                    | -                                           | (180,000)           | -                                          | (180,000)            |
| <b>Net loss from continuing operations</b>            | <b>1,834,308</b>                            | <b>2,065,900</b>    | <b>15,546,077</b>                          | <b>25,102,474</b>    |
| <b>Net loss from discontinued operations</b>          | <b>5,244</b>                                | <b>106,314</b>      | <b>17,950</b>                              | <b>179,757</b>       |
| <b>Net loss</b>                                       | <b>\$ 1,839,552</b>                         | <b>\$ 2,172,214</b> | <b>\$ 15,564,027</b>                       | <b>\$ 25,282,231</b> |
| <b>Other comprehensive loss</b>                       |                                             |                     |                                            |                      |
| Change in fair value of available-for-sale securities | 90,000                                      | 35,000              | 105,000                                    | 35,000               |
| Foreign currency translation adjustment               | 568,808                                     | 1,437,284           | 1,989,434                                  | 1,685,612            |
| <b>Comprehensive loss</b>                             | <b>\$ 2,498,360</b>                         | <b>\$ 3,644,498</b> | <b>\$ 17,658,461</b>                       | <b>\$ 27,002,843</b> |
| <b>Basic and diluted loss per common share</b>        |                                             |                     |                                            |                      |
| Continuing operations                                 | \$ 0.01                                     | \$ 0.01             | \$ 0.09                                    | \$ 0.15              |
| Discontinued operations                               | \$ 0.00                                     | \$ 0.00             | \$ 0.00                                    | \$ 0.00              |
|                                                       | \$ 0.01                                     | \$ 0.01             | \$ 0.09                                    | \$ 0.15              |
| <b>Weighted average common shares outstanding</b>     | <b>186,475,494</b>                          | <b>168,661,009</b>  | <b>175,670,449</b>                         | <b>167,541,247</b>   |

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

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

**For the Nine Months Ended**  
**September 30,**  
**2014**                      **2013**

|                                                                    |                     |                     |
|--------------------------------------------------------------------|---------------------|---------------------|
| <b>Cash flows used in operating activities</b>                     |                     |                     |
| Net loss for the period                                            | \$ (15,564,027)     | \$ (25,282,231)     |
| Items not involving cash and cash equivalents:                     |                     |                     |
| Depreciation                                                       | 72,211              | 143,989             |
| Share-based compensation                                           | 1,130,529           | 1,031,608           |
| Gain on disposition of investments                                 | -                   | (180,000)           |
| Unrealized foreign exchange gain                                   | (985,200)           | -                   |
| Unrealized gain (loss) on investments                              | (220,000)           | 629,000             |
| Write-down of mineral property interests                           | -                   | 1,196,128           |
| Net changes in working capital items:                              |                     |                     |
| Receivables and other                                              | 209,452             | 14,198              |
| Trade payables and accrued liabilities                             | (2,829,173)         | (5,647,949)         |
| Due to related parties                                             | (15,020)            | 13,162              |
| Due to joint exploration partners                                  | (2,692,066)         | (2,946,445)         |
|                                                                    | <u>(20,893,294)</u> | <u>(31,028,540)</u> |
| <b>Cash flows from financing activities</b>                        |                     |                     |
| Common shares issued, net                                          | 33,012,025          | 33,276,316          |
| Proceeds from exercise of stock options                            | 417,099             | 62,560              |
|                                                                    | <u>33,429,124</u>   | <u>33,338,876</u>   |
| <b>Cash flows used in investing activities</b>                     |                     |                     |
| Mineral properties and related expenditures                        | (424,444)           | (973,420)           |
| Acquisition of equipment                                           | (3,295)             | (207,411)           |
|                                                                    | <u>(427,739)</u>    | <u>(1,180,831)</u>  |
| <b>Effect of exchange rate change on cash and cash equivalents</b> | 657,492             | (63,628)            |
| <b>Increase in cash and cash equivalents during the period</b>     | 12,765,583          | 1,065,877           |
| <b>Cash and cash equivalents, beginning of period</b>              | 21,259,598          | 17,296,923          |
| <b>Cash and cash equivalents, end of period</b>                    | \$ 34,025,181       | \$ 18,362,800       |

**Supplemental Information:**

|                                                                                                     |             |   |
|-----------------------------------------------------------------------------------------------------|-------------|---|
| Changes in trade payables and accrued liabilities relating to mineral property acquisition (Note 4) | (7,845,600) | - |
|-----------------------------------------------------------------------------------------------------|-------------|---|

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

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

|                                                       | 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         |
|-------------------------------------------------------|-----------------------------------------|----------------------------------------|----------------|-----------------------|---------------------|--------------------------------------|---------------------|---------------|
| <b>Balance, January 1, 2014</b>                       | 168,714,559                             | 20,240                                 | \$ 214,924,582 | \$ 1,284              | \$ 7,482,860        | \$ (4,654,694)                       | \$ (193,132,284)    | \$ 24,621,748 |
| Exercise of stock options                             | 348,000                                 | -                                      | 651,054        | -                     | (233,955)           | -                                    | -                   | 417,099       |
| Share-based compensation                              | -                                       | -                                      | -              | -                     | 1,130,529           | -                                    | -                   | 1,130,529     |
| Change in fair value of available-for-sale securities | -                                       | -                                      | -              | -                     | -                   | (105,000)                            | -                   | (105,000)     |
| Foreign currency translation                          | -                                       | -                                      | -              | -                     | -                   | (1,989,434)                          | -                   | (1,989,434)   |
| Private placement                                     | 17,412,935                              | -                                      | 33,012,025     | -                     | -                   | -                                    | -                   | 33,012,025    |
| Net loss for the period                               | -                                       | -                                      | -              | -                     | -                   | -                                    | (15,564,027)        | (15,564,027)  |
| <b>Balance, September 30, 2014</b>                    | 186,475,494                             | 20,240                                 | \$ 248,587,661 | \$ 1,284              | \$ 8,379,434        | \$ (6,749,128)                       | \$ (208,696,311)    | \$ 41,522,940 |
| <b>Balance, January 1, 2013</b>                       | 158,582,393                             | 20,240                                 | \$ 181,485,132 | \$ 1,284              | \$ 6,348,030        | \$ (1,565,286)                       | \$ (164,759,836)    | \$ 21,509,324 |
| Exercise of stock options                             | 81,333                                  | -                                      | 101,252        | -                     | (38,692)            | -                                    | -                   | 62,560        |
| Share-based compensation                              | -                                       | -                                      | -              | -                     | 1,031,608           | -                                    | -                   | 1,031,608     |
| Change in fair value of available-for-sale securities | -                                       | -                                      | -              | -                     | -                   | (35,000)                             | -                   | (35,000)      |
| Foreign currency translation                          | -                                       | -                                      | -              | -                     | -                   | (1,685,612)                          | -                   | (1,685,612)   |
| Private placement                                     | 10,000,000                              | -                                      | 33,276,316     | -                     | -                   | -                                    | -                   | 33,276,316    |
| Net loss for the period                               | -                                       | -                                      | -              | -                     | -                   | -                                    | (25,282,231)        | (25,282,231)  |
| <b>Balance, September 30, 2013</b>                    | 168,663,726                             | 20,240                                 | \$ 214,862,700 | \$ 1,284              | \$ 7,340,946        | \$ (3,285,898)                       | \$ (190,042,067)    | \$ 28,876,965 |

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

**NGEx Resources Inc.**  
**Notes to Unaudited Condensed Interim Consolidated Financial Statements**  
**September 30, 2014**  
**(All amounts expressed in Canadian Dollars, unless otherwise stated.)**

**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 North and South America.

We are governed by the Canada Business Corporations Act and our registered office is located at Suite 2200, 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8, Canada. Our common shares are listed on the Toronto Stock Exchange. Effective June 19, 2014, we also began trading on the NASDAQ OMX Stockholm Stock Exchange.

**2. BASIS OF PRESENTATION**

Our condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting on a basis consistent with the accounting policies disclosed in the audited consolidated financial statements for the fiscal year ended December 31, 2013.

Our interim consolidated financial statements should be read in conjunction with the most recently issued Annual Report of NGEx Resources Inc. which includes information necessary or useful to understanding our businesses and financial statement presentation. In particular, our significant accounting policies were presented as Note 3 to the Consolidated Financial Statements for the fiscal year ended December 31, 2013 included in that report, and have been consistently applied in the preparation of our interim financial statements.

Our interim consolidated financial statements are unaudited. Financial information in this report reflects any adjustments (consisting of normal recurring adjustments) that are, in the opinion of management, necessary to a fair statement of results for the interim periods in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

Our interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on November 10, 2014.

**3. CASH AND CASH EQUIVALENTS**

|                     | <b>September 30,<br/>2014</b> | <b>December 31,<br/>2013</b> |
|---------------------|-------------------------------|------------------------------|
| Cash on hand        | \$ 16,092,417                 | \$ 21,259,598                |
| Short-term deposits | 17,932,764                    | -                            |
|                     | <b>\$ 34,025,181</b>          | <b>\$ 21,259,598</b>         |

**NGEx Resources Inc.**  
**Notes to Unaudited Condensed Interim Consolidated Financial Statements**  
**September 30, 2014**  
**(All amounts expressed in Canadian Dollars, unless otherwise stated.)**

**4. MINERAL PROPERTIES**

The carrying value of our mineral properties, capitalized at acquisition costs, is as follows:

|                                                   | South America                                          |                                       |                    |                    |                |                | Canada            | Total                |
|---------------------------------------------------|--------------------------------------------------------|---------------------------------------|--------------------|--------------------|----------------|----------------|-------------------|----------------------|
|                                                   | Los Helados & Filo del Sol Joint Exploration Agreement | Josemaria Joint Exploration Agreement | Filo del Sol       | Tamberias          | Paramillos     | Papagallos     | GJ / Kinaskan     |                      |
| <b>January 1, 2013</b>                            | <b>2,915,384</b>                                       | <b>6,650,011</b>                      | -                  | <b>807,810</b>     | <b>945,251</b> | <b>110,753</b> | <b>136,997</b>    | <b>11,566,206</b>    |
| Additions                                         | 851,678                                                | 174,279                               | -                  | 412,312            | -              | 158,481        | -                 | 1,596,750            |
| Impairment                                        | -                                                      | -                                     | -                  | -                  | (931,439)      | (264,689)      | -                 | (1,196,128)          |
| Currency translation effect                       | (148,013)                                              | (1,323,694)                           | -                  | (37,924)           | (13,812)       | (4,545)        | -                 | (1,527,988)          |
| <b>December 31, 2013</b>                          | <b>\$ 3,619,049</b>                                    | <b>\$5,500,596</b>                    | -                  | <b>\$1,182,198</b> | <b>\$ -</b>    | <b>\$ -</b>    | <b>\$ 136,997</b> | <b>\$ 10,438,840</b> |
| Additions (i)                                     | 7,984,359                                              | -                                     | -                  | 285,684            | -              | -              | -                 | 8,270,043            |
| Currency translation effect                       | (353,362)                                              | (1,048,942)                           | -                  | (104,233)          | -              | -              | -                 | (1,506,537)          |
| Acquisition of Filo del Sol interest from PPC (i) | (7,845,600)                                            | -                                     | 7,845,600          | -                  | -              | -              | -                 | -                    |
| <b>September 30, 2014</b>                         | <b>\$ 3,404,446</b>                                    | <b>\$4,451,654</b>                    | <b>\$7,845,600</b> | <b>\$1,363,649</b> | <b>\$ -</b>    | <b>\$ -</b>    | <b>\$ 136,997</b> | <b>\$ 17,202,346</b> |

Title to mineral properties involves inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently unreliable conveyancing history characteristic of many mineral properties. We have investigated title to all of our mineral properties and, to the best of our knowledge, all of our properties are in good standing.

- (i) On October 23, 2014, we announced the agreement to acquire the 40% interest in the Filo del Sol project held by our joint exploration partner Pan Pacific Copper Co., Ltd. ("PPC") effective September 1, 2014 for total cash consideration of US\$7.0 million. The consideration is payable in two installments: US\$3.5 million payable in November 2014 and US\$3.5 million by the earlier of November 1, 2015 or upon completion of an administrative restructuring of certain exploration licenses.

**5. SHARE CAPITAL**

We have authorized an unlimited number of voting common shares without par value. All issued shares are fully paid.

**NGEx Resources Inc.**  
**Notes to Unaudited Condensed Interim Consolidated Financial Statements**  
**September 30, 2014**  
**(All amounts expressed in Canadian Dollars, unless otherwise stated.)**

**6. SHARE OPTIONS**

**a) Share Option Plan**

We have a rolling share option plan approved and ratified by shareholders on September 15, 2008, reserving an aggregate of 10% of the issued and outstanding shares of the Company for issuance upon the exercise of options granted. Vesting and terms of the option agreement are at the discretion of the Board of Directors.

During the nine months ended September 30, 2014, the Company granted a total of 2,167,500 (2013 – 790,000) share options to officers, employees, directors and other eligible persons at exercise price of \$2.05 per share. A share-based compensation cost of \$1,537,046 for the options granted during the nine months ended September 30, 2014 (2013 - \$723,501) will be amortized over the vesting period of 2 years. \$832,611 was recognized in the nine months ended September 30, 2014 (2013 - \$385,760).

The total share-based compensation for the nine months ended September 30, 2014 was \$1,130,529 (2013 - \$1,031,608) of which \$887,328 (2013 - \$896,122) has been allocated to Administration expenses, and \$243,201 (2013 - \$135,486) to Exploration and project investigation expenses.

**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:

|                                | <b>September 30, 2014</b>                                 |                                                  | <b>September 30, 2013</b>                                 |                                                  |
|--------------------------------|-----------------------------------------------------------|--------------------------------------------------|-----------------------------------------------------------|--------------------------------------------------|
|                                | <b>Number of share issuable pursuant to share options</b> | <b>Weighted average exercise price per share</b> | <b>Number of share issuable pursuant to share options</b> | <b>Weighted average exercise price per share</b> |
| Balance at beginning of period | 6,256,250                                                 | \$ 1.76                                          | 5,641,750                                                 | \$ 1.66                                          |
| Granted                        | 2,167,500                                                 | 2.05                                             | 790,000                                                   | 2.36                                             |
| Exercised                      | (348,000)                                                 | 1.20                                             | (81,333)                                                  | 0.77                                             |
| Forfeited / expired            | (693,000)                                                 | 1.93                                             | (35,000)                                                  | 2.83                                             |
| Balance at end of period       | 7,382,750                                                 | \$ 1.86                                          | 6,315,417                                                 | \$ 1.75                                          |

The following summarized information about the share options outstanding and exercisable at September 30, 2014:

| Range of exercise prices | <b>Outstanding Options</b>    |                                                     |                                 | <b>Exercisable Options</b>    |                                                     |                                 |
|--------------------------|-------------------------------|-----------------------------------------------------|---------------------------------|-------------------------------|-----------------------------------------------------|---------------------------------|
|                          | Number of options outstanding | Weighted average remaining contractual life (years) | Weighted average exercise price | Number of options exercisable | Weighted average remaining contractual life (years) | Weighted average exercise price |
| \$0.50 - \$1.30          | 1,450,250                     | 0.21                                                | \$ 0.71                         | 1,450,250                     | 0.21                                                | \$ 0.71                         |
| \$1.31 - \$3.42          | 5,932,500                     | 1.46                                                | 2.14                            | 4,224,157                     | 1.05                                                | 2.15                            |
|                          | 7,382,750                     | 1.22                                                | \$ 1.86                         | 5,674,407                     | 0.84                                                | \$ 1.78                         |

**NGEx Resources Inc.**  
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**7. EXPLORATION AND PROJECT INVESTIGATION**

We have expensed the following mineral properties costs, all incurred in South America, for the nine months ended September 30, 2014:

|                                                              | <b>Los Helados<br/>Exploration<br/>Agreement</b> | <b>Josemaria<br/>Exploration<br/>Agreement</b> | <b>Filo Del Sol</b> | <b>Tamberias</b>  | <b>Others</b>      | <b>Total</b>         |
|--------------------------------------------------------------|--------------------------------------------------|------------------------------------------------|---------------------|-------------------|--------------------|----------------------|
| Gov't fees, licenses, permits, taxes, rights and land access | \$ 551,148                                       | \$ 311,771                                     | \$ 50,356           | \$ 39,892         | \$ 615,982         | \$ 1,569,149         |
| Field related expenses                                       | 197,314                                          | 311,495                                        | 513,872             | 55,842            | 223,122            | 1,301,645            |
| Camp cost                                                    | 180,917                                          | 194,230                                        | 242,690             | 23,152            | 70,934             | 711,923              |
| Consultants                                                  | 912                                              | 53,495                                         | 89,449              | -                 | -                  | 143,856              |
| Drilling and fuel                                            | 17,227                                           | 673,786                                        | 1,344,054           | -                 | -                  | 2,035,067            |
| Geochemistry & conceptual study                              | 603,872                                          | 646,902                                        | 242,188             | 44,829            | 112,952            | 1,650,743            |
| Road work and trenching                                      | 14,129                                           | 185,470                                        | 231,557             | 165,183           | -                  | 596,339              |
| Transport and travel                                         | 60,794                                           | 82,856                                         | 208,989             | 35,826            | 158,448            | 546,913              |
| Environmental & community relations                          | 857,374                                          | 386,595                                        | 268,514             | 2,371             | -                  | 1,514,854            |
| Value added tax                                              | 72,200                                           | 545,646                                        | 988,401             | 4,770             | 249,567            | 1,860,584            |
| Office and general expense                                   | 19,561                                           | 20,013                                         | 145,129             | -                 | -                  | 184,703              |
| Share-based compensation (Note 6)                            | -                                                | -                                              | -                   | -                 | 243,202            | 243,202              |
| <b>Total for the period</b>                                  | <b>\$ 2,575,448</b>                              | <b>\$ 3,412,259</b>                            | <b>\$ 4,325,199</b> | <b>\$ 371,865</b> | <b>\$1,674,207</b> | <b>\$ 12,358,978</b> |

We have expensed the following mineral properties costs, all incurred in South America unless otherwise noted, for the nine months ended September 30, 2013:

|                                                              | <b>Los Helados<br/>Exploration<br/>Agreement</b> | <b>Josemaria<br/>Exploration<br/>Agreement</b> | <b>Filo Del Sol</b> | <b>Tamberias</b> | <b>Others*</b>     | <b>Total</b>         |
|--------------------------------------------------------------|--------------------------------------------------|------------------------------------------------|---------------------|------------------|--------------------|----------------------|
| Gov't fees, licenses, permits, taxes, rights and land access | \$ 395,291                                       | \$ 51,929                                      | \$ 62,174           | \$ 42,497        | \$ 468,308         | \$ 1,020,199         |
| Field related expenses                                       | 1,146,911                                        | 306,156                                        | -                   | -                | 281,555            | 1,734,622            |
| Camp cost                                                    | 1,030,160                                        | 285,825                                        | 271,886             | -                | 394,943            | 1,982,814            |
| Consultants                                                  | 134,394                                          | 53,992                                         | 1,374               | -                | 13,959             | 203,719              |
| Drilling and fuel                                            | 5,763,239                                        | 1,244,514                                      | 610,844             | -                | 416,438            | 8,035,035            |
| Geochemistry & conceptual study                              | 1,016,437                                        | 743,214                                        | 40,937              | -                | 134,285            | 1,934,873            |
| Road work and trenching                                      | 551,902                                          | 191,568                                        | 50,321              | -                | 99,397             | 893,188              |
| Transport and travel                                         | 622,846                                          | 111,145                                        | 91,158              | -                | 189,050            | 1,014,199            |
| Environmental & community relations                          | 275,954                                          | 73,036                                         | 66,155              | -                | 92,348             | 507,493              |
| Value added tax                                              | 1,612,741                                        | 488,271                                        | 2,651               | 28,311           | 360,461            | 2,492,435            |
| Office and general expense                                   | 35,346                                           | -                                              | -                   | -                | 369,968            | 405,314              |
| Share-based compensation (Note 6)                            | -                                                | -                                              | -                   | -                | 135,486            | 135,486              |
| <b>Total for the period</b>                                  | <b>\$12,585,221</b>                              | <b>\$ 3,549,650</b>                            | <b>\$ 1,197,500</b> | <b>\$ 70,808</b> | <b>\$2,956,198</b> | <b>\$ 20,359,377</b> |

(\* \$6,110 of these costs was incurred in Canada)

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**8. RELATED PARTY TRANSACTIONS**

**a) Related parties expenses**

We incurred the following expenses with Namdo Management Services Limited ("Namdo"), Lundin Mining Corporation ("Lundin Mining") and Lucara Diamond Corp. ("Lucara"), companies related by way of certain common directors. We engaged technical personnel on a temporary basis from Lundin Mining and Lucara to support technical studies at our projects. In addition, we incurred air charter services from Mile High Holdings Ltd ("Mile"), a company associated with the Chairman of the Company. We are related to Cassels Brock & Blackwell LLP ("Cassels Brock") in which a director is senior business advisor.

| <b>Description of services</b> | <b>Related party</b>  | <b>Nine months ended September 30,</b> |             |
|--------------------------------|-----------------------|----------------------------------------|-------------|
|                                |                       | <b>2014</b>                            | <b>2013</b> |
| Management fees                | Namdo                 | \$ 405,000                             | \$ 405,000  |
| Technical consulting services  | Lucara, Lundin Mining | 33,825                                 | 128,246     |
| Aircraft charter and travel    | Mile                  | 114,048                                | 135,504     |
| Legal services                 | Cassels Brock         | 49,701                                 | 12,470      |
|                                |                       | \$ 602,574                             | \$ 681,220  |

**b) Related parties liabilities**

|               | <b>September 30,</b> | <b>December 31,</b> |
|---------------|----------------------|---------------------|
|               | <b>2014</b>          | <b>2013</b>         |
| Lucara        | 18,267               | -                   |
| Namdo         | -                    | 982                 |
| Lundin Mining | -                    | 26,489              |
|               | \$ 18,267            | \$ 27,471           |

**c) Key management compensation**

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

|                          | <b>Nine months ended September 30,</b> |              |
|--------------------------|----------------------------------------|--------------|
|                          | <b>2014</b>                            | <b>2013</b>  |
| Salaries                 | \$ 982,483                             | \$ 778,333   |
| Employee benefits        | 38,115                                 | 27,169       |
| Director fees            | 50,250                                 | 50,250       |
| Share-based compensation | 651,176                                | 554,614      |
|                          | \$ 1,722,024                           | \$ 1,410,366 |

**NGEx Resources Inc.**  
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**9. SEGMENTED INFORMATION**

We are principally engaged in the acquisition, exploration and development of mineral properties in North and South America. The segments presented below together with the mineral property information presented in Note 4 and Note 7 reflects the way in which management reviews its business performance. Operating segments are reported in a manner consistent with the internal reporting provided to executive management who act as the chief operating decision-maker. Our Chief Executive Officer is responsible for allocating resources and assessing performance of the operating segments.

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

|               | <b>At September 30, 2014</b> |                               |                 | <b>At December 31, 2013</b> |                               |                 |
|---------------|------------------------------|-------------------------------|-----------------|-----------------------------|-------------------------------|-----------------|
|               | <b>Equipment,<br/>net</b>    | <b>Mineral<br/>properties</b> | <b>Others</b>   | <b>Equipment,<br/>net</b>   | <b>Mineral<br/>properties</b> | <b>Others</b>   |
| Canada        | \$ 126,575                   | \$ 136,997                    | \$ 8,000        | \$ 140,300                  | \$ 136,997                    | \$ 8,000        |
| South America | 39,885                       | 17,065,349                    | -               | 106,777                     | 10,301,843                    | -               |
|               | <b>\$ 166,460</b>            | <b>\$ 17,202,346</b>          | <b>\$ 8,000</b> | <b>\$ 247,077</b>           | <b>\$ 10,438,840</b>          | <b>\$ 8,000</b> |