



**SECOND QUARTER REPORT**  
**June 30, 2018**



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 August 7, 2018 and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the six months ended June 30, 2018 and the related notes therein ("2018 Financial Statements"); the Company's annual audited consolidated financial statements for the year ended December 31, 2017 and the related notes therein ("2017 Financial Statements"); and the MD&A for the fiscal year ended December 31, 2017 ("2017 MD&A"). The 2018 Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard 34, Interim Financial Report. 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 expressed throughout this report are in Canadian dollars, unless otherwise indicated.

This MD&A contains forward-looking statements that are subject to risk factors as set out in the "Cautionary Note Regarding Forward Looking Information and Statements" on Page 12. Additional information about the Company and its business activities is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.ngexresources.com](http://www.ngexresources.com).

## CORE BUSINESS

NGEx is a Canadian mineral exploration company with exploration projects in Chile and Argentina. The Company's shares are listed on the TSX and on Nasdaq Stockholm under the symbol "NGQ". The Company's focus is on advancing the development of its two large copper-gold deposits, Los Helados and Josemaría, located in Chile's Region III and adjacent San Juan Province, Argentina (collectively "Project Constellation"). The Company currently owns a 100% interest in the Josemaría project and is the majority partner and operator for the Los Helados project. Los Helados is subject to a Joint Exploration Agreement with its partner Pan Pacific Copper Co., Ltd. ("PPC"). In addition to Project Constellation, the Company has added some district scale exploration projects to its existing portfolio in Argentina which are under evaluation.

The Company's long-term view of the copper market is positive, with the expectation that tightening mine supply, growing demand from countries such as China, and increasing world-wide consumer demand for electronic and clean energy technologies, will all contribute to stronger prices and 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 through successful exploration and acquisitions and 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 overall objective is to position the Company as a top tier copper industry investment.

The Company has an experienced 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.

## SECOND QUARTER 2018 HIGHLIGHTS

- On July 3, 2018, the Company announced the start a Preliminary Feasibility Study ("PFS") on its 100% owned Josemaría Project in San Juan Province, Argentina to evaluate the potential to develop an open pit mine and adjacent processing plant to exploit the Josemaría deposit as a stand-alone project. The Josemaría PFS can be fast-tracked as a result of the extensive work that has already been completed for the Project Constellation Preliminary Economic Assessment ("Constellation PEA") and is expected to be finished by the first quarter of 2019.

Key qualities and strengths of the Josemaría Project, as highlighted in the Constellation PEA, include:

- A near surface supergene enrichment zone that contains an Indicated Resource of 150 million tonnes at 0.56% copper and 0.38 grams per tonnes gold for a copper equivalent (CuEq) grade of 0.76% (0.6% CuEq cut-off);
  - The potential to produce an annual average of 185,000 tonnes of copper, 345,000 ounces of gold and 1.2 million ounces of silver in the first 5 years of production;
  - Straightforward metallurgy producing a high-quality copper concentrate with high gold and silver content;
  - A low strip ratio;
  - Nearby water supply from aquifers in Argentina; and
  - A well defined permitting regime and strong support for mining development from the San Juan Provincial and National authorities in Argentina.
- There are a number of positive improvements expected from the Josemaría Project since the completion of the Constellation PEA in 2016.
    - With full ownership of the Josemaría Project following the Company's buyout of its Japanese partner's interest in 2017, NGEx's attributable share of the net present value of the PFS project increases from 60% to 100%.
    - The PFS will target mining more of the Josemaría deposit rather than the 37% contemplated by the Constellation PEA which focused on early feed to support the development of Los Helados.
    - The PFS economics are expected to benefit from the proposed decrease in the Argentine corporate tax rate from the 35% used in the Constellation PEA to 25% starting January 1, 2020.
  - Copper-Gold Discovery at Nacimientos Project - Drill results from a three hole scout program confirmed the presence of an extensive porphyry copper-gold system and a large epithermal system under younger cover rocks at the Company's newest exploration project, the Nacimientos Project. These encouraging results will be used to guide further exploration later in the year.

## KEY PROJECTS

### The Los Helados and Josemaria Projects (Project Constellation)

The Company has two large copper-gold deposits: Los Helados and Josemaría, located in Chile's Region III and adjacent San Juan Province, Argentina, respectively.

The Company evaluated the potential to develop these two deposits together as Project Constellation and completed a Constellation PEA in early 2016. The Constellation PEA contemplates sequential production from an open pit mine at Josemaría (Argentina) followed by a block cave, underground mine at Los Helados (Chile). The two deposits are located approximately 10 kilometres apart, and the Constellation PEA contemplated that material from both deposits would be processed at a centralized facility. The results of the Constellation PEA indicated positive economics and positioned Project Constellation amongst the largest development projects in South America.

Highlights of the PEA include:

- Pre-tax NPV8% of US\$4.43 billion and an IRR of 20.7%
- After-tax NPV8% of US\$2.61 billion and an IRR of 16.6%
- Mine life of 48 years with average annual production totaling 150,000 tonnes of copper, 180,000 ounces of gold and 1,180,000 ounces of silver
- Average annual production in year 1-5 of 185,000 tonnes of copper, 345,000 ounces of gold and 1,310,000 ounces of silver
- Average recoveries of: 88% for copper, 73% for gold and 61% for silver
- Initial capital expenditures of US\$3.08 billion
- Sustaining capital expenditures of US\$4.36 billion
- Metal prices assumed: Copper at US\$3/lb, gold at US\$1,275/oz, and silver at US\$20/oz
- Payback period of 3.6 years on an undiscounted, after-tax basis

For complete details of the Constellation PEA, please refer to the Technical Report titled *"Project Constellation incorporating the Los Helados Deposit, Chile and the Josemaría Deposit, Argentina NI 43-101 Technical Report on Preliminary Economic Assessment"* with an effective date of February 12, 2016 and an amended signature date of March 31, 2016 (the "Project Constellation Report"). The Project Constellation Report was prepared by Amec Foster Wheeler International Ingeniería y Construcción Limitada ("AMEC") and is available for review under the Company's profile on SEDAR ([www.sedar.com](http://www.sedar.com)) and on the Company's website ([www.ngexresources.com](http://www.ngexresources.com)).

### Josemaría Deposit as a Stand Alone Project

On July 3 2018, the Company announced the start of a PFS on its 100% owned Josemaría Project in San Juan Province, Argentina to evaluate the potential to develop an open pit mine and adjacent processing plant to exploit the Josemaría deposit as a stand-alone project.

The Josemaría PFS can be fast-tracked as a result of the extensive work that has already been completed for the Constellation PEA and is expected to be finished by the first quarter of 2019.

## **Nacimientos**

On June 25, 2018, the Company reported encouraging copper-gold results from an initial exploration program on its Nacimientos Project, located in San Juan Province, Argentina. The Nacimientos Project is a district-scale land package that extends over approximately 15,000 hectares and covers at least six distinct porphyry copper-gold and epithermal gold targets. The project area is located approximately 80 kilometres south of the Veladero Mine and is within a possible extension of the El Indio-Veladero gold belt that hosts past production and current resources of more than 50 million ounces of gold. Project logistics are excellent as the site can be accessed by approximately an hour's drive on dirt roads from a paved highway.

Three diamond drill holes were completed in April 2018, during the last few weeks of the field season. The holes provided an initial test of three out of six target areas identified earlier this year. Two holes, confirmed the presence of extensive porphyry copper-gold mineralization associated with an open ended 4 x 2 kilometre copper-gold soil geochemical anomaly. A third hole confirmed the presence of epithermal alteration under unaltered cover rocks. All three scout holes tested multi-kilometre scale targets and were intended to prove geological concepts rather than to be definitive tests. The initial success will enable the Company to plan further drilling to better define these zones, test additional targets, and to vector into the higher-grade parts of the system.

## **Acay**

The Acay Project is located 80 km northwest of the city of Salta, in Salta Province, Argentina and covers a large area of hydrothermal alteration, mineralized showings, and numerous historical workings extending over approximately 6 kilometers by 3 kilometers. The area has potential for both porphyry style copper-gold mineralization and epithermal gold and silver mineralization. During the quarter, the Company conducted an initial work program consisting of geological mapping and geochemical and geophysical surveys. The project is road accessible year-round by an Argentina national highway, which crosses it. Further work programs to develop drill targets are planned for the upcoming exploration season.

## **OUTLOOK**

The Company plans to complete the PFS on a standalone development scenario for the Josemaría deposit by the first quarter of 2019. The next step would be a Feasibility Study with the eventual objective of advancing the project towards permitting and eventual development. Los Helados continues to provide additional flexibility to further expand the project on a larger district scale.

The Company continues to optimize and de-risk its projects and explore options and alternatives to advance each deposit towards eventual development, including active engagement with potential development partners or acquirers. Management is pursuing the following opportunities to add value to the projects:

- A PFS study of the Josemaría deposit as a stand-alone project as detailed above;
- Environmental baseline studies in support of environmental assessments and project permitting; and
- Exploring opportunities for potential development partnerships as well as synergies and cooperative development plans with other regional operators to use spare capacity of processing plants and infrastructure, including port facilities. Innovative development concepts, such as



those used at Teck & Goldcorp's Nueva Unión Project and Barrick & Goldcorp's Norte Abierto Project, demonstrate an opportunity to share infrastructure on a regional scale by connecting multiple deposits.

In addition to work programs planned for the Company's advanced-stage projects, the Company will continue to advance its early-stage field projects in the upcoming season. In particular, the Company will use the information gathered from the scout drilling campaign at Nacimientos to plan a more extensive drill program and will work to develop drill targets at Acay. The Company will also continue to evaluate exploration projects for potential acquisitions and to lay the groundwork for its next generation of projects.

## SUMMARY OF QUARTERLY RESULTS

Financial Data for 8 Quarters								
Three Months Ended	Jun-18 (2 <sup>nd</sup> qtr)	Mar-18 (1 <sup>st</sup> qtr)	Dec-17 (4 <sup>th</sup> qtr)	Sept-17 (3 <sup>rd</sup> qtr)	Jun-17 (2 <sup>nd</sup> qtr)	Mar-17 (1 <sup>st</sup> qtr)	Dec-16 (4 <sup>th</sup> qtr)	Sept-16 (3 <sup>rd</sup> qtr)
(In thousands \$ except for per share amounts)								
Exploration and project investigation expenses	2,140	2,674	1,384	868	864	1,937	810	1,880
Net loss / (income)	2,971	3,997	1,729	1,446	1,487 (ii)	3,250	993	(27,812)
Cash flow used in operating activities	3,374	2,797	1,583	1,240	1,440	2,679	440	2,826
Total basic and diluted (income) / loss per share(i)	0.01	0.02	0.01	0.01	0.01	0.02	(0.00)	(0.14)

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

(ii) Revised from the amount reported at June 2017

Changes in net losses and cash flow used in operating activities for the quarter are primarily affected by the level of exploration activity during that period. As camp activities, including drilling, are generally not carried out during the winter season in South America, exploration expenditures and cash flow used in operations are typically lower during the second and third quarter of each year compared to other quarters. Commitment and option payments for the Los Helados project are due in the first quarter of each year, which further increased the cash used for that period. The amount of cash resources available and timing of financing also affect the extent of exploration programs and the costs incurred in a given period.

The completed spin out of Filo Mining during the third quarter of 2016 resulted in the recognition of a \$30 million gain and \$21 million net income for the fiscal 2016 year. No significant drilling has occurred at Project Constellation since the completion of the Constellation PEA in the first quarter of 2016.

Beginning in the fourth quarter of 2017, the Company focused primarily on the acquisition of all remaining interests in the Josemaría project and investing in the Nacimientos and Acay projects, resulting in higher cash spent on operating and investing activities during the last quarter of 2017 and the first six months of 2018 compared to the prior periods.



## QUARTERLY RESULTS

The Company's net loss for the three and six months ended June 30, 2018 was \$3.0 million and \$7.0 million respectively, compared to \$1.7 million and \$5.0 million for the same periods in 2017. The increase in the net loss reflects the Company's investment in the Nacimientos and Josemaría projects during the first six months of 2018, which resulted in an increase in overall exploration and project investigation expenditures. In particular, the Company initiated engineering work to explore a stand-alone development option for the Josemaría deposit and advanced ongoing environmental studies in support of potential future development, resulting in a \$0.2 million increase in exploration expenditures for the first six months of 2018 compared to 2017. Exploration costs at Nacimientos and Acay for the six month period ended June 30, 2018 totaled \$2.5 million compared to \$0.1 million for the same period in 2017. The Company completed a three-hole scout drilling campaign to test and confirm the geological model at the Nacimientos project and conducted surface exploration work on the Acay project during the first six months of 2018.

Overall general and administrative ("G&A") costs for the six month period in 2018 totaled \$2.1 million which is generally consistent with the costs incurred over the six month period in 2017. Reduction in the incentive bonus paid in 2018 is offset by a higher share-based compensation, which is a non-cash charge reflecting the expense associated with the vesting of outstanding options during the period. The Company undertook a promotional marketing trip in Europe during May 2018, resulting in higher promotion and public relation costs during the second quarter of 2018.

As a result of the significant Argentina peso devaluation during the second quarter of 2018, the Company reported a \$2.1 million foreign currency translation adjustment for the six month period ended June 30, 2018.

## LIQUIDITY AND CAPITAL RESOURCES

(In thousands \$)	June 30, 2018	December 31, 2017
Cash	\$ 6,063	\$ 6,789
Working capital	5,315	(986)

### Financing:

The Company completed a \$12.5 million non-brokered, private placement on January 3, 2018, raising a total of \$12.1 million in net proceeds for use towards ongoing exploration activities and corporate working capital expenditures. The \$0.9 million working capital deficiency as at December 31, 2017 was remediated upon completion of the private placement in January 2018. In addition to the funds raised from the private placement, the Company received \$1.2 million in cash from share option exercises during the first six months of 2018.

The cash received was used towards the advancement of the exploration projects and general corporate purposes during 2018. As the Company does not have any sources of revenue, it relies on funding from equity financing, disposition of mineral properties and investments, or short-term credit facilities to meet its existing obligations, commitments, and to fund ongoing exploration. The Company plans to use the majority of its cash towards its key exploration projects in South America and general corporate activities and are in the process of finalizing next year's exploration program. On an ongoing basis, management





evaluates and adjusts as necessary its planned level of activities, including planned exploration and administrative costs to ensure adequate levels of working capital are maintained.

#### Short-term credit facility

The Company has an US\$1 million unsecured credit facility (the "Facility") from Zebra Holdings and Investments S.à.r.l. ("Zebra"), an Insider of the Company, to provide additional financial flexibility to fund exploration and general corporate purposes as needed. On January 4, 2018, the Company repaid in full the amount previously drawn under the Facility and issued 6,323 common shares to Zebra as consideration for providing the Facility, in lieu of fees to the Company. Of the total shares issued on January 4, 2018, 5,600 common shares were issued as consideration for the outstanding amount drawn on the Facility as at December 31, 2017. Zebra reports its security holdings in the Company as a joint actor with Lorito Holdings S.à.r.l., and subsequent to the settlement of the Facility, they collectively acquired additional common shares of the Company and held more than 20% of the Company's issued and outstanding common shares as at June 30, 2018. The Facility will mature on August 9, 2018. All securities issued in conjunction with the Facility are subject to a four-month hold period under applicable securities law.

## RELATED PARTY TRANSACTIONS

### 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. Under the terms of this arrangement, Filo Mining provides management, corporate secretarial, business and corporate development services to NGEx, while NGEx provides accounting and technical advisory services to Filo Mining. These transactions were in the normal course of operations.

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Income from administrative services provided to Filo Mining	\$ 177,514	10,306	\$ 359,261	20,613
Costs of executive management and personnel services received from Filo Mining	(160,607)	(392,788)	(333,125)	(719,962)

The amounts due to/from Filo Mining and the components of the consolidated statements of financial position in which they are included, are as follows:

	June 30, 2018	December 31, 2017
Receivables and other assets	\$ 193,527	\$ 93,617
Trade payables and accrued liabilities	(179,312)	(366,446)

On February 21, 2018, the Company completed the acquisition of a 100% interest in certain mining concessions (the "Primary Properties") with an option to acquire a 100% interest in additional mining concessions (the "Additional Properties") located in San Juan Province, Argentina from Filo Mining to expand its Josemaría and the Nacimientos projects in exchange for the following considerations:





- Providing Filo Mining with the right to use its Batidero Camp facility in Argentina for a minimum period of two years, which right is automatically renewed unless terminated upon one year's prior notice;
- A 3% net smelter return ("NSR") royalty on a portion of the mining concessions, 2% of which can be re-purchased by the Company at any time for \$2,000,000; and
- Cash consideration of \$64,000.

The mining concessions acquired from Filo Mining, including all transaction costs, have been capitalized as mineral properties. The costs of the mineral properties acquired were measured based on the fair value of the considerations given up, which includes cash and the use of the Batidero camp. Using an expected time frame of two years, management has estimated the fair value of the camp use provision to be approximately \$354,000. This amount has been deferred on the Statement of Financial Position and will be recognized as income over the expected period of camp use. The amount recognized as income for the six months ended June 30, 2018 was approximately \$42,000 (2017: nil).

#### b) Key management compensation

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:

	Six months ended June 30,	
	2018	2017
Salaries and other payments	\$ 589,500	\$ 826,050
Employee benefits	12,188	13,425
Director fees	80,500	80,500
Share-based compensation	467,624	278,471
	<u>\$ 1,149,812</u>	<u>\$ 1,198,446</u>

## 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. Please refer to the Critical Accounting Estimates section in Note 3 of the 2017 Financial Statements or the 2017 MD&A for a detailed description of the Company's critical accounting estimates.



## SIGNIFICANT ACCOUNTING POLICIES

The Company continues to follow the accounting policies described in Note 3 of the Company's 2017 Financial Statements, as filed on SEDAR at [www.sedar.com](http://www.sedar.com) on February 21, 2018, except for the adoption of IFRS 9 Financial Instruments which are further described in the 2018 Financial Statements.

Due to the significant inflation in Argentina over the past few years including the first six months of 2018, the three-year cumulative inflation rate in Argentina has exceeded 100% based on data from the national wholesale price index and various available inflation indices in May 2018. As such, Argentina is considered to be a hyper-inflationary economy effective July 1, 2018 and beginning in the third quarter of 2018 the Company will be required to apply inflation accounting on a retrospective basis in accordance with IAS 29 *Financial Reporting in Hyperinflationary Economies*, as further described in Note 11 of the 2018 Financial Statements. Management is currently assessing the impact that inflation accounting will have on its consolidated financial position and results.

## OUTSTANDING SHARE DATA

As at the date of this MD&A, the Company had 227,631,153 common shares outstanding and 5,945,000 share options outstanding under its stock-based incentive plans.

## FINANCIAL INSTRUMENTS

The Company classifies its financial instruments at amortized costs or fair value through profit and loss ("FVTPL") as disclosed on the 2018 Financial Statements. The Company's financial instruments consist of cash and cash equivalents, receivables and other assets, investments, share consideration receivables, trades payable and accrued liabilities, due to its joint exploration partner, and other liabilities. The carrying value of these financial investments, other than cash, approximates their fair value due to the short-term nature of these instruments. The fair value of investments is determined directly by reference to quoted market prices in active markets.

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

### Credit risk

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.

### Liquidity risk

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. 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. The Company plans to use the majority of its cash and working capital to fund ongoing work programs to further advance its projects.

#### Currency risk

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 loss/income, financial position and cash flow.

The official Argentina currency continued to devalue relative to the Canadian dollar during 2018. The devaluation of the Argentina peso effectively reduced the costs of conducting exploration activities in Argentina. 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 Canadian dollars. Based on the Company's net exposures at June 30, 2018, a 10% depreciation or appreciation in the Argentina 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.

## 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. They 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.

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 that provide reasonable assurance regarding prevention or timely detection of unauthorized acquisitions, 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.

There has not been any changes in the Company's disclosure controls and procedures and the internal control over financial reporting that occurred during the six months ended June 30, 2018 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## RISKS AND UNCERTAINTIES

The Company and its business are subject to a number of risks and other uncertainties, which should be taken into account in assessing the Company's activities, and include, but are not necessarily limited to, those discussed in the "Risk Factors" section of the 2017 Annual Information Form (the "AIF"), which is available on SEDAR at [www.sedar.com](http://www.sedar.com). There have been no material changes in the risks and uncertainties affecting the Company since the filing of the Company's most recent AIF.

## QUALIFIED PERSON

The technical information in this MD&A has been reviewed and approved by Mr. Bob Carmichael, P. Eng. (BC). Mr. Carmichael is NGEx's Vice President of Exploration and a Qualified Person under National Instrument 43-101 Standards of Disclosure for Mineral Projects. Technical disclosure related to the engineering studies has been reviewed and approved by Mr. Jamie 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).

## FINANCIAL INFORMATION

The report for the nine months ended September 30, 2018 is expected to be published on November 6, 2018.

## OFF BALANCE SHEET AGREEMENTS

During the first six months of 2018 and the fiscal 2017 year, there were no material off-balance sheet transactions which have not been recorded in the Company's financial statements. The Company has not entered into any specialized financial arrangements to minimize its currency risk.



## 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 statements and information contained in this MD&A are 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 such forward-looking information is based on the opinions and estimates of the relevant management as of the date such statements are made and are subject to important risk factors and uncertainties, many of which are beyond the Company's ability to control or predict.

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, the inherent uncertainties regarding mineral resources and cost estimates, changes in commodity and metal prices, currency fluctuation, financing, unanticipated resource grades and recoveries, 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 and uncertainties more fully described under "Risks Factors", and elsewhere, in the Company's most recent Annual Information Form available under the Company's profile at [www.sedar.com](http://www.sedar.com) and the Company's website.

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 with respect to the timing of the PFS on the Josemaría deposit, work programs and studies, terms and conditions of a credit Facility; engagement with potential development partners or acquirers; the Company's expectations and estimates with respect to mineral resources and cost estimates and other assumptions used in the PEA and expectations from the PEA; the assumptions used in the updated mineral resources estimates for the Los Helados and Josemaría deposits; exploration and development expenditures; the timing and nature of any potential development scenarios; opportunities to improve project economics; potential regional synergies and cooperative development plans with other regional operators, exploration targets, estimations for copper and other commodity prices, mineral resources, costs, success of exploration activities; expectations with regard to the timing of the PFS on the Josemaría deposit, 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.

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

	<i>Note</i>	June 30, 2018	December 31, 2017
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents		\$ 6,062,867	\$ 6,788,712
Investments	3	301,048	511,058
Receivables and other assets		435,373	407,503
		6,799,288	7,707,273
Share consideration receivable		492,723	453,079
Equipment		68,328	82,286
Mineral properties	4	8,806,148	10,056,146
<b>TOTAL ASSETS</b>		<b>\$ 16,166,487</b>	<b>\$ 18,298,784</b>
<b>LIABILITIES</b>			
Current liabilities:			
Trade payables and accrued liabilities		\$ 1,357,082	\$ 1,684,651
Advances	5	-	6,500,000
Debenture	8	-	508,904
Other liabilities	4b	127,437	-
		1,484,519	8,693,555
Due to joint exploration partner		604,787	579,949
Other liabilities	4b	95,578	-
<b>TOTAL LIABILITIES</b>		<b>2,184,884</b>	<b>9,273,504</b>
<b>EQUITY</b>			
Share capital	5	245,839,988	232,188,933
Contributed surplus	6	10,622,139	10,211,218
Deficit	3	(231,468,508)	(224,437,823)
Accumulated other comprehensive loss	3	(11,012,016)	(8,937,048)
<b>TOTAL EQUITY</b>		<b>13,981,603</b>	<b>9,025,280</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 16,166,487</b>	<b>\$ 18,298,784</b>

Subsequent Event (Note 11)

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.)**

	<i>Note</i>	Three months ended June 30,		Six months ended June 30,	
		2018	2017	2018	2017
<b>Expenses</b>					
Exploration and project investigation	7	2,139,781	864,500	4,813,760	2,801,189
General and Administration:					
Salaries and benefits	9	247,710	207,290	769,586	1,065,229
Share-based compensation	6	125,021	59,560	591,354	337,486
Management fees		76,500	47,700	124,200	95,400
Professional fees		31,037	61,709	114,596	164,633
Travel		21,087	6,633	38,418	20,634
Promotion and public relations		119,719	43,435	200,976	67,612
Office and general		106,053	119,006	212,235	225,971
<b>Operating loss</b>		<b>2,866,908</b>	<b>1,409,833</b>	<b>6,865,125</b>	<b>4,778,154</b>
<b>Other items</b>					
Interest income		(8,723)	(12,723)	(34,201)	(33,966)
Other income	4b	(42,145)	-	(42,145)	-
Foreign exchange loss		11,096	106,200	8,778	26,479
Fair value loss on equity investments	3	163,521	226,142	210,010	226,142
Accretion of share consideration receivable		(19,822)	(16,870)	(39,644)	(33,740)
<b>Net Loss</b>		<b>2,970,835</b>	<b>1,712,582</b>	<b>6,967,923</b>	<b>4,963,069</b>
<b>Other Comprehensive Loss</b>					
Items that may be reclassified subsequently to net loss:					
Change in fair value of available-for-sale securities	3	-	157,430	-	226,142
Recognition of unrealized loss on investments to P&L	3	-	(226,142)	-	(226,142)
Foreign currency translation adjustment	11	1,989,881	289,766	2,137,730	188,519
<b>Comprehensive Loss</b>		<b>4,960,716</b>	<b>\$ 1,933,636</b>	<b>9,105,653</b>	<b>\$ 5,151,588</b>
<b>Basic and diluted loss per common share</b>					
		\$ 0.01	\$ 0.01	\$ 0.03	\$ 0.02
<b>Weighted average common shares outstanding</b>					
		227,040,708	213,484,732	226,462,418	213,479,377

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.)

		For the Six Months Ended	
	<i>Note</i>	2018	June 30, 2017
<b>Cash flows used in operating activities</b>			
Net loss for the period		\$ (6,967,923)	\$ (4,963,069)
Items not involving cash and cash equivalents:			
Depreciation		11,603	13,381
Share-based compensation		797,176	447,596
Fair value loss on equity investments	<i>3</i>	210,010	226,142
Other items		(37,674)	-
Unrealized foreign exchange loss		7,672	27,841
Accretion of share consideration receivable		(39,644)	(33,740)
Net changes in working capital items:			
Receivables and other		1,116	125,453
Trade payables and other liabilities		(153,593)	37,348
		<u>(6,171,257)</u>	<u>(4,119,048)</u>
<b>Cash flows from financing activities</b>			
Repayment of debenture	<i>8</i>	(503,520)	-
Proceeds from exercise of share options		1,173,500	12,200
Issuance of shares for cash in private placement	<i>5</i>	5,584,724	-
		<u>6,254,704</u>	<u>12,200</u>
<b>Cash flows used in investing activities</b>			
Mineral properties and related expenditures		(686,864)	(530,140)
		<u>(686,864)</u>	<u>(530,140)</u>
<b>Effect of exchange rate change on cash and cash equivalents</b>		(122,428)	(195,457)
<b>Decrease in cash and cash equivalents during the period</b>		(725,845)	(4,832,445)
<b>Cash and cash equivalents, beginning of period</b>		6,788,712	11,185,093
<b>Cash and cash equivalents, end of period</b>		<u>\$ 6,062,867</u>	<u>\$ 6,352,648</u>

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.)

	Number of shares issued and outstanding	Share capital	Contributed surplus	Accumulated other comprehensive loss	Accumulated Deficit	Total
<b>Balance, January 1, 2017</b>	213,473,963	\$ 231,912,760	\$ 9,673,280	\$ (8,310,192)	\$ (216,526,131)	\$ 16,749,717
Share-based compensation	-	-	447,596	-	-	447,596
Exercise of options	20,000	16,626	(4,426)	-	-	12,200
Fair value loss on equity investments	-	-	-	(226,142)	-	(226,142)
Recognition of unrealized loss on investments to P&L	-	-	-	226,142	-	226,142
Foreign currency translation adjustment	-	-	-	(188,519)	-	(188,519)
Net loss for the period	-	-	-	-	(4,963,069)	(4,963,069)
<b>Balance, June 30, 2017</b>	213,493,963	\$ 231,929,386	\$ 10,116,450	\$ (8,498,711)	\$ (221,489,200)	\$ 12,057,925
<b>Balance, January 1, 2018</b>	213,774,830	\$ 232,188,933	\$ 10,211,218	\$ (8,937,048)	\$ (224,437,823)	\$ 9,025,280
Impact of adopting IFRS 9 (Note 3)	-	-	-	62,762	(62,762)	-
<b>Balance, January 1, 2018 (restated)</b>	213,774,830	\$ 232,188,933	\$ 10,211,218	\$ (8,874,286)	\$ (224,500,585)	\$ 9,025,280
Private placement, net (Note 5)	12,500,000	12,084,724	-	-	-	12,084,724
Debenture financing consideration (Note 8)	6,323	6,576	-	-	-	6,576
Exercise of options	1,350,000	1,559,755	(386,255)	-	-	1,173,500
Share-based compensation	-	-	797,176	-	-	797,176
Foreign currency translation adjustment	-	-	-	(2,137,730)	-	(2,137,730)
Net loss for the period	-	-	-	-	(6,967,923)	(6,967,923)
<b>Balance, June 30, 2018</b>	227,631,153	\$ 245,839,988	\$ 10,622,139	\$ (11,012,016)	\$ (231,468,508)	\$ 13,981,603

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

## 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. BASIS OF PRESENTATION

The condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards applicable to the preparation of interim financial statements, including International Accounting Standard 34, Interim Financial Reporting.

The condensed interim financial statements should be read in conjunction with the audited consolidated financial statements for the fiscal year ended December 31, 2017. The accounting policies applied in the preparation of these unaudited condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company’s audited consolidated financial statements for the year ended December 31, 2017 except as noted in Note 3 which describes the adoption of IFRS 9 effective January 1, 2018.

The condensed interim consolidated financial statements were approved by the Board of Directors of the Company on August 7, 2018.

## 3. CHANGE IN ACCOUNTING POLICY

On January 1, 2018, the Company adopted *IFRS 9 Financial Instruments* which sets out the accounting standards for the classification and measurement of financial instruments. IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement (“IAS 39”)*. IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking “expected loss” impairment model. As most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, the Company’s accounting policy with respect to financial liabilities is unchanged.

Under the new standard, on initial recognition, the Company is required to measure its equity investments, which were previously classified as available for sale investments, at fair value through profit and loss (“FVTPL”) unless it makes an irrevocable election to present subsequent changes in the fair value of its equity investments in OCI. The Company has not elected to measure any of its equity instruments through OCI. The application of the new standard did not have an impact on the carrying amount of its investments as previously reported on the statement of financial position.

**NGEx Resources Inc.**

**Notes to Unaudited Condensed Interim Consolidated Financial Statements**

**June 30, 2018**

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

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As the change in accounting policy was applied retrospectively without restating the comparative figures effective January 1, 2018, the Company recognized the effects of retrospective application of reclassifying fair value gains/losses of its equity investments from OCI to FVTPL to shareholders' equity at January 1, 2018. Accordingly, the adoption of IFRS 9 resulted in an increase to the opening deficit on January 1, 2018 of \$62,762 with a corresponding adjustment to accumulated other comprehensive loss.

**a) Classification and measurement:**

The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

	<b>Measurement basis</b>	<b>Original Classification (IAS 39)</b>	<b>New Classification (IFRS 9)</b>
Cash and cash equivalents	Note 1	Amortized cost	Amortized cost
Receivables and others	Note 1	Amortized cost	Amortized cost
Investments	Note 2	Available for sale	FVTPL
Share consideration receivable	Note 1	Amortized cost	Amortized cost
Trade payables and accrued liabilities	Note 1	Amortized cost	Amortized cost
Due to joint exploration partner	Note 1	Amortized cost	Amortized cost

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Note 1 – Financial assets and liabilities at amortized costs are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Note 2 – Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of net loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of net loss in the period in which they arise.

**b) De-recognition:**

The Company derecognizes financial assets when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risk and rewards of ownership to another entity. A financial liability is derecognized when the obligation under the liability is discharged, canceled or expired. Gains and losses on de-recognition of financial assets and liabilities are generally recognized in the consolidated statements of net losses.

**c) Impairment:**

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized costs based on a probability-weighted estimate of credit losses over the expected life of the financial asset.

**NGEx Resources Inc.**

**Notes to Unaudited Condensed Interim Consolidated Financial Statements**

**June 30, 2018**

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

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the credit loss of the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the expected credit losses are reversed after the impairment was recognized.

**4. MINERAL PROPERTIES**

	Joint Exploration Agreement (Chile)	Wholly owned projects (Argentina)			Total
	Project Constellation		Other projects		
	Los Helados	Josemaria (Note a,b)	Nacimientos (Note b)	Acay	
January 1, 2017	\$ 3,452,060	\$ 2,869,855	\$ -	\$ -	\$ 6,321,915
Acquisition of Josemaria interest from JOGMEC	-	3,872,409	-	-	3,872,409
Additions	393,353	-	256,898	100,251	750,502
Currency translation effect	63,721	(906,957)	(39,524)	(5,920)	(888,680)
December 31, 2017	\$ 3,909,134	\$ 5,835,307	\$ 217,374	\$ 94,331	\$ 10,056,146
Additions	312,366	370,802	357,696	-	1,040,864
Currency translation effect	(90,731)	(2,018,216)	(142,445)	(39,470)	(2,290,862)
June 30, 2018	\$ 4,130,769	\$ 4,187,893	\$ 432,625	\$ 54,861	\$ 8,806,148

**a) The Josemaria Project**

On November 13, 2017, the Company acquired the 40% interest in the Josemaria project held by its joint exploration partner Japan Oil, Gas and Metals National Corporation (“JOGMEC”) for total cash consideration of US\$21 million. The cash consideration is payable in three installments: US\$3 million paid upon signing of the agreement in 2017, US\$5 million payable upon a development decision being made, and US\$13 million upon commencement of commercial production from the property. Additionally, JOGMEC retains an option to purchase up to 40% of the material produced from its mine based on the prevailing market price at the time of exercise. With this acquisition completed, the Company holds a 100% interest in the Josemaria project in San Juan Province, Argentina. The future contingent considerations to be paid upon completion of the applicable milestones will be recorded and added to the mineral property when incurred.

**b) Acquisition of mining concessions from Filo Mining Corp. (“Filo Mining”)**

On February 21, 2018, the Company completed the acquisition of a 100% interest in certain mining concessions (the “Primary Properties”) with an option to acquire a 100% interest in additional mining concessions (the “Additional Properties”) located in San Juan Province, Argentina from Filo Mining, a

**NGEx Resources Inc.**  
**Notes to Unaudited Condensed Interim Consolidated Financial Statements**  
**June 30, 2018**  
**(All amounts expressed in Canadian Dollars, unless otherwise indicated.)**

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related party, to expand its Josemaria and the Naciemientos projects in exchange for the following consideration:

- Providing Filo Mining with the right to use its Batidero Camp facility in Argentina for a minimum period of two years, which right is automatically renewed unless terminated upon one year's prior notice;
- a 3% net smelter return ("NSR") royalty on a portion of the mining concessions, 2% of which can be re-purchased by the Company at any time for \$2,000,000; and
- Cash consideration of \$64,000.

The mining concessions acquired from Filo Mining, including all transaction costs, have been capitalized as mineral properties. The costs of the mineral properties acquired were measured based on the fair value of the considerations given up, which includes cash and the use of the Batidero camp. Using an expected time frame of two years, management has estimated the fair value of the camp use provision to be approximately \$354,000. This amount has been deferred on the Statement of Financial Position and recognized as income over the expected period of camp use. The amount recognized as income for the six months ended June 30, 2018 was approximately \$44,000 (2017: nil).

	Other liabilities
Balance, January 1, 2018	\$ -
Addition	354,000
Currency translation effect	(86,735)
Recognition to income	(44,250)
<b>Balance, June 30, 2018</b>	<b>\$ 223,015</b>
Current	\$ 127,437
Long-term	95,578
<b>Balance, June 30, 2018</b>	<b>\$ 223,015</b>

## **5. SHARE CAPITAL**

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

On January 3, 2018, the Company completed private placements totaling 12,500,000 common shares of the Company for gross proceeds of \$12.5 million. Share issuance costs totaling \$0.4 million were paid in relation to the private placements. The net proceeds received by the Company on the private placements totaled \$12.1 million, of which \$6.5 million in financing proceeds were received prior to the closing of the private placement and were recorded as Advances on the consolidated statements of financial position as at December 31, 2017.



NGEx Resources Inc.  
Notes to Unaudited Condensed Interim Consolidated Financial Statements  
June 30, 2018  
(All amounts expressed in Canadian Dollars, unless otherwise indicated.)

6. SHARE OPTIONS

a) Share Option Plan

The Company has a rolling share option plan which reserves an aggregate of 10% of the issued and outstanding shares of the Company for issuance upon the exercise of options granted.

During the six months ended June 30, 2018, the Company granted a total of 2,120,000 (2017 – 2,010,000) share options to officers, employees, directors and other eligible participants at exercise price of \$1.24 per share. Share options have an expiry date of three years and vest over a period of 24 months from date of grant.

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

	June 30, 2018	December 31, 2017
Assumptions:		
Risk-free interest rate (%)	1.79	0.76
Expected life (years)	2.50	2.50
Expected volatility (%)	57.35	56.96
Expected dividend	Nil	Nil
Results:		
Weighted average fair value of options granted (per option)	\$ 0.49	\$ 0.47

The total share-based compensation expenses for the three and six months ended June 30, 2018 and June 30, 2017 were presented in the statement of comprehensive loss as follows:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
General and administration	\$ 125,021	\$ 59,560	\$ 591,354	\$ 337,486
Exploration and project investigation	43,762	19,432	205,822	110,110
	\$ 168,783	\$ 78,992	\$ 797,176	\$ 447,596

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:

NGEx Resources Inc.  
Notes to Unaudited Condensed Interim Consolidated Financial Statements  
June 30, 2018  
(All amounts expressed in Canadian Dollars, unless otherwise indicated.)

	June 30, 2018		June 30, 2017	
	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 period	5,970,000	\$ 0.97	6,375,000	\$ 1.18
Granted	2,120,000	1.24	2,010,000	1.37
Exercised (*)	(1,350,000)	0.87	(20,000)	0.61
Expired	(795,000)	0.89	(1,930,000)	2.05
Balance at end of period	5,945,000	\$ 1.10	6,435,000	\$ 0.76

\* The weighted average share price on the exercise date for the stock options exercised during the six months ended June 30, 2018 was \$1.02.

The following table summarizes information about the outstanding and exercisable share options at June 30, 2018:

Range of exercise prices	Outstanding Options			Exercisable Options		
	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 - \$0.70	1,565,000	0.66	\$ 0.61	1,565,000	0.66	\$ 0.61
\$0.71 - \$0.84	250,000	0.41	\$ 0.79	250,000	0.41	\$ 0.79
\$0.85 - \$1.50	4,130,000	2.17	\$ 1.30	2,046,687	2.00	\$ 1.33
	5,945,000	1.70	\$ 1.10	3,861,687	1.35	\$ 1.00

**NGEx Resources Inc.**  
**Notes to Unaudited Condensed Interim Consolidated Financial Statements**  
**June 30, 2018**  
**(All amounts expressed in Canadian Dollars, unless otherwise indicated.)**

**7. EXPLORATION AND PROJECT INVESTIGATION**

The Company expensed the following exploration and project investigation costs:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Los Helados (Project Constellation)	\$ 121,378	\$ 327,821	\$ 1,104,102	\$ 1,663,926
Josemaria (Project Constellation)	243,118	189,895	783,747	557,219
Nacimientos	1,462,799	120,807	2,290,130	123,801
Acay	183,955	-	231,899	-
Other Projects	128,531	225,977	403,882	456,243
	\$ 2,139,781	\$ 864,500	\$ 4,813,760	\$ 2,801,189

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Land holding costs	\$ 18,640	\$ 120,405	\$ 813,871	\$ 1,025,114
Drilling, fuel, camp costs and field supplies	622,572	76,658	1,007,346	236,222
Roadwork, travel and transport	277,584	64,057	446,525	107,477
Engineering studies, consultants, geochemistry and geophysics	181,058	42,886	605,641	87,446
Environmental and community relations	325,919	132,534	545,980	244,758
VAT, other taxes and fees	238,581	101,563	443,105	384,310
Office, field and admin salaries, overhead and other costs	431,665	306,965	745,470	605,752
Share-based compensation	43,762	19,432	205,822	110,110
	\$ 2,139,781	\$ 864,500	\$ 4,813,760	\$ 2,801,189

**8. DEBENTURE**

On January 4, 2018, the Company repaid in full the amount previously drawn under the unsecured credit facility (the "Facility") and issued 6,323 common shares to Zebra Holdings and Investments S.à.r.l. ("Zebra"), an insider of the Company, as consideration for providing the Facility, in lieu of fees to the Company. Of the total shares issued on January 4, 2018, 5,600 common shares were issued as consideration for the outstanding amount drawn on the Facility as at December 31, 2017. Zebra reports its security holdings in the Company as a joint actor with Lorito Holdings S.à.r.l., and subsequent to the settlement of the Facility, they collectively acquired additional common shares of the Company and held more than 20% of the Company's issued and outstanding common shares as at June 30, 2018. All securities issued in conjunction with the Facility are subject to a four-month hold period under applicable securities law.

NGEx Resources Inc.  
Notes to Unaudited Condensed Interim Consolidated Financial Statements  
June 30, 2018  
(All amounts expressed in Canadian Dollars, unless otherwise indicated.)

9. 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. 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.

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Income from financial management and administrative services provided to Filo Mining	\$ 177,514	\$ 10,306	\$ 359,261	\$ 20,613
Costs of executive management and personnel services received from Filo Mining	(160,607)	(392,788)	(333,125)	(719,962)

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:

	June 30, 2018	December 31, 2017
Receivables and other assets	\$ 193,527	\$ 93,617
Trade payables and accrued liabilities	(179,312)	(366,446)

On February 21, 2018, the Company completed the acquisition of certain mining concessions from Filo Mining in exchange for cash and non-monetary consideration, which is further described in Note 4b.

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:

	Six months ended June 30,	
	2018	2017
Salaries and other payments	\$ 589,500	\$ 826,050
Employee benefits	12,188	13,425
Director fees	80,500	80,500
Share-based compensation	467,624	278,471
	\$ 1,149,812	\$ 1,198,446

**NGEx Resources Inc.**  
**Notes to Unaudited Condensed Interim Consolidated Financial Statements**  
**June 30, 2018**  
**(All amounts expressed in Canadian Dollars, unless otherwise indicated.)**

**10. SEGMENTED INFORMATION**

The Company is principally engaged in the acquisition, exploration and development of mineral properties in South America. The segments presented in Note 4 and Note 7 reflect the way in which management reviews its business performance. Materially all of the Company's non-current assets and exploration and project investigation costs are located and incurred within South America, whereas materially all of the Company's cash and general and administrative costs are held and incurred by the Canadian parent. Following is a summary of net losses and non-current assets by segment:

As at June 30, 2018:	Project			Total
	Constellation	Other projects	Corporate	
Equipment	\$ 2,378	\$ -	\$ 65,950	\$ 68,328
Mineral properties	8,318,662	487,486	-	8,806,148
Non-current assets	\$ 8,321,040	\$ 487,486	\$ 65,950	\$ 8,874,476
<u>For the six months ended June 30, 2018:</u>				
Exploration Expenses	\$ 1,887,849	\$ 2,925,911	\$ -	\$ 4,813,760
G&A and other items	-	-	2,154,163	2,154,163
Net loss	\$ 1,887,849	\$ 2,925,911	\$ 2,154,163	\$ 6,967,923
As at December 31, 2017:	Project			Total
	Constellation	Other projects	Corporate	
Equipment	\$ 7,186	\$ -	\$ 75,100	\$ 82,286
Mineral properties	9,744,441	311,705	-	10,056,146
Non-current assets	\$ 9,751,627	\$ 311,705	\$ 75,100	\$ 10,138,432
<u>For the six months ended June 30, 2017:</u>				
Exploration Expenses	\$ 2,221,145	\$ 580,044	\$ -	\$ 2,801,189
G&A and other items	-	-	2,161,880	2,161,880
Net loss	\$ 2,221,145	\$ 580,044	\$ 2,161,880	\$ 4,963,069

**11. SUBSEQUENT EVENT**

The Argentine peso is the functional currency of the Company's foreign subsidiaries in Argentina. The three-year cumulative inflation rate in Argentina has exceeded 100% based on data from the national wholesale price index and various available inflation indices in May 2018. As such, Argentina is considered a hyperinflationary economy effective July 1, 2018 and beginning in Q3 2018 the Company will be required to apply inflation accounting on a retrospective basis in accordance with IAS 29 Financial Reporting in Hyperinflationary Economies.

The application of inflation accounting requires restatement of the financial statements of the Argentine subsidiaries into the current purchasing power which reflects a price index current at the end of the reporting period before being included in the consolidated financial statements. As the Company's consolidated financial position and results are presented in Canadian dollars, comparative amounts presented previously are not restated. Management is currently assessing the impact the inflation accounting will have on its consolidated financial position and results.



## **Corporate Directory**

### **Company Head Office**

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Fax: (604) 689-4250

### **Registered and Records Office**

2200-885 West Georgia St.  
Vancouver, British Columbia  
Canada, V6C 3E8

### **Auditors - Pricewaterhouse Coopers LLP**

Vancouver, British Columbia  
Canada

### **Registrar and Transfer Agent Computershare Trust Company of Canada**

Vancouver, British Columbia  
Canada  
Phone: (604) 661-9400

### **Officers**

Dr. Wojtek Wodzicki, President and CEO  
Bob Carmichael, Vice President Exploration  
Jamie Beck, Vice President Corporate  
Development and Projects  
Joyce Ngo, Chief Financial Officer  
Julie Kemp, Corporate Secretary

### **Directors**

Lukas H. Lundin, Chairman (non-executive)  
Jack Lundin  
David Mullen  
Cheri Pedersen  
William Rand, Lead Director  
Dr. Wojtek Wodzicki

### **Solicitors - Cassels Brock**

Vancouver, British Columbia  
Canada

### **Share Listing**

TSX - (NGQ)  
CUSIP number 65339B100  
Nasdaq Stockholm - (NGQ)  
ISIN number CA65339B1004