Management's Discussion and Analysis
And
Consolidated Financial Statements

Year Ended December 31, 2018
(AUDITED)

This management's discussion and analysis ("MD&A") of the results of operations and financial condition for NGEx Resources Inc. ("the Company", "NGEx", "we" or "us") has been prepared as of February 20, 2019 and should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2018 and the related notes therein (collectively the "Financial Statements"). The Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. This MD&A focuses on significant factors that have affected the Company and its subsidiaries and such factors that may affect its future performance. All dollars amounts expressed throughout this report are in Canadian dollars, unless otherwise indicated.

The effective date of this MD&A is February 20, 2019.

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". Additional information about the Company and its business activities is available on SEDAR at www.sedar.com and on the Company's website at www.ngexresources.com.

CORE BUSINESS

NGEx is a Canadian mineral exploration company with exploration projects in Argentina and Chile. 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. The Company currently owns a 100% interest in the Josemaría project and is the majority partner and operator for the Los Helados project, subject to a Joint Exploration Agreement with its partner Pan Pacific Copper Co., Ltd. The Company continues to evaluate projects with district scale exploration potential to add to its existing portfolio.

The Company's long-term view of the copper market is positive, with the expectation that tightening mine supply, growing demand from developing 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.

2018 HIGHLIGHTS

- During the fourth quarter of 2018, the Company completed a Preliminary Feasibility Study ("PFS") on its 100% owned Josemaría Project in San Juan Province, Argentina. The PFS evaluated a stand-alone development option for the Josemaría project in Argentina which contemplates an open pit mine with a shallow, high-grade starter pit. The study was completed and announced on November 20, 2018 showing positive economics for the Josemaría Project with a US$2.0 Billion after-tax NPV using an 8% discount rate and 19% IRR.
- With the PFS complete, the Company intends to advance Josemaría towards production by completing a feasibility study ("FS"), securing water rights, and advancing its environmental permitting plans. Field work in support of the feasibility study, including resource and geotechnical drilling, began during the fourth quarter.
- Copper-Gold Discovery at Nacimientos Project - A three-hole scout drilling program was carried out at the Company's new Nacimientos copper/gold project located in San Juan Province, Argentina during the second quarter of 2018. Drill results confirmed the presence of an extensive porphyry copper-gold system and a large epithermal system under younger cover rocks. These encouraging results will be used to guide further exploration in the 2019-2020 field season.

Financing

- On January 3, 2018, the Company completed a $12.5 million private placement, selling an aggregate of 12,500,000 common shares for net proceeds of $12.1 million. Net proceeds of the private placement were used towards ongoing work programs in Argentina and Chile as well as for general corporate purposes.
- On February 1, 2019, the Company completed a $20 million private placement, selling an aggregate of 20,000,000 common shares for net proceeds of $19.7 million. Net proceeds of the private placement will be used towards ongoing work programs in Argentina and Chile as well as for general corporate purposes. In addition, $5.8 million of the net proceeds were used to repay the balance drawn on the credit facility on February 5, 2019.

JOSEMARÍA PROJECT

For complete details of the PFS, please refer to the Technical Report titled "NI 43-101 Technical Report, Pre-feasibility Study for the Josemaría Copper-Gold Project, San Juan Province, Argentina" dated December 19, 2018, with an effective date of November 20, 2018 (the "Josemaría PFS"). The Josemaría PFS was prepared by SRK Consulting (Canada) Inc. ("SRK") and is available for review under the Company's profile on SEDAR (www.sedar.com) and on the Company's website (www.ngexresources.com).

Highlights of the Josemaría PFS are shown below.

- A $2.0 billion after-tax NPV using an 8% discount rate and an IRR of 18.7% at $3.00/lb copper;
- Strong front end production and cash flows drive a 3.4 year payback period and support a variety of financing alternatives;
- An Initial Probable Mineral Reserve of 1,008 Mt of 0.29% copper, 0.21 gpt gold, and 0.92 gpt silver (or 0.41% CuEq);
- Pre-production capital cost of $2,761 million (excluding costs prior to a construction decision);
- Average annual production (rounded) of approximately 125,000 tonnes of copper, 230,000 ounces of gold, and 790,000 ounces of silver per year at a C1 cost of $1.26/lb CuEq;
- First 3 years full years of annual production average 170,000 tonnes of copper, 350,000 ounces of gold, and 1,000,000 ounces of silver;
- 20 year mine life producing over 5.4 billion lbs of copper and 4.6 million ounces of gold;
- Low strip ratio of 0.71:1 (waste:ore);
- Excellent metallurgy producing a clean, marketable, precious metals rich copper concentrate;
- Design incorporates planning for a fully autonomous haul truck fleet along with high pressure grinding rolls;
- All major mining and infrastructure located in San Juan Province, Argentina – facilitating permitting in one jurisdiction;
- Potential opportunities to further improve the project include:
    - Recovery of additional gold from the oxide cap at Josemaría;
    - Increasing metallurgical recoveries and concentrate grades with additional test work and optimization; and
    - Delineating more or higher-grade material through continued exploration on the Company's extensive land package.

THE LOS HELADOS PROJECT

Los Helados is a large copper-gold porphyry deposit located approximately 125 kilometres southeast of the city of Copiapo in Region III of Chile. Los Helados is subject to a Joint Exploration Agreement with Pan Pacific Copper Co., Ltd. (the "PPC JEA"), whereby the Company holds approximately a 63% interest and Pan Pacific Copper Co., Ltd. ("PPC") holds approximately a 37% interest in the Los Helados Project. Each party in the PPC JEA is required to contribute their pro-rata share of expenditures or dilute their interest in the Project. PPC has not been contributing to project expenditures since 2015 and as a result the PPC interest is currently being diluted.

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 US$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) 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 technical report titled "Technical Report on the Los Helados Porphyry Copper-Gold Deposit, Chile" dated December 14, 2018, with an effective date of May 27, 2017 (the "Los Helados Report") prepared by F. Devine, M.Sc., P. Geo.; G. Zandonai, RM CMC; and R. Carmichael, B.A.Sc., P.Eng., Vice-President, Exploration of NGEx Resources Inc.

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.

For complete details of the Los Helados project, please refer to the Technical Report titled "Technical Report on the Los Haldos Porphyry Copper-Gold Deposit, Chile" dated December 14, 2018, with an effective date of May 27, 2017 (the "Los Helados Report"). The Los Helados Report was prepared by F. Devine, M.Sc., P. Geo,; G. Zandonai, RM CMC; and R. Carmichael, B.A.Sc., P.Eng., Vice-President, Exploration of NGEx Resources Inc. and is available for review under the Company's profile on SEDAR (www.sedar.com) and on the Company's website (www.ngexresources.com).

NACIMIENTOS

The Nacimientos property is located in San Juan Province, Argentina and covers several porphyry copper-gold and high-sulphidation epithermal gold targets. In addition to carrying out preliminary geochemical and geophysical surveys, geological mapping and a sampling program, the Company completed a three-hole scout drilling program during the year. Drill results confirmed the presence of an extensive porphyry copper-gold system and a large epithermal system under younger cover rocks. These encouraging results will be used to guide further exploration in the 2019-2020 field season. The property covers 14,415 hectares and in accordance with an option agreement dated as of May 3, 2017, the Company can acquire a 100% interest through cash payments totalling US$1.65 million and completing an aggregate of US$2.5 million in expenditures over a five-year period. The Company paid US$0.3 million in option payments and incurred $2.5 million in exploration expenditures on the Nacimientos property during the fiscal year ended December 31, 2018.

ACAY

On November 30, 2018, the Company completed an internal review of its project portfolio and decided to terminate the Acay Property option agreement in order to focus on its key projects. Accordingly, all costs previously capitalized including option payments were expensed to the statement of comprehensive loss at December 31, 2018.

OUTLOOK

The Company continues to optimize and de-risk its advanced stage projects by exploring options and alternatives to advance each towards eventual development. Management is pursuing the following opportunities to add value to the Company's projects:

- Completing a feasibility study of the Josemaría deposit as a stand-alone project (the "Josemaría Feasibility Study");
- Continuing environmental baseline studies that will provide information required to prepare an environmental impact assessment report in support of 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.

The Company is targeting completion of the Feasibility Study on the Josemaría Project by the second quarter of 2020, with the objective of advancing the project towards permitting and eventual development.

The Company plans to review development options for the Los Helados project.

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

To devote adequate resources towards the completion of a FS and development of the Josemaría Project, the Company is considering a restructuring of its operations through a transaction that would separate the Josemaría Project from the Company's other projects through a Plan of Arrangement under the Canada Business Corporations Act. The completion of any spin-out and any listing of the resulting entity would be subject to completion of a definitive agreement, regulatory approval, including the approval of the TSX, the approval of shareholders of the Company and the Supreme Court of British Columbia. The final terms of the structure, including the spin-out ratio to NGEx shareholders, retained equity level and timing of the record date are expected to be determined in due course, and remain subject to definitive documentation and approval by the board of directors. Notwithstanding the foregoing, the board of directors reserve the right to elect not to proceed with any spin-out.

SELECTED ANNUAL FINANCIAL INFORMATION

The following financial data, prepared in accordance with IFRS, has been derived from the Company's audited consolidated financial statements for the years ended December 31, 2018, 2017, and 2016:

	Years ended December 31,		
	2018	2017	2016
Statement of Operations Data ($000's)			
Total revenue	NIL	NIL	NIL
Exploration expenditures:			
Josemaría	6,530	775	408
Los Helados	1,532	2,373	2,281
Naciemientos	2,457	857	-
Acay	283	218	-
Others	795	830	1,224
Filo del Sol *	-	-	2,104
Total exploration expenditures	11,597	5,053	6,017
General and administration ("G&A")	3,436	2,933	3,145
Operating loss	15,033	7,986	9,162
Net loss / (income) *(Note c)*	15,119	7,912	(21,335)
Cash used in operating activities	10,935	6,942	9,050
(* costs incurred up to the effective date of the Arrangement for the projects that were transferred to Filo Mining Corp.)			
Data per Common Share ($)			
Basic and diluted net loss / (income)	0.07	0.04	(0.11)
Balance Sheet Data ($000's)			
Total Assets *(Note a)*	24,090	18,299	18,968
Long Term Liability *(Note b)*	369	580	815

Note a –The primary assets of the Company are cash and cash equivalents and mineral properties. Fluctuations in the total assets at each fiscal year-end are directly affected by the availability and usage of cash as well as the acquisition of mineral properties during the year. Effective July 1, 2018, the Company recorded a hyperinflation adjustment on its Argentine subsidiaries' non-current assets and liabilities in light of the hyperinflationary nature of the Argentine economy, which are further described on Note 3 of the Financial Statements.

Note b –The majority of the long-term liability of the Company as at December 31, 2018 relates to the remaining obligation due to its joint exploration partner Pan Pacific Copper Co., Ltd. relating to the acquisition of the Filo del Sol project, which was subsequently transferred to Filo Mining Corp. in connection with the NGEx Arrangement on August 16, 2016. As further described in the Financial Statements, the liability has no predefined maturity date and will be drawn down and settled in the future as funding towards the exploration expenditures at the Company's La Rioja Properties, which are adjacent to the Los Helados deposit, on the Argentine side of the border.

Note c – the Company completed the spin out of Filo Mining Corp. and recognized a $30 million gain on spin-off transaction during fiscal 2016.

The Company's net loss for the year ended December 31, 2018 totaled $15.1 million (2017: $7.9 million). Exploration expenditures are the most significant expenditures of the Company and reflect the costs of conducting exploration activities and project investigations on its South American projects. Exploration expenditures including costs of option agreements that have terminated during the year are expensed on the Statement of Comprehensive Loss in accordance with the Company's accounting policy, while mineral property acquisition costs including option payments are capitalized.

The increase in exploration expenditures for the year ended December 31, 2018, compared to the prior year, is due to the advancement of the Josemaría project with the completion of a PFS and carrying out field work in support of a FS during the fourth quarter of 2018. The Company has also completed a three-hole scout drilling program to test and confirm the geological model at Nacimientos, which has resulted in higher exploration costs incurred during the year.

General and administration ("G&A") costs for 2018 increased from $2.9 million to $3.4 million, as a result of higher share-based compensation, which is a non-cash cost reflecting the expenses associated with the vesting of outstanding options during the period. Excluding share-based compensation, G&A costs for the year ended December 31, 2018 totaled $2.6 million, which is relatively consistent with the $2.5 million reported for the prior year. The Company incurred higher promotion and public relations costs as management hosted a site visit for investors and analysts, participated in more industry conferences and undertook additional promotional marketing trips during the year. The increase in public relations costs was offset by a reduction in incentive bonuses paid in 2018.

Key financial results for the last eight quarters are provided in the table below:

Financial Data for 8 Quarters								
Three Months Ended	**Dec-18** *(4th qtr)*	**Sept-18** *(3rd qtr)*	**Jun-18** *(2nd qtr)*	**Mar-18** *(1st qtr)*	**Dec-17** *(4th qtr)*	**Sept-17** *(3rd qtr)*	**Jun-17** *(2nd qtr)*	**Mar-17** *(1st qtr)*
(In thousands $ except for per share amounts)								
Exploration and project investigation expenses	5,350	1,433	2,140	2,674	1,384	868	864	1,937
Net loss	6,328	1,823	2,971	3,997	1,729	1,446	1,487(ii)	3,250
Total basic and diluted loss per share(i)	0.03	0.01	0.01	0.02	0.01	0.01	0.01	0.02

(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. 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.

LIQUIDITY AND CAPITAL RESOURCES

(In thousands $)	December 31, 2018	December 31, 2017
Cash	$ 5,029	6,789
Working capital	(3,740)	(986)

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.

Financing:

The Company began the process of securing additional sources of financing for its exploration program and operations during the fourth quarter of 2018 by securing a US$5 million unsecured credit facility. In addition, the Company completed a $20 million non-brokered, private placement on February 1, 2019. Net proceeds raised from the private placement totaled $19.7 million. The Company plans to use the net proceeds of the Offering towards ongoing work programs in Argentina and Chile, including a feasibility study on the Josemaría Project, engineering and exploration studies on the Company's other projects, repayment of the balance drawn on the Company's credit facility, and for general corporate purposes.

The reduction in cash and working capital from the prior year was attributable to ongoing exploration activities, including mineral property acquisitions and corporate working capital expenditures during 2018. The $3.7 million working capital deficiency as at December 31, 2018 was remediated upon completion of the private placement in February 2019.

Short-term credit facility

On October 5, 2018, the Company obtained an US$5 million unsecured credit facility from an insider of the Company (the "2018 Facility") to provide additional financial flexibility to fund general corporate purposes. As of the date of this MD&A, the Company has drawn a total of US$4.44 million against the 2018 Facility, which was repaid in full on February 5, 2019 following the completion of the $20 million private placement which closed on February 1, 2019. The Company has issued a total of 113,204 common shares to the lender as consideration for providing the 2018 Facility in lieu of fees to the Company. The 2018 Facility remains available until October 5, 2019. All securities issued in conjunction with the 2018 Facility are subject to a four-month hold period under applicable securities law.

COMMITMENTS

The Company has the following contractual obligations as at December 31, 2018:

	Minimum Annual Payments in US dollars					
	2019	**2020**	**2021**	**2022**	**2023**	**thereafter***
Land access rights payments	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$1,000,000

*The annual land access rights payments above could possibly be re-adjusted to US$0.8 million under certain surface disturbance conditions and will increase to US$1 million in 2024 and US$1.5 million from 2025 onwards. Additional milestone payments are required upon approval of the Environmental Impact Study and commercial production as described in Note 18 of the Financial Statements. The Company can terminate the agreement at any time upon making a termination payment equal to the amount of the most recent annual payment.

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 executive management and personnel services to NGEx, while NGEx provides Administrative services to Filo Mining. These transactions are in the normal course of operations.

	Year ended December 31, 2018	2017
Income from administrative services provided to Filo Mining	$ 555,443	142,815
Costs of executive management and personnel services received from Filo Mining	(735,822)	(1,296,827)

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:

	December 31, 2018	December 31, 2017
Receivables and other assets	$ 77,492	93,617
Trade payables and accrued liabilities	(523,244)	(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, a related party, to expand its Josemaría 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;
- Granting 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 which was paid during the fiscal 2018 year.

b) Key management compensation

The key management personnel have authority and responsibility for overseeing, planning, directing and controlling the activities of the Company and include the Board of Directors and members of the executive management team. Total compensation expense for key management personnel inclusive of the costs of key management personnel services received from Filo Mining as disclosed above, and the composition thereof, is as follows:

	Year ended December 31, 2018	2017
Salaries and other payments	$ 914,000	$ 1,059,175
Employee benefits	29,809	27,450
Director fees	161,000	161,000
Share-based compensation	720,696	376,749
	$ 1,825,505	$ 1,624,374

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.

Due to joint exploration partner – The Company has a remaining contractual obligation due to its joint exploration partner relating to the acquisition of the Filo del Sol project, which was subsequently transferred to Filo Mining Corp. in connection with the NGEx Arrangement on August 16, 2016. As the Company intends to settle the remaining obligation, which does not have a predetermined maturity date, by funding an alternative exploration project, namely the La Rioja Properties, in lieu of a direct cash outflow, in accordance with the terms of the agreement. Accordingly, the provision will be measured by using a best estimate of the expenditures required to settle the liability, taking into account the nature and timing of the exploration activities that are expected to be conducted on the project. The Company discounts the provision to its present value using a pre-tax, discount rate.

As at December 31, 2018, the Company reviewed the nature and timing of future expenditures at the La Rioja Properties and lowered its expected annual funding of PPC's share of future exploration expenditures from $38,000 to $20,000 based on its best estimate of exploration activities to be conducted on the project. This revision extends the estimated timeframe in settling the obligation with PPC. The effect of this change in future estimated expenditures at the La Rioja properties is a reduction in the amount due to the joint exploration partner by approximately $292,000, with a corresponding amount recorded within other income on the statement of comprehensive loss for the year ended December 31, 2018.

Share consideration receivable – The Company expects to receive common shares of Skeena Resources Ltd. ("Skeena") with a value of $735,000 by November 3, 2020. The value of the share consideration receivable in the future is discounted using the discount rate that approximates the risk profile for the entity issuing the shares based on financial information that is publicly available at its inception. The value of the share consideration receivable could be impacted if the actual risk assessment turns out to be different from the estimate applied by the Company in its valuation of the share consideration receivable.

RECENT ACCOUNTING PRONOUNCEMENTS

The IASB and IFRIC have issued standards and amendments or interpretations to existing standards that were not yet effective and not applied as at December 31, 2018. Below is a summary of the new standards and interpretations that the Company will adopt for the annual period beginning on or after January 1, 2019:

Leases:
IFRS 16, Leases (IFRS 16) will be effective on January 1, 2019 and replaces the existing lease accounting guidance. IFRS 16 requires all leases to be reported on the balance sheet unless certain criteria for its exclusion are met. The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The Company does not expect this new standard to have a material impact on its financial statements as the Company does not currently have any material leases.

OUTSTANDING SHARE DATA

As at the date of this MD&A, the Company had 248,211,428 common shares outstanding and 5,470,000 share options outstanding under its stock-based incentive plans.

FINANCIAL INSTRUMENTS

The Company classifies its financial instruments as amortized cost or fair value through P&L as disclosed on Note 4a of the Financial Statements. The Company's financial instruments consist of cash and cash equivalents, receivables and other assets, investments, share consideration receivable, trades payable and accrued liabilities, and the 2018 Facility. The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk, and foreign exchange risks.

Credit risk
Credit risk is the risk that a counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge its obligations. 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 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. The maturities of the Company's financial liabilities as at December 31, 2018 are as follows:

	Total	Less than 1 year	1 to 5 years	More than 5 years
Trade payables and accrued liabilities	$ 4,047,825	$ 4,047,825	-	-
Credit facility ("2018 Facility")	5,317,474	5,317,474	-	-
Total	$ 9,365,299	$ 9,365,299	-	-

In assessing liquidity risks as at December 31, 2018, the Company has also considered the impact of proceeds received from its non-brokered private placement financing which closed on February 1, 2019. On February 5, 2019, all amounts drawn to date on the 2018 Facility were repaid in full.

Foreign exchange risk

Foreign exchange risk is the risk that the value of financial assets and liabilities may change due to changes in the value of two different currencies. The Company is exposed to foreign currency risks as its parent is headquartered in Canada and its capital is raised in Canadian dollars, while its foreign operations are conducted in Argentina and Chile. While the Company has not used any hedging strategies to manage its exposure to currency fluctuations, management strives to minimize foreign currency risks by sending its cash to its foreign operation as required and maintaining most of its excess cash in Canadian dollars. Based on the Company's net exposures at December 31, 2018, a 10% depreciation or appreciation in the Argentina and Chilean pesos relative to the Canadian dollar would have resulted in an approximate $0.5 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.

Management, including the CEO and CFO, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures. As of December 31, 2018, the CEO and CFO have each concluded that the Company's disclosure controls and procedures, as defined in NI 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings, are effective to achieve the purpose for which they have been designed.

Internal controls over financial reporting

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

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

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

Management, including the CEO and CFO, has evaluated the effectiveness of the design and operation of the Company's internal controls over financial reporting. As of December 31, 2018, the CEO and CFO have each concluded that the Company's internal controls over financial reporting, as defined in NI 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings, are effective to achieve the purpose for which they have been designed.

RISKS AND UNCERTAINTIES

There are a number of risk factors that could negatively affect the Company's business and the value of its common shares. The material risk factors and uncertainties should be taken into account in assessing the Company's activities and are described under the heading "Risks Factors", and elsewhere, in the Company's most recent Annual Information Form and other disclosure documents which are available under the Company's profile at http://www.sedar.com. Any one or more of these risks and uncertainties could have a material adverse effect on the Company.

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 three months ended March 31, 2019 is expected to be published on May 7, 2019.

OFF BALANCE SHEET AGREEMENTS

During the fiscal 2018 and fiscal 2017 year, there were no material off-balance sheet transactions. 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 in this document constitutes "forward-looking information" and forward-looking statements" within the meaning of applicable securities legislation (collectively, "forward-looking information"). The forward-looking information contained in this document is based on information available to the Company as of the date of this document. 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 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 and the Company's website.

The Company believes that the expectations reflected in the forward-looking statements and information included in this document 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 this document.

In particular, this document contains forward-looking statements or information with respect to the timing of a feasibility study of the Josemaría Project; the anticipated use of proceeds from the private placement financing; statements regarding a proposed restructuring of its operations and board, shareholder, court and regulatory approval thereof; environmental studies; exploration and development plans and activities; cost estimates and other assumptions used in the Josemaría PFS and expectations from the Josemaría PFS; the assumptions used in the mineral reserves and resources for the Josemaría project; the assumptions used in the mineral resources for the Los Helados project; 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; the evaluation and potential acquisition of new copper-gold exploration projects; estimations for copper and other commodity prices, mineral reserves and resources; costs; success of exploration activities; expectations with regard to adding to mineral resources through exploration; permitting time lines; ability to obtain surface and water rights and property interests; currency exchange rate fluctuations; requirements for additional capital; government regulation of mining activities; environmental risks; unanticipated reclamation expenses; title disputes or claims; limitations on insurance coverage; and other risks and uncertainties.

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

Estimates of Mineral Reserves and Mineral Resources

Information regarding reserve and resource estimates has been prepared in accordance with Canadian standards under applicable Canadian securities laws, and may not be comparable to similar information for United States companies. The terms "Mineral Resource", "Measured Mineral Resource", "Indicated Mineral Resource" and "Inferred Mineral Resource" used in this news release are Canadian mining terms as defined in accordance with NI 43-101 under guidelines set out in the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") Standards on Mineral Resources and Mineral Reserves adopted by the CIM Council on May 10, 2014. While the terms "Mineral Resource", "Measured Mineral Resource", "Indicated Mineral Resource" and "Inferred Mineral Resource" are recognized and required by Canadian regulations, they are not defined terms under standards of the United States Securities and Exchange Commission. Under United States standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve calculation is made. As such, certain information contained in this news release concerning descriptions of mineralization and resources under Canadian standards is not comparable to similar information made public by United States companies subject to the reporting and disclosure requirements of the United States Securities and Exchange Commission. An "Inferred Mineral Resource" has a great amount of uncertainty as to its existence and as to its 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. Readers are cautioned not to assume that all or any part of Measured or Indicated Resources will ever be converted into Mineral Reserves. Readers are also cautioned not to assume that all or any part of an "Inferred Mineral Resource" exists or is economically or legally mineable. In addition, the definitions of "Proven Mineral Reserves" and "Probable Mineral Reserves" under CIM standards differ in certain respects from the standards of the United States Securities and Exchange Commission.

Non-IFRS measures

This MD&A refers to certain financial measures, such as pre-production capital costs, initial capital expenditures, sustaining capital expenditure, closure costs, C1 cash costs, payback period, undiscounted after-tax cash flow, net present value, strip ratio, IRR and other financial metrics which are not measures recognized under IFRS and do not have a standardized meaning prescribed by IFRS. In the mining industry, these are common performance measures but may not be comparable to similar measures presented by other issuers. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company's performance and ability to generate cash flow. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Craig McMillan.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants

Vancouver, British Columbia
February 20, 2019

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

	Note		December 31, 2018		December 31, 2017
ASSETS					
Current assets:					
Cash and cash equivalents	11	$	5,029,451	$	6,788,712
Investments	6		281,037		511,058
Receivables and other assets	7		467,595		407,503
			5,778,083		7,707,273
Share consideration receivable			532,367		453,079
Fixed assets	8		1,767,404		82,286
Mineral properties	9		16,012,560		10,056,146
TOTAL ASSETS		$	24,090,414	$	18,298,784
LIABILITIES					
Current liabilities:					
Trade payables and accrued liabilities		$	4,047,825	$	1,684,651
Advances	11		-		6,500,000
Debenture	13		5,317,474		508,904
Other liabilities	9		152,867		-
			9,518,166		8,693,555
Other liabilities	9		38,217		-
Due to joint exploration partner	10		330,696		579,949
TOTAL LIABILITIES			9,887,079		9,273,504
EQUITY					
Share capital	11		246,137,481		232,188,933
Contributed surplus	12		10,894,615		10,211,218
Deficit			(239,619,811)		(224,437,823)
Accumulated other comprehensive loss			(3,208,950)		(8,937,048)
TOTAL EQUITY			14,203,335		9,025,280
TOTAL LIABILITIES AND EQUITY		$	24,090,414	$	18,298,784

Hyperinflation (Note 3)
Commitment (Note 18)
Subsequent event (Note 23)

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

ON BEHALF OF THE BOARD:

/s/William A. Rand
Director

/s/Wojtek A. Wodzicki
Director

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

	Note	2018	2017
		For the year ended December 31,	
Expenses			
Exploration and project investigation	*14*	11,596,574	5,053,013
General and Administration ("G&A"):			
Salaries and benefits	*15*	1,258,137	1,478,035
Share-based compensation	*12*	841,378	456,588
Management fees		248,400	190,800
Professional fees		242,166	303,327
Travel		64,877	44,492
Promotion and public relations		377,086	116,751
Office and general		349,553	343,061
Write-down of mineral property interests	*9d*	54,861	-
Operating loss		15,033,032	7,986,067
Other items			
Net interest income		(58,567)	(50,775)
Foreign exchange loss		226,371	195,599
Accretion of share consideration receivable		(79,288)	(67,479)
Other income	*9b,10*	(406,296)	(151,720)
Fair value loss on equity investments	*4,6*	230,021	-
Loss on net monetary position	*3*	173,953	-
Net loss		15,119,226	7,911,692
Other Comprehensive Loss			
Items that may be reclassified subsequently to net loss:			
Change in fair value of available-for-sale securities	*4,6*	-	94,968
Foreign currency translation adjustment		2,240,863	531,888
Impact of hyperinflation	*3*	(7,906,199)	-
Comprehensive Loss		$ 9,453,890	$ 8,538,548
Basic and diluted loss per common share		$ 0.07	$ 0.04
Weighted average common shares outstanding		227,099,364	213,530,121

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

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

	Note	For the Year Ended December 31, 2018	2017
Cash flows used in operating activities			
Net loss for the year		$ (15,119,226)	$ (7,911,692)
Items not involving cash and cash equivalents:			
Loss on net monetary position		173,953	-
Depreciation		21,376	25,597
Share-based compensation		1,134,713	605,559
Unrealized foreign exchange loss		199,664	182,588
Write off of mineral property interests		54,861	-
Accretion of share consideration receivable		(79,288)	(67,479)
Other (income) / expenses	*9b,10*	(343,425)	16,502
Fair value loss on equity investments		230,021	-
Net changes in working capital items:			
Receivables and other		(213,568)	(8,037)
Trade payables and accrued liabilities		3,054,913	508,564
Due to joint exploration partner		(49,408)	(293,415)
		(10,935,414)	(6,941,813)
Cash flows from financing activities			
Advances received from subscription holders	*11*	-	6,500,000
Funds received from debenture, net of repayment	*13*	4,660,968	515,960
Share issuance from option exercise		1,371,000	192,050
Private placement, net	*11*	5,584,724	-
		11,616,692	7,208,010
Cash flows used in investing activities			
Mineral properties and related expenditures	*9*	(686,880)	(4,622,911)
Acquisition of fixed assets	*8*	(1,522,112)	-
		(2,208,992)	(4,622,911)
Effect of exchange rate change on cash and cash equivalents		(231,547)	(39,667)
Decrease in cash and cash equivalents during the year		(1,759,261)	(4,396,381)
Cash and cash equivalents, beginning of year		6,788,712	11,185,093
Cash and cash equivalents, end of year		$ 5,029,451	$ 6,788,712

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

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

	Number of shares issued and outstanding	Share capital	Contributed surplus	Accumulated other comprehensive loss	Accumulated Deficit	Total
Balance, January 1, 2017	213,473,963	$ 231,912,760	$ 9,673,280	$ (8,310,192)	$ (216,526,131)	$ 16,749,717
Share-based compensation	-	-	605,559	-	-	605,559
Exercise of options	285,000	259,671	(67,621)	-	-	192,050
Debenture financing cost (Note 13)	15,867	16,502	-	-	-	16,502
Foreign currency translation adjustment	-	-	-	(531,888)	-	(531,888)
Change in fair value of available-for-sale securities	-	-	-	(94,968)	-	(94,968)
Net loss for the year	-	-	-	-	(7,911,692)	(7,911,692)
Balance, December 31, 2017	213,774,830	$ 232,188,933	$ 10,211,218	$ (8,937,048)	$ (224,437,823)	$ 9,025,280
Balance, January 1, 2018	213,774,830	$ 232,188,933	$ 10,211,218	$ (8,937,048)	$ (224,437,823)	$ 9,025,280
Impact of adopting IFRS 9 (Note 4)	-	-	-	62,762	(62,762)	-
Balance, January 1, 2018 (restated)	213,774,830	$ 232,188,933	$ 10,211,218	$ (8,874,286)	$ (224,500,585)	$ 9,025,280
Share-based compensation	-	-	1,134,713	-	-	1,134,713
Private placement	12,500,000	12,084,724	-	-	-	12,084,724
Exercise of options	1,600,000	1,822,316	(451,316)	-	-	1,371,000
Debenture financing cost (Note 13)	41,256	41,508	-	-	-	41,508
Foreign currency translation adjustment	-	-	-	(2,240,863)	-	(2,240,863)
Impact of hyperinflation (Note 3)	-	-	-	7,906,199	-	7,906,199
Net loss for the year	-	-	-	-	(15,119,226)	(15,119,226)
Balance, December 31, 2018	227,916,086	$ 246,137,481	$ 10,894,615	$ (3,208,950)	$ (239,619,811)	$ 14,203,335

The accompanying notes are an integral part of these 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business. Except for the accounting of certain financial instruments measured at fair value and the application of inflation accounting as further described on Note 3 and 4, these consolidated financial statements are prepared on a historical cost basis.

The consolidated financial statements were approved by the Board of Directors of the Company on February 20, 2019.

3. ADOPTION OF NEW ACCOUNTING POLICY – HYPERINFLATION

Due to various qualitative factors and developments with respect to the economic environment in Argentina during the year ended December 31, 2018, including, but not limited to, the acceleration of multiple local inflation indices, the three-year cumulative inflation rate of the local Argentine wholesale price index exceeding 100% in May 2018 and the significant devaluation of the Argentine Peso, Argentina was designated a hyper-inflationary economy as of July 1, 2018 for accounting purposes.

Accordingly, IAS 29, Financial Reporting in Hyper-Inflationary Economies, has been applied to these consolidated financial statements as the Company's Argentine operating subsidiaries (the "Argentine Subsidiaries") use the Argentine Peso as its functional currency. The Company also followed the interpretive guidance for first time adoption of IAS 29 included within IFRIC 7. The consolidated financial statements are based on the historical cost approach in IAS 29.

The application of hyperinflation accounting requires restatement of the Argentine subsidiaries' non-monetary assets and liabilities, shareholders' equity and comprehensive loss items from the transaction date when they were first recognized 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. To measure the impact of inflation on its financial position and results, the Company has elected to use the Wholesale Price Index (Indice de Precios Mayoristas or "IPIM") for periods up to December 31, 2016, and the Retail Price Index (Indice de Precios al Consumidor or "IPC") thereafter. These price indices have been recommended by the Government Board of the Argentine Federation of Professional Councils of Economic Sciences (“FACPCE”).

As the consolidated financial statements of the Company have been previously presented in Canadian dollars, a stable currency, the comparative period amounts do not require restatement. For the year ended December 31, 2018, the Company recognized a gain of $7.9 million in relation to the impact of hyperinflation within other comprehensive income. This amount is primarily the result of hyperinflation adjustments recognized on non-monetary assets held by its Argentine subsidiaries as of July 1, 2018, which have been restated from the historic date when they were first recognized to July 1, 2018 (the “Opening Hyperinflation Adjustment”), and then to the current date, December 31, 2018. On initial application of IAS 29, there is an accounting policy choice to recognize the Opening Hyperinflation Adjustment directly to opening equity or to other comprehensive loss. The Company has elected to recognize this amount to other comprehensive loss and it is included in the figure noted above.

As a result of the change in the IPC from July 1, 2018 to December 31, 2018, the Company recognized a net monetary loss within the Argentine Subsidiaries of $173,953 for the year ended December 31, 2018, to adjust transactions for the period into a measuring unit current as of December 31, 2018.

The level of the IPC at December 31, 2018 was 184.2, which represents an increase of 27% over the IPC at July 1, 2018, and an approximate 10% increase over the average level of the IPC during the six month period ended December 31, 2018.

4. CHANGE IN ACCOUNTING POLICY – FINANCIAL INSTRUMENTS

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.

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:

IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: those measured at fair value through profit and loss, those measured at fair value through other comprehensive loss and those measured at amortized cost. Measurement and classification of financial assets is dependent on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

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:

	Original Classification (IAS 39)	New Classification (IFRS 9)
Cash and cash equivalents	Amortized cost	Amortized cost
Receivables and others	Amortized cost	Amortized cost
Investments	Available for sale	FVTPL
Share consideration receivable	Amortized cost	Amortized cost
Trade payables and accrued liabilities	Amortized cost	Amortized cost
Debenture	Amortized cost	Amortized cost

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.

Investments in equity instruments are required to be measured by default at fair value through profit or loss, unless the Company 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.

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.

The expected credit losses are reviewed and updated at each reporting date as appropriate to reflect changes in the credit risk of the financial instruments, whereby 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated on consolidation. As at December 31, 2018, the Company's significant operating subsidiaries include Pampa Exploracion S.A. (Argentina), Desarrollo de Prospectos Mineros S.A. (Argentina), and Minera Frontera del Oro SPA (Chile).

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases. All of the Company's subsidiaries are wholly-owned.

b) Critical accounting estimates and assumptions

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

Due to joint exploration partner – The Company has a remaining contractual obligation due to its joint exploration partner relating to the acquisition of the Filo del Sol project, which was subsequently transferred to Filo Mining in connection with the NGEx Arrangement on August 16, 2016. As the Company intends to settle the remaining obligation by funding an alternative exploration project without a predetermined maturity date, in lieu of direct cash outflow, in accordance with the terms of the agreement, the provision will be measured at the best estimate of the expenditure required to settle the liability, taking into account the nature and timing of the exploration activities that are expected to be conducted on the project in its measurement. The Company discounts the provision to its present value using a pre-tax discount rate.

Share consideration receivable – The Company has a share consideration receivable from Skeena Resources Ltd. ("Skeena") as part of the consideration received on the disposition of its interest in certain mineral property assets on November 3, 2015. The Company expects to receive common shares of Skeena with a value of $735,000 at the time of delivery on November 3, 2020, subject to a four month applicable statutory hold period. Share consideration receivable in the future is discounted using a discount rate that approximates the risk profile for the entity issuing the shares based on financial information that is publicly available. The value of the share consideration receivable could be impacted if the actual risk assessment turns out to be different from the estimate applied by the Company in its valuation of the share consideration receivable.

c) Foreign currency translation

Foreign subsidiaries whose functional currency is the currency of a hyperinflationary economy applies hyperinflation accounting in accordance with IAS 29 and the interpretive guidance for first time adoption of IAS 29 included within IFRIC 7 as described in Note 3. When the economy ceases to be hyperinflationary, the Company will discontinue the application of hyperinflation accounting and the amounts presented in the measuring unit current at the end of the previous reporting period will become the basis for the carrying amounts in its subsequent financial statements.

For foreign subsidiaries whose functional currency is the currency of a non-hyperinflationary economy, transactions in foreign currencies are translated to the functional currency of the entity at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at period end exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated based on the historical rate on the date of the transaction. All gains and losses on translation of these foreign currency transactions are included in the income statement.

The functional currency of each of the subsidiaries is the currency of the primary economic environment in which the entity operates. Primary and secondary indicators are used to determine the functional currency. The local currency has been determined to be the functional currency of the Company’s significant operating segments. Foreign operations are translated from their functional currencies into Canadian dollars on consolidation as follows:

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

The functional currency of NGEx Resources Inc., the parent entity, is the Canadian dollar, which is also the presentation currency of the consolidated financial statements.

d) Fixed assets

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an asset consists of its purchase price, any directly attributable costs of bringing the asset to its present working condition and location for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation of an asset begins when it is available for use, ie when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of each asset is calculated using the straight-line method to allocate its cost less its residual value over its estimated useful life.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are
recognized in the statement of comprehensive loss.

e) Exploration and project investigation expenditures and mineral properties

Exploration and project investigation ("E&P") expenditures are those costs required to find a mineral property and determine its commercial viability. E&P costs include costs to establish an initial mineral resource and determine whether inferred mineral resources can be upgraded to measured and indicated mineral resources.

E&P costs are expensed as incurred until such time the project demonstrates that a property has economically recoverable ore reserves, and technical feasibility and commercial viability has been established. Capitalization of costs begins when it has been established that a mineral property is considered to be sufficiently advanced to the development stage and economic viability has been demonstrated. Property acquisition costs are capitalized as mineral properties. In accounting for its asset acquisitions, the Company recognizes future contingent considerations as additions to the cost of the asset initially recorded when incurred.

f) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed for impairment whenever facts and circumstances indicate that the carrying amounts are not recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of its fair value less costs of disposal and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identificable cash flows (cash generating units or "CGU"). An impairment loss exists if the asset's or CGU's carrying amount exceeds its recoverable amount, and is recorded as an expense in the consolidated statement of loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairemnet loss is recognized in the consolidated statement of loss.

g) Financial instruments

Effective January 1, 2018, the Company adopted IFRS 9 Financial Instruments which sets out the accounting standards for the classification and measurement of financial instruments and replaces IAS 39 Financial Instruments: Recognition and Measurement, as disclosed on Note 4.

h) Current and deferred income tax

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

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

i) Provisions

Provisions are recognized when a present legal or constructive obligation exists as a result of past events, and it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation. Where the effect is material, the provision is discounted using an appropriate credit-adjusted risk-free rate.

j) Share-based compensation

The Company has a share-based compensation plan for its employees and non-employees (“participants”), who provide services, and participants may receive options to purchase common shares at a price determined at the time of grant. Fair value for stock options granted is determined on grant date using the Black-Scholes option-pricing model. Share-based compensation expense is recorded over the period the options vest, with a corresponding increase to contributed surplus. The Company issues new common shares to satisfy stock option exercises, with the proceeds received net of any directly attributable transaction costs credited to share capital.

k) Loss per share

Loss per share is calculated based on the weighted average number of shares outstanding during the year. For diluted earnings per share, dilution is calculated based upon the net number of common shares issued should “in-the-money” options be exercised and the proceeds be used to repurchase common shares at the average market price in the year.

l) Share capital

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

m) Segment Reporting

Operating segments are components of an entity that engage in business activities from which they incur expenses and whose operating results are regularly reviewed by a chief operating decision maker to make resource allocation decisions and to assess performance. The Chief Executive Officer is responsible for allocating resources and reviewing operating results of each operating segment on a periodic basis.

The Company has the following reportable operating segments: the Josemaria project, the Los Helados project and other exploration projects. These segments are differentiated by the location and nature of its mineral properties in South America. The office in Canada provides support to the project with respect to treasury and finance, technical support, regulatory reporting and corporate administration.

n) New accounting pronouncements

The IASB and IFRIC have issued standards and amendments or interpretations to existing standards that were not yet effective and not applied as at December 31, 2018. Below is a summary of the new standards and interpretations that the Company will adopt for the annual period beginning on or after January 1, 2019:

Leases:
IFRS 16, Leases (IFRS 16) will be effective on January 1, 2019 and replaces the existing lease accounting guidance. IFRS 16 requires all leases to be reported on the balance sheet unless certain criteria for exclusion are met. The Company does not expect this new standard to have a material impact on its financial statements as the Company does not currently have any material leases.

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

6. INVESTMENTS

	December 31, 2018	December 31, 2017
Goldgroup Mining Inc.	$ 10,000	$ 12,000
RNC Minerals	71,025	26,634
North American Nickel Inc.	3,684	9,824
Altus Strategies PLC / Legend Gold Corp. (Note a)	6,000	18,500
Skeena Resources Ltd.	190,328	444,100
	$ 281,037	$ 511,058

Note a - Legend Gold Corp. (“Legend”) was acquired by Altus Strategies PLC (“Altus”) under a previously announced plan of arrangement (“Altus Arrangement”) on January 31, 2018. Pursuant to the terms of the Altus Arrangement, the 50,000 common shares of Legend previously held by the Company were exchanged for 150,000 common shares of Altus.

7. RECEIVABLES AND OTHER ASSETS

	December 31, 2018	December 31, 2017
Receivables and prepaid expenses	$ 239,737	$ 146,166
Taxes recoverable	150,366	167,720
Due from related party (Note 15)	77,492	93,617
	$ 467,595	$ 407,503

8. FIXED ASSETS

	Camp and field equipment	Leasehold improvement	Other assets	Total
January 1, 2017	$ 18,329	$ 85,400	$ 8,000	$ 111,729
Depreciation	(7,297)	(18,300)	-	(25,597)
Currency translation effect	(3,846)	-	-	(3,846)
December 31, 2017	$ 7,186	$ 67,100	$ 8,000	$ 82,286
Additions	1,522,112	-	-	1,522,112
Hyperinflation adjustment (Note 3)	186,737	-	-	186,737
Depreciation	(3,076)	(18,300)	-	(21,376)
Currency translation effect	(2,355)	-	-	(2,355)
December 31, 2018	$ 1,710,604	$ 48,800	$ 8,000	$ 1,767,404

In support of the advancement of the Josemaria project and the increase in camp accommodation capacity that such advancement would need, the Company acquired additional modular accommodation units and other camp equipment at its Batidero Camp facility during the fiscal 2018 year.

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

9. MINERAL PROPERTIES

	Joint Exploration Agreement (Chile)	Wholly owned projects (Argentina)			Total
	Los Helados (Note a)	Josemaria (Note b)	Nacimientos (Note c)	Acay (Note d)	
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	312,382	370,802	357,696	-	1,040,880
Hyperinflation adjustment (Note 3)	-	7,289,677	62,201	-	7,351,878
Write off of mineral property	-	-	-	(54,861)	(54,861)
Currency translation effect	(181,352)	(2,018,216)	(142,445)	(39,470)	(2,381,483)
December 31, 2018	$ 4,040,164	$ 11,477,570	$ 494,826	$ -	$ 16,012,560

a) The Los Helados Project

The Company is the majority partner and operator for the Los Helados project, which is subject to a Joint Exploration Agreement ("JEA") with its joint exploration partner Pan Pacific Copper Co. ("PPC"). The Company has been funding and accounting for 100% of the expenditures related to the Los Helados project following the election by PPC not to fund its share of expenditures since September 1, 2015. As at December 31, 2018, PPC's interest in the project has been diluted to 37%.

b) The Josemaria Project

Acquisition of mineral property interests from JOGMEC

The Company holds a 100% interest in the Josemaria project in San Juan Province, Argentina following its acquisition of all remaining interests in the project from Japan Oil, Gas and Metals National Corporation ("JOGMEC") on November 13, 2017 for total cash consideration of US$21 million. US$3 million was paid on November 2017, with the remainder of the cash consideration to be paid upon completion of the following milestones:

- US$5 million payable upon a development and construction decision being made; and
- US$13 million upon commencement of commercial production from the property

In accordance with its accounting policy (Note 5e), the future contingent consideration to be paid upon completion of the applicable milestones will be recorded and added to the mineral property when incurred. JOGMEC retains an option to purchase up to 40% of the material produced from the mine based on the prevailing market price at the time of exercise.

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

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 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 which was paid upon execution of the agreement with Filo Mining.

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 consideration 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.

	Other liabilities
Balance, January 1, 2018	$ -
Addition	354,000
Hyperinflation adjustment (Note 3)	32,895
Currency translation effect	(86,735)
Recognition to income	(109,076)
Balance, December 31, 2018	$ 191,084
Current	$ 152,867
Long-term	38,217
Balance, December 31, 2018	$ 191,084

c) The Naciemientos Project

On May 3, 2017, the Company signed an option agreement whereby it can acquire a 100% interest in the Naciemiento Project located in San Juan Province, Argentina by making option payments totaling US$1.65 million in cash over a four-year period on or before May 15, 2021 (the "Earn-in Date"). In order to acquire a 100% interest, the Company must fund US$2.5 million in expenditures on the Naciemiento Property on or before the Earn-in Date. The Company has paid US$0.3 million in option payments and has incurred $2.5 million in exploration expenditures as at December 31, 2018.

d) The Acay Project

On November 22, 2017, the Company signed an option agreement with Cosmos Minerals S.A. ("Cosmos") whereby it can acquire a 100% interest in the Acay Property located in Salta Province, Argentina by funding expenditures on the property and making option payments over a four-year period on or before November 22, 2021 (the "Earn-in Date"). The Agreement includes a 2% NSR royalty payable to Cosmos.

On November 30, 2018, the Company completed an internal review of its project portfolio and decided to terminate the Acay Property option agreement in order to focus on its key projects. Accordingly, all costs previously capitalized were expensed within the statement of comprehensive loss at December 31, 2018.

10. DUE TO JOINT EXPLORATION PARTNER

The Company has a balance of US$3.5 million remaining to be paid (the "Obligation") to its Joint Exploration Partner PPC when it acquired their interest in the Filo del Sol project in October 2014. The Filo del Sol project was subsequently transferred to Filo Mining pursuant to the Plan of Arrangement on August 16, 2016. In accordance with the terms of the agreement, the Company has elected to settle this Obligation through funding PPC's share of future exploration expenditures on the remaining joint exploration properties (the "La Rioja Properties") which are currently held through a subsidiary of NGEx. As at December 31, 2018, the cumulative expenditures funded by the Company on PPC's share of exploration expenditures at the La Rioja properties totaled approximately US$63,000.

The Company considered the estimated timeframe required to expend US$3.5 million on behalf of PPC at the La Rioja properties and has presented the remaining obligation due to PPC as a non-current liability, discounted to its present value at an annual effective rate of 8%.

As at December 31, 2018, the Company reviewed the nature and timing of future expenditures at the La Rioja Properties and lowered its expected annual funding of PPC's share of future exploration expenditures from US$38,000 to US$20,000 based on its best estimate of exploration activities to be conducted on the project. This revision extends the estimated timeframe in settling the obligation with PPC. The effect of this change in future estimated expenditures at the La Rioja properties is a reduction in due to joint exploration partner by approximately $292,000, with a corresponding amount recorded within other income on the statement of comprehensive loss for the year ended December 31, 2018.

11. 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 upon completion of 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 statement of financial position as at December 31, 2017.

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

12. 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 year ended December 31, 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:

	December 31, 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 expense for the year ended December 31, 2018 totaling $1,134,713 (2017 - $605,559) was presented in the statement of comprehensive loss as follows:

	December 31, 2018	December 31, 2017
General and administration	841,378	456,588
Exploration and project investigation	293,335	148,971
	$ 1,134,713	$ 605,559

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

b) Share Options Outstanding

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

	December 31, 2018		December 31, 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 year	5,970,000	$ 0.97	6,375,000	$ 1.18
Granted	2,120,000	1.24	2,010,000	1.37
Exercised (*)	(1,600,000)	0.86	(285,000)	0.67
Expired	(795,000)	0.89	(2,130,000)	1.71
Balance at end of year	5,695,000	$ 1.11	5,970,000	$ 0.97

* The weighted average share price on the exercise date for the stock options exercised during the year ended December 31, 2018 was $1.02.

The following table summarizes information about the outstanding and exercisable share options at December 31, 2018:

	Outstanding Options			Exercisable Options		
Range of exercise prices	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	0.15	$ 0.61	1,565,000	0.15	$ 0.61
$0.85 - $1.50	4,130,000	1.67	$ 1.30	2,046,687	1.50	$ 1.33
	5,695,000	1.25	$ 1.11	3,611,687	0.91	$ 1.02

13. DEBENTURE

On January 4, 2018, the Company repaid in full the amount previously drawn under the unsecured credit facility (the “2017 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. The 2017 Facility matured on August 9, 2018.

On October 5, 2018, the Company secured a new US$5,000,000 credit facility with Zebra (the “2018 Facility”) as evidenced by a debenture to provide additional financial flexibility to fund general corporate purposes. Zebra received 28,000 common shares of the Company as consideration upon execution of the 2018 Facility. As at December 31, 2018, the Company drew a total of US$3.9 million against the 2018

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

Facility. As at December 31, 2018, Zebra was entitled to an additional 36,707 common shares as consideration for the amount drawn against the 2018 Facility, of which 6,933 common shares were issued as at December 31, 2018 and the remaining 29,774 common shares were issued on January 8, 2019.

Zebra reports its security holdings in the Company as a joint actor with Lorito Holdings S.à.r.l. and collectively held more than 20% of the Company's issued and outstanding common shares as at December 31, 2018. There was no interest payable in cash during the term of the 2018 Facility and all securities issued in conjunction with the Facility are subject to a four-month hold period under applicable securities law.

All amounts drawn against the 2018 Facility was repaid in full on February 5, 2019 subsequent to the completion of the non-brokered private placement financing (Note 23). The 2018 Facility remains available until October 5, 2019.

14. EXPLORATION AND PROJECT INVESTIGATION

The Company expensed the following exploration and project investigation costs:

	Year ended December 31,	
	2018	2017
Los Helados	$ 1,532,371	$ 2,372,663
Josemaria	6,529,916	774,649
Naciemientos	2,457,386	857,123
Acay	283,751	218,141
Administration and other projects	793,150	830,437
	$ 11,596,574	$ 5,053,013

	Year ended December 31,	
	2018	2017
Land holding costs	$ 914,517	$ 1,154,937
Drilling, fuel, camp costs and field supplies	2,909,658	552,749
Roadwork, travel and transport	1,233,182	449,696
Engineering studies, consultants, geochemistry and geophysics	2,230,787	160,168
Environmental and community relations	1,199,350	455,545
VAT, other taxes and fees	1,145,105	656,720
Office and general, salaries, and overhead	1,529,642	1,474,227
Share-based compensation	293,335	148,971
Inflation adjustment (Note 3)	140,998	-
	$ 11,596,574	$ 5,053,013

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

15. 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.

	Year ended December 31, 2018	2017
Income from financial management and administrative services provided to Filo Mining	$ 555,443	$ 142,815
Costs of executive management and personnel services received from Filo Mining	(735,822)	(1,296,827)

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

	December 31, 2018	December 31, 2017
Receivables and other assets	$ 77,492	$ 93,617
Trade payables and accrued liabilities	(523,244)	(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 9b.

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 inclusive of costs of key management personnel services received from Filo Mining as described in Note 15a, and the composition thereof, is as follows:

	Year ended December 31, 2018	2017
Salaries	$ 914,000	$ 1,059,175
Employee benefits	29,809	27,450
Director fees	161,000	161,000
Share-based compensation	720,696	376,749
	$ 1,825,505	$ 1,624,374

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

16. INCOME TAXES

	December 31, 2018	December 31, 2017
Combined basic federal and provincial income tax rates	27.00%	26.00%
Net loss before taxes	$ (15,119,226)	$ (7,911,692)
Expected income recovery	$ (4,082,191)	$ (2,057,040)
Non-deductible share based compensation	227,172	118,713
Other non-deductible expenses and permanent differences	586,021	111,471
Changes in foreign tax and currency rates	694,716	43,866
Income tax benefits not recognized and other items	2,574,282	1,782,990
Income tax recovery	$ -	$ -

The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	December 31, 2018	December 31, 2017
Non-capital losses carried forward	$ 7,562,750	$ 6,863,696
Capital losses carried forward	11,783,896	11,783,896
Mineral properties and related expenditures	28,442,375	29,164,219
Others	103,487	159,210
Unrecognized deferred tax assets	$ 47,892,508	$ 47,971,021

As at December 31, 2018, the Company has the following tax losses, primarily in Canada and Argentina, which may be used to reduce future taxable income.

Year of Expiry	Canada	Argentina	Other	Total
2019	-	38,833	11,540	50,373
2020	-	213,439	42,933	256,372
2021	-	48,820	161,403	210,223
2022	-	61,247	34,802	96,049
2023 and onwards	26,594,909	875,933	35,595	27,506,437
Total	$ 26,594,909	$ 1,238,272	$ 286,273	$ 28,119,454

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

17. SEGMENTED INFORMATION

The Company is principally engaged in the acquisition, exploration and development of mineral properties in South America. The segments presented in Note 9 and Note 14 reflects the way in which management reviews its business performance. 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 December 31, 2018:	Los Heladoes	Josemaria	Other projects	Corporate	Total
Fixed assets	$ -	$ 1,710,604	$ -	$ 56,800	$ 1,767,404
Mineral properties	4,040,164	11,477,570	494,826	-	16,012,560
Non-current assets	$ 4,040,164	$13,188,174	$ 494,826	$ 56,800	$ 17,779,964
For the year ended December 31, 2018:					
Exploration Expenses	$ 1,532,371	$ 6,529,916	$ 3,534,287	$ -	$ 11,596,574
G&A and other items	-	-	-	3,522,652	3,522,652
Net loss for the 2018 year	$ 1,532,371	$ 6,529,916	$ 3,534,287	$ 3,522,652	$ 15,119,226

As at December 31, 2017:	Los Heladoes	Josemaria	Other projects	Corporate	Total
Fixed assets	$ -	$ 7,186	$ -	$ 75,100	$ 82,286
Mineral properties	3,909,134	5,835,307	311,705	-	10,056,146
Non-current assets	$ 3,909,134	$ 5,842,493	$ 311,705	$ 75,100	$ 10,138,432
For the year ended December 31, 2017:					
Exploration Expenses	$ 2,372,663	$ 774,649	$ 1,905,701	$ -	$ 5,053,013
G&A and other items	-	-	-	2,858,679	2,858,679
Net loss for the 2017 year	$ 2,372,663	$ 774,649	$ 1,905,701	$ 2,858,679	$ 7,911,692

18. COMMITMENT

The Company has a contractual agreement with the owners of the surface rights covering the Los Helados Project to make a minimum annual payment of US$0.5 million. The annual payment could be adjusted to US$0.8 million under certain surface disturbance conditions and will increase to US$1 million in 2024 and to US$1.5 million from 2025 onwards. Under the terms of the agreement, US$6 million is payable upon approval of the Environmental Impact Study and US$13 million upon commercial production. The Company may terminate the agreement at any time by making a one-time termination payment equal to the amount of the most recent annual payment. For the fiscal year ended December 31, 2018, the Company has paid land surface access rights payment totaling US$0.5 million, which was expensed on the statement of comprehensive loss.

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

19. CHANGES IN LIABILITIES RELATING TO FINANCING ACTIVITIES

Changes in liabilities relating to financing activities during the year ended December 31, 2018 are as follows:

	Debenture	Advances
January 1, 2017	$ -	$ -
Changes from financing cash flows	515,960	6,500,000
Effect of changes in foreign exchange rates	(12,880)	
Other changes	5,824	-
December 31, 2017	508,904	6,500,000
Changes from financing cash flows	4,660,968	(6,500,000)
Effect of changes in foreign exchange rates	151,652	-
Other changes	(4,050)	-
December 31, 2018	$ 5,317,474	$ -

20. FAIR VALUE ESTIMATION

The fair values of financial instruments are determined by valuation methods depending on hierarchy levels as defined below:

- Level 1 – Quoted market price in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted market prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. observed prices) or indirectly (i.e. derived from prices).
- Level 3 – Inputs for the assets or liabilities are not based on observable market data.

The carrying values of certain financial instruments maturing in the short-term approximate their fair values. These financial instruments include cash and cash equivalents, receivables and others, share consideration receivable, trade payables and accrued liabilities, and debenture which are classified as amortized cost. The fair value of investments in shares is determined based on the quoted market price.

21. MANAGEMENT OF FINANCIAL RISKS

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk, interest rate risk, and foreign exchange risk.

(i) Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge its obligations. Credit risks associated with cash and cash equivalents is minimal as the Company deposits the majority of its cash with a large Canadian financial institution that has been accorded a strong investment grade rating by a primary rating agency.

(ii) Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities and is minimized through the management of its capital structure as explained on Note 21. The Company 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. The maturities of the Company's financial liabilities as at December 31, 2018 are as follows:

	Total	Less than 1 year	1 to 5 years	More than 5 years
Trade payables and accrued liabilities	$ 4,047,825	$ 4,047,825	-	-
Debenture	5,317,474	5,317,474	-	-
Total	$ 9,365,299	$ 9,365,299	-	-

In assessing liquidity risks as at December 31, 2018, the Company has also considered the impact of proceeds received from its non-brokered private placement financing which closed on February 1, 2019 (Note 23). On February 5, 2019, all amounts drawn to date on the debenture were repaid in full.

(iii) Foreign currency risk is the risk that the value of financial assets and liabilities may change due to changes in the value of two different currencies. The Company is exposed to foreign currency risks as its parent is headquartered in Canada and its capital is raised in Canadian dollars, while its foreign operations are conducted in Argentina and Chile. While the Company has not used any hedging strategies to manage its exposure to currency fluctuations, management strives to minimize foreign currency risks by sending its cash to its foreign operation as required and maintaining most of its excess cash in Canadian dollars. Based on the Company's net exposures at December 31, 2018, a 10% depreciation or appreciation in the Argentina and Chilean pesos relative to the Canadian dollar would have resulted in an approximate $0.5 million increase or decrease in the Company's net loss, respectively.

22. CAPITAL STRUCTURE MANAGEMENT

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

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

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

23. SUBSEQUENT EVENT

On February 1, 2019, the Company completed a non-brokered private placement totaling 20,000,000 common shares of the Company for gross proceeds of $20 million. Share issuance and other costs incurred in connection with the financing totaled $0.3 million.

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

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

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Solicitors - Cassels Brock
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