



THIRD QUARTER REPORT
September 30, 2018



This management's discussion and analysis ("MD&A") of the results of operations and financial condition for NGEx Resources Inc. ("the Company", "NGEx", "we" or "us") has been prepared as of November 6, 2018 and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the nine months ended September 30, 2018 and the related notes therein ("2018 Financial Statements"); the Company's annual audited consolidated financial statements for the year ended December 31, 2017 and the related notes therein ("2017 Financial Statements"); and the MD&A for the fiscal year ended December 31, 2017 ("2017 MD&A"). The 2018 Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard 34, Interim Financial Report. This MD&A focuses on significant factors that have affected the Company and its subsidiaries and such factors that may affect its future performance. All dollars amounts expressed throughout this report are in Canadian dollars, unless otherwise indicated.

This MD&A contains forward-looking statements that are subject to risk factors as set out in the "Cautionary Note Regarding Forward Looking Information and Statements" on Page 13. 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 Chile and Argentina. The Company's shares are listed on the TSX and on Nasdaq Stockholm under the symbol "NGQ". The Company's focus is on advancing the development of its two large copper-gold deposits, Los Helados and Josemaría, located in Chile's Region III and adjacent San Juan Province, Argentina. The Company currently owns a 100% interest in the Josemaría project and is the majority partner and operator for the Los Helados project. Los Helados is subject to a Joint Exploration Agreement with its partner Pan Pacific Copper Co., Ltd. ("PPC"). The Company has also added some district scale exploration projects to its existing portfolio in Argentina which are under evaluation.

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

The Company has an experienced management team and board with extensive experience in Chile and Argentina and an appropriate mix of geological, engineering, financial, and business skills to advance its projects and to generate value for its shareholders.

THIRD QUARTER 2018 HIGHLIGHTS

- During the quarter, the Company progressed on the previously announced Preliminary Feasibility Study (the "PFS") on its 100% owned Josemaría Project in San Juan Province, Argentina. The PFS will evaluate the development of an open pit mine and adjacent processing plant to exploit the Josemaría deposit as a stand-alone project and is expected to be finished by the first quarter of 2019.

Key qualities and strengths of the Josemaría Project include:

- A near surface supergene enrichment zone that contains an Indicated Resource of 150 million tonnes at 0.56% copper and 0.38 grams per tonnes gold for a copper equivalent (CuEq) grade of 0.76% (0.6% CuEq cut-off);
- The potential to produce an annual average of 185,000 tonnes of copper, 345,000 ounces of gold and 1.2 million ounces of silver in the first 5 years of production;
- Straightforward metallurgy producing a high-quality copper concentrate with high gold and silver content;
- A low strip ratio;
- Nearby water supply from aquifers in Argentina; and
- A well defined permitting regime and strong support for mining development from the San Juan Provincial and National authorities in Argentina.

A number of positive improvements are anticipated for the Josemaría Project since the completion of the Preliminary Economic Assessment (the "Constellation PEA") in 2016. In particular:

- With full ownership of the Josemaría Project following the Company's buyout of its Japanese partner's interest in 2017, NGEx's attributable share of the net present value of the PFS project increases from 60% to 100%.
 - The PFS will target mining more of the Josemaría deposit rather than the 37% contemplated by the Constellation PEA, which focused on early feed to support the development of Los Helados.
 - The PFS economics are expected to benefit from the proposed decrease in the Argentine corporate tax rate from the 35% used in the Constellation PEA to 25% starting January 1, 2020.
- Work on the PFS during the quarter included a geotechnical review and re-logging of existing core to increase confidence in the pit geotechnical assumptions. Site geotechnical work and soil classification laboratory work was completed in support of infrastructure and facilities design. A small metallurgical sampling and test work program was also initiated during the quarter with results expected for inclusion in the PFS.

KEY PROJECTS

The Los Helados and Josemaría Projects (collectively "Project Constellation")

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

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

Highlights of the Constellation PEA included:

- Pre-tax NPV (8%) of US\$4.43 billion and an IRR of 20.7%
- After-tax NPV (8%) of US\$2.61 billion and an IRR of 16.6%
- Mine life of 48 years with average annual production totaling 150,000 tonnes of copper, 180,000 ounces of gold and 1,180,000 ounces of silver
- Average annual production in year 1-5 of 185,000 tonnes of copper, 345,000 ounces of gold and 1,310,000 ounces of silver
- Average recoveries of: 88% for copper, 73% for gold and 61% for silver
- Initial capital expenditures of US\$3.08 billion
- Sustaining capital expenditures of US\$4.36 billion
- Metal prices assumed: Copper at US\$3/lb, gold at US\$1,275/oz, and silver at US\$20/oz
- Payback period of 3.6 years on an undiscounted, after-tax basis

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

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

Josemaría Deposit as a Stand Alone Project

During the quarter, the Company commenced a PFS of its 100% owned Josemaría Project to evaluate the potential to develop an open pit mine and adjacent processing plant to exploit the Josemaría deposit as a stand-alone project.

In addition to the strong technical and economic results demonstrated by the Constellation PEA, the Josemaría stand-alone project is expected to be a very technically and operationally simple project. The entire resource and planned mine infrastructure is located in San Juan Province, Argentina, which already has several operating mines and has demonstrated clear support for the mining industry by providing an effective and efficient permitting regime. The PFS will detail a very standard open-pit mine with a low strip ratio and a simple flotation processing flow sheet.

The PFS is expected to be finished by the first quarter of 2019.

Nacimientos

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

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

Acay

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

OUTLOOK

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

- Completion of a PFS study of the Josemaría deposit as a stand-alone project;
- Environmental baseline studies in support of environmental assessments and project permitting; and
- Exploring opportunities for potential development partnerships as well as synergies and cooperative development plans with other regional operators to use spare capacity of processing plants and infrastructure, including port facilities. Innovative development concepts, such as those used at Teck & Goldcorp's Nueva Unión Project and Barrick & Goldcorp's Norte Abierto Project, demonstrate an opportunity to share infrastructure on a regional scale by connecting multiple deposits.

The Company expects to complete the PFS by the first quarter of 2019. Depending on the outcome of the study and a decision by the board of directors, the next step would be a Feasibility Study with the objective of advancing the project towards permitting and eventual development. Los Helados continues to provide additional flexibility to further expand the project on a larger district scale.



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

SUMMARY OF QUARTERLY RESULTS

| Financial Data for 8 Quarters | | | | | | | | |
|--|--|---------------------------------------|---------------------------------------|---------------------------------------|--|---------------------------------------|---------------------------------------|---------------------------------------|
| Three Months Ended | Sept-18 <i>(3rd qtr)</i> | Jun-18 <i>(2nd qtr)</i> | Mar-18 <i>(1st qtr)</i> | Dec-17 <i>(4th qtr)</i> | Sept-17 <i>(3rd qtr)</i> | Jun-17 <i>(2nd qtr)</i> | Mar-17 <i>(1st qtr)</i> | Dec-16 <i>(4th qtr)</i> |
| (In thousands \$ except for per share amounts) | | | | | | | | |
| Exploration and project investigation expenses | 1,433 | 2,140 | 2,674 | 1,384 | 868 | 864 | 1,937 | 810 |
| Net loss / (income) | 1,823 | 2,971 | 3,997 | 1,729 | 1,446 | 1,487 ⁽ⁱⁱ⁾ | 3,250 | 993 |
| Total basic and diluted (income) / loss per share ⁽ⁱ⁾ | 0.01 | 0.01 | 0.02 | 0.01 | 0.01 | 0.01 | 0.02 | (0.00) |

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

(ii) Revised from the amount reported at June 2017

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

No significant drilling has occurred at Project Constellation since the completion of the Constellation PEA in the first quarter of 2016. Beginning in the fourth quarter of 2017, the Company focused primarily on the acquisition of all remaining interests in the Josemaría project and investing in the Nacimientos and Acay projects, resulting in higher cash spent on operating and investing activities during the last quarter of 2017 and the first nine months of 2018 compared to the prior periods.



QUARTERLY RESULTS

The Company's net loss for the three and nine months ended September 30, 2018 was \$1.8 million and \$8.8 million respectively, compared to \$1.4 million and \$6.4 million for the same period in 2017. The increase in the net loss reflects the Company's investment in the Nacimientos and Josemaría projects during the first nine months of 2018, which resulted in an increase in overall exploration and project investigation expenditures. In particular, the Company initiated engineering work to explore a stand-alone development option for the Josemaría deposit and advanced ongoing environmental studies in support of potential future development, resulting in a \$1.1 million increase in exploration expenditures for the Josemaría project for the first nine months of 2018 compared to 2017. Exploration costs at Nacimientos and Acay for the nine month period ended September 30, 2018 totaled \$2.7 million compared to \$0.3 million for the same period in 2017. The Company completed a three-hole scout drilling campaign to test and confirm the geological model at the Nacimientos project and conducted surface exploration work on the Acay project during the first nine months of 2018.

Overall general and administrative ("G&A") costs for the nine month period in 2018 totaled \$2.6 million which is slightly higher than the costs incurred over the nine month period in 2017. Reduction in the incentive bonus paid in 2018 is offset by a higher share-based compensation, which is a non-cash charge reflecting the expense associated with the vesting of outstanding options during the period. The Company hosted a site visit for investors and analysts, participated in a number of industries conferences and undertook several promotional marketing trips during 2018, resulting in higher promotion and public relation costs reported for the nine-month period ended September 30, 2018.

As a result of the significant Argentina peso devaluation during 2018, the Company reported a \$2.1 million foreign currency translation adjustment up to June 30, 2018. Effective July 1, 2018, the Company applied hyperinflation accounting and restated the financial statements of its Argentine subsidiaries in accordance with IAS 29 as further described below under the section titled *Adoption of New Accounting Standards*. On adoption of IAS 29, amounts previously reported in the consolidated financial statements in Canadian dollars are not restated. The difference in the restated amounts within the Argentine subsidiaries and consolidated shareholders equity as at July 1, 2018 of \$4.6 million was recognized as a translation adjustment within other comprehensive income. In addition, a \$33,000 gain on net monetary position was recognized in the statement of comprehensive loss during the three months ended September 30, 2018.

LIQUIDITY AND CAPITAL RESOURCES

| (In thousands \$) | September 30, 2018 | December 31, 2017 |
|-------------------|--------------------|-------------------|
| Cash | \$ 3,947 | \$ 6,789 |
| Working capital | 2,810 | (986) |

Financing:

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



The cash received was used towards the advancement of the exploration projects and general corporate purposes during 2018. As the Company does not have any sources of revenue, it relies on funding from equity financing, disposition of mineral properties and investments, or short-term credit facilities to meet its existing obligations, commitments, and to fund ongoing exploration. The Company plans to use the majority of its cash towards its key exploration projects in South America and general corporate activities. On an ongoing basis, management evaluates and adjusts as necessary its planned level of activities, including planned exploration and administrative costs to ensure adequate levels of working capital are maintained.

Short-term credit facility

The Company had an US\$1 million unsecured credit facility (the "2017 Facility") from Zebra Holdings and Investments S.à.r.l. ("Zebra"), an Insider of the Company, which matured on August 9, 2018. All amounts previously drawn under the Facility were repaid in full on January 4, 2018. The Company secured a similar credit facility (the "2018 Facility") with Zebra on October 5, 2018 in the amount of US\$5 million to provide additional financial flexibility to fund general corporate purposes. A total of 28,000 common shares, with an approximate fair value of \$28,000, were issued to Zebra as consideration for providing the 2018 Facility to the Company. In addition, the Company will issue an additional 500 Common Shares per month for each US\$50,000 of the 2018 Facility drawn down and outstanding up until October 5, 2019, being the Maturity Date of the 2018 Facility. Zebra reports its security holdings in the Company as a joint actor with Lorito Holdings S.à.r.l. and collectively they held more than 20% of the Company's issued and outstanding common shares as at September 30, 2018. All securities issued in conjunction with the 2018 Facility are subject to a four-month hold period under applicable securities law.

RELATED PARTY TRANSACTIONS

a) Related party services and balances

The Company has a cost sharing arrangement with Filo Mining, a related party by way of providing key management personnel services to the Company. Under the terms of this arrangement, Filo Mining provides management, corporate secretarial, business and corporate development services to NGEx, while NGEx provides accounting and technical advisory services to Filo Mining. These transactions were in the normal course of operations.

| | Three months ended September 30, | | Nine months ended September 30, | |
|--|-------------------------------------|-----------|------------------------------------|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| Income from administrative services provided to Filo Mining | \$ 87,156 | 19,648 | \$ 446,417 | 40,261 |
| Costs of executive management and personnel services received from Filo Mining | (149,161) | (354,872) | (482,286) | (1,074,834) |

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:

| | September 30, 2018 | December 31, 2017 |
|--|--------------------|-------------------|
| Receivables and other assets | \$ 181,403 | \$ 93,617 |
| Trade payables and accrued liabilities | (132,366) | (366,446) |



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

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

The mining concessions acquired from Filo Mining, including all transaction costs, have been capitalized as mineral properties. The costs of the mineral properties acquired were measured based on the fair value of the considerations given up, which includes cash and the use of the Batidero camp. Using an expected time frame of two years, management has estimated the fair value of the camp use provision to be approximately \$354,000. This amount has been deferred on the Statement of Financial Position and will be recognized as income over the expected period of camp use. The amount recognized as income for the nine months ended September 30, 2018 was \$49,164 (2017: nil).

b) Key management compensation

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

| | Nine months ended September 30, | |
|-----------------------------|---------------------------------|---------------------|
| | 2018 | 2017 |
| Salaries and other payments | \$ 762,500 | \$ 954,525 |
| Employee benefits | 24,345 | 23,123 |
| Director fees | 120,750 | 120,750 |
| Share-based compensation | 613,365 | 327,610 |
| | <u>\$ 1,520,960</u> | <u>\$ 1,426,008</u> |

CRITICAL ACCOUNTING ESTIMATES

The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and expenditures on the financial statements. These estimates and assumptions are based on management's best knowledge of the relevant facts and circumstances taking into account previous experience. Actual results could differ from those estimates and such differences could be material. Estimates are reviewed on an ongoing basis and are based on historical experience and other facts and circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively. Please refer to the Critical Accounting Estimates section in Note 3 of the 2017 Financial Statements or the 2017 MD&A for a detailed description of the Company's critical accounting estimates.



ADOPTION OF NEW ACCOUNTING STANDARDS

During the nine months ended September 30, 2018, the Company adopted the following new accounting standards:

- IFRS 9 Financial Instruments
- IAS 29 Financial Reporting in Hyperinflationary Economies and IFRIC 7 Applying the Restatement Approach under IAS 29

IFRS 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, and a new impairment model for financial assets. IFRS 9 replaces the provisions of IAS 39 and also consolidates all disclosure requirements related to financial instruments under a separate new standard IFRS 7 *Financial Instruments: Disclosures*. As the change in accounting policy was applied retrospectively without restating the comparative figures effective January 1, 2018, an opening equity adjustment was recognized on January 1, 2018.

IAS 29 sets out the accounting standards where the financial statements of an entity with a functional currency that is hyperinflationary to be restated for the changes in the general pricing power of the functional currency and translated at the measuring unit current at the reporting date, so that the financial information provided is meaningful. As the adoption of this accounting policy is on a retrospective basis without restating the comparative figures, the Company recognized all cumulative effects of restating non-monetary items to other comprehensive income as a translation adjustment for the three and nine months ended September 30, 2018.

Please refer to the Company's unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2018 for further details.

OUTSTANDING SHARE DATA

As at the date of this MD&A, the Company had 227,659,153 common shares outstanding and 5,945,000 share options outstanding under its stock-based incentive plans.

FINANCIAL INSTRUMENTS

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

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

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge its obligations. The Company closely monitors its financial assets to ensure it does not have significant concentration of credit risk. Credit risk is primarily associated with trade receivables but could also arise on cash equivalents. Credit risks associated with cash and cash



equivalents is minimal as the Company deposits the majority of its cash with a large Canadian financial institution that has been accorded a strong investment grade rating by a primary rating agency.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities and is minimized through the management of its capital structure. The Company also closely monitors and reviews its costs to date and actual cash flows against the approved budget on a monthly basis to ensure funds are adequate to support the Company's operations on an ongoing basis. Accounts payable and accrued liabilities are due within the current operating period. The Company plans to use the majority of its cash and working capital to fund ongoing work programs to further advance its projects.

Currency risk

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

The official Argentina currency continued to devalue relative to the Canadian dollar during 2018. Due to various qualitative factors and developments with respect to the economic environment in Argentina during the nine months ended September 30, 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 exceeded 100% in May 2018 and the significant devaluation of the Argentine Peso, Argentina has been designated a hyper-inflationary economy as of July 1, 2018. While the Company has not used any hedging strategies to manage its exposure to currency fluctuations, management strives to minimize currency risks by maintaining most of its cash in a stable currency including the Canadian and US dollars. Based on the Company's net exposures at September 30, 2018, a 10% depreciation or appreciation in the Argentina pesos relative to the Canadian dollar would have resulted in an approximate \$0.3 million increase or decrease in the Company's net loss, respectively.



DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures

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

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

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

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

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



RISKS AND UNCERTAINTIES

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

QUALIFIED PERSON

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

FINANCIAL INFORMATION

The report for the year ended December 31, 2018 is expected to be published on or about February 20, 2019.

OFF BALANCE SHEET AGREEMENTS

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

CAUTIONARY NOTE REGARDING FORWARD LOOKING INFORMATION AND STATEMENTS

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

All statements other than statements of historical fact may be forward-looking statements. Forward-looking information is necessarily based on estimates and assumptions that are inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied



by such forward-looking information, including but not limited to: risks and uncertainties relating to, among other things, the inherent uncertainties regarding mineral resources and cost estimates, changes in commodity and metal prices, currency fluctuation, financing, unanticipated resource grades and recoveries, infrastructure, results of exploration activities, cost overruns, availability of materials and equipment, timeliness of government approvals, taxation, political risk and related economic risk and unanticipated environmental impact on operations as well as other risks and uncertainties more fully described under "Risks Factors", and elsewhere, in the Company's most recent Annual Information Form available under the Company's profile at www.sedar.com and the Company's website.

The Company believes that the expectations reflected in the forward-looking statements and information included in this MD&A are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements and information should not be unduly relied upon. This statement and information speaks as of the date of the MD&A. In particular, this MD&A contains forward-looking statements or information with respect to the timing of the PFS on the Josemaría deposit, work programs and studies, terms and conditions of a credit Facility; engagement with potential development partners or acquirers; the Company's expectations and estimates with respect to mineral resources and cost estimates and other assumptions used in the Constellation PEA and expectations from the Constellation PEA; the assumptions used in the updated mineral resources estimates for the Los Helados and Josemaría deposits; exploration and development expenditures; the timing and nature of any potential development scenarios; opportunities to improve project economics; potential regional synergies and cooperative development plans with other regional operators, exploration targets, estimations for copper and other commodity prices, mineral resources, costs, success of exploration activities; expectations with regard to the timing of the PFS on the Josemaría deposit, adding to mineral resources through exploration; permitting time lines; ability to obtain surface and water rights and property interests; currency exchange rate fluctuations; operations in a hyperinflationary economy; requirements for additional capital; government regulation of mining activities; environmental risks; unanticipated reclamation expenses; title disputes or claims; limitations on insurance coverage; and other risks and uncertainties.

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

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

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

| | <i>Note</i> | September 30, 2018 | December 31, 2017 |
|--|-------------|-----------------------|----------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | | \$ 3,947,440 | \$ 6,788,712 |
| Investments | | 447,169 | 511,058 |
| Receivables and other assets | | 431,878 | 407,503 |
| | | 4,826,487 | 7,707,273 |
| Share consideration receivable | | 512,545 | 453,079 |
| Equipment and other assets | <i>3,5</i> | 808,994 | 82,286 |
| Mineral properties | <i>3,6</i> | 13,334,835 | 10,056,146 |
| TOTAL ASSETS | | \$ 19,482,861 | \$ 18,298,784 |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Trade payables and accrued liabilities | | \$ 1,928,821 | \$ 1,684,651 |
| Advances | <i>7</i> | - | 6,500,000 |
| Debenture | <i>10</i> | - | 508,904 |
| Other liabilities | <i>6b</i> | 87,736 | - |
| | | 2,016,557 | 8,693,555 |
| Due to joint exploration partner | | 593,825 | 579,949 |
| Other liabilities | <i>6b</i> | 59,755 | - |
| TOTAL LIABILITIES | | 2,670,137 | 9,273,504 |
| EQUITY | | | |
| Share capital | <i>7</i> | 245,839,988 | 232,188,933 |
| Contributed surplus | <i>8</i> | 10,790,907 | 10,211,218 |
| Deficit | <i>4</i> | (233,291,457) | (224,437,823) |
| Accumulated other comprehensive loss | <i>4</i> | (6,526,714) | (8,937,048) |
| TOTAL EQUITY | | 16,812,724 | 9,025,280 |
| TOTAL LIABILITIES AND EQUITY | | \$ 19,482,861 | \$ 18,298,784 |

Subsequent Event (Note 13)

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

ON BEHALF OF THE BOARD:

/s/William A. Rand
Director

/s/Wojtek A. Wodzicki
Director

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

| | <i>Note</i> | Three months ended September 30, | | Nine months ended September 30, | |
|--|-------------|-------------------------------------|---------------------|------------------------------------|---------------------|
| | | 2018 | 2017 | 2018 | 2017 |
| Expenses | | | | | |
| Exploration and project investigation | 9 | 1,433,223 | 868,123 | 6,246,983 | 3,669,312 |
| General and Administration: | | | | | |
| Salaries and benefits | 11 | 242,902 | 204,092 | 1,012,488 | 1,269,321 |
| Share-based compensation | 8 | 125,012 | 59,550 | 716,366 | 397,036 |
| Management fees | | 62,100 | 47,700 | 186,300 | 143,100 |
| Professional fees | | 40,210 | 56,487 | 154,806 | 221,120 |
| Travel | | 14,091 | 325 | 52,509 | 20,959 |
| Promotion and public relations | | 59,813 | 33,594 | 260,789 | 101,206 |
| Office and general | | 42,512 | 22,445 | 254,747 | 248,416 |
| Operating loss | | 2,019,863 | 1,292,316 | 8,884,988 | 6,070,470 |
| Other items | | | | | |
| Interest income | | (9,472) | (12,574) | (43,673) | (46,540) |
| Other income | 6b | (7,019) | - | (49,164) | - |
| Foreign exchange loss | | 18,360 | 183,538 | 27,138 | 210,017 |
| Fair value (gain)/loss on equity investments | 4 | (146,121) | - | 63,889 | 226,142 |
| Accretion of share consideration receivable | | (19,822) | (16,870) | (59,466) | (50,610) |
| Gain on net monetary position | 3 | (32,840) | - | (32,840) | - |
| Net Loss | | 1,822,949 | 1,446,410 | 8,790,872 | 6,409,479 |
| Other Comprehensive (Income)/Loss | | | | | |
| Items that may be reclassified subsequently to net loss: | | | | | |
| Change in fair value of available-for-sale securities | 4 | - | (61,211) | - | 164,931 |
| Recognition of unrealized loss on investments to P&L | 4 | - | - | - | (226,142) |
| Foreign currency translation | | 109,374 | 179,928 | 2,247,104 | 368,447 |
| Opening translation adjustment | 3 | (4,594,676) | - | (4,594,676) | - |
| Comprehensive (Income)/Loss | | (2,662,353) | \$ 1,565,127 | 6,443,300 | \$ 6,716,715 |
| Basic and diluted loss per common share | | | | | |
| | | \$ 0.01 | \$ 0.01 | \$ 0.04 | \$ 0.03 |
| Weighted average common shares outstanding | | | | | |
| | | 227,631,153 | 213,495,267 | 226,856,276 | 213,484,733 |

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

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

| | <i>Note</i> | For the Nine Months Ended September 30, | |
|--|-------------|--|---------------------|
| | | 2018 | 2017 |
| Cash flows used in operating activities | | | |
| Net loss for the period | | \$ (8,790,872) | \$ (6,409,479) |
| Items not involving cash and cash equivalents: | | | |
| Gain on net monetary position | <i>3</i> | (32,840) | - |
| Depreciation | | 18,517 | 18,918 |
| Share-based compensation | | 965,944 | 526,576 |
| Fair value loss on equity investments | <i>4</i> | 63,889 | 226,142 |
| Other items | | (42,588) | - |
| Unrealized foreign exchange loss | | 14,346 | 211,534 |
| Accretion of share consideration receivable | | (59,466) | (50,610) |
| Net changes in working capital items: | | | |
| Receivables and other | | (144,770) | 64,060 |
| Trade payables and other liabilities | | 56,926 | 53,461 |
| | | (7,950,914) | (5,359,398) |
| Cash flows from financing activities | | | |
| Repayment of debenture | <i>10</i> | (503,520) | - |
| Proceeds from exercise of share options | | 1,173,500 | 25,550 |
| Issuance of shares for cash in private placement | <i>7</i> | 5,584,724 | - |
| | | 6,254,704 | 25,550 |
| Cash flows used in investing activities | | | |
| Mineral properties and related expenditures | | (686,864) | (530,140) |
| Purchase of equipment and other assets | | (204,142) | - |
| | | (891,006) | (530,140) |
| Effect of exchange rate change on cash and cash equivalents | | (254,056) | (273,360) |
| Decrease in cash and cash equivalents during the period | | (2,841,272) | (6,137,348) |
| Cash and cash equivalents, beginning of period | | 6,788,712 | 11,185,093 |
| Cash and cash equivalents, end of period | | \$ 3,947,440 | \$ 5,047,745 |

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

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

| | Number of shares issued and outstanding | Share capital | Contributed surplus | Accumulated other comprehensive loss | Accumulated Deficit | Total |
|---|---|----------------|------------------------|--|---------------------|---------------|
| 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 | - | - | 526,576 | - | - | 526,576 |
| Exercise of options | 35,000 | 34,346 | (8,796) | - | - | 25,550 |
| Fair value loss on equity investments | - | - | - | (164,931) | - | (164,931) |
| Recognition of unrealized loss on investments to P&L | - | - | - | 226,142 | - | 226,142 |
| Foreign currency translation adjustment | - | - | - | (368,447) | - | (368,447) |
| Net loss for the period | - | - | - | - | (6,409,479) | (6,409,479) |
| Balance, September 30, 2017 | 213,508,963 | \$ 231,947,106 | \$ 10,191,060 | \$ (8,617,428) | \$ (222,935,610) | \$ 10,585,128 |
| 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 |
| Private placement, net (Note 7) | 12,500,000 | 12,084,724 | - | - | - | 12,084,724 |
| Debenture financing consideration (Note 10) | 6,323 | 6,576 | - | - | - | 6,576 |
| Exercise of options | 1,350,000 | 1,559,755 | (386,255) | - | - | 1,173,500 |
| Share-based compensation | - | - | 965,944 | - | - | 965,944 |
| Foreign currency translation adjustment | - | - | - | (2,247,104) | - | (2,247,104) |
| Foreign currency translation from inflation adjustment (Note 3) | - | - | - | 4,594,676 | - | 4,594,676 |
| Net loss for the period | - | - | - | - | (8,790,872) | (8,790,872) |
| Balance, September 30, 2018 | 227,631,153 | \$ 245,839,988 | \$ 10,790,907 | \$ (6,526,714) | \$ (233,291,457) | \$ 16,812,724 |

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

1. NATURE OF OPERATIONS

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

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

2. BASIS OF PRESENTATION

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

The condensed interim financial statements should be read in conjunction with the audited consolidated financial statements for the fiscal year ended December 31, 2017. The accounting policies applied in the preparation of these unaudited condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company’s audited consolidated financial statements for the year ended December 31, 2017 except as noted in Note 3 which describes the application of hyperinflation accounting under IAS 29 effective July 1, 2018 and Note 4 which describes the adoption of IFRS 9 effective January 1, 2018.

The condensed interim consolidated financial statements were approved by the Board of Directors of the Company on November 6, 2018.

3. NEW ACCOUNTING POLICY – ACCOUNTING FOR HYPERINFLATION

Due to various qualitative factors and developments with respect to the economic environment in Argentina during the nine months ended September 30, 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 has been 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 condensed interim 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 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

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

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 have not been restated. Opening equity reported in Canadian dollars is affected by the cumulative effect of restating non-monetary items from the date they were first recognized and the effect of translating those balances at the closing exchange rate (the "Opening Translation Adjustment"). On initial application of IAS 29, there is an accounting policy choice to recognize this amount directly to opening equity or to other comprehensive income as a translation adjustment. The Company elected to recognize the Opening Translation Adjustment of \$4.6 million to other comprehensive income as a translation adjustment.

As a result of the change in the IPC from July 1, 2018 to September 30, 2018, the Company recognized a net monetary gain within the Argentine Subsidiaries of \$33,000 for the three months ended September 30, 2018, to adjust transactions for the period into a measuring unit current as of September 30, 2018.

The level of the IPC at September 30, 2018 was 165.2, which represents an increase of 14% over the IPC at July 1, 2018, and an approximate 6% increase over the average level of the IPC during the three months ended September 30, 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.

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

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

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

a) Classification and measurement:

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

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

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

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

b) De-recognition:

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

c) Impairment:

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

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

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

5. EQUIPMENT AND OTHER ASSETS

| | 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 | 797,000 | - | - | 797,000 |
| Hyperinflation adjustment (Note 3) | (49,420) | - | - | (49,420) |
| Depreciation | (4,792) | (13,725) | - | (18,517) |
| Currency translation effect | (2,355) | - | - | (2,355) |
| September 30, 2018 | \$ 747,619 | \$ 53,375 | \$ 8,000 | \$ 808,994 |

6. MINERAL PROPERTIES

| | Joint Exploration Agreement (Chile) | Wholly owned projects (Argentina) | | | Total |
|---|-------------------------------------|-----------------------------------|----------------------|----------------------|---------------|
| | Project Constellation | Other projects | | | |
| | | Los Helados | Josemaria (Note a,b) | Nacimientos (Note b) | |
| January 1, 2017 | \$ 3,452,060 | \$ 2,869,855 | \$ - | \$ - | \$ 6,321,915 |
| Acquisition of Josemaria interest from JOGMEC | - | 3,872,409 | - | - | 3,872,409 |
| Additions | 393,353 | - | 256,898 | 100,251 | 750,502 |
| Currency translation effect | 63,721 | (906,957) | (39,524) | (5,920) | (888,680) |
| December 31, 2017 | \$ 3,909,134 | \$ 5,835,307 | \$ 217,374 | \$ 94,331 | \$ 10,056,146 |
| Additions | 312,366 | 370,802 | 357,696 | - | 1,040,864 |
| Hyperinflation adjustment (Note 3) | - | 4,681,423 | (56,377) | 424 | 4,625,470 |
| Currency translation effect | (187,514) | (2,018,216) | (142,445) | (39,470) | (2,387,645) |
| September 30, 2018 | \$ 4,033,986 | \$ 8,869,316 | \$ 376,248 | \$ 55,285 | \$ 13,334,835 |

a) The Josemaria Project

On November 13, 2017, the Company acquired the 40% interest in the Josemaria project held by its joint exploration partner Japan Oil, Gas and Metals National Corporation ("JOGMEC") for total cash

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

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

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

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

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

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

| | Other liabilities |
|------------------------------------|-------------------|
| Balance, January 1, 2018 | \$ - |
| Addition | 354,000 |
| Hyperinflation adjustment (Note 3) | (70,610) |
| Currency translation effect | (86,735) |
| Recognition to income | (49,164) |
| Balance, September 30, 2018 | \$ 147,491 |
| Current | \$ 87,736 |
| Long-term | 59,755 |
| Balance, September 30, 2018 | \$ 147,491 |

7. SHARE CAPITAL

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

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

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

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

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

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

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

| | Three months ended September 30, | | Nine months ended September 30, | |
|---------------------------------------|-------------------------------------|-----------|------------------------------------|------------|
| | 2018 | 2017 | 2018 | 2017 |
| General and administration | \$ 125,012 | \$ 59,550 | \$ 716,366 | \$ 397,036 |
| Exploration and project investigation | 43,756 | 19,430 | 249,578 | 129,540 |
| | \$ 168,768 | \$ 78,980 | \$ 965,944 | \$ 526,576 |

NGEx Resources Inc.
Notes to Unaudited Condensed Interim Consolidated Financial Statements
September 30, 2018
(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:

| | September 30, 2018 | | September 30, 2017 | |
|--------------------------------|--|---|--|---|
| | Number of share issuable pursuant to share options | Weighted average exercise price per share | Number of share issuable pursuant to share options | Weighted average exercise price per share |
| Balance at beginning of period | 5,970,000 | \$ 0.97 | 6,375,000 | \$ 1.08 |
| Granted | 2,120,000 | 1.24 | 2,010,000 | 1.37 |
| Exercised (*) | (1,350,000) | 0.87 | (35,000) | 0.76 |
| Expired | (795,000) | 0.89 | (1,930,000) | 2.05 |
| Balance at end of period | 5,945,000 | \$ 1.10 | 6,420,000 | \$ 0.96 |

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

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

| Range of exercise prices | Outstanding Options | | | Exercisable Options | | |
|-----------------------------|-------------------------------------|---|--|-------------------------------------|---|--|
| | Number of options outstanding | Weighted average remaining contractual life (years) | Weighted average exercise price | Number of options exercisable | Weighted average remaining contractual life (years) | Weighted average exercise price |
| \$0.50 - \$0.70 | 1,565,000 | 0.41 | \$ 0.61 | 1,565,000 | 0.41 | \$ 0.61 |
| \$0.71 - \$0.84 | 250,000 | 0.15 | \$ 0.79 | 250,000 | 0.15 | \$ 0.79 |
| \$0.85 - \$1.50 | 4,130,000 | 1.92 | \$ 1.30 | 2,046,687 | 1.75 | \$ 1.33 |
| | 5,945,000 | 1.45 | \$ 1.10 | 3,861,687 | 1.10 | \$ 1.00 |

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9. EXPLORATION AND PROJECT INVESTIGATION

The Company expensed the following exploration and project investigation costs:

| | Three months ended September 30, | | Nine months ended September 30, | |
|-------------------------------------|-------------------------------------|-------------------|------------------------------------|---------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Los Helados (Project Constellation) | \$ 158,178 | \$ 353,633 | \$ 1,262,280 | \$ 2,017,559 |
| Josemaria (Project Constellation) | 946,912 | 91,793 | 1,730,659 | 649,012 |
| Nacimientos | 75,728 | 109,977 | 2,365,858 | 233,778 |
| Acay | 91,651 | 33,704 | 323,550 | 33,704 |
| Other Projects | 160,754 | 279,016 | 564,636 | 735,259 |
| Expenditures | \$ 1,433,223 | \$ 868,123 | \$ 6,246,983 | \$ 3,669,312 |

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|-------------------------------------|-------------------|------------------------------------|---------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Land holding costs | \$ 15,005 | \$ 44,121 | \$ 828,876 | \$ 1,069,235 |
| Drilling, fuel, camp costs and field supplies | 54,118 | 79,118 | 1,061,464 | 315,340 |
| Roadwork, travel and transport | 93,536 | 57,831 | 540,061 | 165,308 |
| Engineering studies, consultants, geochemistry and geophysics | 477,629 | 13,488 | 1,083,270 | 100,934 |
| Environmental and community relations | 323,526 | 134,579 | 869,506 | 379,337 |
| VAT, other taxes and fees | 200,834 | 101,371 | 643,939 | 485,681 |
| Office, field and admin salaries, overhead and other costs | 196,377 | 418,185 | 941,847 | 1,023,937 |
| Share-based compensation | 43,756 | 19,430 | 249,578 | 129,540 |
| Inflation adjustment (Note 3) | 28,442 | - | 28,442 | - |
| Expenditures | \$ 1,433,223 | \$ 868,123 | \$ 6,246,983 | \$ 3,669,312 |

10. 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. Of the total shares issued on January 4, 2018, 5,600 common shares were issued as consideration for the outstanding amount drawn on the 2017 Facility as at December 31, 2017. The 2017 Facility matured on August 9, 2018. Subsequent to September 30, 2017, the Company secured another credit facility with Zebra (the "2018 Facility") which is further described on Note 13.

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11. RELATED PARTY TRANSACTIONS

a) Related party services and balances

NGEx has a cost sharing arrangement with Filo Mining, a related party by way of providing key management personnel services to the Company. Under the terms of this arrangement, Filo Mining provided executive management and personnel services to NGEx, while NGEx provided financial management and administrative services to Filo Mining. These transactions were in the normal course of operations.

| | Three months ended September 30, | | Nine months ended September 30, | |
|--|-------------------------------------|-----------|------------------------------------|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| Income from financial management and administrative services provided to Filo Mining | \$ 87,156 | \$ 19,648 | \$ 446,417 | \$ 40,261 |
| Costs of executive management and personnel services received from Filo Mining | (149,161) | (354,872) | (482,286) | (1,074,834) |

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:

| | September 30, 2018 | December 31, 2017 |
|--|-----------------------|----------------------|
| Receivables and other assets | \$ 181,403 | \$ 93,617 |
| Trade payables and accrued liabilities | (132,366) | (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 6b.

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 previously described in Note 11a, and the composition thereof, is as follows:

| | Nine months ended September 30, | |
|-----------------------------|---------------------------------|--------------|
| | 2018 | 2017 |
| Salaries and other payments | \$ 762,500 | \$ 954,525 |
| Employee benefits | 24,345 | 23,123 |
| Director fees | 120,750 | 120,750 |
| Share-based compensation | 613,365 | 327,610 |
| | \$ 1,520,960 | \$ 1,426,008 |

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

12. SEGMENTED INFORMATION

The Company is principally engaged in the acquisition, exploration and development of mineral properties in South America. The segments presented in Note 6 and Note 9 reflect the way in which management reviews its business performance. Materially all of the Company's non-current assets and exploration and project investigation costs are located and incurred within South America, whereas materially all of the Company's cash and general and administrative costs are held and incurred by the Canadian parent. Following is a summary of net losses and non-current assets by segment:

| As at September 30, 2018: | Los Helados and Josemaria | Other projects | Corporate | Total |
|----------------------------|--------------------------------------|-----------------------|------------------|---------------|
| Equipment and other assets | \$ 747,619 | \$ - | \$ 61,375 | \$ 808,994 |
| Mineral properties | 12,903,302 | 431,533 | - | 13,334,835 |
| Non-current assets | \$ 13,650,921 | \$ 431,533 | \$ 61,375 | \$ 14,143,829 |

For the nine months ended September 30,
2018:

| | | | | |
|----------------------|--------------|--------------|--------------|--------------|
| Exploration Expenses | \$ 2,992,939 | \$ 3,254,044 | \$ - | \$ 6,246,983 |
| G&A and other items | - | - | 2,543,889 | 2,543,889 |
| Net loss | \$ 2,992,939 | \$ 3,254,044 | \$ 2,543,889 | \$ 8,790,872 |

As at December 31, 2017:

| | Los Helados and Josemaria | Other projects | Corporate | Total |
|----------------------------|--------------------------------------|-----------------------|------------------|---------------|
| Equipment and other assets | \$ 7,186 | \$ - | \$ 75,100 | \$ 82,286 |
| Mineral properties | 9,744,441 | 311,705 | - | 10,056,146 |
| Non-current assets | \$ 9,751,627 | \$ 311,705 | \$ 75,100 | \$ 10,138,432 |

For the nine months ended September 30,
2017:

| | | | | |
|----------------------|--------------|--------------|--------------|--------------|
| Exploration Expenses | \$ 2,666,571 | \$ 1,002,741 | \$ - | \$ 3,669,312 |
| G&A and other items | - | - | 2,740,167 | 2,740,167 |
| Net loss | \$ 2,666,571 | \$ 1,002,741 | \$ 2,740,167 | \$ 6,409,479 |

13. SUBSEQUENT EVENT

On October 5, 2018, the Company secured a US\$5,000,000 credit facility with Zebra as evidenced by a debenture to provide additional financial flexibility to fund general corporate purposes. A total of 28,000 common shares, which have a fair value of approximately \$28,000, were issued to the lender as consideration for providing the credit facility to the Company. 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 September 30, 2018. All securities issued in conjunction with the Facility are subject to a four-month hold period under applicable securities law.



Corporate Directory

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Vancouver, British Columbia
Canada

Registrar and Transfer Agent Computershare Trust Company of Canada

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

Officers

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

Directors

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

Solicitors - Cassels Brock

Vancouver, British Columbia
Canada

Share Listing

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