

**NEW ENERGY METALS CORP.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020 and 2019**  
(Expressed in Canadian Dollars)

## INDEPENDENT AUDITORS' REPORT

### TO THE SHAREHOLDERS OF NEW ENERGY METALS CORP.

#### *Opinion*

We have audited the consolidated financial statements of New Energy Metals Corp. (the "Company"), which comprise:

- ♦ the consolidated statements of financial position as at June 30, 2020 and 2019;
- ♦ the consolidated statements of loss and comprehensive loss for the years then ended;
- ♦ the consolidated statements of changes in shareholders' equity (deficiency) for the years then ended;
- ♦ the consolidated statements of cash flows for the years then ended; and
- ♦ the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

#### *Basis for Opinion*

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

#### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of \$2,356,222 during the year ended June 30, 2020 and had a working capital deficiency of \$721,679 as at that date. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### *Other Information*

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. 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.

## *Auditors' 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 auditors' 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 auditors' 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 auditors' 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 auditors' report is Kevin Yokichi Nishi.

*Smythe LLP*

Chartered Professional Accountants

Vancouver, British Columbia

October 28, 2020

**NEW ENERGY METALS CORP.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian Dollars)

	<b>June 30, 2020</b>	June 30, 2019
<b>ASSETS</b>		
<b>Current</b>		
Cash (Note 4)	\$ 101,392	\$ 358,236
Receivables (Note 5)	2,873	14,723
Prepaid expenses	24,680	6,125
Marketable securities (Note 6)	4,000	-
	<b>132,945</b>	379,084
<b>Exploration and evaluation assets (Note 7)</b>	<b>-</b>	<b>1,237,656</b>
	<b>\$ 132,945</b>	<b>\$ 1,616,740</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Notes 8 and 10)	\$ 743,453	\$ 149,947
Loans payable (Note 9)	111,171	-
	<b>854,624</b>	149,947
<b>Shareholders' equity (deficiency)</b>		
Share capital (Note 11)	7,168,880	7,001,130
Reserves (Note 11)	1,507,429	1,507,429
Deficit	(9,397,988)	(7,041,766)
	<b>(721,679)</b>	1,466,793
	<b>\$ 132,945</b>	<b>\$ 1,616,740</b>

**Nature of operations and going concern (Note 1)**

**On behalf of the Board:**

\_\_\_\_\_  
*"Stuart Ross"* Director      \_\_\_\_\_  
*"Christopher Little"* Director

**NEW ENERGY METALS CORP.**  
**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
**FOR THE YEAR ENDED JUNE 30,**  
(Expressed in Canadian Dollars)

	2020	2019
<b>EXPENSES</b>		
Consulting fees (Note 10)	\$ 109,000	\$ 311,487
Foreign exchange loss	573	63,894
Impairment loss on exploration and evaluation assets (Note 7)	1,644,408	2,815,631
Impairment loss on value-added tax receivable	-	16,044
Interest on loan payable (Note 9)	4,287	-
Investor relations	4,200	252,343
Loss on sale of exploration and evaluation assets (Note 7)	254,321	-
Management fees (Note 10)	180,000	194,829
Office	20,983	47,927
Professional fees	73,342	242,845
Property investigation	26,106	96,201
Regulatory fees	3,043	67,356
Share-based compensation (Note 11)	-	323,400
Travel	21,459	52,395
Unrealized loss on marketable securities (Note 6)	14,500	-
<b>Loss and comprehensive loss for the year</b>	<b>\$ (2,356,222)</b>	<b>\$ (4,484,352)</b>
<b>Loss per common share</b>		
-Basic and diluted	\$ (0.11)	\$ (0.66)
<b>Weighted average number of common shares outstanding</b>		
-Basic and diluted	21,469,705	6,744,968

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

**NEW ENERGY METALS CORP.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30,**  
(Expressed in Canadian Dollars)

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the year	\$ (2,356,222)	\$ (4,484,352)
Items not effecting cash:		
Impairment of exploration and evaluation assets	1,644,408	2,815,631
Impairment of VAT receivable	-	16,044
Unrealized loss on marketable securities	14,500	-
Loss on sale of exploration and evaluation assets	254,321	-
Interest on loan payable	4,287	-
Share-based compensation	-	323,400
Changes in non-cash working capital items:		
Decrease/(Increase) in receivables	11,850	(26,804)
(Increase)/Decrease in prepaid expenses	(18,555)	181,908
Increase in accounts payable and accrued liabilities	304,008	28,641
Net cash used in operating activities	<u>(141,403)</u>	<u>(1,145,532)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Expenditures on exploration and evaluation assets	<u>(332,325)</u>	<u>(1,540,166)</u>
Net cash used in investing activities	<u>(332,325)</u>	<u>(1,540,166)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from private placement	-	1,879,352
Share issuance costs	-	(75,151)
Proceeds from the exercise of warrants	110,000	-
Loans received	106,884	-
Net cash provided by financing activities	<u>216,884</u>	<u>1,804,201</u>
Change in cash during the year	<u>(256,844)</u>	<u>(881,497)</u>
Cash, beginning of year	<u>358,236</u>	<u>1,239,733</u>
Cash, end of year	<u>\$ 101,392</u>	<u>\$ 358,236</u>
<b>Supplemental disclosure with respect to cash flows</b>		
Accrued exploration and evaluation assets costs in accounts payable	\$ 335,222	\$ -
Shares issued for exploration and evaluation assets	\$ 57,750	\$ -
Fair value of broker's warrants	\$ -	\$ 76,300
Shares received on sale of exploration and evaluation asset	\$ 18,500	-

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

**NEW ENERGY METALS CORP.****CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)**

(Expressed in Canadian Dollars)

	Share Capital		Reserves	Deficit	Total
	Number of shares	Amount			
Balance, June 30, 2018	5,133,251	\$ 5,273,229	\$ 1,107,729	\$ (2,557,414)	\$ 3,823,544
Shares issued for cash:					
Private placement	15,661,266	1,879,352	-	-	1,879,352
Share issue costs	-	(75,151)	-	-	(75,151)
Agent warrants	-	(76,300)	76,300	-	-
Share-based compensation	-	-	323,400	-	323,400
Loss for the year	-	-	-	(4,484,352)	(4,484,352)
Balance, June 30, 2019	20,794,517	7,001,130	1,507,429	(7,041,766)	1,466,793
Shares issued for cash:					
Warrants	550,000	110,000	-	-	110,000
Shares issued for non-cash:					
Property acquisition	206,250	57,750	-	-	57,750
Loss for the year	-	-	-	(2,356,222)	(2,356,222)
<b>Balance, June 30, 2020</b>	<b>21,550,767</b>	<b>\$ 7,168,880</b>	<b>\$ 1,507,429</b>	<b>\$ (9,397,988)</b>	<b>\$ (721,679)</b>

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

**1. NATURE OF OPERATIONS AND GOING CONCERN**

New Energy Metals Corp. (the “Company”) was incorporated on March 13, 2017 under the laws of British Columbia. The Company’s head office address is Suite 2300 – 1177 West Hastings Street, Vancouver, BC, V6E 2K3. Effective January 25, 2018 the Company closed its initial public offering and its shares are listed on the TSX Venture exchange (“TSX-V”) under the symbol ENRG. To date, the Company has not earned operating revenue.

Effective April 5, 2019, the Company consolidated its common shares on an 8:1 basis. These financial statements have been retrospectively adjusted for this consolidation.

The Company is in the process of acquiring exploration and evaluation assets and has not yet determined whether the properties contain reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

As at June 30, 2020, the Company has a working capital deficiency of \$721,679 (2019 - working capital of \$229,137), an accumulated deficit of \$9,397,988 (2019 - \$7,041,766) and for the year then ended incurred a net loss of \$2,356,222 (2019 - \$4,484,352). The Company expects to incur further losses in the development of its business. These material uncertainties may cast significant doubt on the Company’s ability to continue as a going concern. The Company’s ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and liabilities that might be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

**2. BASIS OF PRESENTATION, STATEMENT OF COMPLIANCE AND CONSOLIDATION**

**Basis of presentation**

These consolidated financial statements, including comparatives have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value. The consolidated financial statements are presented in Canadian dollars which is the functional currency of the Company and its subsidiaries. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The policies applied in the consolidated financial statements are presented below and are based on IFRS issued and outstanding as of October 28, 2020, the date the Board of Directors approved the consolidated financial statements.

**2. BASIS OF PRESENTATION, STATEMENT OF COMPLIANCE AND CONSOLIDATION**  
(cont'd...)

**Basis of consolidation**

These consolidated financial statements of the Company include the transactions and balances of its subsidiary, New Energy Metals SpA., which is a 100% owned subsidiary in Chile. The Company consolidates its subsidiary on the basis that it controls the subsidiary through its ability to govern its financial and operating policies.

All intercompany transactions and balances are eliminated on consolidation.

**New accounting standards adopted**

The following is a new standard that the Company adopted and its impact on the Company's financial position and results of operations:

*IFRS 16 Leases*

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost and is then depreciated similarly to property and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income (loss).
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

The new standard supersedes the requirements in IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

Adoption of this standard on July 1, 2019 did not have a material impact on the Company's financial statement presentation.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of the Company's significant accounting policies:

(a) Cash and cash equivalents

Cash and cash equivalents is comprised of bank deposits and highly-liquid investments, which are readily convertible into known amounts of cash and which mature within 90 days from the original dates of acquisition.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

(b) Exploration and evaluation assets ("E&E")

Once the legal right to explore a property has been obtained, costs directly related to E&E expenditures are recognized and capitalized, in addition to the acquisition costs, net of recoveries, on a property-by-property basis. These direct expenditures include such costs as materials used, surveying costs, drilling costs and payments made to contractors during the exploration phase. Costs not directly attributable to E&E activities, including general administrative overhead costs, are expensed in the period in which they occur.

From time to time the Company may acquire or dispose of a mineral property pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments and government assistance are recorded as property costs or recoveries when the payments are made or received.

If economically recoverable ore reserves are developed, capitalized costs of the related property will be reclassified as mining assets and will be amortized using the unit-of-production method. When a property is deemed to no longer have commercially viable prospects to the Company, E&E expenditures in respect of the project are deemed to be impaired. As a result those E&E costs, in excess of estimated recoveries, are written off to profit or loss.

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Although the Company has taken steps to verify title to the properties in which it has an interest in accordance with industry standards for properties in the exploration stage, these procedures do not guarantee that title to the properties will not be challenged or impugned. Property title may be affected by undetected defects, be subject to unregistered prior agreements, transfers or land claims, or be non-compliant with regulatory requirements.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

(c) Provisions for environmental rehabilitation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of mineral properties and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to mining assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

(d) Equity units

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated to common shares and warrants on a residual value basis. The value allocated to the common shares is based on the market price of the shares and the residual, if any, is allocated to the warrants. Consideration received for the exercise of warrants is recorded in share capital and the related amount recognized in warrant reserve is transferred to share capital.

(e) Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using a Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

All equity-settled share-based payments are reflected in reserves, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid. For those unexercised options and share purchase warrants that expired, the recorded value remains in reserves.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

(f) Financial instruments

Financial assets

Initial recognition and measurement

A financial asset is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. On initial recognition, a financial asset is classified as measured at amortized cost, fair value through profit or loss or fair value through other comprehensive income. A financial asset is measured at amortized cost if it meets the conditions that i) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and iii) is not designated as fair value through profit or loss.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

*Financial assets at fair value through profit or loss*

Financial assets measured at fair value through profit or loss are carried in the consolidated statements of financial position at fair value with changes in fair value therein, recognized in profit or loss.

The Company classifies cash and its marketable securities as fair value through profit or loss.

*Financial assets measured at amortized cost*

A financial asset is subsequently measured at amortized cost, using the effective interest method.

There are no financial assets classified as measured at amortized cost.

*Financial assets measured at fair value through other comprehensive income ("FVTOCI")*

A financial asset measured at fair value through other comprehensive income is carried in the consolidated statement of financial position at fair value with changes in fair value included as "financial asset at fair value through other comprehensive income" in other comprehensive income.

There are no financial assets classified as measured at FVTOCI.

Derecognition

A financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets is derecognized when:

- the contractual rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset; or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

Financial liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities subsequently measured at amortized cost. All interest-related charges are reported in profit or loss within interest expense, if applicable.

The Company's financial liabilities included accounts payable and accrued liabilities and loans payable and are classified as financial liabilities measured at amortized cost.

Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs for assets or liabilities that are not based on observable market data.

The Company's financial instruments classified as Level 1 in the fair value hierarchy are cash, marketable securities, accounts payable and accrued liabilities, and loans payable. Their carrying values approximate the fair values due to short-term maturity of these instruments.

(g) Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in net loss, except to the extent that if the income tax expense related to items recognized directly in equity, the income tax expense would also be recognized in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the statement of financial position liability method. Under this method, deferred tax assets and liabilities and the related deferred income tax expense or recovery are recognized for deferred tax consequences attributable to differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different entities, but they intend to settle current liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

(h) Income (loss) per share

Income (loss) per share is calculated using the weighted average number of common shares outstanding during the year. The dilutive effect on income (loss) per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to re-purchase common shares at the average market price during the period. However, the calculation of diluted income (loss) per share excludes the effects of conversions or exercise of options and warrants if they would be anti-dilutive. Shares subject to escrow restrictions are excluded from the weighted average number of common shares unless their release is subject only to the passage of time.

(i) Use of estimates and judgment

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Critical judgments and estimates exercised in the application of accounting policies and estimates having the most significant effects on the amounts recognized in these consolidated financial statements include:

*Critical accounting judgments*

Going concern

The assumption that the Company will be able to continue as a going concern is subject to critical judgments of management with respect to assumptions surrounding the short- and long-term operating budget, expected profitability, investing and financing activities and management's strategic planning. Should those judgments prove to be inaccurate, management's continued use of the going concern assumption could be inappropriate.

Exploration and evaluation assets

Management is required to make judgments on the status of each mineral property and the future plans with respect to finding commercial reserves. Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Estimates and assumptions made in the realization of the Company's investment in mineral property interests may change if new information becomes available. New information may become available during the use of these assets that causes the Company to adjust its estimates.

**NEW ENERGY METALS CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020**  
(Expressed in Canadian Dollars)

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

Exploration and evaluation assets (cont'd...)

Cash-generating units (“CGUs”) are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company’s mineral properties.

*Critical accounting estimates*

Share – based compensation

Valuation of share-based payments, agent compensation and finders’ warrants – The Company uses the Black-Scholes Pricing Model for valuation of share-based payments, agent compensation and finders’ warrants, which requires the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company’s results and equity reserves.

**4. CASH**

The Company’s cash consists of the following:

	<b>June 30, 2020</b>	June 30, 2019
Cash held with banks	\$ 19,124	\$ 172,042
Cash held with banks in foreign currencies	1,582	109,733
Cash held in trust in foreign currencies	<b>80,686</b>	76,461
<b>Total</b>	<b>\$ 101,392</b>	<b>\$ 358,236</b>

**5. RECEIVABLES**

	<b>June 30, 2020</b>	June 30, 2019
GST/VAT receivable	\$ 2,873	\$ 14,723

**6. MARKETABLE SECURITIES**

	<b>June 30, 2020</b>			
	<b>Number</b>	<b>Cost</b>	<b>Accumulated Unrealized loss</b>	<b>Carrying Value</b>
<b>Common shares</b>				
Wealth Minerals Ltd. (i)	50,000	\$ 18,500	\$ (14,500)	\$ 4,000

<sup>(i)</sup> During the year ended June 30, 2020, the Company received 50,000 common shares of Wealth Minerals Ltd. valued at \$18,500 in relation to the sale of Cristal Property (Note 7).

**7. EXPLORATION AND EVALUATION ASSETS**

**Title to Mineral Property Interests**

Title to mineral property interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral claims. Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfer and may be affected by undetected defects.

**Exploradora North Project, Chile**

During the year ended June 30, 2019, the Company entered into a definitive option agreement to acquire an initial 70% royalty-free interest in and to certain exploration and exploitation mineral concessions in Regions of Northern Chile by paying:

Date	Amount	Shares
On signing of the agreement	US\$ 500,000 (paid)	500,000
6 months from effective date	-	750,000
12 months from effective date (10% interest earned) <sup>(1)</sup>	1,000,000	1,000,000
18 months from effective date	1,000,000	1,250,000
24 months from effective date (15% interest earned) <sup>(1)</sup>	1,500,000	1,500,000
30 months from effective date (15% interest earned) <sup>(1)</sup>	2,000,000	2,500,000
36 months from effective date	2,500,000	4,000,000
<b>Total</b>	<b>US\$ 8,500,000</b>	<b>11,500,000</b>

(1) The earn-in of the 10%, 25% and 40% interests have no exploration expenditure requirements, which are only applicable to the 70% interest earn-in that requires that US\$15,000,000 million have been spent on the project within 48 months of the Effective Date.

In addition, for the Company to earn-in the remaining 30% interest, the Company is required to incur exploration expenditures of US\$15,000,000 on the Exploradora North Project.

With the exception of the initial cash payment of US\$500,000, all of the foregoing exploration expenditures, payments and share issuances are optional and the Company will not be obligated to make any such expenditures, payments or share issuances. The Company will be responsible for maintaining the concessions in good standing and paying all fees and assessments during the option period.

Upon completing the earn-in of 70% interest in the project, the Company and the optionors of the concessions will be deemed to have formed a joint venture for the continued exploration and development of Exploradora North. The optionors will also grant the Company first right of refusal to acquire the remaining 30% interest to the concessions from the optionors.

During the year ended June 30, 2020, the Company forfeited the option and as such, the Company has determined that the carrying value of its interest in the Exploradora North Project was impaired. As a result, the Company wrote off cumulative costs incurred to date on the Exploradora North Project of \$1,503,960 as an impairment loss, determined in accordance with Level 3 of the fair value hierarchy.

**7. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

**Cristal Copper Property, Chile**

On March 1, 2018 and amended on August 20, 2018, the Company entered into an assignment and assumption agreement whereby the Company agreed to assume an option agreement to acquire a 100% interest in the Cristal Copper project by paying:

Date	Amount (US\$)
February 4, 2018 (paid)	30,000
August 2, 2018 (paid)	20,000
February 4, 2019 (paid)	50,000
August 4, 2019	200,000
August 4, 2020	500,000
August 4, 2021	700,000
August 4, 2022	3,000,000
<b>Total</b>	<b>4,500,000</b>

The vendor retains a 3% net smelter royalty (“NSR”), which the Company can buy back 2% by paying US\$2,000,000 for each percentage point of the NSR. In addition, there is an additional 1% NSR with the original vendor which the Company can buy back by paying US\$1,000,000.

On March 27, 2019, the Company entered into an assignment and assumption agreement with Wealth Copper Ltd. (“WCL”), whereby WCL agreed to assume the option to acquire a 100% interest in the Cristal Copper Property from the Company. The material terms of the agreement are as follows:

- a) WCL assumed all remaining payment obligations of the Company under the option agreement; and
- b) During the year ended June 30, 2020, the Company received 50,000 common shares of Wealth Minerals Ltd., the parent company of WCL, valued at \$18,500 which, netted against the remaining mineral property balance of \$272,821, resulted in a loss of \$254,321.

Upon the exercise by WCL of the option, WCL and the Company will be deemed to have formed a joint venture and the initial participating interests will be WCL’s wholly-owned Chilean subsidiary as to 70%, and the Company’s wholly-owned Chilean subsidiary as to 30%.

**Onix Cobalt Property, Chile**

On April 4, 2018 and amended during the year ended June 30, 2019, the Company entered into an option agreement to acquire a 100% interest in the Onix Uno Cobalt project in the San Juan district of Chile.

During the year ended June 30, 2019, the Company determined that the carrying value of its interest in the Onix Cobalt Property as at June 30, 2019 was impaired. As a result, the Company wrote off cumulative costs incurred on the Onix Cobalt Property of \$538,875 in 2019 as an impairment loss, determined in accordance with Level 3 of the fair value hierarchy.

During the year ended June 30, 2020, the Company forfeited the option and as such further wrote off \$57,316 as an impairment loss from additional exploration expenditures of \$27,566 and issuance of 106,250 common shares valued at \$29,750.

**7. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

**Amelia Cobalt Property, Chile**

On March 8, 2018 and amended during the year ended June 30, 2019, the Company entered into an option agreement to acquire a 100% interest in the Amelia Cobalt projects in the San Juan district of Chile.

During the year ended June 30, 2019, the Company determined that the carrying value of its interest in the Amelia Cobalt Property as at June 30, 2019 was impaired. As a result, the Company wrote off cumulative costs incurred on the Amelia Cobalt Property of \$164,957 in 2019 as an impairment loss, determined in accordance with Level 3 of the fair value hierarchy.

During the year ended June 30, 2020, the Company forfeited the option and as such further wrote off \$33,166 as an impairment loss from additional exploration expenditures of \$27,566 and issuance of 20,000 common shares valued at \$5,600.

**Consuelo Cobalt Property, Chile**

On March 8, 2018 and amended during the year ended June 30, 2019, the Company entered into an option agreement to acquire a 100% interest in the Consuelo 1-5 Cobalt projects in the San Juan district of Chile.

During the year ended June 30, 2019 the Company determined that the carrying value of its interest in the Consuelo Cobalt Property as at June 30, 2019 was impaired. As a result, the Company wrote off cumulative costs incurred on the Consuelo Cobalt Property of \$340,803 in 2019 as an impairment loss, determined in accordance with Level 3 of the fair value hierarchy.

During the year ended June 30, 2020, the Company forfeited the option and as such further wrote off \$49,966 as an impairment loss from additional exploration expenditures of \$27,566 and issuance of 80,000 common shares valued at \$22,400.

**Victoria Cobalt Property, Chile**

On March 8, 2018 and amended during the year ended June 30, 2019, the Company entered into an option agreement to acquire a 100% interest in the Victoria Cobalt project in the San Juan district of Chile.

During the year ended June 30, 2019, the Company determined that the carrying value of its interest in the Victoria Cobalt Property as at June 30, 2019 was impaired. As a result, the Company wrote off cumulative costs incurred on the Victoria Cobalt Property of \$472,913 in 2019 as an impairment loss, determined in accordance with Level 3 of the fair value hierarchy.

During the year ended June 30, 2020, the Company forfeited the option.

**Exxeter Property, Quebec Canada**

On March 27, 2017, the Company entered into an option agreement to acquire a 100% interest in the Exxeter property, Quebec.

During the year ended June 30, 2019, the Company forfeited the option and as such, the Company has determined that the carrying value of its interest in the Exxeter Property as at June 30, 2019 was impaired. As a result, the Company wrote off cumulative costs incurred on the Exxeter Property of \$270,078 as an impairment loss, determined in accordance with Level 3 of the fair value hierarchy.

**7. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

**Pirula Cobalt Property, Chile**

On March 8, 2018 and amended during the year ended June 30, 2019, the Company entered into an option agreement to acquire a 100% interest in the Pirula Cobalt project in the San Juan district of Chile.

During the year ended June 30, 2019, the Company forfeited the option and as such, the Company has determined that the carrying value of its interest in the Pirula Cobalt Property as at June 30, 2019 was impaired. As a result, the Company wrote off cumulative costs incurred on the Pirula Cobalt Property of \$303,257 as an impairment loss during the year ended June 30, 2019, determined in accordance with Level 3 of the fair value hierarchy.

**Tres Salares Lithium Property, Chile**

On April 19, 2018, the Company entered into an option agreement to acquire a 100% interest in the Atacama Lithium project in the Salar de Atacama district of Chile.

During the year ended June 30, 2019, the Company forfeited the option and as such, the Company has determined that the carrying value of its interest in the Tres Salares Lithium Property as at June 30, 2019 was impaired. As a result, the Company wrote off cumulative costs incurred on the Tres Salares Lithium Property of \$725,108 as an impairment loss during the year ended June 30, 2019, determined in accordance with Level 3 of the fair value hierarchy.

**NEW ENERGY METALS CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**  
(Expressed in Canadian Dollars)

**7. EXPLORATION AND EVALUATION ASSETS (cont'd....)**

	<b>Exxeter</b>	<b>Cristal</b>	<b>Pirula</b>	<b>Onix</b>	<b>Consuelo</b>	<b>Amelia</b>	<b>Victoria</b>	<b>Tres Salares</b>	<b>Exploradora North</b>	<b>Total</b>
<b>Balance, June 30, 2018</b>	<b>\$ 221,033</b>	<b>\$ 247,021</b>	<b>\$ 197,757</b>	<b>\$ 433,013</b>	<b>\$ 234,941</b>	<b>\$ 58,735</b>	<b>\$ 395,513</b>	<b>\$ 725,108</b>	<b>\$ -</b>	<b>\$ 2,513,121</b>
Acquisition costs										
Cash payments	-	25,800	77,400	77,400	77,400	77,400	77,400	-	685,158	1,097,958
Total acquisition costs	-	25,800	77,400	77,400	77,400	77,400	77,400	-	685,158	1,097,958
Deferred exploration costs										
Assays	-	-	2,240	2,240	2,240	2,240	-	-	-	8,960
Field	-	-	7,756	18,900	18,900	18,900	-	-	2,818	67,274
Geo-consulting	-	-	-	-	-	-	-	-	6,976	6,976
Geophysical	49,045	-	-	-	-	-	-	-	-	49,045
Legal	-	-	10,781	-	-	-	-	-	2,911	13,692
Land administration	-	-	38	38	38	38	-	-	266,972	267,124
Report preparation	-	-	7,285	7,284	7,284	7,284	-	-	-	29,137
Total exploration costs for the year	49,045	-	28,100	28,462	28,462	28,462	-	-	279,677	442,208
Impairment	(270,078)	-	(303,257)	(538,875)	(340,803)	(164,597)	(472,913)	(725,108)	-	(2,815,631)
<b>Balance, June 30, 2019</b>	<b>\$ -</b>	<b>\$ 272,821</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 964,835</b>	<b>\$ 1,237,656</b>
Acquisition costs										
Shares	-	-	-	29,750	22,400	5,600	-	-	-	57,750
Total acquisition costs	-	-	-	29,750	22,400	5,600	-	-	-	57,750
Deferred exploration costs										
Assays	-	-	-	2,140	2,140	2,140	-	-	326,525	332,945
Field	-	-	-	18,430	18,430	18,430	-	-	24,014	79,304
Land administration	-	-	-	36	36	36	-	-	188,586	188,694
Report preparation	-	-	-	6,960	6,960	6,960	-	-	-	20,880
Total exploration costs for the year	-	-	-	27,566	27,566	27,566	-	-	539,125	621,823
Impairment	-	-	-	(57,316)	(49,966)	(33,166)	-	-	(1,503,960)	(1,644,408)
Sale of exploration and evaluation assets	-	(272,821)	-	-	-	-	-	-	-	(272,821)
<b>Balance, June 30, 2020</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>				

**NEW ENERGY METALS CORP.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019  
(Expressed in Canadian Dollars)

**8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>June 30, 2020</b>	June 30, 2019
Trade payables and accrued liabilities	\$ 723,453	\$ 118,620
Accrued liabilities	<b>20,000</b>	31,327
<b>Total</b>	<b>\$ 743,453</b>	\$ 149,947

**9. LOANS PAYABLE**

During the year ended June 30, 2020, the Company entered into promissory note agreements with arm's length parties for total proceeds of \$106,884. The loan amounts bear interest at a rate of 12% per annum calculated and compounded annually and are payable on demand.

Balance, June 30, 2019	\$ -
Loans received	106,884
Accretion of interest	4,287
<b>Balance, June 30, 2020</b>	<b>\$ 111,171</b>

**10. RELATED PARTY TRANSACTIONS**

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers. Key management personnel compensation for the year ended:

	<b>June 30, 2020</b>	June 30, 2019
Short-term benefits paid or accrued:		
Consulting fees	\$ 84,000	\$ 84,000
Management fees	<b>180,000</b>	194,829
Professional fees	<b>19,260</b>	3,247
Share-based compensation	-	180,955
<b>Total remuneration</b>	<b>\$ 283,260</b>	\$ 463,031

During the year ended June 30, 2020, the Company paid \$3,560 (2019 - \$Nil) for office rent to a corporation controlled by an officer of the Company.

Accounts payable and accrued liabilities as at June 30, 2020 includes \$276,617 (2019 - \$675) owed to Directors and Officers of the Company.

## **11. SHARE CAPITAL AND RESERVES**

Authorized – Unlimited common shares without par value

During year ended June 30, 2020, the Company:

- i) issued 206,250 common shares for property acquisitions with a fair value of \$57,750.
- ii) issued 550,000 common shares pursuant to the exercise of warrants for the gross proceeds of \$110,000.

During the year ended June 30, 2019, the Company closed a non-brokered private placement of 15,661,266 units at a price of \$0.12 per unit for gross proceeds of \$1,879,352. Each unit is comprised of one common share and two one-half of one common share purchase warrants (each half warrant referred to one-half warrant A and one-half warrant B, and collectively the “Warrants”) of the Company.

Each whole warrant A entitles the holder to purchase one common share of the Company at an exercise price of \$0.20 per share until May 27, 2021. Each whole warrant B entitles the holder to purchase one common share of the Company at an exercise price of \$0.30 per share until May 27, 2021. In the event that the closing price of the Company’s common shares on the TSX Venture Exchange is equal to or greater than \$0.50 (for the warrant A) or \$0.75 (for the warrant B) per common share, respectively, for a minimum of ten consecutive trading days commencing four months and one day after closing, the Company may accelerate the expiry date of the Warrants by providing notice to the holders, and in such case, the Warrants will expire on the 30th day after the date on which such notice is given by the Company.

In connection with the private placement, the Company paid finder’s fees of \$75,959 cash and 599,653 finder’s warrants exercisable at a price of \$0.12 expiring on May 27, 2022. The warrants were valued at \$76,300 based on a Black-Scholes valuation with a risk-free interest rate of 1.38%, term of 2 years, volatility of 104.37% and a dividend rate of 0%.

### **Escrow shares**

At June 30, 2020, there were 75,000 (2019 – 150,000) common shares held in escrow with the Company’s registrar and transfer agent. Of these shares 25,000 were released from escrow on January 25, 2018 and the remaining are being released from escrow in equal tranches of 37,500 shares beginning on July 25, 2018 and every six months thereafter.

### **Stock options**

The Company has a stock option plan in place under which it is authorized to grant options to directors, senior officers, employees, management company employees, and consultants to acquire up to 10% of the issued and outstanding common shares. Under the plan, the maximum issuance in any 12-month period is limited for any consultant or person providing investor relations services to 2%, for insiders to 10% and for any other person to 5%. The exercise price of each option may not be less than the market price of the Company's stock as calculated on the date of grant less the applicable discount. The options can be granted for a maximum term of five years. Options issued for investor relations services will be subject to a vesting schedule of at least 12 months whereby no more than 25% of the options granted may vest within any three-month period. All other vesting terms are determined by the Board of Directors.

During the year ended June 30, 2019, the Company granted 2,100,000 stock options to directors, officers and consultants of the Company, exercisable at a price of \$0.24 per share, vesting immediately, and expiring on June 5, 2022. The estimated value of these options was \$323,400.

**NEW ENERGY METALS CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**  
(Expressed in Canadian Dollars)

**11. SHARE CAPITAL AND RESERVES (cont'd...)**

**Stock options (cont'd...)**

Stock option transactions are summarized as follows:

	Year Ended June 30, 2020		Year Ended June 30, 2019	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of the year	2,000,000	\$ 0.24	337,500	\$ 3.30
Granted	-	-	2,100,000	0.24
Cancelled	(75,000)	0.24	(437,500)	0.86
Options outstanding, end of the year	1,925,000	\$ 0.24	2,000,000	\$ 0.24

The weighted average remaining contractual life of options outstanding at June 30, 2020 was 1.93 (2019 - 2.94) years.

Stock options outstanding are as follows:

Number of Options	Exercise Price	Expiry Date
1,925,000	\$ 0.24	June 5, 2022
1,925,000		

The weighted average assumptions used for the Black-Scholes option pricing model are as follows:

	Year Ended June 30, 2020	Year Ended June 30, 2019
Expected life of options	-	3.00 years
Risk-free interest rate	-	1.38%
Annualized volatility	-	104.37%
Dividend rate	-	0%

**NEW ENERGY METALS CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**  
(Expressed in Canadian Dollars)

**11. SHARE CAPITAL AND RESERVES (cont'd...)**

**Warrants**

As at June 30, 2020, the Company had share purchase warrants outstanding enabling the holders to acquire common shares as follows:

	Year Ended June 30, 2020		Year Ended June 30, 2019	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding, beginning of the year	16,938,916	\$ 0.26	677,997	\$ 0.58
Issued	-	-	16,260,919	0.25
Exercised	(550,000)	0.20	-	-
Cancelled/Expired	(677,997)	0.58	-	-
Warrants outstanding, end of the year	15,710,919	\$ 0.25	16,938,916	\$ 0.26

The weighted average remaining contractual life of warrants outstanding at June 30, 2020 was 0.91 (2019 – 1.87) years.

Warrants outstanding are as follows:

Number of Warrants	Exercise Price	Expiry Date
7,280,633	\$ 0.20	May 27, 2021
7,830,633	0.30	May 27, 2021
599,653	0.12	May 27, 2021
15,710,919		

The weighted average assumptions used for the Black-Scholes option pricing model are as follows:

	Year Ended June 30, 2020	Year Ended June 30, 2019
Expected life of warrants	-	2.00 years
Risked-free interest rate	-	1.58%
Annualized volatility	-	126.68%
Dividend rate	-	0%

**12. SEGMENTED INFORMATION**

The business of the Company is the acquisition, exploration and development of mineral properties which is considered one business segment.

Geographic information is as follows:

	<b>June 30, 2020</b>	June 30, 2019
Exploration and evaluation assets in Chile	\$ -	\$ 1,237,656
<b>Total</b>	<b>\$ -</b>	<b>\$ 1,237,656</b>

**13. RISK MANAGEMENT**

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

*Credit risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and receivables. Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote and has deposited cash in high credit quality financial institutions.

*Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. As of June 30, 2020, the Company had cash balance of \$101,392 (2019 - \$358,236) to settle current liabilities of \$854,624 (2019 - \$149,947). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company will have to raise additional funds through equity or debt financing to fund its current liabilities and operations.

*Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Company is not exposed to material market risk.

*Interest rate risk*

The Company has cash balances and no variable interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade demand investments issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The Company is not exposed to material interest rate risk.

**13. RISK MANAGEMENT** (cont'd...)

*Foreign currency risk*

The Company is exposed to foreign currency risk to the extent that monetary financial instruments are denominated in United States and Chilean currencies. The Company's operating expenses are incurred primarily in Canadian dollars; its exploration programs are primarily in Chile and are denominated in either United States dollars or Chilean pesos. The fluctuation of the Canadian dollar will, consequently, have an impact upon the reported profitability of the Company and may also affect the value of the Company's assets and liabilities. The Company continuously monitors this exposure to determine if any mitigation strategies become necessary.

As at June 30, 2020 and 2019, the following financial assets and liabilities denominated in currencies other than Canadian dollars as follows (expressed in Canadian dollars):

	<b>June 30, 2020</b>	June 30, 2019
Cash	\$ <b>81,097</b>	\$ 173,348
Accounts payable	<b>(374,088)</b>	(38,693)
<b>Net financial assets (liabilities)</b>	<b>\$ (292,911)</b>	\$ 134,655

The Company's sensitivity analysis suggests that a consistent 5% change in the rate of exchange in the foreign jurisdictions where it has assets employed would change foreign exchange gain or loss by approximately \$13,800 (2019 - \$6,700).

*Price risk*

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's profit or loss due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on profit or loss and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in value may be significant.

**14. CAPITAL MANAGEMENT**

The Company considers its capital structure to consist of all components of shareholders' deficiency, specifically its issued common shares, stock options and warrants.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of exploration and evaluation assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital restrictions. There were no changes to the Company's approach to capital management during the year ended June 30, 2020.

**NEW ENERGY METALS CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**  
(Expressed in Canadian Dollars)

**15. INCOME TAXES**

The following table reconciles the amount of income tax recoverable on application of the combined statutory Canadian federal and provincial income tax rates:

	<b>2020</b>	2019
	\$	\$
Loss before income taxes	<b>(2,356,222)</b>	(4,484,352)
Statutory tax rate	<b>27%</b>	27%
Expected income tax recovery at statutory rates	<b>(636,180)</b>	(1,210,775)
Change in timing differences	<b>25,183</b>	84,663
Effect of change in tax rates	<b>(145)</b>	-
Items not deductible for tax purposes	<b>380</b>	87,383
Unused tax losses and tax offsets not recognized	<b>610,762</b>	1,038,729
Income tax recovery	-	-

The Company has operating losses that may be carried forward to apply against future years' income for income tax purposes. These losses expire as follows:

	<b>Canada</b>		<b>Chile</b>		<b>Total</b>
2038	\$	820,735	\$	549,360	\$ 1,370,095
2039		1,080,996		98,791	1,179,787
2040		533,083		(107,757)	425,326
	\$	2,434,814	\$	540,394	\$ 2,975,208

Significant components of the Company's deferred income tax assets not recognized are shown below:

	<b>2020</b>	2019
	\$	\$
Resource properties	<b>1,381,243</b>	855,286
Share issuance costs	<b>98,292</b>	138,587
Non-capital losses carried forward	<b>803,045</b>	688,207
	<b>2,282,580</b>	1,682,080

In assessing the realizability of deferred income tax assets, management considers whether it is probable that some portion of all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of deferred income tax asset considered realizable could change materially in the near term based on future taxable income during the carry forward period.