

**NEW ENERGY METALS CORP.**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2020 and 2019**

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

## NOTICE TO READER

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The condensed consolidated interim financial statements of the Company for the quarter ended September 30, 2020 have been prepared by and are the responsibility of the Company's management.

**The Company's independent auditors have not performed a review of these unaudited condensed consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim condensed financial statements by an entity's auditor.**

**NEW ENERGY METALS CORP.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)

	September 30, 2020	June 30, 2020
<b>ASSETS</b>		
<b>Current</b>		
Cash (Note 4)	\$ 123,462	\$ 101,392
Receivables (Note 5)	4,501	2,873
Prepaid expenses	-	24,680
Marketable securities (Note 6)	4,500	4,000
	<u>\$ 132,463</u>	<u>\$ 132,945</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Notes 8 and 10)	\$ 642,131	\$ 743,453
Loans payable (Note 9)	114,404	111,171
	<u>756,535</u>	<u>854,624</u>
<b>Shareholders' equity (deficiency)</b>		
Share capital (Note 11)	7,168,880	7,168,880
Reserves (Note 11)	1,507,429	1,507,429
Deficit	(9,300,381)	(9,397,988)
	<u>(624,072)</u>	<u>(721,679)</u>
	<u>\$ 132,463</u>	<u>\$ 132,945</u>

Nature of operations and going concern (Note 1)

On behalf of the Board:

“Stuart Ross” Director

“Christopher Little” Director

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

**NEW ENERGY METALS CORP.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
**FOR THE THREE MONTHS ENDED SEPTEMBER 30,**  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)

	2020	2019
<b>EXPENSES</b>		
Consulting fees (Note 10)	\$ 21,000	\$ 46,000
Foreign exchange loss (gain)	1,135	(69,377)
Gain on forgiveness of debt (Notes 8 and 10)	(194,999)	-
Impairment loss on exploration and evaluation assets (Note 7)	-	1,643,719
Impairment loss on value-added tax receivable	-	1,174
Interest on loan payable (Note 9)	3,233	-
Investor relations	280	3,838
Loss on sale of exploration and evaluation assets (Note 7)	-	254,321
Management fees (Note 10)	45,000	45,000
Office	9,009	8,863
Professional fees	16,204	23,502
Property investigation recovery	-	(4,230)
Regulatory fees	2,014	17,030
Travel	17	13,901
Unrealized loss (gain) on marketable securities (Note 6)	(500)	2,000
<b>Income (Loss) and comprehensive income (loss) for the period</b>	<b>\$ 97,607</b>	<b>\$ (1,985,741)</b>
<b>Loss per common share</b>		
-Basic and diluted	\$ 0.00	\$ (0.09)
<b>Weighted average number of common shares outstanding</b>		
-Basic and diluted	21,550,767	21,220,060

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

**NEW ENERGY METALS CORP.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30,**  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (Loss) for the period	\$ 97,607	\$ (1,985,741)
Items not effecting cash:		
Impairment of exploration and evaluation assets	-	1,643,719
Impairment of VAT receivable	-	1,174
Unrealized loss on marketable securities	(500)	2,000
Loss on sale of exploration and evaluation assets	-	254,321
Interest on loan payable	3,233	-
Forgiveness of debt	(194,999)	-
Changes in non-cash working capital items:		
Increase in receivables	(1,628)	(4,236)
(Increase)/Decrease in prepaid expenses	24,680	(31,372)
Increase in accounts payable and accrued liabilities	93,677	126,818
Net cash provided by operating activities	<u>22,070</u>	<u>6,683</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Expenditures on exploration and evaluation assets	-	(324,756)
Net cash used in investing activities	<u>-</u>	<u>(324,756)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from the exercise of warrants	-	110,000
Net cash provided by financing activities	<u>-</u>	<u>110,000</u>
Change in cash during the period	22,070	(208,073)
Cash, beginning of period	<u>101,392</u>	<u>358,236</u>
Cash, end of period	<u>\$ 123,462</u>	<u>\$ 150,163</u>
<b>Supplemental disclosure with respect to cash flows</b>		
Accrued exploration and evaluation assets costs in accounts payable	\$ 335,222	\$ 297,552
Shares issued for exploration and evaluation assets	\$ -	\$ 57,750

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

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

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

	Share Capital		Reserves	Deficit	Total
	Number of shares	Amount			
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 period	-	-	-	(1,985,741)	(1,985,741)
Balance, September 30, 2019	21,550,767	7,168,880	1,507,429	(9,027,507)	(351,198)
Loss for the period	-	-	-	(370,481)	(370,481)
Balance, June 30, 2020	<b>21,550,767</b>	<b>7,168,880</b>	<b>1,507,429</b>	<b>(9,397,988)</b>	<b>(721,679)</b>
Income for the period	-	-	-	97,607	97,607
<b>Balance, September 30, 2020</b>	<b>21,550,767</b>	<b>\$ 7,168,880</b>	<b>\$ 1,507,429</b>	<b>\$ (9,300,381)</b>	<b>\$ (624,072)</b>

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

**NEW ENERGY METALS CORP.**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2020**

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

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**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 September 30, 2020, the Company has a working capital deficiency of \$624,072 (June 30, 2020 - \$721,679), an accumulated deficit of \$9,300,381 (June 30, 2020 - \$9,397,988) and for the period then ended incurred a net income of \$97,607 (2019 – net loss of \$1,985,741). 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 condensed interim 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 condensed interim 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 condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of condensed interim consolidated financial statements, including International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”. These condensed interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended June 30, 2020, which have been prepared in accordance with IFRS as issued by the IASB.

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

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

**Approval of condensed consolidated interim financial statements**

The policies applied in the condensed interim consolidated financial statements are presented below and are based on IFRS issued and outstanding as of November 27, 2020, the date the Board of Directors approved the consolidated financial statements.

**Basis of consolidation**

These condensed interim 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.

**NEW ENERGY METALS CORP.**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

SEPTEMBER 30, 2020

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

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

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.

(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 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

SEPTEMBER 30, 2020

(Unaudited – Prepared by Management)

(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:

	September 30, 2020	June 30, 2020
Cash held with banks	\$ 45,371	\$ 19,124
Cash held with banks in foreign currencies	263	1,582
Cash held in trust in foreign currencies	77,828	80,686
<b>Total</b>	<b>\$ 123,462</b>	<b>\$ 101,392</b>

**5. RECEIVABLES**

	September 30, 2020	June 30, 2020
GST/VAT receivable	\$ 4,501	\$ 2,873

**6. MARKETABLE SECURITIES**

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

<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, 2020, the Company forfeited the option to acquire an initial 70% royalty-free interest in and to certain exploration and exploitation mineral concessions in Regions of Northern Chile. 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.

**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%.

**NEW ENERGY METALS CORP.**

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

**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.

**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.



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**8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>September 30, 2020</b>	June 30, 2020
Trade payables (i)	\$ <b>617,131</b>	\$ 723,453
Accrued liabilities	<b>25,000</b>	20,000
<b>Total</b>	<b>\$ 642,131</b>	\$ 743,453

<sup>(i)</sup> During the period ended September 30, 2020, the Company settled \$195,000 in accrued management fees in consideration of \$1, which resulted in a gain of \$194,999 (Note 10).

**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
Balance, June 30, 2020	\$ 111,171
Accretion of interest	3,233
Balance, September 30, 2020	\$ 114,404

**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 period ended:

	<b>September 30, 2020</b>	September 30, 2019
Short-term benefits paid or accrued:		
Consulting fees	\$ <b>21,000</b>	\$ 21,000
Management fees	<b>45,000</b>	45,000
Office	<b>852</b>	-
Professional fees	<b>10,121</b>	-
<b>Total remuneration</b>	<b>\$ 76,973</b>	\$ 66,000

Accounts payable and accrued liabilities as at September 30, 2020 includes \$124,577 (June 30, 2020 - \$276,617) owed to Directors and Officers of the Company.

During the period ended September 30, 2020, the former Chief Executive Officer of the Company agreed to settle \$195,000 in accrued management fees in consideration of \$1, which resulted in a gain of \$194,999 (Note 8).

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**11. SHARE CAPITAL AND RESERVES**

Authorized – Unlimited common shares without par value. 37,500 shares are being held in escrow at September 30, 2020.

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.

**Escrow shares**

At September 30, 2020, there were 37,500 (June 30, 2020 – 75,000) common shares held in escrow with the Company's registrar and transfer agent.

**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 period ended September 30, 2020 and year ended June 30, 2020, the Company did not grant any stock options.

Stock option transactions are summarized as follows:

	Period Ended September 30, 2020		Year Ended June 30, 2020	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of the period	1,925,000	\$ 0.24	2,000,000	\$ 0.24
Cancelled	(225,000)	0.24	(75,000)	0.24
Options outstanding, end of the period	1,700,000	\$ 0.24	1,925,000	\$ 0.24

The weighted average remaining contractual life of options outstanding at September 30, 2020 was 1.68 (June 30, 2020 – 1.93) years.

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

Stock options outstanding are as follows:

<b>Number of Options</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
1,925,000*	\$ 0.24	June 5, 2022
<u>1,925,000</u>		

\* 200,000 stock options subsequently cancelled

**Warrants**

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

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

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

Warrants outstanding are as follows:

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

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**12. SEGMENTED INFORMATION**

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

**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 September 30, 2020, the Company had a cash balance of \$123,462 (June 30, 2020 - \$101,392) to settle current liabilities of \$756,535 (June 30, 2020 - \$854,624). 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.

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

	<b>September 30, 2020</b>	June 30, 2020
Cash	\$ <b>79,091</b>	\$ <b>81,097</b>
Accounts payable	<b>(383,606)</b>	<b>(374,088)</b>
Net financial assets (liabilities)	<b>\$ (304,515)</b>	<b>\$ (292,911)</b>

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 \$14,400 (June 30, 2020 - \$13,800).

*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 period ended September 30, 2020.