

# **NRG METALS INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

**NINE MONTHS ENDED SEPTEMBER 30, 2017**

These unaudited condensed consolidated interim financial statements of NRG Metals Inc. for the nine months ended September 30, 2017 have been prepared by management and approved by the Board of Directors. These unaudited condensed consolidated interim financial statements have not been reviewed by the Company's external auditors.

**NRG METALS INC.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**  
**AS AT**  
**(Expressed in Canadian Dollars)**

	September 30, 2017	December 31, 2016 (audited)
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 405,994	\$ 1,168,176
Receivables (Note 4)	22,332	44,887
Prepaid expenses	14,426	4,760
Assets held for disposal	<u>-</u>	<u>834,335</u>
	442,752	2,052,158
<b>Exploration and evaluation assets</b> (Note 5)	<u>118,820</u>	<u>26,367</u>
	<u>\$ 561,572</u>	<u>\$ 2,078,525</u>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

<b>Current</b>		
Accounts payable and accrued liabilities (Note 7)	\$ 187,114	\$ 142,847
Liabilities directly associated with assets classified as held for disposal	<u>-</u>	<u>355,496</u>
	<u>187,114</u>	<u>498,343</u>
<b>Shareholders' equity</b>		
Share capital (Note 8)	25,365,926	24,480,281
Reserves (Note 9)	5,545,757	4,715,203
Deficit	<u>(30,537,225)</u>	<u>(27,615,302)</u>
	<u>374,458</u>	<u>1,580,182</u>
	<u>\$ 561,572</u>	<u>\$ 2,078,525</u>

Nature and continuance of operations (Note 1)

Subsequent events (Note 15)

**On behalf of the Board:**

"Adrian F. C. Hobkirk" Director "Christopher P. Cherry" Director

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

**NRG METALS INC.****CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Unaudited)

(Expressed in Canadian Dollars)

	Three Months Ended Sept. 30, 2017	Three Months Ended Sept. 30, 2016	Nine Months Ended Sept. 30, 2017	Nine Months Ended Sept. 30, 2016
<b>EXPENSES</b>				
Administration	\$ 103,643	\$ 29,392	\$ 234,417	\$ 53,166
Consulting fees	204,685	-	538,535	-
Exploration costs (Note 5)	133,471	17,140	337,516	33,109
Management fees (Note 12)	40,695	22,500	118,369	67,500
Professional fees (Note 12)	19,348	97,500	97,667	243,623
Property investigation costs	-	42,500	-	68,430
Share-based payments (Note 9)	-	29,749	830,554	215,140
Transfer agent and filing fees	8,062	6,500	41,071	15,313
Travel	21,658	26,433	94,955	60,647
<b>Loss from operations</b>	<u>(531,562)</u>	<u>(271,824)</u>	<u>(2,293,084)</u>	<u>(756,928)</u>
<b>OTHER ITEM</b>				
Loss on plan of arrangement	-	-	(628,839)	-
Foreign exchange gain (loss)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,372)</u>
	<u>-</u>	<u>-</u>	<u>(628,839)</u>	<u>(1,372)</u>
<b>Loss and comprehensive loss for the period</b>	<u>\$ (531,562)</u>	<u>\$ (378,824)</u>	<u>\$ (2,921,923)</u>	<u>\$ (758,300)</u>
<b>Basic and diluted loss per common share</b>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.05)</u>	<u>\$ (0.02)</u>
<b>Weighted average number of common shares outstanding</b>	<u>65,391,135</u>	<u>34,610,249</u>	<u>62,684,385</u>	<u>36,749,659</u>

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

**NRG METALS INC.**

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)

(Expressed in Canadian Dollars)

	Share Capital				Reserves	Total Shareholders' Equity
	Common Shares	Amount	Deficit			
<b>Balance, December 31, 2015</b>	28,697,885	\$ 21,882,919	\$ (26,026,104)	\$ 4,465,283	\$ 322,098	
Comprehensive loss for the period	-	-	(758,300)	-	(758,300)	
Shares issued for mineral property	1,000,000	120,000	-	-	120,000	
Shares issued for cash, net	12,257,500	706,800	-	-	706,800	
Share-based payments	-	-	-	215,140	215,140	
<b>Balance, September 30, 2016</b>	41,955,385	\$ 22,684,719	\$ (26,784,404)	\$ 4,650,674	\$ 605,738	
<b>Balance, December 31, 2016</b>	60,753,385	\$ 24,480,281	\$ (27,615,302)	\$ 4,715,203	\$ 1,580,182	
Comprehensive loss for the period	-	-	(2,921,923)	-	(2,921,923)	
Share-based payments	-	-	-	830,554	830,554	
Shares issued for mineral property	200,000	24,000	-	-	24,000	
Shares issued for services	750,000	94,870	-	-	94,870	
Shares issued for cash, net	2,750,000	259,000	-	-	259,000	
Warrants exercised	5,052,500	507,775	-	-	507,775	
<b>Balance, September 30, 2017</b>	65,580,885	\$ 25,365,926	\$ (30,537,225)	\$ 5,545,757	\$ 374,458	

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

**NRG METALS INC.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
**NINE MONTHS ENDED SEPTEMBER 30**  
(Unaudited)  
(Expressed in Canadian Dollars)

	2017	2016
<b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>		
Loss for the period	\$ (2,921,923)	\$ (758,300)
Items not affecting cash:		
Share-based payments	830,554	215,140
Loss on plan of arrangement	628,839	-
Changes in non-cash working capital items:		
Receivables	22,332	87,250
Prepaid expenses	(9,756)	(9,000)
Accounts payable and accrued liabilities	<u>(139,470)</u>	<u>(48,931)</u>
<b>Net cash used in operating activities</b>	<u>(1,310,484)</u>	<u>(513,841)</u>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Exploration and evaluation assets	<u>(68,453)</u>	<u>(30,000)</u>
<b>Net cash provided by financing activities</b>	<u>(68,453)</u>	<u>(30,000)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of common shares, (net)	766,755	706,800
Cash transferred on plan of arrangement	<u>(150,000)</u>	<u>-</u>
<b>Net cash provided by financing activities</b>	<u>616,755</u>	<u>706,800</u>
<b>Change in cash during the period</b>	(762,182)	162,959
<b>Cash, beginning of period</b>	<u>1,168,176</u>	<u>28,142</u>
<b>Cash, end of period</b>	<u>\$ 405,994</u>	<u>\$ 191,101</u>

Supplemental disclosure with respect to cash flows:

The Company did not incur any interest or tax expenditures for the nine months ended September 30, 2017 and 2016.

There were no non cash transactions during the nine months ended September 30, 2016.

During the nine months ended September 30, 2017, the Company transferred out exploration and evaluation assets of \$834,335 and liabilities of \$355,496 as part of the plan of arrangement.

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

**NRG METALS INC.**

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

**NINE MONTHS ENDED SEPTEMBER 30, 2017**

(Unaudited)

(Expressed in Canadian Dollars)

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**1. NATURE AND CONTINUANCE OF OPERATIONS**

The Company was incorporated in the Province of Ontario on June 20, 1995. Effective January 15, 2007, the Company was granted a Certificate of Continuation under the *Business Corporation Act* from the jurisdiction of Ontario into British Columbia. The Company is an exploration stage junior mining company engaged in the identification, acquisition and exploration of mineral properties in Quebec, Canada, Guyana and Argentina. The Company's head office, principal address and registered records office is located at 804 – 750 West Pender Street, Vancouver, British Columbia, Canada.

The Company's consolidated financial statements have been prepared on a going concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

Several conditions cast doubt on the validity of this assumption. For the nine months ended June 30, 2017 the Company had an accumulated deficit of \$30,537,225 (December 31, 2016 - \$27,615,302). The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. Such adjustments would be material.

The ability of the Company to continue as a going concern and meet its commitments as they become due, including the acquisition and exploration of exploration and evaluation assets, is dependent on the Company's ability to obtain the necessary financing. Management is planning to raise additional capital to finance operations and acquire mineral properties. The outcome of these matters cannot be predicted at this time. The Company has incurred losses since inception and the ability of the Company to continue as a going concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

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

**2. BASIS OF PRESENTATION**

**Statement of Compliance**

These unaudited condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee.

These unaudited condensed consolidated interim financial statements do not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the audited annual financial statements of the Company for the year ended December 31, 2016.

**NRG METALS INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

NINE MONTHS ENDED SEPTEMBER 30, 2017

(Unaudited)

(Expressed in Canadian Dollars)

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**2. BASIS OF PRESENTATION (continued)****Approval of the financial statements**

The unaudited condensed consolidated interim financial statements of the Company for the nine months ended September 30, 2017 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on November 29, 2017.

**New Accounting Standards adopted**

The following new standards and amendments to existing standards were not yet effective for the year ended December 31, 2016 and the nine months ended September 30, 2017, and have not been applied in preparing these consolidated financial statements:

*IFRS 15 – Revenue from contracts with customers*, is effective for annual periods commencing on or after January 1, 2018. This new standard establishes a new control-based revenue recognition model which could change the timing of revenue recognition. The Company is currently evaluating the effect the standard will have on its consolidated financial statements.

*IFRS 9 – Financial Instruments*, was issued in July 2014 to replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. In addition, this new standard amends some of the requirements of IFRS 7, Financial Instruments: Disclosures, including added disclosure about investments in equity instruments measured at fair value in OCI and guidance on financial liabilities and derecognition of financial instruments. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the effect the standard will have on its consolidated financial statements.

*IFRS 16 – Leases*, was issued in January 2016 with the objective to recognize all leases on the balance sheet. IFRS 16 requires lessees to recognize a “right of use” asset and a lease liability calculated using a prescribed methodology. The mandatory effective date of IFRS 16 is for annual periods beginning on or after January 1, 2019. Early adoption is permitted provided that IFRS 15, Revenue from Contracts with Customers, is also adopted. The Company is currently evaluating the effect the standard will have on its consolidated financial statements.

*IFRS 7 - Financial Instruments: Disclosures*. The amendment provides for further detail of accounting for transferring a financial asset. This amendment is effective for annual reporting periods beginning on or after January 1, 2018. The Company is evaluating the effect, if any, the amendment will have on the Company’s financial statements.

**Critical Accounting Estimates and Judgments**

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

**NRG METALS INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2017**  
(Unaudited)  
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**2. BASIS OF PRESENTATION** (continued)

**Critical Accounting Estimates and Judgments** (continued)

- i) The carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position. The cost model is utilized and the value of the exploration and evaluation assets is based on the expenditures incurred. At every reporting period, management assesses the potential impairment which involves assessing whether or not facts or circumstances exist that suggest the carrying amount exceeds the recoverable amount.
- ii) The valuation of shares issued in non-cash transactions. Generally, the valuation of non-cash transactions is based on the value of the goods or services received. When this cannot be determined, it is based on the fair value of the non-cash consideration. When non-cash transactions are entered into with employees and those providing similar services, the non-cash transactions are measured at the fair value of the consideration given up using market prices.
- iii) The recognition of deferred tax assets. The Company considers whether the realization of deferred tax assets is probable in determining whether or not to recognize these deferred tax assets.
- iv) Share-based payments are subject to estimation of the value of the award at the date of grant using pricing models such as the Black-Scholes option valuation model. The option valuation model requires the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options and because the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

**3. Plan of arrangement**

In January 2017, the spin-out of Gold Port Resources Ltd. ("Gold Port") became effective as all conditions to the statutory plan of arrangement (the "Plan of Arrangement") were satisfied or waived.

Pursuant to the Plan of Arrangement, the Company's shareholders exchanged their existing common shares of the Company and received one "new" Company common share and 0.25 common shares of Gold Port.

The carrying value of the net assets transferred to Gold Port, pursuant to the Plan of Arrangement consisted of the following assets and liabilities:

<b>Assets:</b>	
Cash	\$ 150,000
Exploration and evaluation assets	834,335
<b>Total assets</b>	<u>984,335</u>
<b>Liabilities:</b>	
Due to related parties	(355,496)
<b>Carrying value of net assets</b>	<u>628,839</u>
<b>Loss on transfer of spin-out assets</b>	<u><u>\$ 628,839</u></u>

**NRG METALS INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

NINE MONTHS ENDED SEPTEMBER 30, 2017

(Unaudited)

(Expressed in Canadian Dollars)

**4. RECEIVABLES**

	<b>September 30, 2017</b>	<b>December 31, 2016</b>
GST recoverable	\$ 21,311	\$ 13,966
Other receivables	921	921
Subscriptions received in advance	-	30,000
	<b>\$ 22,232</b>	<b>\$ 44,887</b>

**5. EXPLORATION AND EVALUATION ASSETS****Realization of assets**

The investment in mineral properties comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

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. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore. The amounts shown for acquisition costs represent costs incurred to date and do not necessarily reflect present or future values.

**Environmental**

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the properties may be diminished or negated.

**Groete Project, Guyana**

The Company holds a 100% interest in the Groete Property located in Guyana subject to a 1.5% NSR, which may be purchased for US\$3,000,000.

This project was transferred to Gold Port as part of the plan of arrangement, see Note 3.

**NRG METALS INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

NINE MONTHS ENDED SEPTEMBER 30, 2017

(Unaudited)

(Expressed in Canadian Dollars)

**5. EXPLORATION AND EVALUATION ASSETS (continued)****Lac Aux Bouleaux, Quebec Canada**

During the year ended December 31, 2015, the Company entered into an option agreement to acquire the Lac Aux Bouleaux Graphite Property in Quebec by issuing an aggregate of 2,000,000 common shares (issued at total value of \$185,000), cash payments of \$60,000 (paid) and carrying out an exploration and development program of \$500,000 (\$102,813 incurred to date) over a two year period. The property is encumbered by a 3% net smelter royalty which the Company may purchase at \$1,000,000 for each 1%. During the year ended December 31, 2016, the Company issued 1,000,000 Common shares (valued at \$120,000), pursuant to the above option agreement.

This project was transferred to Gold Port as part of the plan of arrangement, see Note 3.

**Argentina Properties**Luz Maria Claim Group

Total purchase price is \$US860,000 and 100,000 shares (issued at a value of \$12,000). A first payment of US\$80,000 was made up front on execution date, with subsequent payments contingent upon drill results. Upon completion of a satisfactory drill program, the Company will pay US\$80,000 within thirty days of results and issue 100,000 shares of the Company, and then US\$100,000 twelve months after execution date, US\$100,000 twenty-four months after execution, US\$250,000 thirty-six months after execution year three and a final payment of US\$250,000 forty-eight months after execution year four. The owner retains the right to mine diatomaceous soil from the project.

Padre Jose Maria

The total purchase price is US\$1,060,000, with US\$60,000 cash paid up front with execution of the option. Further payments of US\$100,000 upon completion of a drill program with satisfactory results, US\$220,000 twelve months later, US\$240,000 at twenty-four months and US\$500,000 at thirty-six months. The Company must also pay ARS \$75,000 for property fees in 2016, and a non-refundable ARS \$60,000 upon signing (paid subsequent to year-end).

Beatriz Claim Group

Total Purchase Price is US\$1,320,000, with US\$60,000 upon execution of the Option Agreement (paid), US\$60,000 upon drill results, US\$200,000 twelve months from that date, US\$200,000 twenty-four months later, US\$200,000 thirty-six months later, and a final US\$600,000 forty-eight months later. The owners retained a 1% Net Smelter Royalty (NSR) which may be purchased for US\$2,000,000. In addition, the owners retain the right to exploit the claim group for diatomaceous soils.

La Fortuna Claim Group

Total Purchase Price is US\$2,450,000 with and 100,000 shares (issued at a value of \$12,000), with the owners retaining the right to exploit the claim group for diatomaceous soils. A payment of US\$25,000 was paid up front while the share issuance was done subsequent to year-end. Payment schedule is US\$175,000 upon drill results, US\$200,000 six months after drill results, US\$250,000 at eighteen months, US\$750,000 at thirty months, US\$750,000 at forty-eight months, and a final payment of US\$300,000 at fifty-four months. The Company must also settle royalties of ARS \$550,000.

La Sophia Claim Group

The owner maintains a right to use the project to mine diatomaceous soil subject to a buyout. The signing of a formal option is contingent upon completion of a drill program with positive results. The Company must pay US\$1,000 upon signing the Letter of Intent, ARS \$72,000 for property fees for 2015 and 2016 and ARS \$50,000 (paid) to the original holder of the mining right. Upon signing an option to purchase, payment terms are US\$120,000 at signing the formal option, US\$200,000 at twelve months, US\$200,000 at twenty-four months, US\$500,000 at thirty-six months, and at any time five years from signing the option, the project may be purchased outright for US\$5 million.

**NRG METALS INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

NINE MONTHS ENDED SEPTEMBER 30, 2017

(Unaudited)

(Expressed in Canadian Dollars)

**5. EXPLORATION AND EVALUATION ASSETS (continued)**Hombre Muerto

The project is being acquired through a purchase option agreement from a private borate producer from Salta, Argentina. Terms of the acquisition are US \$5.65 million in cash payments and 10 million NRG Metals Inc. common shares staged over a 54- month period. The payment schedule is as follows:

1. US \$50,000 (paid) on signing for a 90-day due diligence period and for the completion of a NI 43-101 Technical Report on the project. The due diligence period may be extended to 120 days, if necessary.
2. Upon acceptance of the NI 43-101 report by the TSX, NRG will pay Mr. Moreno US \$100,000 and issue one million common shares of NRG common stock.
3. At six months from Item 2, US \$250,000 and one million common shares of NRG.
4. At 12 months from Item 2, US \$250,000 and one million common shares of NRG.
5. At 18 months from Item 2, US \$1,000,000 and one million common shares of NRG.
6. At 30 months from Item 2, US \$1,000,000 and two million common shares of NRG.
7. At 42 months from Item 2, US \$1,000,000 and two million common shares of NRG.
8. At 54 months from Item 2, US \$2,000,000 and two million common shares of NRG.
9. The project will be subject to a 3% Net Production Royalty, of which 50% may be purchased for US\$3,000,000 within 36 months of Item 2.

This transaction is subject to regulatory approval.

The Company incurred exploration costs during in 2016 as follows:

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Guayana expenditures, net of recoveries	\$	15,969
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The Company incurred exploration costs in 2017 as follows:

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Argentina expenditures	\$	337,516
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**7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

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		<b>September 30, 2017</b>		<b>December 31, 2016</b>
Accounts payables	\$	162,114	\$	117,847
Accrued liabilities		25,000		25,000
	\$	187,114	\$	142,847

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**NRG METALS INC.**

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

**NINE MONTHS ENDED SEPTEMBER 30, 2017**

(Unaudited)

(Expressed in Canadian Dollars)

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**8. SHARE CAPITAL**

Authorized: Unlimited common shares without par value

Included in issued share capital are 90,000 (2015 – 90,000) escrowed common shares.

Nine months ended June 30, 2017:

During the nine months ended September 30, 2017, the Company issued 5,052,500 common shares on the exercise of warrants for proceeds of \$507,775

During the nine months ended September 30, 2017, the Company issued 200,000 common shares for property payments valued at \$24,000.

During the nine months ended June 30, 2017, the Company issued 750,000 bonus shares to certain consultants valued at \$94,870.

During the nine months ended September 30, 2017, the Company issued 2,750,000 common shares for proceeds of \$259,000 and paid a finder's fee of \$16,000.

Year ended December 31, 2016:

In March 2016, the Company issued 4,500,000 units for gross proceeds of \$225,000. Each unit is comprised of one common share and one common share warrant entitling the holder to acquire an additional common share for \$0.08 per share for a period of three years.

In May 2016, the Company issued 5,000,000 units for gross proceeds of \$250,000. Each unit is comprised of one common share and one common share warrant entitling the holder to acquire an additional common share for \$0.10 per share for a period of three years.

In June 2016, the Company issued 1,587,500 units for gross proceeds of \$127,000. Each unit is comprised of one flow through share and one common share warrant entitling the holder to acquire an additional common share for \$0.11 per share for a period of three years. The Company paid a finder's fee of \$12,200 and issued 152,500 finders warrants, with the same terms as the warrants attached to the units. The Company has estimated the fair value of the finder's warrants to be \$14,988 based on the Black-Scholes option pricing model. The assumptions used for the Black-Scholes valuation of the finder's warrants were as follows: a risk-free interest rate of 1.65%, an expected life of three years, a dividend rate of 0%, forfeiture rate of 0%, and an annualized volatility of 276%. There was no flow-through premium associated with the issuances.

In November 2016, the Company issued 14,400,000 units for gross proceeds of \$1,440,000 (of which \$30,000 was received subsequent to December 31, 2016 (Note 4)). Each unit is comprised of one common share and one common share warrant entitling the holder to acquire an additional common share for \$0.20 per share for a period of two years. The Company paid a finder's fee of \$66,000 (of which \$12,000 was paid in January) and issued 660,000 finders warrants, with the same terms as the warrants attached to the units. The Company has estimated the fair value of the finder's warrants to be \$58,448 based on the Black-Scholes option pricing model. The assumptions used for the Black-Scholes valuation of the finder's warrants were as follows: a risk-free interest rate of 1.65%, an expected life of two years, a dividend rate of 0%, forfeiture rate of 0%, and an annualized volatility of 204%. As at December 31, 2016, the Company held 750,000 common shares of this private placement to be issued upon receipt of \$75,000 and excluded this amount from the shares issued above, these funds were received in July 2017.

During the year ended December 31, 2016, the Company issued 778,000 common shares for proceeds of \$89,610 on the exercise of options and 4,790,000 common shares for proceeds of \$422,000 on the exercise of warrants.

**NRG METALS INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

NINE MONTHS ENDED SEPTEMBER 30, 2017

(Unaudited)

(Expressed in Canadian Dollars)

**9. STOCK OPTIONS**

The Company has a rolling stock option plan (the “plan”) that authorizes the board of directors to grant incentive stock options to directors, officers, consultants and employees, whereby a maximum of 10% of the issued common shares are reserved for issuance under the plan. Under the Plan, the exercise price of each option may not be less than the market price of the Company’s shares at the date of grant, subject to a minimum exercise price of \$0.10 per share. Options granted under the Plan will have a term not to exceed five years and be subject to vesting provisions as determined by the board of directors of the Company.

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2015	1,600,000	\$ 0.09
Granted	2,225,000	0.12
Exercised	(778,000)	0.12
Cancelled	<u>(3,047,000)</u>	0.11
Outstanding and exercisable, December 31, 2016	-	\$ -
Granted	<u>5,800,000</u>	0.14
Outstanding and exercisable, September 30, 2017	5,800,000	\$ 0.14

During the six months ended September 30, 2017, the Company granted 5,100,000 (2016 – 2,500,000) stock options to directors, officers and consultants of the Company. The fair value of the options granted during the period is \$758,598 (2016- \$185,391), based on the Black-Scholes option pricing model. The weighted average of the fair value per option was \$0.15 (2016 - \$0.08).

The following weighted average assumptions were used for the Black-Scholes option pricing model:

	2017	2016
Risk-free interest rate	1.65%	1.65%
Expected life of options	4.3 years	5 years
Annualized volatility	202%	232%
Dividend rate	0.00%	0.00%
Forfeiture rate	0.00%	0.00%

As at September 30, 2017, the following options were outstanding and exercisable:

Expiry Date	Exercise Price	Number of Warrants
March 23, 2022	\$0.15	5,100,000
April 13, 2019	0.13	700,000
		<u>5,800,000</u>

**NRG METALS INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2017**  
(Unaudited)  
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**10. WARRANTS**

The following table summarizes the Company's warrant activity for the year ended December 31, 2016 and the period ended June 30, 2017:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, December 31, 2015	20,435,999	\$ 0.09
Issued	27,050,000	0.16
Exercised	(4,790,000)	0.09
Expired	<u>(1,892,666)</u>	0.10
Outstanding, December 31, 2016	40,803,333	\$ 0.13
Issued	2,000,000	0.20
Expired	(230,833)	0.10
Exercised	<u>(5,052,500)</u>	0.10
Outstanding, June 30, 2017	37,520,000	\$ 0.13

As at June 30, 2017, the following warrants were outstanding and exercisable:

Expiry Date	Exercise Price	Number of Warrants
March 24, 2018	\$0.08	4,500,000
April 27, 2018	\$0.08	1,300,000
May 26, 2018	\$0.08	3,430,000
November 8, 2018	\$0.08	5,100,000
July 9, 2018	\$0.08	280,000
May 12, 2019	\$0.10	3,760,000
June 2, 2019	\$0.11	1,340,000
November 24, 2018	\$0.20	15,810,000
September 14, 2019	\$0.20	2,000,000
		<u>37,520,000</u>

**NRG METALS INC.**

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**11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, and related party loans payable. Cash has been designated as fair value through profit and loss, receivables as loans and receivables, and accounts payable and accrued liabilities and related party loans payable are designated as other financial liabilities. The fair value of these financial instruments approximates their carrying value due to the short-term nature of these instruments, except for cash which is valued at a level 1 fair value measurement. All the Company's financial liabilities have contractual maturities less than 30 days and are subject to normal trade terms, except for the related party loan payable which is due in fiscal 2018.

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity and other price risk. There has been no change in the way management managed these risks for the year.

a) Currency risk

While the Company's parent is Canadian and its capital is raised in Canadian dollars, the Company is conducting business in Guyana, whose currency is the Guyanese dollar. As such, it is subject to risk due to fluctuations in the exchange rates for the United States, Canadian and Guyanese dollars. The Company does not manage currency risk through hedging or other currency management tools.

As at September 30, 2017, the Company has cash denominated in US dollars of US\$21,547 (December 31, 2016 – US\$377) and accounts payable of US\$29,400 (December 31, 2016 - US\$13,740). Based on a hypothetical change in the foreign exchange rate between the Canadian and the US dollars of 5% (December 31, 2016 - 5%), the effect on net and comprehensive loss would be \$392 (December 31, 2016 - \$668).

As at June 30, 2017, the Company has cash denominated in Guyanese dollars of \$Nil (December 31, 2016 – \$Nil). Based on a hypothetical change in the foreign exchange rate between the Canadian and Guyanese dollars of 7.5% (December 31, 2016 – 7.5%), the effect on net comprehensive loss would be \$Nil (December 31, 2016 - \$5,037).

b) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The cash is held in a large Canadian financial institution, which has a strong credit rating from a primary credit rating institution. There is no risk associated with receivables as this is Goods and Services Tax ("GST") due from the Canadian Government.

c) Interest rate risk

Interest rate risk consists of two components:

- (a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- (b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

**NRG METALS INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

NINE MONTHS ENDED SEPTEMBER 30, 2017

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**11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

## c) Interest rate risk (continued)

Due to the short-term nature of the Company's financial instruments and the non-interest bearing nature of long term liabilities, fluctuations in market rates do not have a significant impact on estimated fair values as of June 30, 2017. Future cash flows from interest income on cash will be affected by interest rate fluctuations. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on the preservation of capital and liquidity.

## d) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they come due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity issuances. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning, and approval of significant expenditures and commitments. All the Company's financial liabilities have contractual maturities less than 30 days and are subject to normal trade terms.

## e) 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 earnings 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 earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant.

**12. RELATED PARTY TRANSACTIONS**

- a) The Company incurred the following expenses charged by key management personnel and companies controlled by key management personnel, such personnel include the Company's Directors, Chief Executive Officer, Chief Financial Officer and Corporate Secretary:

	2017	2016
Management, consulting and professional fees charged by directors and corporations under their control	\$ 158,549	\$ 99,000

Key management personnel were not paid any post-employment benefits, termination benefits, or other long-term benefits during the respective years.

- b) Included in accounts payable and accrued liabilities is \$32,500 (2016 - \$32,500) due to directors, officers and corporations controlled by directors of the Company. The amount due to the related parties has no specific terms of repayment, is unsecured and non-interest-bearing.

**NRG METALS INC.**

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

**NINE MONTHS ENDED SEPTEMBER 30, 2017**

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**12. RELATED PARTY TRANSACTIONS (continued)**

- c) The Company has amounts owing to related parties in the amount of \$Nil (2016 - \$279,659). These amounts are unsecured and non-interest bearing. During the year ended December 31, 2016, the related parties have agreed to not call the debt prior to June 15, 2018 or to such time as determined by the board of directors.
- d) The Company has loans payable of \$Nil (US\$Nil) (2016 - \$53,337 (US\$45,668)) to a related party of the Company. The loans are unsecured, non-interest bearing and are payable on June 15, 2018.

**13. CAPITAL MANAGEMENT**

The Company is an exploration stage company and this involves a high degree of risk. The Company's primary source of funds comes from the issuance of share capital. The Company does not use other sources of financing that require fixed payments of interest and principal as the Company does not generate cash flow from current operations. Accordingly, the Company is not subject to any externally imposed capital requirements.

The Company defines its capital as shareholders' equity. Capital requirements are driven by the Company's exploration activities on its exploration and evaluation assets. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses to budget all exploration projects and overhead to manage costs, commitments and exploration activities.

The Company has in the past invested its capital in liquid investments to obtain adequate returns. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and returns of unused capital.

Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will be able to continue this financing due to uncertain economic conditions. The Company believes that it will be able to raise sufficient funds from share issuances to fund its working capital for the coming year.

There have been no changes to the Company's approach to capital management during the year ended December 31, 2016 and the period ended September 30, 2017.

**14. SEGMENTED INFORMATION**

Company is focused on the exploration and evaluation assets in Argentina.

**15. SUBSEQUENT EVENTS**

Subsequent to September 30, 2017, the Company:

- Issued 1,000,000 bonus shares to a director of the Company.
- Completed two private placements and raised \$1,665,000 on the issuance of 16,650,000 units. Each unit consisted of one common share and one share purchase warrant that entitled the holder to purchase an additional common share for \$0.20 for a two year term.
- Issued 875,000 common shares on the exercise of options for proceeds of \$121,250 and issued 12,978,250 warrants for proceeds of \$1,729,635.