

# **NRG METALS INC.**

(an exploration stage company)

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in Canadian Dollars)**

**(UNAUDITED)**

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019**

These unaudited condensed consolidated interim financial statements of NRG Metals Inc. for the nine months ended September 30, 2019 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.**  
**(an exploration stage company)**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

	September 30, 2019	December 31, 2018
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 30,553	\$ 191,452
Receivables (Note 3)	19,608	112,652
Prepaid expenses	<u>242,271</u>	<u>21,458</u>
	292,432	325,562
<b>Exploration and evaluation assets (Note 4)</b>	<u>3,139,339</u>	<u>1,640,823</u>
	<u>\$ 3,431,771</u>	<u>\$ 1,966,385</u>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

<b>Current</b>		
Accounts payable and accrued liabilities (Note 5)	\$ 402,383	\$ 305,050
Due to related parties (Note 10)	<u>1,465,750</u>	<u>250,000</u>
	<u>1,868,133</u>	<u>555,050</u>
<b>Shareholders' equity</b>		
Share capital (Note 6)	35,939,780	34,902,691
Reserves	7,653,654	7,640,043
Deficit	<u>(42,029,796)</u>	<u>(41,131,399)</u>
	<u>1,563,638</u>	<u>1,411,335</u>
	<u>\$ 3,431,771</u>	<u>\$ 1,966,385</u>

Nature and continuance of operations (Note 1)  
Subsequent events (Note 7 and 14)

**On behalf of the Board:**

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

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

**NRG METALS INC.****(an exploration stage company)****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Expressed in Canadian Dollars)

(Unaudited)

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
<b>EXPENSES</b>				
Administration	\$ 63,001	\$ 77,826	\$ 137,491	\$ 619,763
Consulting fees (Note 10)	42,000	672,020	83,450	1,777,415
Exploration costs (Note 4)	58,911	238,910	318,560	2,296,853
Management fees (Note 10)	46,900	39,750	127,569	116,525
Professional fees (Note 10)	44,288	45,000	137,113	131,805
Share-based payments (Note 7)	-	-	-	1,186,078
Transfer agent and filing fees	29,919	6,500	53,074	24,070
Travel	16,065	6,948	32,324	141,225
<b>Loss from operations</b>	<b>(261,084)</b>	<b>(1,086,954)</b>	<b>(889,581)</b>	<b>(6,293,734)</b>
<b>OTHER ITEM</b>				
Foreign exchange gain (loss)	(3,187)	(1,093,987)	(8,816)	(1,089,274)
<b>Loss and comprehensive loss for the period</b>	<b>\$ (264,271)</b>	<b>\$ (2,180,491)</b>	<b>\$ (898,397)</b>	<b>\$ (7,383,008)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.01)</b>	<b>\$ (0.06)</b>	<b>\$ (0.03)</b>	<b>\$ (0.24)</b>
<b>Weighted average number of common shares outstanding</b>	<b>34,445,928</b>	<b>33,646,174</b>	<b>34,444,602</b>	<b>31,298,841</b>

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

**NRG METALS INC.****(an exploration stage company)****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

(Expressed in Canadian Dollar)

(Unaudited)

	Share Capital		Share Subscriptions	Deficit	Reserves	Total Shareholders' Equity
	Common Shares	Amount				
<b>Balance, December 31, 2017</b>	26,735,159	\$ 29,713,380	\$ 5,500	\$ (33,373,957)	\$ 6,664,564	\$ 3,009,487
Comprehensive loss for the period	-	-	-	(7,383,008)	-	(7,383,008)
Shares issued for cash, net	6,620,000	4,443,224	(5,500)	-	-	4,437,724
Shares issued for services	312,500	312,500	-	-	-	312,500
Shares issued for mineral property	500,000	380,000	-	-	-	380,000
Share-based payments	-	-	-	-	1,186,078	1,186,078
<b>Balance, September 30, 2018</b>	34,167,659	34,849,104	-	(40,756,965)	7,850,642	1,942,781
<b>Balance, December 31, 2018</b>	34,417,659	\$ 34,902,691	\$ -	\$ (41,131,399)	\$ 7,640,043	\$ 1,411,335
Comprehensive loss for the period	-	-	-	(898,397)	-	(898,397)
Shares issued for cash, net	7,391,250	867,089	-	-	13,611	880,700
Shares issued for mineral property	1,000,000	170,000	-	-	-	170,000
<b>Balance, September 30, 2019</b>	42,808,909	35,939,780	-	(42,029,796)	7,653,654	1,563,638

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

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

	2019	2018
<b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>		
Loss for the period	\$ (898,397)	\$ (7,383,008)
Items not affecting cash:		
Consulting fees	-	312,500
Share-based payments	-	1,186,078
Changes in non-cash working capital items:		
Receivables	93,044	(83,692)
Prepaid expenses	(220,813)	(4,128)
Accounts payable and accrued liabilities	97,333	296
<b>Net cash used in operating activities</b>	<b>(928,833)</b>	<b>(7,269,846)</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Evaluation and exploration acquisitions	(1,328,516)	(649,126)
<b>Net cash used in investing activities</b>	<b>(1,328,516)</b>	<b>(649,126)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds on issuance of share capital, net	880,700	4,437,724
Proceeds on loan from related party	1,215,750	-
<b>Net cash provided by financing activities</b>	<b>2,096,450</b>	<b>4,437,724</b>
<b>Change in cash during the period</b>	<b>(160,899)</b>	<b>(2,182,996)</b>
<b>Cash, beginning of period</b>	<b>191,452</b>	<b>2,661,303</b>
<b>Cash, end of period</b>	<b>\$ 30,553</b>	<b>\$ 478,307</b>

**Supplement disclosure with respect to cash flows (Note 13)**

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

**NRG METALS INC.**

**(an exploration stage company)**

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 2019

(Expressed in Canadian Dollars)

(Unaudited)

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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 Argentina. The Company's head office, principal address and registered records office is located at 804 – 750 West Pender Street, Vancouver, British Columbia, Canada. During the period ended September 30, 2019, the Company completed a 4 for 1 share consolidation. All references to number of shares and per share amounts have been retroactively restated to reflect the consolidation.

The Company's condensed interim 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 period ended September 30, 2019 the Company incurred a net loss of \$898,397 (September 30, 2018 - \$738,008) and had an accumulated deficit of \$42,029,796 (December 31, 2018 - \$41,131,399). The condensed interim 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 interim consolidated 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 interim consolidated 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. The accounting policies applied in preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2018, except for the following:

**NRG METALS INC.**

**(an exploration stage company)**

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 2019

(Expressed in Canadian Dollars)

(Unaudited)

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**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**Statement of Compliance (cont'd)**

Leases - On January 1, 2019, the Company adopted IFRS 16 – Leases (“IFRS 16”) which replaced IAS 17 – Leases and IFRIC 4 – Determining Whether an Arrangement Contains a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases applied in IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases (i.e. leases of 12 months or less) and leases of low-value assets.

The Company applied IFRS 16 using the modified retrospective method. Under this method, financial information will not be restated and will continue to be reported under the accounting standards in effect for those periods. The lease liabilities will be measured at the present value of the remaining lease payments, discounted using the Company’s estimated incremental borrowing rate as at January 1, 2019, the date of initial application, resulting in no adjustment to the opening balance of deficit. The associated right-of-use assets will be measured at the lease liabilities amount, plus prepaid lease payments made by the Company. The Company has implemented the following accounting policies permitted under the new standard:

leases of low dollar value will continue to be expensed as incurred; and  
the Company will not apply any grandfathering practical expedients.

As at January 1, 2019 and September 30, 2019, the Company did not recognize any right-of-use assets as it had no leases.

**Approval of the financial statements**

The condensed interim consolidated financial statements of the Company for the period ended September 30, 2019 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors December 2, 2019.

**Basis of Consolidation**

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries: 1140177 BC Ltd., Canada and NRG Metals S.A Argentina, on June 14, 2016 from the date control was acquired. Control exists when the Company possesses power over an investee, has exposures to variable returns from the investee and has the ability to use its power over the investee to affect its returns. All intercompany balances and transactions have been eliminated.

Effective January 11, 2017, the Company completed a spin out of Gold Port Ltd. (“Gold Port”) incorporated in British Columbia on November 18, 2016, Gold Port (Guyana) Incorporated, incorporated in Guyana, South America, Gold Port Resources Limited, incorporated in Guyana.

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**(an exploration stage company)**

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 2019

(Expressed in Canadian Dollars)

(Unaudited)

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**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**Critical Accounting Estimates and Judgments**

The preparation of these condensed interim 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:

- 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.
- iv) The fair value of the exploration and evaluation properties transferred in the plan of arrangement. Management estimated the fair value of the exploration and evaluation assets transferred which formed the value recorded on completion of the transaction.

**NRG METALS INC.****(an exploration stage company)****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****NINE MONTHS ENDED SEPTEMBER 30, 2019**

(Expressed in Canadian Dollars)

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**3. RECEIVABLES**

	<b>September 30,</b>		<b>December 31,</b>	
	<b>2019</b>		<b>2018</b>	
GST recoverable	\$	11,540	\$	108,334
Other receivables		8,068		4,318
	\$	19,608	\$	112,652

**4. 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.

**NRG METALS INC.****(an exploration stage company)****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****NINE MONTHS ENDED SEPTEMBER 30, 2019**

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**4. EXPLORATION AND EVALUATION ASSETS (continued)****Argentina Properties**Luz Maria Claim Group

Total purchase price is US\$860,000 and 25,000 shares. 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 25,000 shares (issued at a fair value of \$16,000 in fiscal 2017) of the Company, and then US\$100,000 twelve months after execution date, (amended to US\$60,000 due in twelve months, paid subsequent to December 31, 2017, and US\$50,000 due in eighteen months), 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. During the year ended December 31, 2018 and September 30, 2019, the Company began re-negotiating this property and due to uncertainty has written this property down to a nominal amount.

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 (amended to US\$60,000 (paid) and 105,000 common shares due in 12 months), 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). During the year ended December 31, 2018 and September 30, 2019, the Company began re-negotiating this property and due to uncertainty has written this property down to a nominal amount.

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 (amended to US\$120,000 due in 12 months (paid) and US\$100,000 due in 18 months), 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. During the year ended December 31, 2018 and September 30, 2019, the Company began re-negotiating this property and due to uncertainty has written this property down to a nominal amount.

La Fortuna Claim Group

Total Purchase Price is US\$2,450,000 with and 25,000 shares (issued at a fair value of \$16,000 in fiscal 2017), 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. During the year ended December 31, 2018 and September 30, 2019, the Company began re-negotiating this property and due to uncertainty has written this property down to a nominal amount.

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

**NRG METALS INC.****(an exploration stage company)**

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 2019

(Expressed in Canadian Dollars)

(Unaudited)

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US\$5 million. During the year ended December 31, 2018 and September 30, 2019, the Company began re-negotiating this property and due to uncertainty has written this property down to a nominal amount.

**4. EXPLORATION AND EVALUATION ASSETS (continued)****Argentina Properties (continued)**Hombre Muerto North (“HMN”)

The project is being acquired through a purchase option agreement from a private borate producer from Salta, Argentina. Terms of the acquisition are 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 250,000 common shares of NRG common stock (issued at a fair value of \$350,000 in fiscal 2017).
3. At March 17, 2018, US \$250,000 (paid) and 250,000 common shares of NRG (issued at a fair value of \$250,000).
4. At September 17, 2018, US \$250,000 (paid) and 250,000 common shares of NRG (issued at a fair value of \$200,000).
5. At March 17, 2019, US \$1,000,000 subsequently amended to be US\$500,000 (paid) due in March 2019 and US\$500,000 due June 24, 2019 (paid) and one million common shares of NRG. (issued)
6. At March 22, 2020, US \$1,000,000 and 2,250,000 common shares of NRG.
7. At March 17, 2021, US \$1,000,000 and 2,250,000 common shares of NRG.
8. At March 17, 2022, US \$2,000,000 and 2,250,000 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.

The Company incurred exploration costs during the period ended September 30, 2019 as follows:

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Consultants and geologists	\$ 297,141
Field supplies, camp costs, cannon payments and other	10,694
Travel	<u>725</u>
Total	<u>\$ 318,560</u>

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The Company incurred exploration costs during the year ended December 31, 2018 as follows:

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Consultants and geologists	\$ 334,470
Drilling	975,919
Field supplies, camp costs, cannon payments and other	1,860,235
Travel	<u>67,664</u>
Total	<u>\$ 3,238,288</u>

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**NRG METALS INC.****(an exploration stage company)****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****NINE MONTHS ENDED SEPTEMBER 30, 2019**

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**5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Accounts payables	\$ 377,383	\$ 280,051
Accrued liabilities	25,000	25,000
	<b>\$ 402,383</b>	<b>\$ 305,051</b>

**6. SHARE CAPITAL**

Authorized: Unlimited common shares without par value

Period ended September 30, 2019:

During the period ended September 30, 2019, the Company issued 25,000 common shares pursuant to the exercise of stock options for proceeds of \$11,000 and issued 1,000,000 common shares for property payments valued at \$170,000.

During the period ended September 30, 2019, the Company closed a non-brokered private placement raising gross proceeds of \$883,950 by the issuance of 7,366,250 units at a price of 12 cents per unit. Each unit will comprise one common share and one transferable common share purchase warrant. Each warrant will allow the holder to purchase one share of the company at a price of 16 cents per share for a period of five years from the date of closing of the private placement. The private placement proceeds will be used for development for Argentina property and for general working capital. All shares to be issued are subject to a four-month hold period. A finder's fee of cash of \$14,250 and 118,800 finders warrants (valued at \$13,611) with the same terms as the unit were issued and paid on a portion of the private placement

Year ended December 31, 2018:

In September 2018, the Company issued 500,000 units for proceeds of \$500,000 in a non-brokered private placement at a price of \$1.00 per unit. Each unit consisted of one common share and one share purchase warrant. Each warrant is exercisable into one common share at an exercise price of \$1.60 per common share for a period of three years.

In April 2018, the Company issued 1,550,000 units for proceeds of \$620,000 in a non-brokered private placement at a price of \$0.40 per unit. Each unit consisted of one common share and one share purchase warrant. Each warrant is exercisable into one common share at an exercise price of \$0.80 per common share for a period of two years.

In March 2018, the Company issued 1,608,750 units pursuant to a non-brokered private placement at \$0.80 per unit for gross proceeds of \$1,287,000. Each unit consisted of one common share and one transferable common share purchase warrant exercisable for a period of two years from the date of closing at an exercise price of \$1.20 per common share. A finder's fee of cash of \$1,938 and 2,422 finders warrants (valued at \$7,989) with the same terms as the unit were issued and paid on a portion of the private placement;

During the year ended December 31, 2018, the company issued 3,142,500 common shares on the exercise of warrants for proceeds of \$1,939,900 of which \$5,500 was received during the year ended December 31, 2017.

During the year ended December 31, 2018, the Company issued 381,250 common shares on the exercise of options for proceeds of \$183,750.

During the year ended December 31, 2018, the Company issued 500,000 common shares for property payments valued at \$450,000.

**NRG METALS INC.****(an exploration stage company)****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****NINE MONTHS ENDED SEPTEMBER 30, 2019**

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**7. 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, 2017	2,131,250	0.82
Granted	1,375,000	0.90
Exercised	<u>(381,250)</u>	0.48
Outstanding and exercisable, December 31, 2018	3,125,000	\$ 0.90
Granted	3,500,000	0.175
Cancelled	<u>(3,125,000)</u>	0.90
Outstanding and exercisable, September 30, 2019	3,500,000	\$ 0.175

During the period ended September 30, 2019, the Company granted 3,500,000 stock options to directors, officers and consultants of the Company. These options were approved to be issued subsequent to September 30, 2019 at the Company’s Annual and Special Meeting held on November 29, 2019.

	2019	2018
Risk-free interest rate	-	1.71%
Expected life of options	-	4.3 years
Annualized volatility	-	182%
Dividend rate	-	0.00%
Forfeiture rate	-	0.00%

During the period ended March 31, 2018, the Company granted 3,500,000 stock options to directors, officers and consultants of the Company. The fair value of the options granted during the period is \$705,884, based on the Black-Scholes option pricing model. The weighted average of the fair value per option was \$0.20. The Company used the following assumptions for the Black-Scholes option pricing model:

	2019	2018
Risk-free interest rate	1.71%	1.71%
Expected life of options	5.0 years	4.3 years
Annualized volatility	182%	182%
Dividend rate	0.00%	0.00%
Forfeiture rate	0.00%	0.00%

**NRG METALS INC.****(an exploration stage company)**

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 2019

(Expressed in Canadian Dollars)

(Unaudited)

**8. WARRANTS**

The following table summarizes the Company's warrant activity the period ended September 30, 2019 and the year ended December 31, 2018:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, December 31, 2017	9,198,187	1.11
Issued	3,661,172	1.09
Exercised	(3,142,500)	0.62
Expired	<u>(137,563)</u>	0.71
Outstanding, December 31, 2018	9,579,298	\$ 1.31
Issued	7,366,250	0.16
Exercised	(25,000)	0.44
Expired	<u>(1,755,625)</u>	0.35
Outstanding, September 30, 2019	<u>15,164,923</u>	\$ 0.56

As at September 30, 2019, the following warrants were outstanding and exercisable:

Expiry Date	Exercise Price	Number of Warrants
October 6, 2019	\$0.80	1,100,000*
November 15, 2019	\$0.80	3,037,500*
March 14, 2020	\$1.20	687,500
March 15, 2020	\$1.20	62,500
March 28, 2020	\$1.20	858,750
March 28, 2020	\$1.20	2,423
* Subsequently expired unexercised	\$1.60	500,000
September 14, 2020	\$0.80	1,550,000
April 17, 2020	\$0.80	1,550,000
August 1, 2024	\$0.16	7,366,250
		<u>15,164,923</u>

**NRG METALS INC.**

**(an exploration stage company)**

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 2019

(Expressed in Canadian Dollars)

(Unaudited)

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**9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Company's financial instruments consist of cash, receivables and accounts payable and accrued liabilities. 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.

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 period.

a) Currency risk

While the Company's parent is Canadian and its capital is raised in Canadian dollars, the Company was conducting business in Guyana, whose currency is the Guyanese dollar. As such, it was 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, 2019, the Company has accounts payable denominated in US dollars of US\$90,000 (December 31, 2018 – US\$ 30,000) and cash of US\$4,000 (December 31, 2018 - US\$100,000). Based on a hypothetical change in the foreign exchange rate between the Canadian and the US dollars of 5% (2018 - 5%), the effect on net and comprehensive loss would be \$4,300 (2018 - \$3,500).

As at September 30, 2019, the Company has cash denominated in Argentine Peso (2017 - Argentine Peso) of \$5,065 (December 31, 2018 – \$4,409). Based on a hypothetical change in the foreign exchange rate between the Canadian dollar and Argentine Peso (2018 - Argentine Peso) of 7.5% (December 31, 2018 – 7.5%), the effect on net comprehensive loss would be \$340 (December 31, 2018 - \$330).

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.

Due to the short-term nature of the Company's financial instruments fluctuations in market rates do not have a significant impact on estimated fair values as of September 30, 2019. 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.

**NRG METALS INC.****(an exploration stage company)****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****NINE MONTHS ENDED SEPTEMBER 30, 2019**

(Expressed in Canadian Dollars)

(Unaudited)

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

## 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.

**10. 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:

	2019	2018
Management, exploration and professional fees charged by directors and corporations under their control	\$ 193,169	\$ 471,892
Directors' fees	\$ 41,450	\$ -

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

- b) Included in accounts payable and accrued liabilities is \$257,215 (December 31, 2018 - \$43,565) 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.
- d) The Company received loans of \$1,465,750 from related parties. The loans are unsecured, interest free and without specific terms of repayment.

**NRG METALS INC.****(an exploration stage company)****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****NINE MONTHS ENDED SEPTEMBER 30, 2019**

(Expressed in Canadian Dollars)

(Unaudited)

**11. 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 period.

**12. SEGMENTED INFORMATION**

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

	September 30, 2019	December 31, 2018
Exploration and evaluation assets Argentina	\$ 3,139,339	\$ 1,640,823

**13. SUPPLEMENT DISCLOSURES WITH RESPECT TO CASH FLOWS**

The Company did not incur any interest or tax expenditures for the period ended September 30, 2019 and 2018.

During the period ended September 30, 2019, the Company issued 1,00,000 common shares valued at \$170,000 on acquisition of mineral property.

During the period ended September 30, 2018, the Company:

- i) Granted 2,422 broker warrants as finders' fees valued at \$7,989
- ii) Issued 500,000 common shares valued at \$450,000 on acquisition of mineral property
- iii) Exercised options with a fair value of \$196,125.
- iv) Issued shares for funds received in advance of \$5,500
- v) Issued 250,000 common shares valued at \$250,000 on a payment of a mineral property option

**NRG METALS INC.**

**(an exploration stage company)**

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 2019

(Expressed in Canadian Dollars)

(Unaudited)

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**14. SUBSEQUENT EVENT**

Subsequent to September 30, 2019, the Company announced that it has entered into a Non-Exclusive Purchase Option (the “Agreement”) with Alberdi Energy S.A. (“Alberdi”) certified in Salta, Argentina on November 5, 2019, for the 100% acquisition of the Hombre Muerto North Lithium Project (“HMN Project”) located in Argentina. Terms of the Agreement will allow Alberdi a period of due diligence and financial audit to January 15, 2020 (the “Deadline”). Up to the Deadline, NRG is free to negotiate and/or accept competing offers, and upon such acceptance, notify Alberdi it has five business days to meet or beat the competing offer. By the Deadline, Alberdi will be required to have secured acquisition financing and the parties are required to have entered into a purchase agreement containing industry standard terms including the following purchase schedule.

1. Within five business days of the Deadline, Alberdi will pay to NRG \$U.S. 3 million, with \$U.S. 1 million placed into trust for a March 2020 option payment;
2. Six months after the Deadline, Alberdi will pay to NRG \$U.S. 3 million;
3. Twelve months after the Deadline, Alberdi will pay to NRG \$US. 3 million;
4. Eighteen months after the Deadline, Alberdi will pay to NRG \$U.S. 3 million; and
5. Twenty-four months after the Deadline, Alberdi will make a final payment to NRG of \$U.S. 6 million.

At the Deadline and subject to the approval of the TSX Venture Exchange, NRG has agreed to issue into trust, 6,750,000 common shares remaining to be issued to the underlying property owner under the existing option agreement for the HMN Project. After the Deadline, Alberdi will either purchase all of the shares of NRG Argentina S.A., a wholly owned subsidiary of NRG, or will have arranged with the underlying property owner for the transfer of the existing option agreement. The transaction is an arm’s length transaction and is subject to regulatory approval and shareholder approval (which was received at the Company’s AGM and Special AGM on November 29, 2019), and customary closing conditions. Shareholder approval to this transaction and other matters is being sought in advance, with an Annual General and Special Meeting set for November 29, 2019. A finder’s fee will be payable in connection with this transaction