



## *Independent auditor's report*

To the Board of Directors of NGEx Minerals Ltd. (Formerly 11264796 Canada Inc.)

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### *Our opinion*

In our opinion, the accompanying condensed interim financial statements present fairly, in all material respects, the financial position of NGEx Minerals Ltd. (the Company) as at March 31, 2019, and its financial performance and its cash flows for the period from incorporation on February 21, 2019 to March 31, 2019 in accordance with International Financial Reporting Standards (IFRS).

#### **What we have audited**

The Company's condensed interim financial statements comprise:

- the interim statement of financial position as at March 31, 2019;
- the interim statement of comprehensive loss for the period from February 21, 2019 to March 31, 2019;
- the interim statement of cash flows for the period from February 21, 2019 to March 31, 2019;
- the interim statement of changes in equity for the period from February 21, 2019 to March 31, 2019; and
- the notes to the interim financial statements, which include a summary of significant accounting policies.

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### *Basis for opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the condensed interim financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the condensed interim financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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### *Responsibilities of management and those charged with governance for the condensed interim financial statements*

Management is responsible for the preparation and fair presentation of the condensed interim financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of condensed interim financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the condensed interim financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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### *Auditor's responsibilities for the audit of the condensed interim financial statements*

Our objectives are to obtain reasonable assurance about whether the condensed interim financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these condensed interim financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the condensed interim financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the condensed interim financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the condensed interim financial statements, including the disclosures, and whether the condensed interim financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**(signed) PricewaterhouseCoopers LLP**

Chartered Professional Accountants

Vancouver, British Columbia  
July 24, 2019

NGEx Minerals Ltd.  
(Formerly 11264796  
Canada Inc.)  
("Spinco")  
Interim Financial Statements

**For the period from Incorporation on February 21, 2019 to March 31, 2019**

# **Interim Financial Statements**

**For the period from Incorporation on February  
21, 2019 to March 31, 2019**

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**NGEx Minerals Ltd. (Formerly, 11264796 Canada Inc.) ("Spinco")**  
**Interim Statement of Financial Position**  
**(All amounts expressed in Canadian Dollars)**

|                                                   | <b>March 31, 2019</b> |
|---------------------------------------------------|-----------------------|
| <b>ASSETS</b>                                     |                       |
| Current assets:                                   |                       |
| Cash and cash equivalents                         | \$ 1                  |
| <b>TOTAL ASSETS</b>                               | <b>\$ 1</b>           |
| <b>LIABILITIES</b>                                |                       |
| Current liabilities:                              |                       |
| Trade payables and accrued liabilities            | \$ 4,750              |
| <b>TOTAL LIABILITIES</b>                          | <b>4,750</b>          |
| <b>SHAREHOLDER'S EQUITY</b>                       |                       |
| Share capital (Note 1,4)                          | 1                     |
| Deficit                                           | (4,750)               |
| <b>TOTAL EQUITY</b>                               | <b>(4,749)</b>        |
| <b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b> | <b>\$ 1</b>           |

Subsequent Event (Note 8)

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

ON BEHALF OF THE BOARD:

/s/William A. Rand  
Director

/s/Wojtek A. Wodzicki  
Director

**NGEx Minerals Ltd. (Formerly, 11264796 Canada Inc.) ("Spinco")**  
**Interim Statement of Comprehensive Loss**  
**(All amounts expressed in Canadian Dollars)**

|                                                           | <b>Period from incorporation on<br/>February 21, 2019<br/>To March 31, 2019</b> |
|-----------------------------------------------------------|---------------------------------------------------------------------------------|
| <b>Expenses</b>                                           |                                                                                 |
| Professional fees                                         | \$ 4,750                                                                        |
| <b>Net Loss and Comprehensive Loss for the<br/>Period</b> | <b>\$ 4,750</b>                                                                 |
| <b>Basic and diluted loss per common share</b>            | <b>(4,750)</b>                                                                  |
| <b>Weighted average common shares outstanding</b>         | <b>1</b>                                                                        |

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

**NGEx Minerals Ltd. (Formerly, 11264796 Canada Inc.) ("Spinco")**  
**Interim Statement of Cash Flows**  
**(All amounts expressed in Canadian Dollars)**

|                                                                | <b>Period from incorporation on<br/>February 21, 2019 to March 31,<br/>2019</b> |
|----------------------------------------------------------------|---------------------------------------------------------------------------------|
| <b>Cash flows used in operating activities</b>                 |                                                                                 |
| Net loss for the period                                        | \$ (4,750)                                                                      |
| Net change in working capital items:                           |                                                                                 |
| Trade payables and accrued liabilities                         | 4,750                                                                           |
|                                                                | -                                                                               |
| <b>Cash flows used in financing activities</b>                 |                                                                                 |
| Share subscription                                             | 1                                                                               |
| <b>Increase in cash and cash equivalents during the period</b> | 1                                                                               |
| <b>Cash and cash equivalents, beginning of period</b>          | -                                                                               |
| <b>Cash and cash equivalents, end of period</b>                | \$ 1                                                                            |

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

**NGEx Minerals Ltd. (Formerly, 11264796 Canada Inc.) ("Spinco")**  
**Interim Statement of Changes in Equity**  
**(All amounts expressed in Canadian Dollars)**

|                                                        | Number of<br>shares issued<br>and<br>outstanding | Share capital | Deficit    | Total      |
|--------------------------------------------------------|--------------------------------------------------|---------------|------------|------------|
| <b>Balance, Incorporation on<br/>February 21, 2019</b> | -                                                | \$ -          | \$ -       | \$ -       |
| Share issued on incorporation<br>(Note 1,4)            | 1                                                | 1             | -          | 1          |
| Net loss and comprehensive loss for<br>the period      | -                                                | -             | (4,750)    | (4,750)    |
| <b>Balance, March 31, 2019</b>                         | 1                                                | \$ 1          | \$ (4,750) | \$ (4,750) |

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

**NGEx Minerals Ltd. (Formerly, 11264796 Canada Inc.) ("Spinco")**  
**Notes to the Interim Financial Statements**  
**(All amounts expressed in Canadian Dollars)**

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**1. NATURE OF OPERATIONS**

NGEx Minerals Ltd. (formerly 11264796 Canada Inc., the "Company" or "Spinco") was incorporated on February 21, 2019 under the laws of Canada Business Corporations Act in anticipation of a plan of arrangement to reorganize the exploration business of Josemaria Resources (formerly "NGEx Resources Inc.") ("Josemaria"), the Company's current parent company (see Note 8). The Company's intended business activity is the exploration and development of the Los Helados and other mineral properties located in South America. To date, the Company has not commenced operations. The Company's registered office is located at Suite 2200, 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8, Canada.

With the \$7.3 million in cash consideration that was transferred from Josemaria to Spinco as part of the Arrangement on July 17, 2019 (see Note 8), the Company has secured the necessary financial support from NGEx to conduct its exploration activity for at least the next twelve months.

**2. BASIS OF PRESENTATION**

These interim financial statements have been prepared on a historical cost basis in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standards 34, Interim Financial Reporting.

These interim financial statements were authorized for issuance by the Board of Directors of NGEx Minerals Ltd. on July 24, 2019.

**3. SIGNIFICANT ACCOUNTING POLICIES**

**a) Functional and presentation currency**

The functional and presentation currency of the Company is the Canadian dollars.

**b) Financial instruments classification**

IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: those measured at fair value through profit and loss, those measured at fair value through other comprehensive loss and those measured at amortized cost. Measurement and classification of financial assets is dependent on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

The Company has the following financial instruments and their respective basis of recognition and measurement:

| <b>Financial instruments</b>           | <b>Classification</b> |
|----------------------------------------|-----------------------|
| Cash and cash equivalents              | Amortized cost        |
| Trade payables and accrued liabilities | Amortized cost        |

**c) Current and deferred income tax**

The Company follows the liability method of accounting for income taxes. Under the liability method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, unused tax losses and other income tax deductions. Deferred income tax assets are recognized for deductible temporary differences, unused tax losses and other income tax

**NGEx Minerals Ltd. (Formerly, 11264796 Canada Inc.) ("Spinco")**  
**Notes to the Interim Financial Statements**  
**(All amounts expressed in Canadian Dollars)**

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deductions to the extent that it is probable the Company will have taxable income against which those deductible temporary differences, unused tax losses and other income tax deductions can be utilized.

Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the related assets are realized or the liabilities are settled. The measurement of deferred income tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover and settle the carrying amounts of its assets and liabilities, respectively. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in the period in which the change is substantively enacted.

#### **4. SHARE CAPITAL**

The Company is authorized to issue an unlimited number of common shares, without par value. On February 21, 2019, the Company issued one common share upon incorporation to Josemaria.

#### **5. CAPITAL MANAGEMENT**

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management and definition of capital, the Company considers the items included in shareholders' equity to be capital.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its assets. In order to maintain or adjust the capital structure, the Company may attempt to issue new shares or debt instruments, acquire or dispose of assets, or to bring in joint venture exploration partners.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

#### **6. MANAGEMENT OF FINANCIAL RISKS**

The Company relies upon Josemaria, its parent company, in managing its capital structure. The Company's financial instruments are exposed to the following financial risk:

- (i) Liquidity risks associated with the inability to meet obligations as they become due is minimized through its dependence on Josemaria. Trade payables and accrued liabilities are due within twelve months of the Statement of Financial Position date.

**NGEx Minerals Ltd. (Formerly, 11264796 Canada Inc.) ("Spinco")**  
**Notes to the Interim Financial Statements**  
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**7. INCOME TAXES**

A reconciliation of current income taxes at statutory rates with the period income tax is as follows:

|                                                        | <b>March 31, 2019</b> |
|--------------------------------------------------------|-----------------------|
| Combined basic federal and provincial income tax rates | 27%                   |
| Net loss before taxes                                  | \$ (4,750)            |
| Expected income tax recovery                           | \$ (1,282)            |
| Income tax benefits not recognized                     | 1,282                 |
| Future income tax recovery                             | \$ -                  |
|                                                        |                       |
|                                                        | <b>March 31, 2019</b> |
| Loss carry-forwards                                    | 1,282                 |
| Unrecognized deferred tax assets                       | \$ 1,282              |

The income tax benefit, if any, of these losses have not been recorded in the interim financial statements due to the uncertainty of their recovery.

**8. SUBSEQUENT EVENT**

On July 17, 2019, Josemaria completed the plan of arrangement under the Canada Business Corporation Act ("Arrangement"). Under the terms of the Arrangement, Josemaria transferred its wholly-owned subsidiaries that directly or indirectly hold the Los Helados project and the other exploration projects located in Argentina and Chile, along with approximately \$7.3 million in cash, to the Company in exchange for common shares of the Company. The Los Helados project, in which Josemaria held an approximately 63% interest, is a large copper-gold porphyry deposit located in Chile's Region III. Under the Arrangement, Josemaria will distribute 100% of the common shares of Spinco it receives to Josemaria shareholders on a pro rata basis. Josemaria shareholders will receive one common share of the Company for every two common shares of Josemaria held.

The Company has applied to list the shares of NGEx Minerals Ltd. on the TSX Venture Exchange ("TSXV") under the trading symbol "NGEX". Listing will be subject to NGEx fulfilling all of the listing requirements of the TSXV. The Company has not applied for a listing of its shares in Sweden and has arranged with its Swedish agent to provide shareholders who receive their Spinco common shares under the Arrangement through Euroclear Sweden the opportunity to cross-border their Spinco common shares.