

# Filo Mining Corp.

## Condensed Interim Financial Statements

**For the period from Incorporation on May 12, 2016 to May 31, 2016**

# **Condensed Interim Financial Statements**

**For the period from Incorporation on May 12,  
2016 to May 31, 2016**

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July 5, 2016

## **Independent Auditor's Report**

### **To the Directors of Filo Mining Corp.**

We have audited the accompanying condensed interim financial statements of Filo Mining Corp., which comprise the condensed interim statement of financial position as at May 31, 2016 and the condensed interim statements of comprehensive loss, cash flows and changes in equity for the period from incorporation on May 12, 2016 to May 31, 2016, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

#### **Management's responsibility for the condensed interim financial statements**

Management is responsible for the preparation and fair presentation of these condensed interim financial statements in accordance with International Financial Reporting Standards applicable to the preparation of interim financial statements, including International Accounting Standard 34, Interim Financial Reporting, 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.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on these condensed interim financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the condensed interim financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the condensed interim financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the condensed interim financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the condensed interim financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the condensed interim financial statements.

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

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



**Opinion**

In our opinion, the condensed interim financial statements present fairly, in all material respects, the financial position of Filo Mining Corp. as at May 31, 2016 and its financial performance and its cash flows for the period from incorporation on May 12, 2016 to May 31, 2016 in accordance with International Financial Reporting Standards applicable to the preparation of interim financial statements, including International Accounting Standard 34, Interim Financial Reporting.

*/s/ PricewaterhouseCoopers LLP*

**Chartered Professional Accountants**

**Filo Mining Corp.**  
**Condensed Interim Statement of Financial Position**  
**(All amounts expressed in Canadian Dollars)**

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**May 31, 2016**

<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 1
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<b>TOTAL ASSETS</b>	<b>\$ 1</b>
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<b>LIABILITIES</b>	
Current liabilities:	
Trade payables and accrued liabilities	\$ 3,050
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<b>TOTAL LIABILITIES</b>	<b>3,050</b>
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<b>SHAREHOLDER'S EQUITY</b>	
Share capital (Note 1,4)	1
Deficit	(3,050)
<hr/>	
<b>TOTAL EQUITY</b>	<b>(3,049)</b>
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<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<b>\$ 1</b>

Subsequent Event (Note 8)

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

ON BEHALF OF THE BOARD:

/s/William A. Rand  
Director

/s/Wojtek A. Wodzicki  
Director

**Filo Mining Corp.**  
**Condensed Interim Statement of Comprehensive Loss**  
**(All amounts expressed in Canadian Dollars)**

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**Period from incorporation on  
May 12, 2016  
To May 31, 2016**

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**Expenses**

Professional fees \$ 3,050

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**Net Loss and Comprehensive Loss for  
the Period**

\$ 3,050

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<b>Basic and diluted loss per common share</b>	(3,050)
<b>Weighted average common shares outstanding</b>	1

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

**Filo Mining Corp.**  
**Condensed Interim Statement of Cash Flows**  
**(All amounts expressed in Canadian Dollars)**

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**Period from incorporation on  
May 12, 2016 to May 31, 2016**

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<b>Cash flows used in operating activities</b>		
Net loss for the period	\$	(3,050)
Net change in working capital items:		
Trade payables and accrued liabilities		3,050
		-
<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

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

**Filo Mining Corp.**  
**Condensed Interim Statement of Changes in Equity**  
**(All amounts expressed in Canadian Dollars)**

	Number of shares issued and outstanding	Share capital		Deficit		Total
<b>Balance, Incorporation on May 12, 2016</b>	-	\$	-	\$	-	-
Share issued on incorporation (Note 1,4)	1		1		-	1
Net loss and comprehensive loss for the period	-		-		(3,050)	(3,050)
<b>Balance, May 31, 2016</b>	1	\$	1	\$	(3,050)	\$ (3,049)

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

**Filo Mining Corp.**  
**Notes to the Condensed Interim Financial Statements**  
**(All amounts expressed in Canadian Dollars)**

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**1. NATURE OF OPERATIONS**

Filo Mining Corp. (the "Company" or "Filo Mining") was incorporated on May 12, 2016 under the laws of Canada Business Corporations Act in anticipation of a plan of arrangement to reorganize the exploration business of NGEx Resources Inc. ("NGEx"), the Company's current parent company (see Note 8). The Company's intended business activity is the exploration and development of the Filo del Sol 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.

The Company's ability to settle its existing liabilities and continue as a going concern is dependent upon the Company securing financing and continued support from NGEx (see Note 8).

**2. BASIS OF PRESENTATION**

These condensed 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 consolidated financial statements were authorized for issuance by the Board of Directors of the Company on July 5, 2016.

**3. SIGNIFICANT ACCOUNTING POLICIES**

**a) Functional and presentation currency**

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

**b) Financial instrument classification and risks**

In respect of the recognition and measurement of financial instruments, the Company has adopted the following policies:

<b>Accounting classification of the following financial instruments</b>	<b>Other financial liabilities</b>
<i>Measured at amortized cost:</i>	
Trade payables and accrued liabilities	X

**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 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.

**Filo Mining Corp.**  
**Notes to the Condensed Interim Financial Statements**  
**(All amounts expressed in Canadian Dollars)**

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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 May 12, 2016, the Company issued one common share upon incorporation to NGEx.

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

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

**Filo Mining Corp.**  
**Notes to the Condensed Interim Financial Statements**  
**(All amounts expressed in Canadian Dollars)**

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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>May 31, 2016</b>
Combined basic federal and provincial income tax rates	26%
Net loss before taxes	\$ (3,050)
Expected income tax recovery	\$ (793)
Income tax benefits not recognized	793
Future income tax recovery	\$ -

  

	<b>May 31, 2016</b>
Loss carry-forwards	793
Unrecognized deferred tax assets	\$ 793

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

**8. SUBSEQUENT EVENT**

On June 13, 2016, NGEx announced that its Board of Directors unanimously approved a strategic reorganization of its exploration business through a plan of arrangement under the Canada Business Corporation Act ("Arrangement").

Under the terms of the Arrangement, NGEx will transfer its wholly-owned subsidiaries that directly or indirectly hold the Filo del Sol project and the Tamberias project located in Argentina and Chile, (the "Filo del Sol Exploration Business"), along with approximately \$3 million in cash, to the Company in exchange for 51,265,934 common shares of the Company. The Filo del Sol Exploration Business comprises of properties that straddle the international border between San Juan Province, Argentina and Region III, Chile. The mineral titles for these properties are 100% controlled by the Filo del Sol Exploration Business either through direct ownership or option agreements. Under the Arrangement, NGEx will distribute 100% of the common shares of Filo Mining it receives to NGEx shareholders on a pro rata basis. NGEx shareholders will be entitled to receive one common share of the Company for every four common shares of NGEx held as of the effective date of the Arrangement.