AEX Gold

AEX Gold Inc.

ANNUAL REPORT AND FINANCIAL STATEMENTS 2020

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CORPORATE INFORMATION

DIRECTORS:
Graham Stewart (Non-Executive Chairman)
Eldur Olafsson (Founder and Chief Executive Officer)
George Fowlie (Non-Executive Director) (Chief Financial Officer to January 25, 2021)
Jaco Crouse (Chief Financial Officer from January 25, 2021 and Director from April 28, 2021)
Robert Ménard (Non-Executive Director) (to April 27, 2021)
Georgia Quenby (Non-Executive Director)
Sigurbjorn ('Siggi') Thorkelsson (Non-Executive Director)

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Martin Ménard

CORPORATE SECRETARY:
Joan Plant

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Strategic report

Business model and Strategy

AEX Gold Inc. ("**AEX**" or the "**Corporation**") is an independent mining corporation engaged in the identification, acquisition, exploration and development of gold properties and other strategic mineral assets in Greenland. The Corporation's strategy is to leverage its first mover advantage in Greenland, underpinned by the previously producing Nalunaq Project, to build a full-cycle gold mining Corporation in Greenland, delivering long term shareholder value and providing significant upside potential through its land bank of high-impact exploration assets, which include gold and other strategic minerals.

Strategic Review of 2020

Since 2015, AEX has accumulated the largest land package of gold licences in Southern Greenland, with eight licences covering 3,870 square kilometres in the two known gold belts, namely the Nanortalik gold belt and the Tartoq gold belt. The Corporation's core asset is the 100%-owned Nalunaq Project, a previously producing mine, which benefits from a substantial capital expenditure programme conducted by previous operators.

The Corporation's near-term strategy has been focused on bringing the Nalunaq Project back into production and was originally scheduled for late 2021. However, the COVID-19 pandemic caused significant cost escalation during 2020-21, unprecedented interruptions to logistics and the closure of Greenland's borders. Consequently, due to the increased macro-economic risks, the decision was taken by the Corporation in February 2021 to suspend development activities at the Nalunaq Project. This difficult but prudent decision was taken by the Board and Management in order to preserve cash, while assessing the best path forward for the Corporation. As a result, all non-essential expenditures and commitments were either terminated or suspended where possible to minimise expenditure, and a review of the merits of an accelerated exploration programme was undertaken.

Update on Strategy

Subsequent to the decision to suspend development activities at the Nalunaq project, Ausenco, a global company providing innovative, value-add consulting studies, project delivery, asset operations and maintenance solutions in the minerals and metals industry, undertook a peer review of the Company's Nalunaq Project development plan. The conclusion of Ausenco's assessment was that while the AEX revised capital cost model was within industry benchmarks for the size and nature of the project, significant potential cost saving alternatives exist which warrant further analysis.

As part of its strategic process, the Company is also investigating alternative solutions regarding the project's execution methodology. The baseline strategy of AEX was to develop the Nalunaq Project according to the self-perform execution model. The Company's advisors have suggested that other project execution methodologies could allow for further derisking through the use of an EPCM or an EPC strategy. In such instances, a recognized contractor would apply its expertise to further de-risk the project execution and cost basis.

As a pre-requisite to validate the potential of changing the project execution methodology, an internal technical study will be undertaken. This study will incorporate, wherever appropriate and cost-effective, all engineering and planning works undertaken to date, together with equipment and other infrastructure purchases already made/procured.

It is expected that this third party feasibility-level engineering study, incorporating potential cost savings, will be completed by Q4 2021. AEX is fully funded to deliver on this milestone and a decision will then be taken on whether to tender the project as an EPC or EPCM, or to continue as a self-perform execution project. In either event, it is planned that by year-end AEX will have the necessary engineering design, contractual and procurement arrangements in place, together with an updated resource model, so that we are in a position in Q1 2022 to commit to the revised Nalunaq Project development plan under the selected execution model. Consequently, the Company will update the market with a revised production timeframe and associated funding plan as soon as appropriate. The preliminary target is for initial production from Nalunaq to commence by the end of 2022.

In parallel with this workstream, the Company has contracted the services of InnovExplo, a specialist in a wide range of exploration and technical services in the metals and mining industry, to review the Nalunaq Resource Model. InnovExplo is a specialist in modelling coarse gold deposits and will provide the Company with a peer review assessment of the Mineral Resource model in Nalunaq's Competent Person Report of 2020.

AEX is the largest licence holder in south Greenland, a region with significant potential for gold, rare earths and other strategic minerals. The region is increasingly attracting geo-political attention, and particular interest among major international mining companies. AEX has, over several years, countercyclically built an extensive and unique portfolio of high potential assets in south Greenland. These licences vary in their maturity, with some benefiting from signficant exploration work while others remain largely under-explored.

Geological reserach is actively progressing with GoldSpot, SRK and our internal team to define the resource potential within our licence area, as we continue to develop our exploration programme. A number of activities have been worked up for 2021, as part of this important wider exploration programme.

The Corporation believes its assets provide an opportunity to develop a balanced, full-cycle portfolio capable of delivering long-term shareholder returns either through operation or through ultimate sale of the Corporation to an established player.

The Corporation aims to be sustainable in its work, both from an environmental and social perspective. AEX intends to deploy local wind and hydro potential in order to support operations at the Nalunaq Property and reduce the environmental footprint of its operations, and intend to plant trees in order to leave the site greener than when the Corporation started operations. In addition, the Corporation targets significant local employment, with all staff being trained by the Corporation. This will be partly achieved through engaging with the Greenland School of Minerals and Petroleum in Sisimut and through the Corporation’s commitment to engage with local contractors.

Following the outbreak of Coronavirus, the Corporation has reviewed all of its processes and procedures and has integrated industry best practices into its forward plans to mitigate the risks to its operations. The Corporation has engaged with a broad range of specialists in the medical services, insurance, air transportation and occupational health and safety sectors to ensure that appropriate processes are designed into infrastructure and logistics to manage risks related to contagion to its employees and the communities near to the Corporation’s Properties. The forward strategy and planning for the Corporation will be designed with the help of these specialists, to ensure the Corporation meets its objective of safely operating in Greenland during, and in consequence of, the Coronavirus pandemic.

Subsidiaries
The Corporation has one subsidiary, Nalunaq A/S. There are no additional reporting requirements for this subsidiary at present.

Eldur Ólafsson
Chief Executive Officer

May 6, 2021

Principal risks and uncertainties facing the business

The mining and mineral exploration industry is risky in nature as companies have to deal with various local and global risks associated with, but not limited to: environmental and social, political, regulatory, health and safety, logistical, financial, and operational.

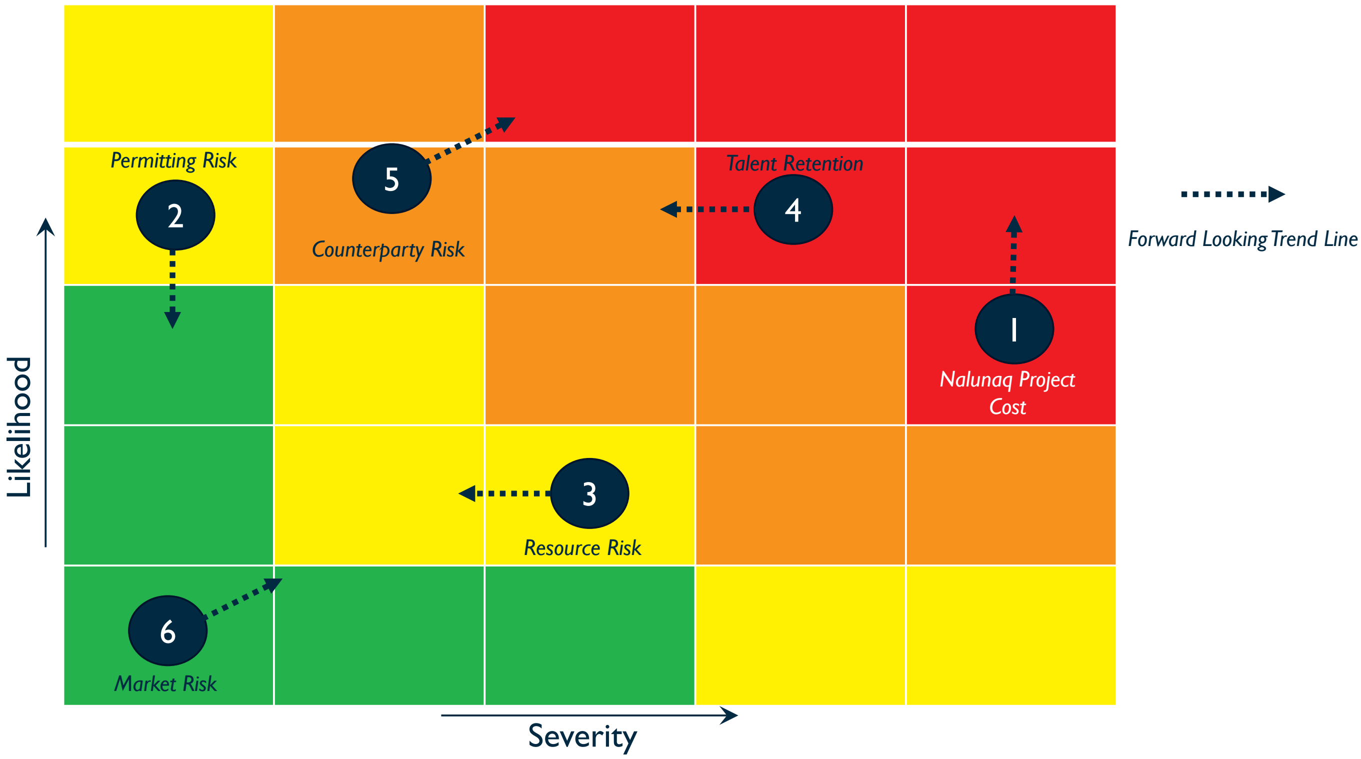
As a result of the coronavirus ("**COVID-19**") outbreak, there are currently travel restrictions in place in many countries with many land borders closed and suspension of flights. These restrictions may have an immediate impact on the operations of the Corporation in terms of access to resources and supplies from neighbouring countries, access to its projects by key management personnel, disruption to operations and delays or increased costs in accessing resources and supplies. While the Corporation will seek to manage the effect of COVID-19 on its personnel and operations, if and when necessary, there can be no assurance that COVID-19 will not have an adverse effect on the future operations of the Corporation's projects in Greenland or an investment in the Corporation.

The major risks facing the Corporation are detailed in the section below.

Rank	Business Risk	Description	Severity	Nature of Impact	Mitigation	Residual risk
1	Nalunaq Project Cost escalations and schedule delays associated with the impact and government response to the effects of the COVID-19 global pandemic.	COVID-19 pandemic has constrained supply chains that resulted in increased logistic and input costs. In response to curbing the COVID-19 pandemic Greenland like many other jurisdictions, has restricted access with mandatory quarantine periods resulting in additional labour cost with much reduced productivity. The combination of these results have significantly increased the Nalunaq Project cost and extended the timeline to achieve commercial production.	High	Economic Reputational Social	• Company has placed the Nalunaq Project on hold and contracted a reputable third party to peer review the current project cost and schedule to identify areas of optimization. • As an extension of the peer review a 3rd party engineering study will commence imminently with the expectation of materially de-risking the project cost and schedule ahead of any new funding • The engineering study will also allow the Company to review the current project execution model.	High
2	Permitting Risk	The EIA (Environmental Impact Assessment) and SIA (Social Impact Assessment) are required prior to commencing construction of the process plant.	Medium	Economic Reputational	• By placing the project on hold and focusing on a minimal infrastructure program, this risk has reduced significantly • EIA and SIA drafts already submitted to the authorities with regular progress meetings being held • Sufficient leeway built into the process so that the EIA and SIA should be approved by the end of 2021	Low

Rank	Business Risk	Description	Severity	Nature of Impact	Mitigation	Residual risk
3	Resource Risk	The Nalunaq resource is a coarse-gold narrow vein deposit that is difficult to define through exploration drilling alone and is therefore at an inferred level of definition. An inferred resource is subject to potentially large variances around grade, continuity and size and has not passed an economic evaluation.	Medium	Economic Social	• The Company plans to embark on a 20,000 - 30,000m drill program for 2021 to expand and increase definition on the Nalunaq resource. • Due to the specialized nature of the orebody, the Company has also contracted a 3rd party expert in narrow vein coarse gold deposits to review the company resource model • Detailed reconciliation between drill hole sampling and production	Medium
4	Talent Retention	The COVID-19 global pandemic has negatively impacted the world economy which has led to all-time high gold and other precious metal prices. All-time high metal prices fueled mining project development and a demand for talent. By putting the Nalunaq project on hold, while there's a demand for talent in the mining industry, there could be a loss in availability of experienced and talented employees	High	Economic Reputational	• Key individuals required to take the project forward should be subject to a retention program supported by a succession plan • Consider an alternative Project Execution model in order to access the necessary talent	Medium
5	Counterparty Risk	Inability of third parties to deliver on contracts and agreements due to the impact of COVID-19 on their input costs, workforce or liquidity.	Medium	Economic	• Proper screening of counterparties ahead of any engagement to assess their credit risk and operational risk. • Monitor base / metals and industrials materials indices	High

Rank	Business Risk	Description	Severity	Nature of Impact	Mitigation	Residual risk
6	Market Risk	Adverse share price reaction due to downward pressure on the gold price. The increase in Bond yields and strengthening in the USD will have a negative impact on the gold price.	Low	Economic	• Focus on cost containment and optimization of Corporate overhead and the review of the project execution model	Low



Environmental and Social

The Corporation's operations are subject to environmental and social regulations in the jurisdictions in which it operates. Environmental and social legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental and social regulations, if any, will not adversely affect the Corporation's operations.

Regulatory

The Corporation's future operations on the Properties, including exploration and any development activities or commencement of production on its properties, require permits from various governmental authorities and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, protection of endangered and protected species, treatment of indigenous people, mine safety and other matters. To the extent that such permits are required and not obtained, the Corporation may be delayed or prohibited from proceeding with planned exploration or development of its mineral properties. The costs and delays associated with obtaining necessary permits and complying with these permits and applicable laws may have a material adverse effect on the operations, financial conditions and results of the Corporation.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or to be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Political

The Corporation's underlying business interests are located and carried out in Greenland. As a result, the Corporation is subject to political and other uncertainties, including but not limited to, changes in politics or the personnel administering them, nationalisation or expropriation of property, cancellation or modification of contractual rights, foreign exchange restrictions, currency fluctuations, royalty and tax increases and other risks arising out of foreign governmental sovereignty over the areas in which the Corporation's operations are conducted.

The Greenland Government has responsibility for the mineral resources area in Greenland. The political condition in Greenland is generally stable; however, changes in exchange rates, control of fiscal regulations and regulatory regimes, labour unrest, inflation or economic recession could affect the Corporation's business. The management of the Corporation will closely monitor events and take advice, if necessary, from experts to prepare for any eventualities.

Dependence on key individuals

The Corporation's success depends to a certain degree upon key members of the management. These individuals are a significant factor in the Corporation's growth and success and the Corporation does not have key man insurance in place in respect of any of its directors, management or employees. The loss of the service of members of the management and certain key employees could have a material adverse effect on the Corporation.

Additionally, the Corporation's prospects depend in part on the ability of its executive officers and senior management to operate effectively, both independently and as a group. Investors must be willing to rely to a significant extent on management's discretion and judgment, as well as the expertise and competence of outside contractors. Recruiting and retaining qualified personnel is critical to the Corporation's success. The number of persons skilled in the acquisition, exploration and development of mining properties is limited and competition for such persons is intense. To manage its growth, the Corporation may have to attract and retain additional highly qualified management, financial and technical personnel and continue to implement and improve operational, financial and management information systems. Although the Corporation believes that it will be successful in attracting and retaining qualified personnel, there can be no assurance of such success.

Difficulty attracting and retaining qualified staff

Recruiting and retaining qualified personnel is critical to the Corporation's success. The number of persons skilled in the acquisition, exploration and development of mining properties is limited and competition for such persons is intense. To manage its growth, the Corporation may have to attract and retain additional highly qualified management, financial and technical personnel and continue to implement and improve operational, financial and management information systems. Although the Corporation believes that it will be successful in attracting and retaining qualified personnel, there can be no assurance of such success.

Dependence on third party services

The Corporation will rely on products and services provided by third parties. If there is any interruption to the products or services provided by such third parties the Corporation may be unable to find adequate replacement services on a timely basis or at all.

The Corporation is unable to predict the risk of insolvency or other managerial failure by any of the contractors or other service providers currently or in the future used by the Corporation in its activities.

Any of the foregoing may have a material adverse effect on the results of operations or the financial condition of the Corporation. In addition, the termination of these arrangements, if not replaced on similar terms, could have a material adverse effect on the results of operations or the financial condition of the Corporation.

External contractors and sub-contractors

When the world mining industry is buoyant there is increased competition for the services of suitably qualified and/or experienced sub-contractors, such as mining and drilling contractors, assay laboratories, metallurgical test work facilities and other providers of engineering, project management and mineral processing services.

As a result, the Corporation may experience difficulties in sourcing and retaining the services of suitably qualified and/or experienced sub-contractors, and the Corporation may find this more challenging given its Greenlandic operations with most third-party service providers located in other countries. The loss or diminution in the services of suitably qualified and/or experienced sub-contractors or an inability to source or retain necessary sub-contractors or their failure to properly perform their services could have a material and adverse effect on the Corporation's business, results of operations, financial condition and prospects.

Access to Properties and renewal of licenses

The Corporation cannot guarantee that title to its mineral properties will not be challenged. Title insurance is generally not available for mineral properties and the Corporation's ability to ensure that it has obtained a secure claim to individual mineral properties or mining concessions may be severely constrained. The Corporation's mineral properties may be subject to prior unregistered agreements, transfers or claims, and title may be affected by, among other things, undetected defects. The Corporation has not conducted surveys of all of the mineral rights in which it holds direct or indirect interests. A successful challenge to the precise area and location of these mineral rights could result in the Corporation being unable to operate on its Properties as permitted or being unable to enforce its rights with respect to its Properties.

The Properties are the only material properties of the Corporation. Any material adverse development affecting the progress of the Properties, or both, will have a material adverse effect on the Corporation's financial condition and results of operations.

If the Corporation loses or abandons its interest in its Properties, there is no assurance that it will be able to acquire another mineral property of merit.

Interests in licences in Greenland are for specific terms and carry with them estimated annual expenditure and reporting commitments, as well as other conditions requiring compliance. The MLSA is largely focused on the activities completed by an exploitation licence holder and ensuring that a project is advancing towards production. The Corporation could lose title to or its interest in licences relating to the Properties if licence conditions are not met.

In particular, the Nalunaq Exploration Project is currently within the Nalunaq Licence. Under the current terms of this licence, Nalunaq A/S is required to commence mine production by January 1, 2023, although the scale of this production is not specified. There is no guarantee that this will be possible within this timeframe, and the government has reserved the right to revoke the licence if these conditions are not met.

Failure to satisfy any of the conditions set forth in the addendums to the Nalunaq Licence for example, the commitment to perform specific activities such as preparation of an Environmental Impact Assessment and Social Impact Assessment for sub period 4 as set out in Addendum No. 5 may result in the MLSA revoking the Nalunaq Licence, however the MLSA has stated as an objective that there is no automatic revocation of a licence when a condition has not been achieved, rather they have committed to, at all times, act reasonably and in accordance with the general rules and regulations of Greenlandic administrative law, including the principles of objectiveness, proportionality and equal treatment.

In response to COVID-19 pandemic, the Government of Greenland approved a proposal (i) adjusting required exploration expenses in years 2020 and 2021 for all mineral exploration licences to zero (0 DKK), (ii) postponing of the transferred unfulfilled exploration obligations by two years, and (iii) extending of the licence period for all mineral exploration licences by two years.

Exploration

The Properties are in remote locations in a global context, although not in a Greenlandic context. The costs of logistics and staffing are high. The climatic conditions allow a relatively short period for surface exploration activities, although this should not affect underground exploration.

The Nalunaq Gold Mine and areas of exploration potential lie within a steep mountain. Regularized surface diamond drilling for structure is impractical in many parts, resulting in a greater reliance on underground exploration.

Significant and increasing competition exists for the limited number of mineral acquisition opportunities available. As a result of this competition, some of which is with large established mining companies with substantial capabilities and greater financial and technical resources than the Corporation, the Corporation may be unable to acquire attractive mineral properties on terms it considers acceptable. The Corporation also competes with other companies for the recruitment and retention of qualified employees and other personnel.

Development risks and substantial funding requirements to assess commercial mineral deposits
There can be no assurance that the Corporation will be able to manage effectively the expansion of its operations or that the Corporation's personnel, systems, procedures and controls will be adequate to support the Corporation's operations. In particular, although certain of the Directors and Senior Management have experience of bringing mineral assets into production, the Corporation itself does not and its ability to do so will be dependent upon using the services of appropriately experienced personnel or entering into agreements with service providers that can provide such expertise. The Corporation's ability to commence, maintain or increase its annual production of ore in the future will be dependent in significant part on its ability to bring the Properties into production. Any failure of the Board to manage effectively the Corporation's growth and development could have a material adverse effect on its business, financial conditions and results of operations. There is no certainty that all or, indeed, any of the elements of the Board's strategy will develop as anticipated. The Corporation's profitability will depend, in part, on the actual economic returns and the actual costs of developing the Properties, which may differ significantly from the Corporation's current estimates. The development of the Properties may be subject to unexpected problems and delays.

AEX has engaged an external consultant to assess various aspects of the mine, including the structural stability of a concrete bulkhead located near the main portal inside the mine. This bulkhead supports historic tailings left by the previous operator and retains the tailings within an underground tailings storage facility. The bulkhead has been assessed as being unsafe and the Board has resolved that it cannot proceed with its previous development plan until this is rectified. Whilst the Board does not consider this to be a major project in its own right, in light of COVID related restrictions to the movement of personnel, it represents a material risk to the successful completion of the summer 2021 development programme. It would also have the effect of delaying production and reducing initial head grade, with a consequent drop in early stage revenue.

The Corporation requires substantial funds to determine whether commercial mineral deposits exist on its Properties beyond the Inferred Mineral Resource. Any potential development and production of the Corporation's Properties depends upon the results of exploration programmes and/or feasibility studies and the recommendations of duly qualified engineers and geologists. Such programmes require substantial additional funds. Any decision to further expand the Corporation's operations on these Properties is anticipated to involve consideration and evaluation of several significant factors including, but not limited to:

- costs of bringing a property into production, including exploration work, preparation of production feasibility studies, and construction of production facilities;
- availability and costs of financing;
- ongoing costs of production;
- market prices for the minerals to be produced;
- environmental compliance regulations and restraints; and
- political climate and/or governmental regulation and control.

Resource Estimate
The Corporation is an exploration stage Corporation and cannot give assurance that a commercially viable deposit, or "reserve", exists on any properties for which the Corporation currently has or may have (through potential future joint venture agreements or acquisitions) an interest. Therefore, determination of the existence of a reserve depends on appropriate and sufficient exploration work and the evaluation of legal, economic and environmental factors. If the Corporation fails to find a commercially viable deposit on any of its Properties, its operations, financial condition and results of operations will be materially adversely affected.

Market Conditions
If the Corporation commences production, profitability will be dependent upon the market price of gold. Gold prices historically have fluctuated widely and are affected by numerous external factors beyond the Corporation's control, including industrial and retail demand, central bank lending, sales and purchases of gold, forward sales of gold by producers and speculators, levels of gold production, short-term changes in supply and demand because of speculative hedging activities, confidence in the global monetary system, expectations of the future rate of inflation,

the strength of the U.S. dollar (the currency in which the price of gold is generally quoted), interest rates, terrorism and war, and other global or regional political or economic events.

Additionally, the Corporation is exposed to foreign exchange fluctuations as its undertakings are in Greenland, and is serviced through a web of international service providers in various currencies. As a result, revenues, cash flows, expenses, capital expenditure and commitments are primarily denominated in Danish Krone, Euros, Canadian dollars, U.S. dollars and U.K. Pound Sterling. This results in the income, expenditure and cash flows of the Corporation being exposed to fluctuations and volatilities in exchange rates, as determined in international markets. The amount of revenue generated by the Corporation in Canadian dollars to pay dividends and operating costs will fluctuate with changes in exchange rates. Changes in exchange rates are outside the Corporation's control.

Another important market condition to consider in the ability of the Corporation to undertake activities on its Properties is dependent the current COVID-19 pandemic being resolved. AEX's key individuals and strategic advisors are not all Greenlandic citizens, and as such, cannot be dispatched to site as straightforwardly as before given the various global travel bans and restrictions, including in Greenland. Additionally, the supply and demand equilibrium point has been impacted by COVID-19, as can be observed through various indexes for goods and services.

Insurance Risks

Exploration, development and production operations on mineral properties involve numerous risks, including:

- unexpected or unusual geological operating conditions;
- rock bursts, cave-ins, ground, slope and bulkhead failures;
- fires, floods, earthquakes and other environmental occurrences;
- political and social instability that could result in damage to or destruction of mineral properties or producing facilities, personal injury or death, environmental damage;
- delays in mining caused by industrial accidents or labour disputes;
- changes in regulatory environment;
- monetary losses; and
- possible legal liability.

It is not always possible to obtain insurance against all such risks and the Corporation may decide not to insure against certain risks because of high premiums or other reasons. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Corporation or to other companies in the mining industry on acceptable terms. Should such liabilities arise, they could reduce or eliminate any further profitability and result in increasing costs and a decline in the value of the securities of the Corporation.

Furthermore, in order to mitigate those risks, The Corporation has put in place a number of policies and processes detailed in Principle 4 – *Embed effective risk management, considering both opportunities and threats, throughout the organisation of the Corporate Governance section below*.

Approved on behalf of the Board on May 6, 2021.

Eldur Ólafsson
Chief Executive Officer

Directors' Report

The Directors present their report with the financial statements of the Corporation for the period from January 1, 2020 to December 31, 2020.

Incorporation and listings

AEX is an independent gold mining Corporation engaged in the identification, acquisition, exploration and development of gold properties in Greenland. The Corporation was incorporated and registered under the Canada Business Corporations Act on February 22, 2017. The Corporation's shares have been listed on the TSX-V in Canada since July 13, 2017. The Corporation's shares were admitted to trading on the UK's AIM Market of the London Stock Exchange on July 31, 2020 (the '**Admission**'). The Corporation's gold assets are located in Southern Greenland.

Directors

The Directors who have held office during the year and to the date of this report are listed below. On January 25, 2021, George Fowlie stepped down as the Chief Financial Officer and remained a Non-Executive Director of the Corporation. On January 25, 2021, Jaco Crouse was appointed as the Chief Financial Officer and appointed as a Director on April 28, 2021. On April 27, 2021 Robert Ménard stepped down as a Director.

Graham Duncan Stewart – *Chairman and Non-Executive Director (Age: 60)*

Graham has worked in the international oil & gas industry for 30 years. Throughout his career, Graham has created a reputation for generating significant shareholder value for the companies he acts for. Most recently, he founded Faroe Petroleum, which he became the CEO of in 2002 and listed on AIM in 2003. He proceeded to grow Faroe into a highly successful independent full-cycle exploration and production company with portfolios in the UK and Norway. The company was sold in January 2019 for USD 800 million to DNO. Graham has engineering and business degrees from Heriot Watt and Edinburgh Universities.

Eldur Ólafsson – *Founder, Director and Chief Executive Officer (Age: 35)*

Eldur founded AEX Gold in 2017, having previously worked for over seven years on integrated mining projects in Greenland. He has had an extensive career in the geothermal and mining industries, during which he built the largest geothermal district heating company in the world alongside Sinopec Group. Eldur has a successful track record of leading companies from exploration to production, as shown by his time at Orka Energy, where Eldur was responsible for securing the acquisition, and subsequent development, of the Company's geothermal energy business in both China and the Philippines. Prior to this, he worked with Geysir Green Energy, a geothermal investment company, where he led their business development. He later became the Technical Director of energy company Enex, a 100% owned subsidiary of Geysir, where he grew the Company from its inception to a position where it was operating in three Chinese provinces. Eldur holds a BSc Geology degree from the University of Iceland.

Jaco Crouse – *Chief Financial Officer (Age: 43)*

Jaco is a seasoned mining executive with 20 years' experience in financial management, mine financial planning, business optimization and strategy development. He most recently occupied the position of CFO of Detour Gold Corp., where he facilitated the successful financial and operational turnaround and sale of the corporation to Kirkland Lake Gold for US$3.7 billion. Prior to that, Jaco was Chief Financial Officer & Vice President-Finance of Triple Flag Mining Finance Ltd., ("Triple Flag") a Toronto-based private metal streaming business. From 2015- 2016 Jaco was Vice President Business Planning & Optimization at Barrick Gold Corp. where he was instrumental in resetting the cost structure and improving the capital allocation discipline to deliver free cash flow improvements from underperforming assets during a period of low gold prices. Jaco is a Chartered Professional Accountant (Ontario), a Chartered Accountant (South Africa), and a certified Financial Risk Manager (FRM) with a BComs (Honours) in Accounting Sciences from the University of South Africa.

George Robertson Fowlie – *Non-Executive Director (Age: 76)*

George has extensive experience in the banking and finance industry following a successful 40-year career working for several high-quality global companies. During this time, George spent ten years as an investment banker with First Marathon Securities as well as four years as a partner at Edgestone Capital Partners, a $1bn private equity company. He later joined Westwind Partners as a partner, focusing on the natural resources sector and overseeing a team of 12 bankers in Toronto, Calgary and London. George and his partners subsequently sold Westwind to Thomas Weisel Partners in early 2008. He subsequently set up his own consulting company to manage private company investments and advise other companies through capital raising and M&A mandates. George has a BA from the University of Toronto and an MBA from the University of Western Ontario.

Sigurbjorn ('Siggi') Thorkelsson – *Non-Executive Director (Age: 54)*
Siggi has over 25 years' experience in the banking and securities industry across New York, London, Tokyo, Hong Kong and his native Iceland. Siggi has previously served as Managing Director at Nomura International (Hong Kong) Limited and as Head of Asia-Pacific Equities before becoming a Senior Managing Director of the Nomura Group. In 2010, Siggi moved to Barclays Capital (Hong Kong) as Managing Director and Head of Asia-Pacific Equities before becoming Managing Director (Head of Equities EMEA) at Barclays Capital in London in 2011. More recently, Siggi has co-founded investment and securities companies in Iceland and in the UK.

Robert Ménard – *Non-Executive Director (Age: 71)*
Robert has over 40 years' experience in project management, both as a contractor and an executive. He has used this extensive knowledge in his role as a VP for Engineering and Construction on a number of notable projects, including on Andean Resources' Cerro Negro Project in Argentina and Canadian Royalties Nunavik Nickel Project in Canada. He also occupied this role for Cambior on all of its development projects before its acquisition by IAMGOLD. Robert holds a degree in Applied Science (Electrical Engineering) from the University of Ottawa.

Georgia Margaret Quenby – *Non-Executive Director (Age: 50)*
Georgia is a highly experienced commercial lawyer, who is qualified in both London and New York. Throughout her career, she has worked on a number of cross-border transactions, both in financings and M&A, in many industries including natural resources and the defence sector. Georgia is regulated by the Institute of Chartered Accountants of England and Wales as a non-appointment taking Insolvency Practitioner. She was the recipient of the FT Non-Executive Director Diploma and is currently a member of the advisory council of the Centre for Commercial Law Studies. Georgia has a degree in Jurisprudence from Oxford University.

Officers

Martin Ménard – *Non-Executive Director (Age: 39)*
Martin has over 15 years' experience in a variety of engineering and management roles across global energy, mining and mineral processing projects, assisting companies in the transition of their projects from exploration to operations. Prior to joining AEX, Martin held various management positions in the mining industry, notably for Greenstone Gold Mines Ltd.'s Hardrock Project in Ontario, Canada, Newmont Corporation's Merian Project in Suriname and IAMGOLD Corporation's Essakane Project in Burkina Faso. Martin has a B. Eng. in Electrical Engineering from McGill University in Montreal, Canada, and a Masters in Economics, Finance and Management from Universitat Pompeu Fabra in Barcelona, Spain. He is a registered engineer in the Province of Quebec and Ontario.

Status and activities
AEX Gold Inc. ("AEX" or the "Company") is an independent gold mining Corporation engaged in the identification, acquisition, exploration and development of gold properties in Greenland. The Corporation's strategy is to leverage its first mover advantage in Greenland, underpinned by the previously producing Nalunaq asset, to build a full-cycle gold mining Corporation in Greenland, delivering shareholder value and providing significant upside potential through its land bank of high-impact exploration assets.

AEX is committed to operating to the highest international standards and to leading responsible mining in Greenland.

Results and Dividend
The Corporation has not paid any dividends since its incorporation.

Whilst the Directors propose that earnings are re-invested into the development of the Corporation's asset base in the short to medium term, the Board will consider commencing the payment of dividends as and when the development and profitability of the Corporation allows, and the Board considers it commercially prudent to do so. The declaration and payment of dividends and the quantum of such dividends will, in any event, be dependent upon the Corporation's financial condition, cash requirements and future prospects, the level of profits available for distribution and other factors regarded by the Board as relevant at the time.

Future developments
The Directors continue to identify opportunities which meet the Corporation's strategy, which is set out on pages 3 to 4.

Share capital
Details of shares issued by the Corporation during the period are set out in Note 10 to the financial statements.

Directors' interests in shares
Director interests in the shares of the Corporation, including those of connected parties and those indirectly held at the December 31, 2020:

	Ordinary shares
Graham Stewart	1,843,058
Eldur Olafsson[1]	7,906,385
George Fowlie[2]	244,000
Robert Ménard[4]	264,178
Georgia Quenby	50,000
Sigurbjorn Thorkelsson[3]	6,627,834

(1) This holding is held through Vatnar Sarl and Vatnar EHF.
(2) 135,000 shares are held through GRF Capital Advisors Inc.
(3) This holding is held through Fossar Holdings Ltd, a company that is jointly owned by Sigurbjorn Thorkelsson and his wife. It is the holding company for Fossar Ltd and Fossar ehf.
(4) On April 27, 2021 Robert Ménard stepped down as a director.

Directors' Compensation
Details of the compensation of each Director are provided in the Compensation Committee Report on pages 29 to 40.

Substantial shareholdings
At December 31, 2020, with updates in the notes below.

Shareholder	[(6)]Shareholder (%)
Amati Global Investors	6.90
FBC Holdings Sarl[(1)]	6.21
Livermore Partners[(2)]	5.31
Chelverton Asset Management	5.18
Eldur Ólafsson[(3)]	4.46
Clarendon Trust – Sub Fund B	3.78
Regal Funds Management	3.76
Libra Advisors	3.76
Fossar Holdings Ltd	3.74
JCAM Investments	3.44
Greenland Venture A/S	3.39
Vaekstfonden	3.39
SISA	3.39
Crossroads Holdings Sarl[(5)]	3.32

(1) FBC Holdings Sarl is an entity controlled by Cyrus Capital Partners LP. On February 16, 2021, FBC Holdings Sarl reduced its holding to 2.04%.
(2) On January 14, 2021, Livermore Partners increased their holdings to 6.04%.
(3) This holding is held through Vatnar Sarl and Vatnar EHF.
(4) Fossar Holdings Ltd is a company that is jointly owned by Sigurbjorn Thorkelsson and his wife. It is the holding company for Fossar Ltd and Fossar ehf.
(5) On March 15, 2021 Crossroads Holdings Sarl decreased their holding to 3.25%.
(6) On March 17, 2021 First Pecos, LLC increased their holding to 5.02% and became a significant shareholder.

Independent auditors
The Directors have reason to believe that PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l (‘**PwC**’) conducted an effective audit. The Directors have provided the auditors with full access to all the books and records of the Corporation. PwC has expressed their willingness to continue to act as auditors to the Corporation and a resolution to re-appointment them will be proposed at the forthcoming Annual and Special Meeting of Shareholders.

Corporate Governance
The Directors recognise the importance of sound corporate governance and their associated report is set out on pages 19 to 25.

The Corporation is subject, among other laws and regulations, to instruments published by relevant Canadian securities regulators. One such instrument, NI 58-101 Disclosure of Corporate Governance Practices, prescribes certain disclosure by the Corporation of its corporate governance practices and NP 58-201 Corporate Governance Guidelines provides non-prescriptive guidelines on corporate governance practices for reporting issuers such as the Corporation.

As a result of the Corporation’s listing on the TSX-V and being a reporting issuer in the Canadian province of Ontario, the Corporation has established corporate governance practices and procedures appropriate for a publicly listed Corporation in Canada. The Corporation complies with Canadian corporate governance standards appropriate for publicly listed companies.

Since listing on AIM on July 31, 2020, the Board further complies with the recommendations set out in the corporate governance guidelines for smaller quoted companies published by the Quoted Companies Alliance (‘**QCA**’) Corporate Governance Code, as amended from time to time.

Engagement with Employees Statement
The employees are fundamental to the delivery of the Corporation’s operating plans. AEX Gold aims to be a responsible employer in our approach to pay and benefits whilst the health, safety and wellbeing of our employees is one of the primary considerations in the way in which we undertake our business.

A large part of the Corporation’s activities are centred upon what needs to be an open and respectful dialogue with employees. Therefore, the importance of sound ethical values and behaviours is crucial to the ability of the Corporation to successfully achieve its corporate objectives. The Board places great import on this aspect of corporate life and seeks to ensure that this flows through all that the Corporation does. The Directors consider that at present the Corporation has an open culture facilitating comprehensive dialogue and feedback and enabling positive and constructive challenge.

Engagement with Stakeholders Statement
The Corporation continuously interacts with a variety of stakeholders important to its success, such as equity investors, workforce, government bodies, local community and vendor partners. The Corporation strives to strike the right balance between engagement and communication. Furthermore, the Corporation works within the limitations of what can be disclosed to the various stakeholders with regards to maintaining confidentiality of market and/or commercially sensitive information.

Political donations
The Corporation did not make any political donations or incur any political expenditure during the period.

Auditors
PwC, a partnership of Chartered Professional Accountants, were appointed as auditors during the financial year. The auditors, PwC will be proposed for re-appointment at the forthcoming Annual and Special Meeting of Shareholders to hold office until the next annual meeting of Shareholders.

Directors' indemnities

As permitted by the Corporation By-laws and subject to the Canada Business Corporations Act, the Directors and Officers have the benefit of an indemnity. Each Director and Officer has signed a Director and Officer Indemnification Agreement, which came into effect at the date of listing on AIM on July 31, 2020 or, their appointment, if after listing. The indemnity is currently in force. The Corporation also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors as well as Public Offering Securities Insurance put in place at the date of listing.

On behalf of the Board:

Eldur Ólafsson
Chief Executive Officer

May 6, 2021

Corporate and Social Responsibility Report

Introduction

AEX aims to uphold the highest standards of governance, responsibility, social and ethical behaviour.

Social Responsibility

Wider ESG concerns continue to be at the forefront of the Corporation's strategy, with a particular focus on the 'S', which encompasses considering the wellbeing of AEX employees, suppliers and wider stakeholder groups including local communities as a vital part of all strategic planning. The Corporation has endeavoured to protect its employees, both local and international during this difficult period due to COVID-19, by implementing the strictest measures at its sites in Southern Greenland. From a more local perspective, the Corporation is committed to contributing to the continuous development of the communities in which it operates, ensuring a continuous dialog with both local leaders and the Greenlandic government to provide the highest level of care and security. Additionally, AEX is committed to responsible business practices in terms of quality management, environmental responsibility, community giving and care of its professionals both within the Corporation and throughout its partners and consultants.

Business Principles Ethics

The Corporation has implemented a Code of Business Conduct and Ethics policy and Integrity Program that apply to all employees and contractors and which provide a framework for conducting business, dealing with other employees, clients and suppliers, and reflects the Corporation's commitment to a culture of honesty, integrity and accountability. The Code of Business Conduct and Ethics policy is available on our website.

Environmental stewardship

AEX is committed to maintaining the highest standard of environmental stewardship and views this as a fundamental part of the Corporation's strategy and decision-making process. The Corporation has ensured that consideration of the environment is wholly integrated into the design of its projects, including exploration, development and construction. To this end, all AEX employees are trained to comply with environmental regulations and provided the tools to apply the Corporation's policies to all areas of the business. In a wider context, AEX is continually exploring various options to reduce its environmental impact, by rehabilitating any area in which the Corporation operates as required. The board and management team have set measurable targets for environmental practice, which include limiting the disposal of waste, implementing rigorous reuse and recycle programmes and encouraging the prudent use of natural resources such as water and power.

Greenhouse gas emissions

The Corporation recognises the effects greenhouse gas emissions are having on the environment and is therefore committed to reducing emissions throughout every aspect of the organisation. AEX is reviewing its pollution, greenhouse gas and other emissions disclosure and exploring how this can be improved to increase transparency. The board and management team are committed to working with stakeholders to promote increased energy efficiency and are continually exploring new ways for the Corporation to reduce its emissions. We have seen a positive momentum on the topic of the global climate and growing scrutiny on businesses to play their part in reducing the world's emissions. AEX's goal is to ensure it is playing its part in reducing the world's carbon footprint.

People and equal opportunities and discrimination

The Corporation is an equal opportunities employer and will recruit, employ and develop employees in line with best practice and based on the qualifications, experience and skills required for the work. We consider applications for employment from people regardless of gender, race, age, disability, marital status, sexual orientation or religious belief. We have respect for human dignity and the rights of the individual. We support the principles of, and promote respect for, the Universal Declaration of Human Rights.

Societal contribution

As our assets are in Greenland, the Corporation is focussing on positive interaction between it and local stakeholders in order to foster long term, sustainable relationships. Our aim is that our projects are socially sustainable and meet high international standards with regard to financial planning, health, safety, the environment as well as social and cultural initiatives.

As part of the Social Impact Assessment ('**SIA**') process which the Corporation is currently undertaking, it is required to describe and assess the direct and indirect impacts of the Nalunaq Project on social conditions. The process includes a period of eight week public consultation hearings so local stakeholders have an opportunity to contribute to the process and make sure their opinions are taken into consideration.

Once the SIA report is approved, an Impact Benefit Agreement will be negotiated between the Corporation, the relevant local stakeholders and the Greenland Government to ensure the greatest possible Greenlandic involvement in the Nalunaq Project going forward.

Corporate Governance

Chairman's Governance Statement

As Chairman of the Corporation, I continue to provide leadership and to ensure that the Board is performing its role effectively and has the capacity, ability, structures, corporate governance systems and support to enable it to function effectively and continue to do so.

The Board recognises the value and importance of high standards of corporate governance and believes that our systems provide the most appropriate framework for a Corporation of our size and stage of development. This Governance section of the Annual Report provides an update on our Corporate Governance, and includes reports from four of our committees, the Audit and Risk Management Committee, the Compensation Committee, the Corporate Governance and Nomination Committee and the Safety and Environmental Committee, all with formally delegated duties and responsibilities. In these reports we set out our governance structures and explain how we have applied the Quoted Companies Alliance Corporate Governance Code ('**QCA Code**').

The Directors recognise the importance of sound corporate governance commensurate with the size of the Corporation and the interests of all shareholders. As a Corporation quoted on AIM, AEX has adopted the QCA Code, as amended from time to time and established its governance structures accordingly during the year with the appointment of Board members and the establishment of the Committees. The QCA Code identifies ten corporate governance principles that AIM companies should follow. Details of how the Corporation follows these ten principles are set out below.

The disclosures required to be included in the Corporation's website in respect of the QCA Corporate Governance Code can be found at www.aexgold.com/about/qca-code-disclosures/.

Principle 1 – Establish a strategy and business model which promote long-term value for the shareholders

AEX Gold is focussed on building a full-cycle gold Corporation in South Greenland's gold district.

The Corporation has established an unrivalled footprint and the largest gold licence portfolio in Greenland.

The Corporation's primary asset is the past-producing Nalunaq gold mine, which it plans to redevelop, benefiting from extensive surface and underground infrastructure, left by past operators, which AEX intends to utilise for future development and as a regional hub for the exploration and development of its wider portfolio.

As reported on 10 February 2021, the government of Greenland implemented a temporary travel ban in January 2021. In late April the government announced that the travel ban would be lifted to a certain extent albeit with restrictions on the number of passengers allowed to travel to Greenland each week. The development of Nalunaq is dependent on the Corporation being able to access the entirety of the property with a significant number of both externally contracted and locally sourced labour. Given the travel restrictions, there can be no certainty that the Corporation will be able to deploy the sizeable workforce necessary to complete the development of the project and meet the timeframes initially envisaged. As a result of this, the Corporation set about re-evaluating its strategy and undertook a review of the business. An update on the progress to date can be found on pages 3 and 4.

The Corporation maintains a Risk Matrix which focusses on the risks facing the business both from an operational and corporate perspective, which is presented to the Audit and Risk Management Committee on a quarterly basis. As a result of the revised strategy and business model, the risks facing the Corporation were also reviewed to ensure the Corporation continued to be positioned to promote long-term value for its shareholders. Full details can be found on pages 5 and 11.

Principle 2 – Seek to understand and meet shareholder needs and expectations

The Corporation has engaged a corporate broker, in-house investor relations adviser, and an external PR firm. The Corporation believes these appointments will facilitate regular dialogue with shareholders to provide a good awareness and understanding of shareholders and their expectations.

All shareholders have the opportunity to attend the Annual and Special Meeting of Shareholders ('**AGM**') and participate in a question and answer session to allow direct access to the Board members in attendance and provide an opportunity to ask questions directly to the Corporation.

Due to the public health impact of the COVID-19 pandemic, and to mitigate risks to the health and safety of our community, shareholders, employees and other stakeholders, in 2020 AEX conducted an online only shareholders' meeting. Registered Shareholders and duly appointed proxyholders attended the meeting online and were able to participate, vote, or submit questions during the meeting's live webcast. The AGM in 2021 will also be held online.

The Corporation has included a contact section on the website including a form, email address and phone number which shareholders can use to make contact, and these questions are passed on to the most appropriate member of the team to ensure a fast and accurate response to stakeholder questions.

The Corporation continues to have regular communications with its investor base through investor roadshows, conferences, and direct conversations as appropriate, as well as ensuring regular communication with its broker and PR firms, to ensure it is aware of shareholder views in a timely and accurate manner.

The Corporation issues regular press releases, and quarterly financial statements alongside management discussion and analysis, to ensure that shareholders are informed of the latest operational and corporate developments.

The Corporation has established an AIM Rule 26 website page which includes the details of all its key advisers, providing shareholders with a point of contact in addition to the website form for communications.

Principle 3 – Take into account wider stakeholder and social responsibilities and their implications for long-term success

In addition to shareholders the Corporations main stakeholder groups are the Government of Greenland, the local communities surrounding licence areas, and the Corporation's employees, contractors, suppliers and customers.

The Corporation has an excellent relationship with various departments of the Government of Greenland, including Licencing, Inspection and Technical, Geology and the Environment Agency for Mineral Resource Activities.

The Corporation adheres to the published government process for executing activities in the field in an environmental and socially responsible manner.

There is a published process for Environmental Impact Assessment, Social Impact Assessment and negotiating an Impact Benefit Agreement in Greenland, which the Corporation is following.

In the longer term, the Corporation is looking at opportunities to utilise green energy (for example, hydroelectricity) to provide power for its projects. Should this be successful, excess renewable energy could be provided to the local communities.

The Corporation holds information meetings with the local communities each year to provide updates about the project and take questions.

The Corporation will target significant local employment and uses local contractors wherever possible. Weekly team meetings are held where members of the team can raises issues as required with colleagues and the CEO.

The Corporation has a Code of Business Conduct and Ethics and an Integrity Program for directors, officers, employees, consultants and agents which sets out standards and processes for ethical behaviour, as well as the process for raising concerns confidentially.

Principle 4 – Embed effective risk management, considering both opportunities and threats, throughout the organisation

Following the above section covering the Principal Risks and Uncertainties facing the business, the Corporation has embedded in its organization various risk management schemes and procedures.

First and foremost, the Corporation maintains a Risk Matrix which covers the principal risks of the business both from an operational and corporate perspective, and which also provides mitigation measures to attenuate such risks to the extent possible. The Risk Matrix is presented to the Audit and Risk Management Committee and Board on a quarterly basis. Additionally, the Corporation develops its projects according to the industry standards regarding project controls. As such, any development project is supported by a specific Risk Register. The Risk Register is used to identify threats by qualifying the probability of occurrence of each risk, as well as quantifying its adverse consequence. The Risk Matrix and Risk Register are periodically reviewed internally.

Both the Risk Matrix and the Risk Register are maintained to support the decisions of the Corporation to recruit key individuals and strategic advisors at various levels to assist AEX in mitigating the principal risks as effectively as possible.

The Board is also responsible for developing and adopting policies and procedures to ensure the integrity of the internal controls and management information systems.

The Corporation currently has a relatively simple control environment given its size and stage of development. As it moves towards development and production, the Board will continue to strengthen and build on the existing control environment.

Principle 5 – Maintain the Board as a well-functioning, balanced team led by the Chairman

During 2020, the Board was comprised of two executive officers and four non-executive directors. Of the non-executive Directors, the Board considers that Georgia Quenby and Sigurbjorn Thorkelsson are “independent” in accordance with Canadian corporate governance standards, but Graham Stewart is not (as a result of being the chairman of the Corporation) and Robert Ménard is not (on the basis that he is the father of Martin Ménard). The Board considers that Graham Stewart, Georgia Quenby and Sigurbjorn Thorkelsson are “independent” from a UK corporate governance perspective, notwithstanding the interests in Common Shares held by Graham Stewart and Sigurbjorn Thorkelsson (through Fossar Ltd and Fossar ehf), but Robert Ménard is not (on the basis that he is the father of Martin Ménard). The Directors’ interests in shares can be found on page 38.

Director Name	Independent in the UK	Independent in Canada	Date of Appointment to the Corporation	Length of Service
Graham Stewart	Yes	No	14th April 2017	4 years
Eldur Olafsson	No	No	14th April 2017	4 years
George Fowlie	No	No	22nd February 2017	4 years 3 months
Robert Ménard(1)	No	No	14th April 2017	4 years
Georgia Quenby	Yes	Yes	14th April 2017	4 years
Sigurbjorn Thorkelsson	Yes	Yes	27th July 2020	9 months

1. On April 27, 2021, Robert Ménard stepped down from the Board.

Non-executive directors are expected to dedicate the time and attention necessary to perform and carry-out such duties and obligations as is typical for a director. As a minimum, the non-executive directors are expected to spend at least 12 days per year on working for the Corporation however, they do spend considerably more time than this on Corporation matters.

The following is a table of Board and Committee meetings held during the year to December 31, 2020:

	Board Meetings	**Audit and Risk Management Committee**	**Compensation Committee**	**Corporate Governance and Nomination Committee**	**Safety and Environmental Committee**
Total meetings held during the year	6	4	4	2	3
Member Attendance:					
Executive Directors					
Eldur Olafsson	6 / 6	–	–	–	3 / 3
George Fowlie	6 / 6	2 / 2[3]	1 / 1[3]	1 / 1	
Graham Stewart	6 / 6	4 / 4	4 / 4	2 / 2	
Non-Executive Directors					
Robert Ménard	5 / 6[1]	1 / 2[1]	–	–	3 / 3
Georgia Quenby	6 / 6	3 / 3	4 / 4	2 / 2	1 / 1[4]
Sigurbjorn Thorkelsson	2 / 2[2]	2 / 2[2]	1 / 1[2]	1 / 1	

1. Robert Ménard was unable to attend the Board and Audit and Risk Management Committee meetings in February 2020. He stepped down from the Board on April 27, 2021.
2. Sigurbjorn Thorkelsson was appointed to the Board on July 27, 2020. He became a member of the Compensation Committee and the Corporate Governance and Nomination Committee, and Chair of the Audit and Risk Management Committee on July 31, 2020. He attended all remaining meetings after his appointment.
3. George Fowlie stepped down from being the Audit and Risk Management Committee Chair and as a member of the Compensation Committee during the year and attended all meeting available to him.
4. Georgia Quenby stepped down as a member of the Safety and Environmental Committee during the year and attended all available meetings during her time as a member.

Principle 6 – Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

During the year, an annual review of the skills among the Board was conducted by the Corporate Governance and Nomination Committee (the '**Committee**'). The Committee identified that the Board has a competent mix of industry experience, change management, regulatory, risk management and financial experience. The Board had intended to appoint an additional independent non-executive director following Admission with experience in producing mines. This search is still ongoing and at the appropriate time, AEX will make a relevant appointment. The Board also recognises that it currently has limited diversity, which will form part of any future recruitment considerations if the Board concludes that replacement or additional directors are required.

The Board are able to seek external advice should it be required to enable them to appropriately perform their duties. The Board have access to Joan Plant, Corporate Secretary who is also a Director of Nalunaq A/S, the wholly owned subsidiary of the Corporation. She has 10 years of experience operating in Greenland and advises and supports the Board and Management on any matter involving Government liaison or Greenland matters in general.

The Corporation is satisfied that the Board composition is appropriate given the size and stage of development of the Corporation. The Board will keep this matter under regular review and to the extent additional independence is felt to be required on the Board, it shall be sought.

The biographies of the Board can be found on pages 12 to 13, and details of the experienced management team can be found on "Team" section of the website https://www.aexgold.com/about/the-team/#management.

Principle 7 – Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Corporate Governance and Nomination Committee (the '**Committee**') is responsible for carrying out an annual evaluation of the performance of the Board, Board Committees, the Chair, and individual Directors. In line with the Corporations commitment made in its Admission document, during the year, the Committee conducted its first internal performance evaluation. The evaluation took place in early 2021 to facilitate the effectiveness of the evaluation, with the new committees constituted on Admission to AIM having been in place for at least six months prior to the evaluation.

The performance evaluation took the form of questionnaires that were completed by the Board and committee members. The main focus of the committee questionnaires was to establish an overall understanding of the operation of the new committees and how they performed against their committee charters.

The results of the various questionnaires demonstrate that overall, the Board and its Committees run effectively and perform well as a whole with each Director contributing well. Each Director also allocates sufficient time to contribute and participate in the Corporation's business matters and at the various Board and committee meetings.

A few expert knowledge gaps were identified in the evaluation such as Legal and IT Systems. None of these areas are considered high risk to the Corporation as they are all currently managed internally in different ways or, they are not relevant to the Corporation at its stage of development. As part of future director recruitment considerations, candidate experience and backgrounds will be reviewed in order to meet the identified gaps. The Board recognises that it currently has limited diversity and this will also form part of any future recruitment considerations if the Board concludes that replacement or additional directors are required.

Overall, each of the Board committees agreed they were operating effectively in line with its Charter, provided useful reporting to the Board, and that there was an appropriate balance of technical skills and expertise among the members of each committee.

Principle 8 – Promote a corporate culture that is based on ethical values and behaviours

The Corporate Governance and Nomination Committee is responsible for ensuring the "right tone at the top" and that the ethical and compliance commitments of management and employees are understood throughout the Corporation. This is achieved through written Codes of Business Conduct and Ethics addressing such matters as the group's policy on bribery, political contributions, conflicts of interest and unauthorised payments and the ability to report violations without fear of reprisal.

The Integrity Program provides guidance for every director, officer, consultant and employee of AEX to maintain the highest integrity and it provides procedures to follow when the integrity of any person's actions or perceived actions are not in accordance with the responsibilities outlined in the Corporation's Code of Business Conduct and Ethics, Insider Trading and Share Dealing Policy, or other policies and procedures as outlined to Directors, officers, consultants and employees. For many companies this program is called a Whistleblower Policy. For the Corporation it is more encompassing and is called the Integrity Program.

Every Director, officer, consultant and employee of AEX and its subsidiaries has an ongoing responsibility to report any activity or suspected activity of which he or she may have knowledge relating to the integrity of the Corporation's financial reporting or which might otherwise be considered sensitive in preserving the reputation of the Corporation.

It is the responsibility of each employee, officer, consultant and Director to report such activities whenever he or she has reasonable and bona fide grounds to believe that such an incident has occurred, is occurring or is likely to occur.

Principle 9 – Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The role of the Board is to focus on governance and stewardship of the business as a whole. In broad terms, stewardship requires the Board to be involved in strategic planning, risk management, internal control integrity and external financial and regulatory reporting and compliance. The Board is responsible for the supervision of management and must act in the best interests of the Corporation and its shareholders. The Board acts in accordance with the laws of Canada, the articles and by-laws of the Corporation, and the specific terms of reference as laid out for each committee and the Board as a whole.

The Corporate Governance and Nomination Committee establishes and monitors the application of the corporate governance principles and practices of the Corporation and ensures that it adheres to best practices, as well as the laws and regulations on corporate governance.

The Corporate Governance and Nomination Committee ensures that the Corporation, its management, Directors and members serve in the best interest of its shareholders as detailed in the Integrity Program and that actions are conducted in a professional and transparent manner and in conformity with applicable laws and regulations, as well as internal policies.

The Board meets quarterly with further additional meetings as required, and the Board has five committees, as detailed below. To ensure the Board are fully prepared and able to participate in Board and Committee meetings, advance materials are provided ahead of each respective meeting.

Audit and Risk Management Committee: The primary function of the Audit and Risk Management Committee is to assist the Board in fulfilling its financial reporting and controls responsibilities to shareholders. The Audit and Risk Management Committee meet at least three times a year at appropriate times in the reporting and audit cycle and otherwise as required. The Audit and Risk Management Committee also meet regularly with the Corporation's external auditors. A report from the Audit and Risk Management Committee can be found on page 26.

Compensation Committee: The primary function of the Compensation Committee is to determine executive remuneration packages and to ensure that the remuneration policy and practices of the Corporation reward fairly and responsibly, with a clear link to corporate and individual performance. The Compensation Committee meets at least twice a year. A report from the Compensation Committee can be found on pages 29 to 40.

Corporate Governance and Nomination Committee: The Corporate Governance and Nomination Committee is responsible for reviewing the structure, size and composition of the Board and identifying and nominating, for the approval of Board, candidates to fill vacancies on the Board as and when they arise. The Nomination Committee meets at least once a year and otherwise as required. A report from the Corporate Governance and Nomination Committee can be found on page 27.

Safety and Environmental Committee: The role of the Safety and Environmental Committee is to provide oversight and guidance in achieving best practices in safety, security and compliance. The Safety and Environmental Committee meets at least three times a year and otherwise if required. A report from the Safety and Environmental Committee can be found on page 28.

Disclosure Committee: The purpose of the Disclosure Committee is to assist the Board in fulfilling its responsibilities in respect of (i) the requirement to make timely and accurate disclosure of all information that is required to be disclosed to meet legal and regulatory obligations and requirements, and (ii) the requirement to take reasonable steps to establish and maintain adequate procedures, systems and controls to enable compliance with these obligations. The Disclosure Committee meets as required but at least annually to review the operation, adequacy and effectiveness of the disclosure procedures.

The Disclosure Committee was constituted on July 23, 2020 prior to the Corporations Admission to AIM. During the period from July 23, 2020 to December 31, 2020, the Committee did not meet. The Disclosure Committee intends to meet in the coming year.

Principle 10 – Communicate how the Corporation is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The website of the Corporation is regularly updated to include all relevant reports and information required under AIM Rule 26.

The Corporation holds an Annual and Special Meeting of Shareholders where annual results are presented. A Management Information Circular is distributed to shareholders to notify them of this annual event. The results of voting on all resolutions at general meetings are posted to the Corporation's website on a timely basis, including any actions to be taken as a result of resolutions which receive a high percentage of votes against from shareholders.

The Corporation's website provides access to historic press releases, financial information, and other corporate documents including quarterly unaudited interim accounts and MDA and audited annual financial information.

Investors can request to join the Corporation's mailing list to provide direct access to press releases, updates of the corporate presentation and other information.

The Corporation regularly engages with its shareholders through roadshows, calls and meetings, has various contact methods published on its website, and maintains a presence on LinkedIn and Twitter.

As required by the QCA Code, the Corporation has implemented additional reporting in its annual reporting cycle in relation to the governance of the Corporation, which will continue to evolve over time.

Share Dealing

With effect from Admission on to AIM, the Corporation has adopted a revised insider trading and share dealing policy for Directors and applicable employees of the Corporationfor the purpose of ensuring compliance by such persons with the provisions of the AIM Rules relating to dealings in the Corporation's securities (including, in particular, Rule 21 of the AIM Rules) and MAR, as well as applicable Canadian securities laws. The Directors consider that this insider trading and share dealing policy is appropriate for a Corporation whose shares are admitted to trading on AIM and the TSX-V, and will take all reasonable steps to ensure compliance by the Directors and any relevant employees with such policy.

Relations with shareholders
The Chief Executive Officer and the Chairman are available for communication with shareholders and all shareholders have the opportunity, and are encouraged, to attend and vote at the Annual and Special Meeting of Shareholders of the Corporation during which the Board will be available to discuss issues affecting the Corporation. The Board stays informed of shareholders' views via regular meetings and other communications with shareholders.

Statement of going concern
The financial statements of AEX Gold Inc. have been prepared on a going concern basis.

Internal control
The Board is responsible for establishing and maintaining the Corporation's system of internal control and reviewing their effectiveness. Internal control systems are designed to meet the particular needs of the Corporation and the particular risks to which it is exposed. The procedures are designed to manage rather than eliminate risk and by their nature can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board has reviewed the Corporation's risk management and control systems and believes that the controls are satisfactory given the nature and size of the Corporation.

Report of the Audit and Risk Management Committee

Audit and Risk Management Committee Members:
Sigurbjorn Thorkelsson, Chair (from July 31, 2020)
Georgia Quenby (from May 18, 2020)
Graham Stewart
Robert Ménard (to July 31, 2020)

The Audit and Risk Management Committee (the '**Committee**') is pleased to present its first report to shareholders since the Corporation's shares were admitted to trading on the UK's AIM Market of the London Stock Exchange ('**AIM**') on July 31, 2020 (the '**Admission**'). During the year there have been a number of changes to membership driven by the Corporation listing on AIM.

Audit and Risk Management Committee Membership changes during the year
The Committee members are Sigurbjorn Thorkelsson, who Chairs the Committee, Georgia Quenby and Graham Stewart. Robert Ménard was Chair of the Committee from January 20, 2020 to July 31, 2020. George Fowlie was the Committee Chair from October 30, 2019 to January 20, 2020.

Mr. Thorkelsson and Ms. Quenby are not executive officers, employees or control persons of the issuer or of an affiliate of the issuer. Each of Mr. Stewart, Mr. Thorkelsson and Ms. Quenby are considered "financially literate" within the meaning of NI 52-110. For the purposes of NI 52-110, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements. All members of the Audit and Risk Management Committee have experience reviewing financial statements and dealing with related accounting and auditing issues.

The primary function of the Committee is to assist the Board in fulfilling its financial reporting, internal controls and risk management responsibilities to shareholders. In line with the Committee Charter, is shall meet at least three times a year, at appropriate times in the financial reporting and audit calendar, or more frequently if required. During the year, the Committee met four times and the external auditors attended two of these meetings. The Committee's Charter is available on the Corporation's website https://www.aexgold.com/about/corporate-governance/#committees-responsibilities.

Activity during the year
The Committee monitored the integrity of the annual and quarterly financial statements and management's discussion and analysis. It reviewed them for significant financial reporting matters and accounting policies and disclosures in financial reporting. The Committee was also responsible for reviewing the Corporation's Risk Matrix, which was updated during the year to reflect the impact COVID-19, had on the business. The Committee also considered and agreed the fees associated with listing on the AIM Market of the London Stock Exchange. The Committee was also responsible for agreeing policies specific to the Committees remit.

The external auditor PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l ('**PwC**'), attended two Committee meetings. One meeting covered the year end approval process where the meeting considered reports from the external auditor in respect of their audit approach, independence and subsequent findings in respect of the audit of the year end results. At the second meeting, PwC outlined the Audit Plan for the 2020 year end audit.

External audit
The Committee is responsible for managing the relationship with PwC since being appointed as auditors, which the Corporation renews annually. The objectivity and independence of the external auditors is safeguarded by reviewing the auditors' formal declarations, monitoring relationships between key audit staff and the Corporation and reviewing the non-audit fees payable to the auditor. Non-audit services are not performed by the auditor if such services would impair their independence under relevant professional standards.

During the year, amounts billed by PwC for audit fees totalled $78,500, audit related services in relation to accounting advice totalled $7,625, $15,000 for Canadian tax advice and $929 for other fees in relation to CPAB fees. These audit related services were performed by a team separate from the audit team and did not involve any subjective judgements impacting the Corporation's financial reporting.

Internal audit
In light of the size of the Corporation and its current stage of development, the Committee did not consider it necessary or appropriate to operate an internal audit function during the year.

Report of the Corporate Governance and Nomination Committee

The Corporate Governance and Nomination Committee (the '**Committee**') is pleased to present its first report to shareholders since the Corporation's Admission on AIM.

Corporate Governance and Nomination Committee Members:

Georgia Quenby, Chair
George Fowlie
Graham Stewart

The Committee members are Georgia Quenby who chairs the Committee, Graham Stewart and George Fowlie who are both Non-Executive Directors. Ms. Quenby is considered "independent" within the meaning of NI 52-110 but Mr. Stewart and Mr. Fowlie are not considered independent. In line with the corporate governance guidelines for smaller quoted companies published by the Quoted Companies Alliance ('**QCA**') Ms. Quenby and Mr. Stewart are considered independent but Mr. Fowlie is not considered independent.

The Committee will meet at least once a year. The Committee's Charter is available on the Corporation's website https://www.aexgold.com/about/corporate-governance/#committees-responsibilities.

Activity during the year

Before Admission, the Committee was previously called the Compensation and Corporate Governance Committee. When the Corporation listed on AIM, there was the need to separate the compensation element of the Committee to meet with QCA requirements, so a separate Compensation Committee and a Corporate Governance and Nomination Committee were constituted.

During the year and prior to Admission, the Compensation and Corporate Governance Committee met to consider and recommend to the Board new Committees each with their own charter and proposed the Committee memberships to meet QCA requirements. The Committee also met to recommend compensation packages for Executive Directors and the Non-Executive Directors, which would come into effect on Admission to AIM. More information about the packages and the Corporation's Compensation Report and Policy can be found on pages 29 to 40.

After Admission, the Committee met to consider the appointment of our new Chief Executive Officer, Jaco Crouse, and made a recommendation for this appointment to the Board. The Committee also considered the Corporation's requirement to appoint new Non-Executive Directors and commissioned a search for these appointments. The Committee was also responsible for recommending changes to committee remits and charters and making recommendations for different executive incentive plans.

Report of the Safety and Environmental Committee

The Safety and Environmental Committee (the '**Committee**') is pleased to present its first report to shareholders since the Corporation's Admission on AIM.

Safety and Environmental Committee Members:

George Fowlie, Chair (from April 27, 2021)
Robert Ménard, Chair (to April 27, 2021)
Eldur Olafsson
Georgia Quenby (to July 31, 2020)

The Committee's members are George Fowlie, who chairs the Committee and Eldur Olafsson. Robert Ménard was the Chair of the Committee during the year and stepped down after year end. Both Mr Fowlie and Mr Olafsson are not considered "independent" within the meaning of NI 52-110 or in line with the QCA. As the Committee was constituted to oversee the Corporation's safety and environmental systems and processes and is not a Committee to meet with corporate governance requirements, the independence does not affect the membership of the Committee.

The Committee will meet at least three times a year. The Committee's Charter is available on the Corporation's website https://www.aexgold.com/about/corporate-governance/#committees-responsibilities.

Activity during the year
Before Admission, the Committee was previously called the Safety Committee. When the Corporation listed on AIM, it added Environmental matters to the Committee Charter and reconstituted as the Safety and Environmental Committee.

During the year and prior to Admission, the Safety Committee met to consider the Health and Safety plan for the operations along with statistics from the Health and Safety programme. The Committee also considered operational, construction and exploration matters.

After Admission, the Committee was constituted as a committee of the board. The Committee met to consider environmental and social reporting done at the various AEX sites. Operational, construction and exploration matters were discussed as well as regular updates provided on communications systems at the project sites.

Directors' compensation report

The Compensation Committee (the 'Committee') is pleased to present its first report to shareholders since the Corporation's shares were admitted to trading on the AIM Market of the London Stock Exchange ('**AIM**') on July 31, 2020 (the '**Admission**'). The period covered by this report is January 1 to December 31, 2020.

In the relevant period the Committee's members were Georgia Quenby, who chaired the Committee, Graham Stewart and Sigurbjorn Thorkelsson, all of whom are Non-Executive Directors. Each of its members are considered "independent" within the meaning of NI 52-110 and the corporate governance code for smaller quoted companies published by the Quoted Companies Alliance ('**QCA**'). The Committee meets at least twice a year. The Committee's Charter is available on the Corporation's website.

Before Admission, the Committee's members were Ms Quenby, Mr Stewart and George Fowlie. The Committee met three times during the year post admission to AIM to discuss compensation matters including the share option plan and the potential for a value creation plan, and once before Admission to consider and approve the proposed compensation packages for the Executive Directors and the Non-Executive Directors, to take effect conditional on Admission. Also in attendance at the pre-admission meeting were Joan Plant (the Corporate Secretary), Robert Ménard (a Non-Executive Director) and Morgan Lewis (the law firm engaged by the Corporation to advise on certain aspects of the Admission) who provided support and advice to the Committee. The main elements of compensation agreed by the Committee for the period from January 1 to December 31, 2020 are summarised in the table below.

	Base salary/ fee	**Pension contributions (as a percentage of base salary)**	**Bonus opportunity (as a percentage of base salary)**	**Share options (as a percentage of base salary)[1]**
Eldur Olafsson	CA$345,000	11.5%	Up to 100%	N/A
George Fowlie	CA$250,000	N/A	Up to 75%	200%
Graham Stewart[2]	CA$155,000	N/A	N/A	N/A
Non-Executive Directors[2]	CA$60,000	N/A	N/A	N/A

Notes

1. Additionally the Committee agreed to establish a share based long-term incentive plan further details of which are set out in the Directors' compensation policy from page 33.
2. An additional fee of CA$13,000 was payable for each Committee membership.

The primary function of the Committee is to determine executive compensation packages and to ensure that the compensation policy and practices of the Corporation reward executives both fairly and responsibly, with a clear link to corporate and individual performance. The Committee may make recommendations regarding the compensation of Non-Executive Directors, but this is ultimately a matter for the Chairman and the Executive Directors. No Director will be involved in any decision as to his or her own compensation.

In determining the compensation to be paid or awarded to the Executive Directors, the Committee will seek to encourage the advancement of the Corporation's projects and the growth of its resource base, with a view to enhancing shareholder value. To achieve these objectives, the Committee believes it is critical to maintain a compensation programme that has the appropriate balance of fixed and variable elements to attract and retain committed, highly qualified executives that both align the interests of the executives with those of its shareholders and encourage executives to operate within the risk parameters set by the Board. The Committee believes that the compensation package is appropriate for the Corporation given its stage of development, in particular, the use of market priced share options and cash bonuses which are only awarded if performance metrics are met to focus the executives on achieving long-term growth.

The Committee welcomes the views of shareholders on compensation and these views will be influential in shaping the Directors' compensation policy and practice. Shareholder views will be considered when evaluating and setting the ongoing compensation strategy and the Committee commits to consulting with major shareholders before any significant changes to its Directors' compensation policy.

In preparing this report the Committee was guided by the QCA's remuneration committee guide and has made the disclosures recommended in that guide for smaller AIM listed corporations. The Committee is mindful of the need to provide clear disclosure to shareholders in relation to compensation matters and it will therefore keep its disclosures under review. In particular, a detailed overview of the new value creation plan, if the Committee determines to recommend the adoption of such a plan, will be provided to shareholders with sufficient information for shareholders to approve both the plan and the compensation policy and will disclose any changes to the policy as appropriate.

Directors' compensation policy
Following Admission, the Committee has established the compensation policy for the Executive Directors and the Chairman, and the Board has established a compensation policy for the other Non-Executive Directors.

Executive Directors
The policy on Directors' compensation is that the overall compensation package should be sufficiently competitive to attract and retain individuals of a quality capable of achieving the Corporation's objectives and be in line with other companies considered by the Committee to be comparable to the Corporation. The compensation policy is designed such that individuals are remunerated on a basis that is appropriate to their position, experience and value to the Corporation.

The current terms and conditions of the Directors' service contracts and letters of appointment have been set to reflect the Corporation's strategy and operations and are detailed on page 35 of this report. The main components of the compensation policy and how they are linked to and support the Corporation's business strategy are summarised on the following pages.

Objective and link to strategy	**Operation**	**Maximum opportunity**	**Performance assessment**
Base salary			
Core element of compensation, set at a level which is sufficiently competitive to recruit and retain individuals of the appropriate calibre and experience.	Salaries will be reviewed annually, with any changes being effective from January 1 each year. When determining salaries for the Executive Directors the Committee takes into consideration: – Corporate performance; – the performance of the individual Executive Director; – the individual Executive Director's experience and responsibilities; – pay and conditions throughout the Corporation. Salaries together with other fixed benefits including pension will be benchmarked periodically against comparable roles at companies of a similar size, complexity and in the Exploration & Development sector with the objective that total fixed compensation will be in line with other companies considered by the Committee to be comparable to the Corporation.	When determining salary increases of the Executive Directors, the Committee takes into account the employment conditions and salary increases awarded to employees throughout the Corporation. There is no maximum salary opportunity.	Salary increases will be determined in accordance with the rationale set out under the column entitled 'Operation'.

Objective and link to strategy	**Operation**	**Maximum opportunity**	**Performance assessment**
Benefits			
Support individuals in carrying out their roles including in different locations as may be required.	Benefits will be reviewed periodically to reflect the Directors' individual circumstances and to ensure they remain market competitive. Benefits are similar to those of other employees and typically include life assurance cover, private health care arrangements, car allowance in lieu of a Corporation car, housing allowance, relocation and expatriate benefits and reimbursed business expenses (including any tax liability) incurred when travelling overseas in performance of duties.	Benefit values vary year on year depending on their cost and the maximum potential value is the cost of the provision of these benefits.	Not applicable.
Annual bonus			
Incentivises the achievement of a range of short-term performance targets that are key to the success of the Corporation.	Executive Directors participate in a discretionary annual performance related bonus scheme which can be payable in cash, shares or share options. Bonus scheme awards are made annually at the year-end (and will be pro- rated for time served). Performance period is one financial year with payment determined by the Committee following the year end. There is no provision for malus and clawback of bonus payments however if a recipient of stock options ceases to be employed for Cause then the options terminate.	The maximum bonus potential is 100% of base salary and the minimum payment is nil. Executive Director Bonus opportunity, as a percentage of base salary is outlined above on page 29. There is no contractual obligation to pay bonuses.	A performance scorecard will be devised and used by the Committee to determine the bonus payment and the Committee reserves the right to override the formulaic outturn based on a broader assessment of overall Corporation performance. Performance targets are based on a range of corporate, operational, financial and personal and executive team performance measures. The precise allocation between measures (as well as the weightings within these measures) will be determined by the Committee at the start of each year.

Objective and link to strategy	Operation	Maximum opportunity	Performance assessment
Long-term incentives			
Incentivises the achievement of long-term financial performance and sustainable returns to shareholders in a way that aligns the interests of Executive Directors and shareholders.	Executive Directors can participate in a share based long-term incentive plan: *AEX's Gold Inc. Stock Option Plan* The Share Option Plan is a share-based plan and options are granted annually. The exercise price of the option is not less than the closing price of shares on the last trading day preceding the grant date. Options granted under the plan vest and become exercisable at such time or times as determined by the Committee but typically vest immediately on the date of grant and are subject to a maximum term of ten years. There is no provision for malus or clawback of the options however if a recipient of stock options ceases to be employed for Cause then the options terminate.	The maximum potential grant is 200% of salary and the minimum potential grant is nil and the grant will depend on the Executive Directors' performance in the previous year. There is no contractual obligation to grant options.	There are no specific performance conditions attached to the options however the Committee considers annual performance against the corporation's objectives in making option awards. The Committee considers that granting market priced options aligns the interests of Executive Directors and shareholders since the options only deliver value if the share price rises.

Objective and link to strategy	Operation	Maximum opportunity	Performance assessment
Pension			
To provide competitive levels of retirement benefit.	The Corporation does not operate a pension scheme but does, at the Directors' preference, contribute to the personal pension plans of each Executive Director or pays cash in lieu of such contributions. Additionally, the Corporation may make statutory contributions to mandatory pension arrangements in the country in which they are based in line with local requirements. These arrangements are similar to those of other employees.	Executive Directors receive a contribution to a personal pension scheme or cash allowance in lieu of pension benefits up to 14% of salary.	Not applicable.
Shareholding requirement			
To align Executive Directors' interests with those of shareholders through build- up and retention of a personal shareholding.	Executive Directors are not required to hold shares however they may have market-priced stock options under the stock option plan.	Not applicable.	Not applicable.

New appointments
The same principles as described in the policy above will be applied in setting the compensation of a new Executive Director. Additionally, the Committee may:

- allow a new Executive Director to retain any outstanding awards and/or other contractual arrangements that they held on their appointment (which may or may not have been made under plans listed in this policy) and those awards will remain subject to the terms and conditions applied to them when they were awarded;
- consider compensating a newly appointed Executive Director for other relevant contractual rights forfeited when leaving their previous employer using either a plan listed in this policy or, in exceptional circumstances, under a new arrangement if for any reason, like-for-like replacement awards on recruitment could not be made under plans listed in this policy.

On January 25, 2021, the Corporation appointed Jaco Crouse as the new Chief Financial Officer of the Corporation replacing Mr Fowlie who has stepped down as the Chief Financial Officer but remains on the Board as a Director.

The Committee applied the same principles as described in the policy above in setting the compensation of the new Executive Director and further details will be disclosed in the Directors' compensation report for 2021.

Non-Executive Directors

The table below sets out the key elements of the policy for Non-Executive Directors.

Objective and link to strategy	Operation	Maximum opportunity	Performance assessment
Fees			
Core element of compensation, set at a level sufficient to attract individuals with appropriate knowledge and experience.	Fee levels reflect market conditions and are sufficient to attract individuals with appropriate knowledge and experience. NEDs are paid a base fee and additional fees for Committees to reflect the time commitment and duties involved. Fees may be paid in cash or shares or both. Fees are reviewed annually with changes effective from January 1 each year.	Whilst there is no maximum individual fee level, fees are set at a level which is considered appropriate to attract and retain the calibre of individual required by the Corporation. The Corporation avoids paying more than necessary for this purpose. Fee increases may be made in line with market movements and to take into account the time commitment and duties involved.	Whilst there is no performance element to the compensation paid to the Non-Executive Directors, fees will be determined in accordance with the rationale set out under the column headed 'Operation'.
Benefits			
Support individuals in carrying out their roles including in different locations as may be required.	Non-Executive Directors do not receive benefits or a pension allowance. Travel and business expenses for Non-Executive Directors are incurred in the normal course of business, for example, in relation to attendance at Board and Committee meetings. The costs associated with these are all met by the Corporation including any tax liabilities arising on these business expenses.	Not applicable	Not applicable

Objective and link to strategy	Operation	Maximum opportunity	Performance assessment
Shares and share awards			
To align Non-Executive Directors' interests with those of shareholders through build- up and retention of a personal shareholding.	Non-Executive Directors will not participate in any variable compensation elements or any other such arrangements. Historically the Non-Executive Directors have participated in the Share Option Plan and they will be entitled to retain these options but since Admission, they will not be granted further options. Non-executive Directors are encouraged to hold shares in the Corporation while they are a Director.	Not applicable	Not applicable

New appointments

The same principles as described in the policy above will be applied in setting the compensation of a new Non-Executive Director. Compensation will comprise fees only, to be paid at the prevailing rates of the Corporation's existing Non-Executive Directors.

Compensation policy for other employees

The compensation arrangements for employees will be designed to ensure that they are, insofar as is practicable, aligned with the Executive Directors' compensation and the Corporation's objectives and in particular:

- the approach to salary reviews will be consistent across the Corporation with consideration given to level of responsibility, experience, individual performance, salary levels in comparable companies and the Corporation's ability to pay;
- all employees will participate in the same annual bonus scheme as the Executive Directors with opportunities varying by organisational level;
- pension and benefits arrangements may vary according to location and so different arrangements may be put in place in different jurisdictions.

The relationship between the Chief Executive's, Chief Financial Officer's and all employees' compensation

The Committee was mindful of the alignment of executive compensation arrangements with those of the wider workforce when reviewing salaries and assessing bonus outcomes for the Executive Directors. The table below shows how the Chief Executive's and Chief Financial Officer's salary in the year to December 31, 2020 compares with the salary earned by the average employee of the Corporation in the year to December 31, 2020.

	Chief Executive	Chief Financial Officer	Average employee[1]
Salary/fees	CA$347,189	CA$250,640	CA$124,406

Note

1. The average employee salary figure includes all employees and officers of the Corporation, other than the Chief Executive, the Chief Financial Officer and the Non-Executive Directors, and has been annualised to provide a comparison with the Chief Executive's and Chief Financial Officer's salary/fees.

The Committee will annually review the pay arrangements of the wider workforce as part of its consideration of the Executive Directors' compensation.

Annual report on compensation

Executive Directors

The salary, taxable benefits, pension and annual bonus received by the Executive Directors, for the period which they were Directors during the year, are detailed in the compensation table below. Details of the options that were granted during the year are also set out in the table below.

Compensation table

Executive Director	Salary and fees[2]	Taxable benefits[3]	Annual bonus[4]	Long-term incentives[5]	Pension	Total
Eldur Olafsson[1]	CA$347,189		CA$28,000	–	CA$31,076	CA$406,265
George Fowlie[1]	CA$250,640	CA$248	CA$20,000	–	–	CA$270,888

Notes

1. Mr Olafsson and Mr Fowlie were Directors throughout the year and the compensation shown is for the period from January 1 to December 31, 2020.
2. Before Admission, Mr Olafsson and Mr Fowlie were paid fees (under consulting agreements) not salaries.
3. The taxable benefits received by Mr Fowlie was medical/health insurance.
4. More details on the annual bonus that was paid in respect of the year ended December 31, 2020 are set out below.
5. No share options were exercised by the Directors during the year to December 31, 2020.

Annual bonus scheme

Bonuses were paid in 2020 at the discretion of the Board based on the delivery of operational and financial targets during 2019, which were agreed by the Board at the beginning of the performance period. Key performance metrics in the period included the successful delivery of a Non-Brokered Private Placement of CA$5m on July 2, 2019 and successful 2019 field season, with the planned operations outlined in the September 17, 2019 press release being completed and rewarded.

The maximum bonus amount that could be awarded was 25% of annual salary with awards made at the discretion of the Board to reward financial and operational delivery with reference to comparable companies and looking at each remuneration package in total and the Board believes that 2020 bonus payments for performance in 2019 are reasonable in this context.

There is no deferral period associated with the 2020 bonus payments.

The Corporation is working with an external consultant, March15, to devise a more formal performance remuneration framework to be used in future periods, including KPI metrics and targets.

Non-Executive Directors

The fees received by the Non-Executive Directors, during the year or as otherwise indicated, are shown below. Details of the options that were granted during the year are also set out in the table below.

Non-Executive Director	Fees
Graham Stewart[1]	CA$110,000
Georgia Quenby[1]	CA$55,833
Sigurbjorn Thorkelsson[2]	CA$41,250
Robert Ménard[1]	CA$45,000

Notes

1. Mr Stewart, Ms Quenby and Mr Ménard were Directors throughout the year and the fees shown are for the period from January 1 to December 31, 2020. The fees were increased from CAN$25,000 to the amounts set out on above from Admission.
2. Mr Thorkelsson was appointed a Director on July 27, 2020 and the fees shown are for the period from this date to December 31, 2020.

Share options granted during the year table

Details of the share options granted during the year and before Admission are shown below.

Director	Date of grant	Number of shares under option	Exercise price of option	Date from which exercisable	Expiry date of option
Eldur Olafsson	06/17/2020	450,000	CAN$0.70	06/17/2020	12/31/2026
George Fowlie	06/17/2020	250,000	CAN$0.70	06/17/2020	12/31/2026
Graham Stewart	06/17/2020	400,000	CAN$0.70	06/17/2020	12/31/2026
Georgia Quenby	06/17/2020	100,000	CAN$0.70	06/17/2020	12/31/2026
Robert Ménard	06/17/2020	100,000	CAN$0.70	06/17/2020	12/31/2026

Directors' shareholding and share interests' table

The table below sets out details of the shareholdings and share options held by the Directors either in their own name or through separate entities at the end of the reporting year.

Director	Shareholding	Value of shareholding[1]	Number of outstanding share options[2]	Exercise prices of outstanding share options[2]	Expiry dates of outstanding share options[2]
Eldur Olafsson[3]	7,906,385	CAN$6,187,166	500,000	CAN$0.500	07/13/2022
			550,000	CAN$0.450	08/22/2023
			1,500,000	CAN$0.380	12/31/2025
			450,000	CAN$0.700	12/31/2026
George Fowlie[4]	244,000	CAN$190,943	200,000	CAN$0.500	07/13/2022
			250,000	CAN$0.450	08/22/2023
			150,000	CAN$0.380	12/31/2025
			250,000	CAN$0.700	12/31/2026
Graham Stewart	1,843,058	CAN$1,442,291	100,000	CAN$0.500	07/13/2022
			150,000	CAN$0.450	08/22/2023
			100,000	CAN$0.380	12/31/2025
			400,000	CAN$0.700	12/31/2026
Georgia Quenby	50,000	CAN$39,128	100,000	CAN$0.500	07/13/2022
			150,000	CAN$0.450	08/22/2023
			100,000	CAN$0.380	12/31/2025
			100,000	CAN$0.700	12/31/2026
Sigurbjorn Thorkelsson[5]	6,627,834	CAN$5,186,632	–	–	–

Director	Shareholding	Value of shareholding[1]	Number of outstanding share options[2]	Exercise prices of outstanding share options[2]	Expiry dates of outstanding share options[2]
Robert Ménard[6]	264,178	CAN$206,733	100,000	CAN$0.500	07/13/2022
			150,000	CAN$0.450	08/22/2023
			100,000	CAN$0.380	12/31/2025
			100,000	CAN$0.700	12/31/2026

Notes

1. The value of the shareholding was calculated using the share price on December 31, 2020 of CAN$0.78.
2. All the options have vested and are therefore exercisable.
3. Mr Olafsson holds his shares through Vatnar Sarl and Vatnar EHF.
4. Mr Fowlie holds 135,000 of his shares through GRF Capital Advisors Inc.
5. Mr Thorkelsson holds his shares through Fossar Holdings Ltd (a company that is jointly owned by Mr Thorkelsson and his wife and is the holding company for Fossar Ltd.
6. Mr Ménard holds 100,789 of his shares through Robert Menard Consultants Inc. On April 27 Mr Ménard stepped down from the Board.

The implementation of the Directors' compensation policy in 2021

The policy will be implemented consistently with the approach used in 2020. The Committee has determined that there will be no change in the salary and the fees paid to each of the Directors in 2021. All the Executive Directors will be eligible for an annual bonus and the payment of this bonus will depend on Corporation and personal performance during 2021. The Committee proposes to award share options to each of the Executive Directors in accordance with the policy.

Service contracts and termination payment policy

The service contracts of the Executive Directors are not of a fixed duration and therefore they have no unexpired terms, but continuation in office as a Director is subject to annual re-election by shareholders as required under the Corporation's By-Laws.

The Corporation's policy is for the Executive Directors to have service and employment contracts with provision for termination of no longer than twelve months' notice.

The circumstances of a termination of an Executive Director's contract, including the individual's performance and an individual's duty and opportunity to mitigate losses, will be taken into account in every case of termination. The Committee's policy is to stop or reduce compensatory payments to former Executive Directors to the extent that they receive compensation from other employment during the compensation period. A robust line on reducing compensation is applied and payments to departing Executive Directors may be phased in order to mitigate loss.

The Non-Executive Directors do not have service contracts. Each Non-Executive Director has a letter of appointment and provides for termination of the appointment with 30 days' notice by the Director.

The details of the current Directors' service contract and letters of appointment are set out below.

Director	**Date of appointment as a Director**	**Date of service contract/letter of appointment**	**Notice period**
Eldur Olafsson	April 28, 2017	July 27, 2020	Twelve months by the Corporation without cause or by the Director for good reason following a change of control and otherwise three months by the Director
George Fowlie	February 22, 2017	January 25, 2021	Thirty days by the Corporation or Director
Graham Stewart	April 28, 2017	July 27, 2020	Thirty days by the Director
Georgia Quenby	April 28, 2017	July 27, 2020	Thirty days by the Director
Sigurbjorn Thorkelsson	April 28, 2017	July 27, 2020	Thirty days by the Director

Statement of Directors' responsibilities

The directors are responsible for preparing the Annual Report and the Corporation financial statements in accordance with applicable law and regulations.

Corporation law requires the Directors to prepare Corporation financial statements for each financial year. Under the AIM Rules for Companies of the London Stock Exchange the Directors are required to prepare the Corporation financial statements in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs as adopted by the EU) and applicable law.

Under Corporation law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Corporation and of their profit or loss for that period. In preparing each of the Corporation financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Corporation or to cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Corporation's transactions and disclose with reasonable accuracy at any time the financial position of the Corporation and enable them to ensure that its financial statements comply with the Canada Business Corporations Act. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Corporation and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Corporation's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report

To the Shareholders of AEX Gold Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of AEX Gold Inc. and its subsidiary (together, the Corporation) as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Corporation's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2020 and 2019;
- the consolidated statements of comprehensive loss for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated cash flow statements for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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 consolidated 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 Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information, and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Corporation'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 Corporation'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 consolidated 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 Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Marc-Stéphane Pennee.

PricewaterhouseCoopers LLP[1]

Montréal, Quebec
April 28, 2021

1. CPA auditor, CA, public accountancy permit No. A123642

Consolidated Statements of Financial Position

As at December 31, 2020 and 2019

(In Canadian Dollars)

	Notes	As at December 31, 2020 $	As at December 31, 2019 $
ASSETS			
Current assets			
Cash		61,874,999	1,515,406
Escrow account for environmental monitoring	5	–	174,864
Sales tax receivable		62,750	17,792
Prepaid expenses and others		371,258	94,883
Total current assets		62,309,007	1,802,945
Non-current assets			
Deferred share issuance costs	11	–	166,348
Deposit on order		1,711,970	–
Escrow account for environmental monitoring	5	460,447	342,132
Mineral properties	6	62,244	41,945
Capital assets	7	1,401,014	367,103
Total non-current assets		3,635,675	917,528
TOTAL ASSETS		**65,944,682**	**2,720,473**
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		831,899	471,069
Lease liabilities – current portion	8	65,900	–
Environmental monitoring provision	9	–	174,864
Total current liabilities		897,799	645,933
Non-current liabilities			
Lease liabilities	8	763,913	–
Total non-current liabilities		763,913	–
Total liabilities		**1,661,712**	**645,933**
Equity			
Capital stock	10	88,500,205	13,883,611
Warrants	11	–	1,459,604
Contributed surplus		2,925,952	1,535,400
Accumulated other comprehensive loss		(36,772)	(36,772)
Deficit		(27,106,415)	(14,767,303)
Total equity		64,282,970	2,074,540
TOTAL LIABILITIES AND EQUITY		**65,944,682**	**2,720,473**

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

Approved by the Board of Directors

(s) Eldur Ólafsson
Eldur Ólafsson
Director

(s) Sigurbjorn Thorkelsson
Sigurbjorn Thorkelsson
Director

Consolidated Statements of Comprehensive Loss

For the years ended December 31, 2020 and 2019

(In Canadian Dollars)

	Notes	2020 $	2019 $
Expenses			
Exploration and evaluation expenses	15	7,055,707	3,557,662
General and administrative	16	3,291,176	950,946
Stock-based compensation	12	1,031,650	578,600
Foreign exchange		1,130,808	38,365
Operating loss		12,509,341	5,125,573
Other expenses (income)			
Interest income		(84,214)	(30,337)
Finance costs	17	12,831	6,870
Other expenses (income)	9	(98,846)	–
Net loss and comprehensive loss		**(12,339,112)**	**(5,102,106)**
Weighted average number of common shares outstanding - basic and diluted		119,729,081	64,529,667
Basic and diluted loss per common share	19	(0.10)	(0.08)

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

Consolidated Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(In Canadian Dollars)

	Notes	Number of common shares outstanding	Capital stock	Warrants	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total equity
Balance, January 1, 2019		**57,788,499**	**10,058,355**	**321,788**	**956,800**	**(36,772)**	**(9,665,197)**	**1,634,974**
Net loss and comprehensive loss		–	–	–	–	–	(5,102,106)	(5,102,106)
Shares and warrants issuance under private placements	10	13,157,895	3,853,718	1,146,282	–	–	–	5,000,000
Share issuance costs	10	–	(28,462)	(8,466)	–	–	–	(36,928)
Stock-based compensation	12	–	–	–	578,600	–	–	578,600
Balance, December 31, 2019		70,946,394	13,883,611	1,459,604	1,535,400	(36,772)	(14,767,303)	2,074,540
Balance, January 1, 2020		70,946,394	13,883,611	1,459,604	1,535,400	(36,772)	(14,767,303)	2,074,540
Net loss and comprehensive loss		–	–	–	–	–	(12,339,112)	(12,339,112)
Share issuance under a fundraising	10	94,444,445	74,550,202	–	–	–	–	74,550,202
Share issuance costs	10	–	(6,312,546)	–	–	–	–	(6,312,546)
Warrants exercised	11	11,607,898	6,318,938	(1,078,702)	–	–	–	5,240,236
Warrants expired	11	–	–	(380,902)	380,902	–	–	–
Options exercised	12	100,000	60,000	–	(22,000)	–	–	38,000
Stock-based compensation	12	–	–	–	1,031,650	–	–	1,031,650
Balance, December 31, 2020		**177,098,737**	**88,500,205**	**–**	**2,925,952**	**(36,772)**	**(27,106,415)**	**64,282,970**

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

Consolidated Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(In Canadian Dollars)

	Notes	2020 $	2019 $
Operating activities			
Net loss		(12,339,112)	(5,102,106)
Adjustments for:			
Depreciation	7	228,267	172,186
Stock-based compensation	12	1,031,650	578,600
Finance costs	17	5,959	6,870
Other expenses (Income)	9	(98,846)	–
Payment from cash held in escrow account for environmental monitoring	5	(95,102)	(28,846)
Escrow account for environmental monitoring	9	95,102	28,846
Foreign exchange		1,119,240	33,839
		(10,052,842)	(4,310,611)
Changes in non-cash working capital items:			
Sales tax receivable		(44,958)	(8,507)
Prepaid expenses and others		(276,316)	(72,655)
Trade and other payables		508,094	241,951
Payables to shareholders		–	(8,234)
		186,820	152,555
Cash flow used in operating activities		**(9,866,022)**	**(4,158,056)**
Investing activities			
Acquisition of mineral properties	6	(20,299)	(6,076)
Acquisition of capital assets	7	(421,098)	(190,476)
Deposit on order		(1,711,970)	–
Cash flow used in investing activities		**(2,153,367)**	**(196,552)**
Financing activities			
Shares and warrants issuance	10	74,550,202	5,000,000
Share issuance costs	10	(6,266,929)	(36,928)
Deferred share issuance costs		–	(45,617)
Principal repayment – lease liabilities	8	(11,267)	–
Exercise of warrants		5,240,236	–
Exercise of stock options		38,000	–
Cash flow from financing activities		**73,550,242**	**4,917,455**
Net change in cash before effects of exchange rate changes on cash		61,530,853	562,847
Effects of exchange rate changes on cash		(1,171,260)	(11,229)
Net change in cash		60,359,593	551,618
Cash, beginning		1,515,406	963,788
Cash, ending		**61,874,999**	**1,515,406**
Supplemental cash flow information			
Interest received		84,214	30,337
Deferred share issuance costs included in trade and other payables		–	120,731
Exercise of warrants credited to capital stock		1,078,702	–
Exercise of stock options credited to capital stock		22,000	–

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

Notes to the Consolidated Financial Statements
For the years ended December 31, 2020 and 2019

(In Canadian Dollars, except as otherwise noted)

1. Nature of operations and basis of presentation
AEX Gold Inc. (the "Corporation") was incorporated on February 22, 2017 under the Canada Business Corporations Act. The Corporation's head office is situated at 3400, One First Canadian Place, P.O. Box 130, Toronto, Ontario, M5X 1A4, Canada. The Corporation operates in one industry segment, being the acquisition, exploration and development of mineral properties. It owns interests in properties located in Greenland. The Corporation's financial year ends on December 31. Since July 2017, the Corporation's shares are listed on the TSX Venture Exchange (the "TSX-V") under the AEX ticker and since July 2020, the Corporation's shares are also listed on the AIM market of the London Stock Exchange ("AIM") under the AEXG ticker (note 10).

These consolidated financial statements ("Financial Statements") were reviewed and authorized for issue by the Board of Directors on April 28, 2021.

1.1 Basis of presentation and consolidation
The Financial Statements include the accounts of the Corporation and those of its subsidiary Nalunaq A/S, a corporation incorporated under the Greenland Public Companies Act, owned at 100%.

Control is defined by the authority to direct the financial and operating policies of a business in order to obtain benefits from its activities. The amounts presented in the consolidated financial statements of subsidiary have been adjusted, if necessary, so that they meet the accounting policies adopted by the Corporation.

Profit or loss or other comprehensive loss of subsidiary set up, acquired or sold during the year are recorded from the actual date of acquisition or until the effective date of the sale, if any. All intercompany transactions, balances, income and expenses are eliminated at consolidation.

The Financial Statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

2. Summary of significant accounting policies

2.1 Basis of measurement
The Financial Statements have been prepared on the historical cost basis.

2.2 Functional and presentation currency – Foreign currency transactions
The functional and presentation currency of the Corporation is Canadian dollars ("CAD"). The functional currency of Nalunaq A/S is CAD. The functional currency of Nalunaq A/S is determined using the currency of the primary economic environment in which the entity evolves and using the currency which is more representative of the economic effect of the underlying financings, transactions, events and conditions.

Foreign currency transactions are translated into the functional currency of the underlying entity using appropriate rates of exchange prevailing on the dates of such transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange in effect at the end of each reporting period. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in the net profit or loss.

When a foreign operation is sold, such exchange differences are recognized in the statement of comprehensive loss as part of the gain or loss on sale.

2.3 Deposit on order
The deposit on order represents the sum of money disbursed to a supplier to start or continue the fulfillment of a purchase order for capital assets. This deposit will be transferred to capital assets when the asset has been completed and delivered.

2.4 Mineral properties and exploration and evaluation expenses

Mineral properties include rights in mining properties, paid or acquired through a business combination or an acquisition of assets, and costs related to the initial search for mineral deposits with economic potential or to obtain more information about existing mineral deposits.

All costs incurred prior to obtaining the legal rights to undertake exploration and evaluation on an area of interest are expensed as incurred.

Mining rights are recorded at acquisition cost or at its recoverable amount in the case of a devaluation caused by an impairment of value. Mining rights and options to acquire undivided interests in mining rights are depreciated only as these properties are put into commercial production. Proceeds from the sale of mineral properties are applied as a reduction of the related carrying costs and any excess or shortfall is recorded as a gain or loss in the consolidated statement of comprehensive loss.

Exploration and evaluation expenses (“E&E expenses”) also typically include costs associated with prospecting, sampling, trenching, drilling and other work involved in searching for ore such as topographical, geological, geochemical and geophysical studies. Generally, expenditures relating to exploration and evaluation activities are expensed as incurred. Capitalization of E&E expenses commences when a mineral resource estimate has been obtained for an area of interest.

E&E expenses include costs related to establishing the technical and commercial viability of extracting a mineral resource identified through exploration or acquired through a business combination or asset acquisition. E&E include the cost of:

- establishing the volume and grade of deposits through drilling of core samples, trenching and sampling activities in an ore body that is classified as either a mineral resource or a proven and probable reserve;
- determining the optimal methods of extraction and metallurgical and treatment processes, including the separation process, for Corporation’ mining properties;
- studies related to surveying, transportation and infrastructure requirements;
- permitting activities; and
- economic evaluations to determine whether development of the mineralized material is commercially justified, including scoping, prefeasibility and final feasibility studies.

When a mine project moves into the development phase, E&E expenses are capitalized to mine development costs. An impairment test is performed before reclassification and any impairment loss is recognized in the consolidated statement of comprehensive loss.

E&E include overhead expenses directly attributable to the related activities.

The Corporation has taken steps to verify the validity of title to mineral properties on which it is conducting exploration activities and is acquiring interests in accordance with industry standards that apply to the current stage of exploration and evaluation of such property. However, these procedures do not guarantee the Corporation’ title, as property title may be subject to unregistered prior agreements, aboriginal claims or noncompliance with regulatory requirements.

2.5 Capital assets

Capital assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of an asset. Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefit associated with the item will flow to the Corporation and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced.

The intangible assets include software with a definite useful life. The assets are capitalized and amortized on a straight-line basis in the consolidated statement of comprehensive loss. The intangible assets are assessed for impairment whenever there is an indication that the intangible assets may be impaired.

Repairs and maintenance costs are charged to the consolidated statement of comprehensive loss during the period in which they are incurred.

Depreciation is calculated to amortize the cost of the capital assets less their residual values over their estimated useful lives using the straight-line method and following periods by major categories:

Field equipment and infrastructure related to exploration and evaluation activities	3 years
Vehicles and rolling stock	3 to 10 years
Equipment	3 to 10 years
Software	3 to 10 years
Right-of-use assets	Lease term

Depreciation of capital assets, if related to exploration activities, is expensed consistently with the policy for exploration and evaluation expenses. For those which are not related to exploration and evaluation activities, depreciation expense is recognized directly in the consolidated statement of comprehensive loss.

Depreciation of an asset ceases when it is classified as held for sale (or included in a disposal group that is classified as held for sale) or when it is derecognized. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

Residual values, methods of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of capital assets are determined by comparing the proceeds with the carrying amount of the asset and are recorded in the consolidated statement of comprehensive loss.

2.6 Leases

At the commencement date of a lease, a liability is recognized to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset) is also recognized. The interest expense on the lease liability is recognized separately from the depreciation expense on the right-of-use asset.

The lease liability is remeasured upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). This remeasurement is generally recognized as an adjustment to the right-of-use asset. Leases of "low-value" assets and short-term leases (12 months or less) are recognized on a straight-line basis as an expense in the consolidated statement of comprehensive loss.

2.7 Impairment of non-financial assets

Mineral properties and capital assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. Mineral properties and capital assets are reviewed by area of interest. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Corporations estimates the recoverable amount of the asset group to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or asset group is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately in the consolidated statement of comprehensive loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized as a reduction in the impairment charge for the period.

2.8 Environmental monitoring provision

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The Corporation is subject to laws and regulations relating to environmental matters, including land reclamation and discharge of hazardous materials and environmental monitoring. The Corporation may be found to be responsible for damage caused by prior owners and operators of its unproven mineral interests and in relation to interests previously held by the Corporation.

On initial recognition, the estimated net present value of a provision is recorded as a liability and a corresponding amount is added to the capitalized cost of the related non-financial asset or charged to consolidated statement of comprehensive loss if the property has been written off. Discount rates using a pre-tax rate that reflects the time value of money and the risk associated with the liability are used to calculate the net present value. The provision is evaluated at the end of each reporting period for changes in the estimated amount or timing of settlement of the obligation.

2.9 Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are substantively enacted by the date of the consolidated statement of financial position.

Deferred income taxes are provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable earnings; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable earnings; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the consolidated statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the consolidated statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement comprehensive loss.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

2.10 Equity

Capital stock represents the amount received on the issue of shares. Warrants represent the allocation of the amount received for units issued as well as the charge recorded for the broker warrants relating to financing. Options represent the charges related to stock options until they are exercised. Contributed surplus includes charges related to stock options and the warrants that are expired and not yet exercised. Contributed surplus also includes contributions from shareholders. Deficit includes all current and prior period retained profits or losses and share issue expenses.

Share and warrant issue expenses are accounted for in the year in which they are incurred and are recorded as a deduction to equity in the year in which the shares and warrants are issued.

Costs related to shares not yet issued are recorded as deferred share issuance costs. These costs are deferred until the issuance of the shares to which the costs relate to, at which time the costs will be charged against the related share capital or charged to operations if the shares are not issued.

Proceeds from unit placements are allocated between shares and warrants issued on a pro-rata basis of their value within the unit using the Black-Scholes pricing model.

2.11 Interest income

Interest income from financial assets is accrued, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

2.12 Stock-based compensation

Employees and consultants of the Corporation may receive a portion of their compensation in the form of share-based payment transactions, whereby employees or consultants render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued for goods or services, the transaction is measured at the fair value of the goods or services received by the entity. When the value of the goods or services cannot be specifically identified, they are measured at fair value of the share-based payment. The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Corporation' best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in contributed surplus.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional amount is recognized on the same basis as the amount of the original award for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

2.13 Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding options and warrants, in the weighted average number of common shares outstanding during the year, if dilutive. During 2020 and 2019, all the outstanding common share equivalents were anti-dilutive.

2.14 Financial instruments

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the financial instrument.

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is an unconditional and legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

All financial instruments are required to be measured at fair value on initial recognition. The fair value is based on quoted market prices, unless the financial instruments are not traded in an active market. In this case, the fair value is determined by using valuation techniques like the Black-Scholes option pricing model or other valuation techniques.

2.14.1 Financial assets

Financial assets are derecognized when the contractual rights to receive the cash flows from the financial asset have expired, or when the financial asset and all substantial risks and rewards have been transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

Financial assets are initially measured at fair value. If the financial asset is not subsequently accounted for at fair value through profit or loss, then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. On initial recognition, the Corporation classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired.

Amortized cost:

Financial assets at amortized cost are non-derivative financial assets with fixed or determinable payments constituted solely of payments of principal and interest that are held within a "held to collect" business model. Financial assets at amortized cost are initially recognized at the amount expected to be received, less, when material, a discount to reduce the financial assets to fair value. Subsequently, financial assets at amortized cost are measured using the effective interest method less a provision for expected losses. The Corporation's cash and escrow account for environmental monitoring are classified within this category.

Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement comprehensive loss.

2.14.2 Financial liabilities

A financial liability is derecognized when extinguished, discharged, terminated, cancelled or expired.

Financial liabilities measured at amortized cost

Trade and other payables and payables to shareholders are initially measured at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, financial liabilities are measured at amortized cost using the effective interest method.

2.14.3 Impairment of financial assets

Amortized cost:

At each reporting date, the Corporation assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The expected loss is the difference between the amortized cost of the financial asset and the present value of the expected future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account. Provisions for expected losses are adjusted upwards or downwards in subsequent periods if the amount of the expected loss increases or decreases.

2.15 Segment disclosures

The Corporation operates in one industry segment, being the acquisition, exploration and evaluation of mineral properties. All of the Corporation' activities are conducted in Greenland.

3. Changes in accounting policies

3.1 New accounting standard adopted

Amendments to IAS 1 Presentation of Financial Statements

The IASB has made amendments to IAS 1 Presentation of Financial Statements which use a consistent definition of materiality throughout IFRS and the *Conceptual Framework for Financial Reporting*, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify that information is material if omitting, misstating, or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make based on those financial statements, which provide financial information about a specific reporting entity. Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole. The Corporation adopted IAS 1 on January 1, 2020, which did not have a significant impact on the consolidated financial statements disclosures.

3.2 Accounting standards issued but not yet effective

The Corporation has not yet adopted certain standards, interpretations to existing standards and amendments which have been issued but have an effective date of later than January 1, 2021. Many of these updates are not expected to have any significant impact on the Corporation and are therefore not discussed herein.

Amendments to IAS 16 Property, plant and equipment

The IASB has made amendments to IAS 16 *Property, plant and equipment*, which will be effective for financial years beginning on or after January 1, 2022. Proceeds from selling items before the related item of Property, plant and equipment is available for use should be recognized in profit or loss, together with the costs of producing those items. The Corporation will therefore need to distinguish between the costs associated with producing and selling items before the item of Property, plant and equipment (pre-production revenue) is available for use and the costs associated with making the item of Property, plant and equipment available for its intended use. For the sale of items that are not part of a Corporation's ordinary activities, the amendments will require the Corporation to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the consolidated statement of comprehensive loss. These amendments will have an impact on the Corporation's consolidated financial statements.

4. Critical accounting judgments and assumptions

the preparation of these Financial Statements requires Management to make judgments and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. On an ongoing basis, Management evaluates its judgments in relation to assets, liabilities and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments. Actual outcomes may differ from these estimates under different assumptions and conditions. Critical judgments exercised in applying accounting policies with the most significant effect on the amounts recognized in the Financial Statements are described below.

Judgments

4.1 Impairment of mineral properties

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations in many cases.

Determining whether to test for impairment of mineral properties requires Management's judgment, among others, regarding the following: the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed; substantive expenditure on further exploration and evaluation of mineral resources in a specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the mineral properties is unlikely to be recovered in full from successful development or by sale.

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs must be determined. Identifying the cash-generating units requires considerable management judgment. In testing an individual asset or cash-generating unit for impairment and identifying a reversal of impairment losses, Management estimates the recoverable amount of the asset or the cash-generating unit. This requires management to make several assumptions as to future events or circumstances. These assumptions and estimates are subject to change if new information becomes available. Actual results with respect to impairment losses or reversals of impairment losses could differ in such a situation and significant adjustments to the Corporation' assets and earnings may occur during the next period.

4.2 Recognition of deferred income tax assets and the measurement of income tax expense

Periodically, the Corporation evaluates the likelihood of whether some portion of the deferred tax assets will not be realized. Once the evaluation is completed, if the Corporation believes that it is probable that some portion of the deferred tax assets will fail to be realized, the Corporation records only the remaining portion for which it is probable that there will be available future taxable profit against which the temporary differences can be utilized. Assessing the recoverability of deferred income tax assets requires Management to make significant judgment.

To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Corporation to realize the net deferred tax assets recorded at the statement of financial position date could be impacted. Significant judgment is required in determining the income tax recovery as there are transactions and calculations for which the ultimate tax determination is uncertain.

4.3 Determination of functional currency

In accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates", Management determined that the functional currency of the Corporation and its subsidiary is the Canadian dollar.

Estimates and Assumptions

4.4 Environmental monitoring costs

The provisions for environmental monitoring costs are based on estimated future costs using information available at the financial reporting date. Determining these obligations requires significant estimates and assumptions due to the numerous factors that affect the amount ultimately payable. Such factors include estimates of the scope and cost of restoration activities, legislative amendments, known environmental impacts, the effectiveness of reparation and restoration measures and changes in the discount rate. This uncertainty may lead to differences between the actual expense and the provision. At the date of the consolidated statement of financial position, environmental monitoring costs represent Management's best estimate of the charge that will result when the actual obligation is terminated.

4.5 Uncertainty due to COVID-19

During the 2020 year, an outbreak of a new strain of coronavirus (COVID-19) resulted in a major global health crisis which continues to have impacts on the global economy and the financial markets at the date of completion of the Financial Statements. These events may cause significant changes on the Corporation's ability to complete planned exploration and evaluation activities in the future, meet its other obligations and existing commitments for the exploration and evaluation programs or our ability to obtain debt and equity financing. Following these events, the Corporation has taken and will continue to take action to minimize the impact of the COVID-19 pandemic. However, it is impossible to ultimately determine the financial implications of these events.

5. Escrow account for environmental monitoring

on behalf of Nalunaq's licence holder, an escrow account has been set up with the holder of the licence as holder of the account and the Government of Greenland as beneficiary. The funds in the escrow account have been provided in favour of the Government of Greenland as security for fulfilling the environmental monitoring expenses following the closure of the Nalunaq mine. This environmental monitoring program was completed in 2020.

	2020 $	2019 $
Balance beginning	516,996	582,786
Effect of translation	38,553	(36,944)
Payment for environmental monitoring work	(95,102)	(28,846)
Balance ending	460,447	516,996
Non-current portion – escrow account for environmental monitoring	(460,447)	(342,132)
Current portion – escrow account for environmental monitoring	**–**	**174,864**

6. Mineral properties

	As at December 31, 2019 $	Additions $	As at December 31, 2020 $
Nalunaq	1	–	1
Tartoq	18,431	–	18,431
Vagar	11,103	–	11,103
Naalagaaffiup Portornga	6,334	–	6,334
Nuna Nutaaq	6,076	–	6,076
Saarloq	–	7,348	7,348
Anoritooq	–	6,389	6,389
Kangerluarsuk	–	6,562	6,562
Total mineral properties	**41,945**	**20,299**	**62,244**

	As at December 31, 2018 $	Additions $	As at December 31, 2019 $
Nalunaq	1	–	1
Tartoq	18,431	–	18,431
Vagar	11,103	–	11,103
Naalagaaffiup Portornga	6,334	–	6,334
Nuna Nutaaq	–	6,076	6,076
Total mineral properties	**35,869**	**6,076**	**41,945**

6.1 Nalunaq

Nalunaq A/S holds the gold exploitation licence number 2003/05 on the Nalunaq property (the “Nalunaq Licence”) located in South West Greenland. The licence expires in April 2033 with an extension possible up to 20 years.

6.1.1 Collaboration agreement and project schedule

Cyrus Capital Partners LP was the main creditor of Angel Mining PLC, the parent company of Angel Mining (Gold) A/S. Angel Mining PLC went into administration in February 2013 and as part of the Administrator’s restructuring process, FBC Mining (Holdings) Ltd. (“FBC Mining”) and Arctic Resources Capital S.à r.l. (“ARC”) agreed to enter into a collaboration agreement (“Collaboration Agreement”) (signed July 15, 2015) to progress the Nalunaq exploration project. FBC Mining is a 100% subsidiary of FBC Holdings S.à r.l which is managed by Cyrus Capital Partners LP.

In addition, ARC, FBC Mining and AEX Gold Limited (previously known as FBC Mining (Nalunaq) Limited) (a 100% subsidiary of FBC Mining) signed on July 17, 2015 the Nalunaq project schedule (“2015 Project Schedule”) which was continued following the signature with Nalunaq A/S on March 31, 2017 of the 2016-2017 Nalunaq Project Schedule (“2016-2017 Project Schedule”), (collectively “Project Schedules”).

Finally, the conditions relating to a processing plant located on the Nalunaq Licence (“Processing Plant”) and a royalty payment were outlined in the 2015 Project Schedule and formalized in the processing plant and royalty agreement (“Processing Plant and Royalty Agreement”) signed on March 31, 2017 and the conditions are as follows:

a) AEX Gold Limited transfers the Processing Plant to Nalunaq A/S under the following conditions:

   i) An initial purchase price of US$1;

   ii) A deferred consideration of US$1,999,999 (“Deferred Consideration”) on a pay as you go basis until the Deferred Consideration is paid in full. If only part of the Processing Plant is used, then the Deferred Consideration payable shall be reduced by an amount to be agreed by the parties to reflect the value of the part of the Processing Plant used.

iii) The Deferred Consideration may be reduced to the extent that the Processing Plant or any part which is being used requires repairs, is not in good working condition or will not be capable of doing the work for which it was designed.

iv) Nalunaq A/S may dispose or otherwise deal with the Processing Plant or any part of it at its own cost. If any disposal proceeds (defined as proceeds received minus costs of dealing with the disposal) are received, that disposal proceeds shall be paid to AEX Gold Limited .and such amount shall be deemed to be Deferred Consideration. If there are any disposal proceeds remaining after the Deferred Consideration has been paid in full, the disposal proceeds remaining may be retained by Nalunaq A/S.

b) Nalunaq A/S shall pay to AEX Gold Limited a 1% royalty on Nalunaq A/S' net revenue generated on the Nalunaq Licence (total revenue minus production, transportation and refining costs), provided that in respect to the last completed calendar year, the operating profit per ounce of gold exceeded US$500. The cumulative royalty payments over the life of mine are capped at a maximum of US$1,000,000.

6.1.2 Government of Greenland royalty
The Nalunaq Licence and subsequent Addendums does not have a royalty clause. However, according to the Addendum 3 of the Mineral Resources Act enacted on July 1, 2014, the Greenland Government may set terms on the licensee's payment of royalty or consideration, if the Greenland Government and the licensee agree, since the Nalunaq Licence was granted before July 1, 2014. Nalunaq A/S may have to pay to the Government of Greenland a sales royalty of up to 2.5% of the value of the minerals. Nalunaq A/S may on certain terms offset an amount equal to paid corporate income tax and corporate dividend tax against the sales royalty to be paid.

6.1.3 Exploration commitments and exploitation milestones
After Nalunaq A/S has submitted its statements of expenses for the Nalunaq Licence for the 2017 and 2018 years, the MLSA has approved Nalunaq A/S' transition to the subsequent period (sub period 4) without a rollover of the unspent amount.

The Government of Greenland has been confirmed with Addendum No. 5 dated March 2020 which was signed by the Government of Greenland and therefore became effective on March 13, 2020, to extend the requirement dates to perform the following tasks. No later than December 31, 2022, the licensee shall prepare an environmental impact assessment, make a social impact assessment and perform an impact benefit agreement. The time limit for commencement of exploitation is January 1, 2023.

Failure to satisfy any of the conditions set forth in the addendums to the Nalunaq Licence may result in the MLSA revoking the Nalunaq Licence without further notice.

6.2 Tartoq

6.2.1 Purchase of the Tartoq Licence
Nalunaq A/S signed on July 6, 2016 a sale and purchase agreement, to purchase from Nanoq Resources Ltd. the Tartoq exploration licence number 2015/17 located in Southwest Greenland, for a total consideration of $7,221. The licence expires December 31, 2024 with the 5-year extension. The renewal for a period of five years has been confirmed with Addendum No. 3 dated February 2020 which was signed by Nalunaq A/S on February 13, 2020 and became effective on March 13, 2020 when it was signed by the Government of Greenland. In response to the COVID-19 pandemic, the Government of Greenland gave an extension of the licence period for all exploration licences by two years, therefore the licence expires December 31, 2026.

6.2.2 Exploration commitments
In response to the COVID-19 pandemic, the Government of Greenland set the exploration obligation for years 2020 and 2021 to DKK nil which also means that the transferred non-fulfilled exploration obligation will be postponed by two years. For the exploration licence, Nalunaq A/S shall complete DKK nil of exploration activities in 2020, adding the non-fulfilled exploration obligation 2019 of DKK 743,217, for a total of DKK 743,217 ($156,047 using the exchange rate as at December 31, 2020) exploration obligation in 2020 which was confirmed by MLSA and postponed to 2022. For the purpose of crediting expenditures against the amounts set forth in the Tartoq Licence, actual expenditures are multiplied by a factor of between 1.5 and 3, depending upon the type of expenditures made. If these obligations are not met, certain measures may be taken by the licence holder to rectify the situation, including reducing the area of the licence proportionately to the spending shortfall or rolling over the exploration commitment to the next period subject to approval from the MLSA. Nalunaq A/S submitted its statements of expenses for the Tartoq exploration licence for the 2020 year to the MLSA by April 1, 2021.

6.3 Naalagaaffiup Portornga (Land Adjacent to Existing Tartoq Licence)

6.3.1 Purchase of the Naalagaaffiup Portornga Licence

The Corporation has acquired the right to conduct exploration activities on approximately 170km^2 of land in an area adjacent to the Tartoq Licence. The exploration rights have been granted to the Corporation under a new separate exploration Licence 2018/17 Naalagaaffiup Portornga and the licence expires December 31, 2022 with a possible 5-year extension. The licence application has been approved and all required documentation was signed by the Corporation on January 16, 2018 and the licence became effective on February 19, 2018 when it was signed by the Greenland authorities. In response to the COVID-19 pandemic, the Government of Greenland gave an extension of the licence period for all exploration licences by two years, therefore the licence expires December 31, 2024.

6.3.2 Exploration commitments

In response to the COVID-19 pandemic, the Government of Greenland set the exploration obligation for years 2020 and 2021 to DKK nil which also means that the transferred non-fulfilled exploration obligation will be postponed by two years. For the exploration licence, Nalunaq A/S shall complete DKK nil of exploration activities in 2020, adding the non-fulfilled exploration obligation 2019 of DKK 231,634, for a total of DKK 231,634 ($48,634 using the exchange rate as at December 31, 2020) exploration obligation in 2020 which was confirmed by MLSA and postponed to 2022. For the purpose of crediting expenditures against the amounts set forth in the Naalagaaffiup Portornga Licence, actual expenditures are multiplied by a factor of between 1.5 and 3, depending upon the type of expenditures made. If these obligations are not met, certain measures may be taken by the licence holder to rectify the situation, including reducing the area of the licence proportionately to the spending shortfall or rolling over the exploration commitment to the next period subject to approval from the MLSA. Nalunaq A/S submitted its statements of expenses for the Naalagaaffiup Portornga exploration licence for the 2020 year to the MLSA by April 1, 2021.

6.4 Vagar

6.4.1 Purchase of the Vagar Licence

Nalunaq A/S entered into a sale and purchase agreement with NunaMinerals A/S, acting through its bankruptcy receiver, on February 6, 2017 to acquire the Vagar exploration licence number 2006/10 (“Vagar Licence”) located in Western Greenland, along with all mineral exploration and mining-related data, maps and reports pertaining to the Vagar Licence, studies and reports, for a purchase price of $9,465 (DKK 50,000). Upon the approval of the Greenland authorities received on October 30, 2017, Nalunaq A/S signed the paperwork to complete the licence transfer, which became effective upon the Greenland authorities executing the document on January 18, 2018. The licence expires December 31, 2021 with a possible 6-year extension. In response to the COVID-19 pandemic, the Government of Greenland gave an extension of the licence period for all exploration licences by two years, therefore the licence expires December 31, 2023.

6.4.2 Exploration commitments

Nalunaq A/S asked in December 2019 for a reduction of the size of the area covered by the licence to 292km^2. This reduction of the size of the area has been confirmed with Addendum No. 9 dated January 2020 which was signed by Nalunaq A/S in January 23, 2020 and became effective on March 13, 2020 when it was signed by the Government of Greenland.

In response to the COVID-19 pandemic, the Government of Greenland set the exploration obligation for years 2020 and 2021 to DKK nil which also means that the transferred non-fulfilled exploration obligation will be postponed by two years. For the exploration licence, Nalunaq A/S shall complete DKK nil of exploration activities in 2020, reducing by the total credit from 2019 of DKK 709,960, for a total credit of DKK 709,960 (credit of $149,065 using the exchange rate as at December 31, 2020) so there is no exploration obligation in 2020 which was confirmed by MLSA. For the purpose of crediting expenditures against the amounts set forth in the Vagar Licence, actual expenditures are multiplied by a factor of between 1.5 and 3, depending upon the type of expenditures made. If these obligations are not met, certain measures may be taken by the licence holder to rectify the situation, including reducing the area of the licence proportionately to the spending shortfall or rolling over the exploration commitment to the next period subject to approval from the MLSA. Nalunaq A/S submitted its statements of expenses for the Vagar exploration licence for the 2020 year to the MLSA by April 1, 2021.

6.5 Nuna Nutaaq

6.5.1 Purchase of the Nuna Nutaaq Licence

The Corporation has acquired the right to conduct exploration activities on approximately 266km^2 of land in an area of Itillersuaq near Narsaq in South Greenland. The exploration rights have been granted to the Corporation under a new separate Exploration Licence 2019/113 Nuna Nutaaq. The licence application has been approved and all required documentation was signed by the Corporation on September 13, 2019 and the licence became effective on September 26, 2019 when it was signed by the Government of Greenland. The licence expires December 31, 2023 with a possible 5-year extension. In response to the COVID-19 pandemic, the Government of Greenland gave an extension of the licence period for all exploration licences by two years, therefore the licence expires December 31, 2025.

6.5.2 Exploration commitments

In response to the COVID-19 pandemic, the Government of Greenland set the exploration obligation for years 2020 and 2021 to DKK nil which also means that the transferred non-fulfilled exploration obligation will be postponed by two years. For the exploration licence, Nalunaq A/S shall complete DKK nil of exploration activities in 2020, adding the non-fulfilled exploration obligation 2019 of DKK 440,502, for a total of DKK 440,502 ($92,489 using the exchange rate as at December 31, 2020) exploration obligation in 2020 which was confirmed by MLSA and postponed to 2022. For the purpose of crediting expenditures against the amounts set forth in the Nuna Nutaaq Licence, actual expenditures are multiplied by a factor of between 1.5 and 3, depending upon the type of expenditures made. If these obligations are not met, certain measures may be taken by the licence holder to rectify the situation, including reducing the area of the licence proportionately to the spending shortfall or rolling over the exploration commitment to the next period subject to approval from the MLSA. Nalunaq A/S submitted its statements of expenses for the Nuna Nutaaq exploration licence for the 2020 year to the MLSA by April 1, 2021.

6.6 Saarloq

6.6.1 Purchase of the Saarloq Licence

The Corporation acquired the right to conduct exploration activities on approximately 818km^2 of land in the areas of Quassugaarsuk and Sermeq Kangilleq in South Greenland. The exploration rights have been granted to the Corporation under a new separate Exploration Licence 2020/31, referred to as Saarloq. The licence application has been approved and all required documentation was signed by the Corporation on May 15, 2020 and the licence became effective on May 28, 2020 when it was signed by the Government of Greenland. The licence expires December 31, 2024 with a possible 5-year extension. In response to the COVID-19 pandemic, the Government of Greenland gave an extension of the licence period for all exploration licences by two years, therefore the licence expires December 31, 2026.

6.6.2 Exploration commitments

In response to the COVID-19 pandemic, the Government of Greenland set the exploration obligation for years 2020 and 2021 to DKK nil which also means that the transferred non-fulfilled exploration obligation will be postponed by two years. The exploration commitments for this new exploration licence are DKK nil ($nil using the exchange rate as at December 31, 2020) in 2020. For the purpose of crediting expenditures against the amounts set forth in the Saarloq Licence, actual expenditures are multiplied by a factor of between 1.5 and 3, depending upon the type of expenditures made. If these obligations are not met, certain measures may be taken by the licence holder to rectify the situation, including reducing the area of the licence proportionately to the spending shortfall or rolling over the exploration commitment to the next period subject to approval from the MLSA. Nalunaq A/S submitted its statements of expenses for the Saarloq exploration licence for the 2020 year to the MLSA by April 1, 2021.

6.7 Anoritooq

6.7.1 Purchase of the Anoritooq Licence

The Corporation acquired the right to conduct exploration activities on approximately 1,710km^2 of land in the areas of Anoritooq and Kangerluluk in South Greenland. The exploration rights have been granted to the Corporation under a new separate Exploration Licence 2020/36, referred to as Anoritooq. The licence application has been approved and all required documentation was signed by the Corporation on June 11, 2020 and the licence became effective on June 24, 2020 when it was signed by the Government of Greenland. In October 2020, the Corporation was granted an addendum to the Anoritooq Licence, increasing the size of the licence to 1,889km^2 and became effective November 6, 2020 when it was signed by the Government of Greenland. The licence expires December 31, 2024 with a possible 5-year extension. In response to the COVID-19 pandemic, the Government of Greenland gave an extension of the licence period for all exploration licences by two years, therefore the licence expires December 31, 2026.

6.7.2 Exploration commitments

In response to the COVID-19 pandemic, the Government of Greenland set the exploration obligation for years 2020 and 2021 to DKK nil which also means that the transferred non-fulfilled exploration obligation will be postponed by two years. The exploration commitments for this new exploration Licence are DKK nil ($nil using the exchange rate as at December 31, 2020) in 2020. For the purpose of crediting expenditures against the amounts set forth in the Anoritooq Licence, actual expenditures are multiplied by a factor of between 1.5 and 3, depending upon the type of expenditures made. If these obligations are not met, certain measures may be taken by the licence holder to rectify the situation, including reducing the area of the licence proportionately to the spending shortfall or rolling over the exploration commitment to the next period subject to approval from the MLSA. Nalunaq A/S submitted its statements of expenses for the Anoritooq exploration licence for the 2020 year to the MLSA by April 1, 2021.

6.8 Kangerluarsuk

6.8.1 Purchase of the Kangerluarsuk Licence

The Corporation acquired the right to conduct exploration activities on approximately 335km^2 of land in the area of Eqaluit Iluat in South Greenland. The exploration rights have been granted to the Corporation under a new separate Exploration Licence 2021/02, referred to as Kangerluarsuk. The licence application has been approved and all required documentation was signed by the Corporation on October 13, 2020 and the licence became effective on November 6, 2020 when it was signed by the Government of Greenland. The licence expires December 31, 2025 with a possible 5-year extension. In response to the COVID-19 pandemic, the Government of Greenland gave in December 2020, an extension of the licence period for all exploration licences by one year, therefore the licence expires December 31, 2026.

6.8.2 Exploration commitments

In response to the COVID-19 pandemic, the Government of Greenland set the exploration obligation for years 2020 and 2021 to DKK nil which also means that the transferred non-fulfilled exploration obligation will be postponed by two years. The exploration commitments for this new exploration licence are DKK nil ($nil using the exchange rate as at December 31, 2020) in 2020. For the purpose of crediting expenditures against the amounts set forth in the Kangerluarsuk Licence, actual expenditures are multiplied by a factor of between 1.5 and 3, depending upon the type of expenditures made. If these obligations are not met, certain measures may be taken by the licence holder to rectify the situation, including reducing the area of the licence proportionately to the spending shortfall or rolling over the exploration commitment to the next period subject to approval from the MLSA. Nalunaq A/S must submit its statements of expenses for the Kangerluarsuk exploration licence for the 2020 and 2021 years to the MLSA by April 1, 2022.

6.9 Genex

On October 16, 2017, Nalunaq A/S was awarded a prospecting licence number 2017/45 covering West Greenland, in this context defined as areas south of 78°N and west of 44°W. It is valid for a term of five years until December 31, 2021. Nalunaq A/S is not obligated to spend exploration expenses regarding this licence area during this period.

On September 26, 2019, Nalunaq A/S was granted a prospecting licence number 2019/146 covering East Greenland, in this context defined as areas south of 75°N and east of 44°W. It is valid for a term of five years until December 31, 2023. Nalunaq A/S is not obligated to spend exploration expenses regarding this licence area during this period.

7. Capital Assets

	Exploration and evaluation			
	Field equipment and infrastructure $	Vehicles and rolling stock $	Equipment (including intangible) $	Total $
2019				
Opening net book value	166,134	182,679	–	348,813
Additions	179,962	–	10,514	190,476
Depreciation	(74,119)	(96,023)	(2,044)	(172,186)
Closing net book value	271,977	86,656	8,470	367,103
As at December 31, 2019				
Cost	**387,323**	**288,066**	**10,514**	**685,903**
Accumulated depreciation	**(115,346)**	**(201,410)**	**(2,044)**	**(318,800)**
Closing net book value	**271,977**	**86,656**	**8,470**	**367,103**

	Field equipment and infrastructure $	Vehicles and rolling stock $	Equipment (including intangible) $	Right-of-use assets (note 8) $	Total $
2020					
Opening net book value	271,977	86,656	8,470	–	367,103
Additions	–	245,734	175,364	841,080	1,262,178
Depreciation	(125,774)	(75,525)	(6,782)	(20,186)	(228,267)
Closing net book value	146,203	256,865	177,052	820,894	1,401,014
As at December 31, 2020					
Cost	**387,323**	**533,800**	**185,878**	**841,080**	**1,948,081**
Accumulated depreciation	**(241,120)**	**(276,935)**	**(8,826)**	**(20,186)**	**(547,067)**
Closing net book value	**146,203**	**256,865**	**177,052**	**820,894**	**1,401,014**

Depreciation of capital assets related to exploration and evaluation properties is being recorded in exploration and evaluation expenses in the consolidated statement of comprehensive loss, under depreciation. Depreciation of $206,153 ($172,186 – 2019) was expensed as exploration and evaluation expenses in 2020.

As at December 31, 2020, the Corporation had capital asset purchase commitments, net of deposit on order, of $ 8,796,288 (nil as at December 31, 2019). These commitments relate to purchases of equipment, infrastructure and vehicles.

8. Lease liabilities

	As at December 31, 2020 $	As at December 31, 2019 $
Balance beginning	–	–
Additions	841,080	–
Principal repayment	(11,267)	–
Balance ending	829,813	–
Non-current portion – lease liabilities	(763,913)	–
Current portion – lease liabilities	**65,900**	**–**

The Corporation has presently only one lease for its office. In October 2020, the Corporation started the lease for five years and five months including five free rent months during this period. The monthly rent is $8,825 until March 2024 and $9,070 for the balance of the lease. The Corporation has the option to renew the lease for an additional five-year period at $9,070 monthly rent indexed annually to the increase of the consumer price index of the previous year for the Montreal area.

A right-of-use asset of $841,080 and an equivalent long term lease liability was recorded as of October 1, 2020, with a 5% incremental borrowing rate and considering that the renewal option would be exercised. Depreciation of right-of-use assets is being recorded in general and administrative expenses in the consolidated statement of comprehensive loss, under depreciation. Depreciation of $20,186 (nil – 2019) was expensed as general and administration expenses in 2020.

9. Environmental monitoring provision

	2020 $	2019 $
Balance beginning	174,864	209,695
Effect of foreign exchange translation	13,125	(12,855)
Payment from cash held in escrow account for environmental monitoring	(95,102)	(28,846)
Accretion expense	5,959	8,980
Change in estimates	(98,846)	(2,110)
Balance ending	–	174,864
Non-current portion – environmental monitoring provision	–	–
Current portion – environmental monitoring provision	**–**	**174,864**

In September 2020, a final payment to settle the environmental monitoring obligations attached to the Nalunaq Licence has been completed and no further payments are expected to be made regarding this obligation.

10. Share capital

10.1 Share Capital

The Corporation is authorized to issue an unlimited number of common voting shares and an unlimited number of preferred shares issuable in series, all without par value.

10.2 AIM Admission

During the quarter ended September 30, 2020, the Corporation completed the admission of its entire issued share capital to trading on the AIM market of the London Stock Exchange and trading commenced on AIM on July 31, 2020 ("Admission") under the ticker AEXG.

10.3 Completion of the fundraising

On July 31, 2020, the Corporation completed the fundraising by issuing 94,444,445 common shares at a price of $0.77 per share for subscription made in Canadian dollars and GBP 0.45 per share for subscriptions made in British pounds sterling, for gross proceeds to the Corporation of $74,550,202 (the “Fundraising”).

The Corporation incurred total issuance costs of $6,312,546 in relation to this process.

Certain officers and directors of the Corporation purchased an aggregate of 1,177,581 common shares for $906,737 (note 20). The officers and directors of the Corporation subscribed to the Fundraising under the same terms and conditions as set forth for all subscribers.

10.4 Private placements

a) June 2019

On June 28, 2019, the Corporation completed a non-brokered private placement by issuing 13,157,895 units at a price of $0.38 per unit, for gross proceeds to the Corporation of $5,000,000.

Each unit was comprised one common share and one common share purchase warrant, with each warrant being exercisable into one additional common share for 36 months from the closing date of the private placement at an exercise price of $0.45 per common share. The Corporation can accelerate the expiry of the warrants if the daily volume-weighted average trading price of the common share on the Exchange exceeds $0.50 for 20 consecutive trading days at any time following 120 days after closing of the private placement.

From the total proceeds received from the units of $5,000,000, $1,146,282 has been allocated to warrants and $3,853,718 to capital stock, according to a pro-rata allocation of the estimated fair value of each of the two components. The estimated fair value of the warrants was determined using the Black-Scholes pricing model based on the following assumptions: no expected dividend yield, a risk-free interest rate of 1.41%, an expected stock price volatility of 62.01%, and an expected life of the warrants of 3 years. The expected volatility was estimated by benchmarking comparable situations for companies that are similar to the Corporation.

The corporation incurred total issuance costs of $36,928 of which $28,462 was allocated to capital stock and $8,466 to warrants.

Insiders of the Corporation purchased an aggregate of 1,337,173 units for $508,126 (note 20).

11. Warrants

11.1 Warrants

Changes in the Corporation’s warrants are as follow:

	2020			2019		
	Number of warrants	Carrying Value $	Weighted average exercise price $	Number of warrants	Carrying Value $	Weighted average exercise price $
Balance, beginning	13,157,895	1,137,816	0.45	–	–	–
Issued (note 10)	–	–	–	13,157,895	1,137,816	0.45
Exercised	(11,272,271)	(974,758)	0.45	–	–	–
Expired	(1,885,624)	(163,058)	0.45	–	–	–
Balance, end	**–**	**–**	**–**	**13,157,895**	**1,137,816**	**0.45**

The Corporation has accelerated the expiry of certain common share purchase warrants ("Warrants"), bearing an expiration date of June 28, 2022. The certificate evidencing the Warrants ("Warrant Certificate") provided for acceleration in certain circumstances, which were met during the period. From the period February 6, 2020 to March 5, 2020, the daily volume weighted average price of the Corporation's common shares on the TSX-V was equal to or greater than $0.50, thus satisfying the acceleration requirements under the Warrants. Accordingly, Warrant holders were provided with notification that any Warrants that were not exercised before April 20, 2020, being the 30th trading day following the occurrence of the acceleration event, would expire and be cancelled. Certain Warrant holders exercised 11,272,271 Warrants, each entitling the holder to receive one common share of the Corporation, at an exercise price per warrant of $0.45, representing gross proceeds of $5,072,522. The remaining Warrants amounting to 1,885,624 expired.

11.2 Agent warrants

Changes in the Corporation's agent and finders warrants are as follow:

	2020			2019		
	Number of warrants	Carrying Value $	Weighted average exercise price $	Number of warrants	Carrying Value $	Weighted average exercise price $
Balance, beginning	1,067,739	321,788	0.49	1,067,739	321,788	0.49
Exercised	(335,627)	(103,944)	0.50	–	–	–
Expired	(732,112)	(217,844)	0.49	–	–	–
Balance, end	**–**	**–**	**–**	**1,067,739**	**321,788**	**0.49**

12. Stock options

an incentive stock option plan (the "Plan") was approved initially in 2017 and renewed by shareholders on June 17, 2020. The Plan is a "rolling" plan whereby a maximum of 10% of the issued shares at the time of the grant are reserved for issue under the Plan to executive officers and directors, employees and consultants. The Board of directors attributes the stock options and the exercise price of the options shall not be less than the closing price on the last trading day preceding the grant date. The options have a maximum term of ten years. Options granted pursuant to the Plan shall vest and become exercisable at such time or times as may be determined by the Board, except options granted to consultants providing investor relations activities shall vest in stages over a 12 month period with a maximum of one-quarter of the options vesting in any three-month period. The Corporation has no legal or constructive obligation to repurchase or settle the options in cash.

On July 9, 2019, the Corporation granted to its directors, officers and consultants 2,630,000 stock options exercisable at an exercise price of $0.38, with an expiry date of December 31, 2025. The stock options vest 100% at the grant date. Those options were granted at an exercise price over the closing market value of the shares the previous day of the grant. Total stock-based compensation costs amount to $578,600 for an estimated fair value of $0.22 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 75.05% expected volatility, 1.57% risk-free interest rate and 6.5 years options expected life. The expected life and expected volatility were estimated by benchmarking comparable situations for companies that are similar to the Corporation.

On June 17, 2020, the Corporation granted to its directors, officers and consultants 2,195,000 stock options exercisable at an exercise price of $0.70, with an expiry date of December 31, 2026. The stock options vested 100% at the grant date. Those options were granted at an exercise price equal to the closing market value of the shares the previous day of the grant. Total stock-based compensation costs amount to $1,031,650 for an estimated fair value of $0.47 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 76.41% expected volatility, 0.41% risk-free interest rate and 6.5 years options expected life. The expected life and expected volatility were estimated by benchmarking comparable companies to the Corporation.

Changes in stock options are as follow:

	2020		2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price $
Balance, beginning	5,650,000	0.43	3,020,000	0.47
Granted	2,195,000	0.70	2,630,000	0.38
Exercised	(100,000)	0.38	–	–
Balance, end	**7,745,000**	**0.51**	**5,650,000**	**0.43**

Stock options outstanding and exercisable as at December 31, 2020 are as follows:

Number of options outstanding and exercisable	Exercise price $	Expiry date
1,360,000	0.50	July 13, 2022
1,660,000	0.45	August 22, 2023
2,530,000	0.38	December 31, 2025
2,195,000	0.70	December 31, 2026
7,745,000		

13. Capital management

the capital of the Corporation consists of the items included in equity and balances thereof and changes therein are depicted in the consolidated statement of changes in equity.

The Corporation' objectives are to safeguard the Corporation' ability to continue as a going concern in order to pursue its acquisition, exploration and evaluation activities and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. As the Corporation does not have cash flow from operations, to maintain or adjust the capital structure, the Corporation may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash. In order to maximize ongoing development efforts and to continue operations, the Corporation does not pay out dividends.

The Corporation is not subject to externally imposed restrictions on capital.

14. Employee remuneration

Salaries

	2020 $	2019 $
Salaries	1,154,302	642,421
Director's fees	252,083	56,250
Benefits	218,740	83,745
	1,625,125	782,416
Less : salaries and benefits presented in E&E expenses	(1,024,094)	(726,166)
Salaries disclosed in general and administrative expenses	**601,031**	**56,250**

15. Exploration and evaluation expenses

2020	Nalunaq $	Vagar $	Tartoq $	Naalagaaffiup Portornga $	Nuna Nutaaq $	Saarloq $	Anoritooq $	Kangerluarsuk $	Genex $	Total $
Geology	1,968,010	158,392	11,426	14,110	18,630	32,549	55,760	9,937	–	2,268,814
Lodging and on-site support	278,440	7,088	–	–	–	–	–	–	–	285,528
Underground works	75,396	–	–	–	–	–	–	–	–	75,396
Drilling	186,955	–	–	–	–	–	–	–	–	186,955
Safety and environment	21,402	–	–	–	–	–	–	–	–	21,402
Analysis	259,188	263	–	–	–	–	–	–	–	259,451
Transport	638,533	519	–	–	104	156	259	–	–	639,571
Helicopter Charter	4,922	40,451	–	–	30,115	–	6,789	–	–	82,277
Logistic support	339,200	19,652	19,652	19,652	19,652	–	–	–	–	417,808
Insurance	37,990	–	–	–	–	–	–	–	–	37,990
Maintenance infrastructure	2,434,862	14,116	–	–	2,823	4,235	7,058	–	–	2,463,094
Government fees	87,224	8,468	14,615	–	–	–	–	–	961	111,268
Depreciation	206,153	–	–	–	–	–	–	–	–	206,153
Exploration and evaluation expenses	**6,538,275**	**248,949**	**45,693**	**33,762**	**71,324**	**36,940**	**69,866**	**9,937**	**961**	**7,055,707**

2019	Nalunaq $	Vagar $	Tartoq $	Naalagaaffiup Portornga $	Nuna Nutaaq $	Genex $	Total $
Geology	822,113	118,858	70,763	71,382	9,626	8,896	1,101,638
Lodging and on-site support	308,754	–	–	–	–	–	308,754
Underground works	12,500	–	–	–	–	–	12,500
Drilling	229,473	–	–	–	–	–	229,473
Safety and environment	29,900	–	–	–	–	–	29,900
Analysis	45,558	–	–	–	–	–	45,558
Transport	312,513	–	–	–	–	–	312,513
Helicopter Charter	–	18,768	–	–	9,130	–	27,898
Logistic support	182,430	26,086	20,487	15,801	2,000	–	246,804
Insurance	38,512	–	–	–	–	–	38,512
Maintenance infrastructure	992,539	–	–	–	–	–	992,539
Government fees	17,963	14,651	980	–	–	5,793	39,387
Depreciation	172,186	–	–	–	–	–	172,186
Exploration and evaluation expenses	**3,164,441**	**178,363**	**92,230**	**87,183**	**20,756**	**14,689**	**3,557,662**

16. General and administrative

	2020 $	2019 $
Salaries and benefits	348,948	–
Management and consulting fees	633,220	298,885
Director's fees	252,083	56,250
Professional fees	1,077,541	300,017
Marketing and industry involvement	466,465	160,199
Insurance	218,355	40,029
Travel and other expenses	140,135	71,674
Regulatory fees	132,315	23,892
Depreciation	22,114	–
General and administrative	**3,291,176**	**950,946**

17. Finance costs

	2020 $	2019 $
Accretion expense - environmental monitoring provision	5,959	8,980
Change in estimates - environmental monitoring provision	–	(2,110)
Financing fees lease	6,872	–
Finance costs (income)	**12,831**	**6,870**

18. Income taxes

tax expense differs from the amount computed by applying the combined Canadian Statutory and Greenlandic income tax rates, applicable to the Corporation, to the loss before income taxes due to the following:

	2020 $	2019 $
Net loss before income taxes	(12,339,112)	(5,102,106)
Income tax rates	26.5%	26.5%
Income tax recovery	(3,269,865)	(1,352,058)
Increase (decrease) attributable to:		
Non deductible expenses	274,878	154,345
Difference in statutory tax rate	111,110	(132,014)
Changes in unrecognized deferred tax assets	2,883,877	1,329,727
Tax recovery	–	–

The analysis of the Corporation's deferred tax assets and liabilities as at December 31, 2020 and 2019 is as follows:

	2020 $	2019 $
Deferred tax assets (liabilities):		
Deferred share issuance costs	–	(8,816)
Capital assets	(25,949)	(11,765)
Non-capital losses	25,949	20,581
	–	–

The Corporation records deferred income tax assets to the extent that it is probable that sufficient taxable income will be realized during the carry-forward period to utilize these net future tax assets.

The significant components of deductible temporary differences and unused tax losses for which the benefits have not been recorded on the consolidated statement of financial position as at December 31, 2020 are as follows:

Greenland	As at December 31, 2020 $
Non-capital losses carry forwards	19,044,293

As the Corporation is a mineral licence holder, the non-capital losses in Greenland have no expiration date.

Canada	As at December 31, 2020 $
Non-capital losses carry forwards expiring in 2038	965,032
Non-capital losses carry forwards expiring in 2039	1,272,338
Non-capital losses carry forwards expiring in 2040	1,210,346
Non-capital losses carry forwards expiring in 2041	5,484,776

19. Net loss per share

the calculation of basic and diluted net loss per share for the year ended December 31, 2020, was based on the net loss attributable to shareholders of $12,339,112 ($5,102,106 for the year ended December 31, 2019) and the weighted average number of common shares outstanding for the year ended December 31, 2020 of 119,729,081 (64,529,667 for the year ended December 31, 2019). As a result of the net loss for the years ended December 31, 2020 and 2019, all potentially dilutive common shares are deemed to be antidilutive and thus diluted net loss per share is equal to the basic net loss per share for these periods.

20. Related party transactions and key management compensation

the Corporation's key management are the members of the board of directors, the President and Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer and the Corporate Secretary. Key management compensation is as follows:

	2020 $	2019 $
Short-term benefits		
Management and consulting fees	633,220	298,885
Professional fees included in the deferred share issuance costs	–	9,638
Professional fees	–	59,783
Salaries and benefits	292,562	–
Salaries and benefits included in the E&E expenses	72,170	–
Professional fees included in the E&E expenses	261,292	76,680
Director's fees	252,083	56,250
Long-term benefits		
Stock-based compensation (note 12)	916,500	572,000
Total compensation	**2,427,827**	**1,073,236**

The compensation for Joan Plant (Corporate Secretary) is charged through FBC BA for $161,925 for 2020 ($50,099 for 2019).

In addition to the amounts listed above in the compensation to key management, following are the related party transactions, in the normal course of operations:

- A company in which Eldur Olafsson (director, President and Chief Executive Officer) holds shares charged exploration work and equipment amounting to $nil ($19,666 in 2019);
- A firm in which Georgia Quenby (director) is a partner charged legal professional fees for $168,309 ($15,350 in 2019);
- A company controlled by Ingrid Martin (chief financial officer from April 28, 2017 to December 16, 2019) charged accounting professional fees of $127,180 in 2019 for her staff;
- A company controlled by Martin Ménard (Chief Operating Officer, appointed July 9, 2019) charged engineering professional fees of $765,235 for his staff ($186,720 in 2019). The Chief Operating Officer is the son of a Robert Ménard;
- Nicolas and Catherine Ménard and Samuel Martel, engineering consultants, (the son, the daughter and the son-in-law of Robert Ménard, director and the brother, the sister and brother-in-law of Martin Ménard, Chief Operating Officer) were paid $464,896 ($77,365 in 2019);
- A company controlled by Robert Ménard, director, charged engineering professional fees of $nil ($62,213 in 2019);
- As at December 31, 2020, the balance due to those related parties listed above and in the compensation to key management amounted to $150,829 ($144,063 as at December 31, 2019).

Following are the related party transactions, outside of the normal course of operations:

- Directors and officers of the Corporation participated in the July 31, 2020 fundraising for $906,737 ($508,126 in 2019). The directors and officers subscribed to the fundraising in 2020 and 2019 under the same terms and conditions set forth to all subscribers.
- Key management are subject to employment agreements which provide for payments on termination, without cause or following a change of control, providing for payments up to one base salary.

The compensation of directors is as follows:

	2020			2019		
	Short-term benefits [a] $	Stock-based compensation $	Total compensation $	Short-term benefits [a] $	Stock-based compensation $	Total compensation $
Eldur Olafsson	406,265	211,500	617,765	209,200	330,000	539,200
George Fowlie	270,888	117,500	388,388	39,586	33,000	72,586
Graham Stewart	110,000	188,000	298,000	18,750	22,000	40,750
Georgia Quenby	55,833	47,000	102,833	18,750	22,000	40,750
Sigurbjorn Thorkelsson	41,250	–	41,250	–	–	–
Robert Ménard	45,000	47,000	92,000	18,750	22,000	40,750
Total compensation	**929,236**	**611,000**	**1,540,236**	**305,036**	**429,000**	**734,036**

(a) Short-term benefits comprise salary, director fees as applicable, annual bonus and pension.

The directors participated in the July 31, 2020 fundraising for $836,596 ($508,126 in 2019). The director participation is as follows:

	2020 Number of new shares	2019 Number of new shares
Eldur Olafsson	222,222	1,139,805
George Fowlie	100,000	–
Graham Stewart	222,222	131,579
Georgia Quenby	–	–
Sigurbjorn Thorkelsson	444,444	–
Robert Ménard	97,600	65,789
Total	**1,086,488**	**1,337,173**

21. Financial instruments

the Corporation is exposed to various financial risks resulting from both its operations and its investment activities. The Management manages financial risks. The Corporation does not enter into financial instruments agreements, including derivative financial instruments, for speculative purposes. The Corporation's main financial risks exposure and its financial policies are described below.

21.1 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Corporation's cash and escrow account for environmental monitoring are exposed to credit risk. Management believes the credit risk on cash and escrow account for environmental monitoring is small because the counterparties are chartered Canadian and Greenlandic banks.

21.2 Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation seeks to ensure that it has sufficient capital to meet short-term financial obligations after taking into account its exploration and operating obligations and cash on hand. The Corporation anticipates seeking additional financing in order to fund general and administrative costs and exploration and evaluation costs. The Corporation' options to enhance liquidity include the issuance of new equity instruments or debt.

The following table summarizes the carrying amounts and contractual maturities of financial liabilities:

	As at December 31, 2020		As at December 31, 2019
	Trade and other payables $	Lease liabilities $	Trade and other payables $
Within 1 year	831,899	105,894	471,069
1 to 5 years	–	411,320	–
5 to 10 years	–	544,178	–
Total	**831,899**	**1,061,392**	**471,069**

21.3 Currency risk

As at December 31, 2020 and 2019, a portion of the Corporation's transactions are denominated in DKK, Euros, US$ and British Pounds (GBP) to the extent such currencies are different from the relevant group entities' functional currency.

The Corporation had the following balances in currencies:

As at December 31, 2020	In DKK	In Euros	In US$	In GBP
Cash	324,536	3,178,405	6,658,837	2,142
Escrow account for environmental monitoring	2,193,001	–	–	–
Trade and other payables	(977,053)	–	(2,214)	(40,603)
	1,540,484	3,178,405	6,656,623	(38,461)
Exchange rate	0.2100	1.5625	1.2741	1.7390
Equivalent to CAD	**323,502**	**4,966,258**	**8,481,203**	**(66,884)**

Based on the above net exposures as at December 31, 2020, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the Canadian dollar against the DKK, Euro, US$ and GBP by 10% would decrease/increase profit or loss by $1,370,409.

As at December 31, 2019	In DKK	In Euros	In US$	In GBP
Cash	272,320	209	752	–
Escrow account for environmental monitoring	2,646,497	–	–	–
Prepaid expenses and others	257,592	–	–	–
Trade and other payables	(726,684)	–	–	(49,223)
Payables to shareholders	–	–	–	–
Environmental monitoring provision(1)	(895,125)	–	–	–
	1,554,600	209	752	(49,223)
Exchange rate	0.1954	1.4597	1.3016	1.7161
Equivalent to CAD	**303,769**	**305**	**979**	**(84,472)**

(1) The provision is not a financial instrument but is considered a DKK exposure for currency risk management purposes.

Based on the above net exposures as at December 31, 2019, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the Canadian dollar against the DKK, Euro, US$ and GBP by 10% would decrease/increase profit or loss by $22,059.

21.4 Fair value risk

Fair value estimates are made at the consolidated statement of financial position date, based on relevant market information and other information about financial instruments. As at December 31 2020, the Corporation' financial instruments are cash, escrow account for environmental monitoring, trade and other payables and lease liabilities. For all the financial instruments, the amounts reflected in the consolidated statement of financial position are carrying amounts and approximate their fair values due to their short-term nature.