AEX Gold Inc.

ANNUAL REPORT AND

FINANCIAL STATEMENTS 2021

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CORPORATE INFORMATION

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Eldur Olafsson, Founder and Chief Executive Officer
Jaco Crouse, Chief Financial Officer from 25 January 2021 and Director from 27 April 2021
Liane Kelly, Director from 26th August 2021
Sigurbjorn ('Siggi') Thorkelsson, Non-Executive Director
Line Frederiksen, Director from 9th June 2021
David Neuhauser, Director from 9th June 2021
Warwick Morley-Jepson, Director from 26th August 2021
Robert Ménard, Non-Executive Director to 27 April 2021
George Fowlie, Director to 26th August 2021, Chief Financial Officer to 25 January 2021
Georgia Quenby, Non-Executive Director to 9th June 2021

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STRATEGIC REPORT

Business model and Strategy

AEX 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 company 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 2021

2021 was a year of consolidation, adjustment and refocus for the Corporation, as the COVID-19 pandemic continued to wreak havoc globally, and on our business. The Nalunaq Project was put on hold in February 2021 due to material unforeseen cost increases associated with the impacts of COVID, and as per the April 2021 announcement, the Corporation redirected its focus on four key elements to continue advancing and de-risking the Nalunaq Project ahead of development: conducting a third-party engineering study to optimize the Project costs and de-risk the Project schedule to enable AEX to re-assess the execution methodology post completion; conducting fully funded 'early works' infrastructure and a significant exploration program to expand the Nalunaq Resource; continue to advance the EIA and SIA to obtain all permits; and regional exploration targeting both gold and strategic minerals through technical research, sampling and geophysical surveys.

Despite the challenging start to the year 2021 was a successful year for the Corporation, delivering considerable progress in line with our revised goals. Exploration results received so far from the period have delivered ahead of our expectations, with further results expected to be announced shortly. In addition, the macro environment has moved in our direction as the global energy transition gathers pace and recent geo-political events have shone a spotlight on the importance and value of large mineral resources located in safe, OECD jurisdictions, with Greenland probably being the final frontier.

Nalunaq

51 drillholes for 11,044m were completed during the 2021 field season. This drilling was designed to assess the along strike and down dip extensions of the mineralized Main Vein structure away from the previously explored South, Target and Mountain Blocks mined between 2004 to 2013. The program was also designed to assess AEX's geological and structural models and to test new target areas of the project.

The results announced on April 4, 2022, provided further evidence that the Valley Block is a new high-grade zone, unrecognized or developed by previous operators and corroborating the Dolerite Dyke Model. The Valley Block is now a key target for initial resource growth at Nalunaq.

The 2021 program also targeted a downdip extension of the South Block and identified a potential further high-grade zone, the 'Welcome Block' (which would take the total high-grade zones to five), which was predicted by the Dolerite Dyke Model.

In parallel to the exploration program, Halyard completed its 3rd party engineering study, focusing on the Nalunaq development cost including the process plant, mobile equipment, surface infrastructure, permanent camp and associated logistics and engineering. The study concluded that the advanced engineering of the overall project is now to Feasibility Study level based on the Canadian Standards of Disclosure for Mineral Project NI43-101 requirements.

AEX continues to work with SRK Consulting to develop the most robust Mineral Resource estimation technique for Nalunaq possible, incorporating the Dolerite Dyke Model as well as the high-grade variability from core sampling (the 'nugget effect') to better reflect the full resource potential at the Valley Block and the rest of the Nalunaq project. This work will allow AEX to incorporate the geological results into the outcomes of the Halyard 3rd party engineering study completed in 2021 with a plan to move the project towards a Preliminary Economic Assessment (PEA) or Pre-Feasibility Study to support further development.

Alongside the exploration and technical studies, AEX has continued its ESG mandate on the project, with the Corporation working to update its Environmental Impact Assessment (EIA) and Social Impact Assessment (SIA) over the course of 2022 in line with the terms of its exploitation licence.

AEX, in conjunction with its technical advisors, has developed a further exploration plan for Nalunaq for 2022. This will involve both the infill drilling of the Valley Block as well as the drilling of the up-dip extension of this Block from the Dolerite Dyke Model. This program aims to allow for the continual resource development from the Valley Block.

To access this up dip portion, AEX will first construct two new drilling access roads from the existing mountain surface infrastructure.

AEX is also assessing the option to commission a dedicated on-site sample preparation facility to allow the Corporation to better manage its sample steam and ensure a timely return of assay results to facilitate rapid action following exploration results.

It is the aim of the 2022 program, subject to the drill results, to provide the Corporation with the optionality to assess the viability of taking an underground bulk sample from a new mine development in the Valley Block. This bulk sample, which would potentially be toll treated off-site, would facilitate increased confidence in the resource as the project moves towards mine construction.

Vagar Ridge, Nanoq and Tartoq
A significant exploration program was also conducted across AEX's gold portfolio in 2021, chiefly at our highly prospective Vagar Ridge asset but also at the Nanoq gold/copper licence and our other exciting regional gold targets. This program included airborne geophysics, surface hyperspectral imagery, structural mapping, and surface rock chip sampling.

Vagar is a large gold exploration licence containing multiple high priority targets including the 'Vagar Ridge' in the heart of the Nanortalik Gold Belt in close proximity to the Corporation's flagship Nalunaq project. The 2021 program comprised Mineral System Modelling, high resolution airborne geophysics, surface hyperspectral imagery and reconnaissance sampling designed to assess, define and prepare a number of key targets for more substantial exploration into 2022.

The exploration results more than double the Vagar Ridge footprint, confirming its potential to be a multi-million ounce prospect. As a result of the 2021 exploration results, AEX believes that Vagar Ridge may host up to four Orogenic gold veins with new rock chip samples giving up to 86.7 g/t gold.

The 2021 program included hyperspectral imaging, reconnaissance sampling and a 385 km2 high resolution airborne magnetic survey, interpreted by SRK Consulting, which has defined a significant deformation zone which extends for more than 50 km across the licence and into AEX's neighbouring licences, highlighting five further high priority targets.

Vagar Ridge was historically sampled and drilled across 2km discovering up to 2,533 g/t gold in vein material and 13m at 70.1 g/t gold from follow up channel sampling and a core drilling program. It also identified granodiorite-hosted mineralisation up to 14.4 g/t gold therefore opening up the potential for a large scale Intrusion Related Gold mineralisation.

2021 results also confirmed gold mineralisation within the host rock, verifying the presence of widespread granodiorite-hosted mineralisation including 9.25 g/t gold in scree samples from a previously unexplored northern target.

Ground-based hyperspectral imaging, a powerful tool for areas with limited vegetation such as in Southern Greenland, is proving to be an effective method for identifying hydrothermal alteration and altered granodiorite, the preferential host of both Orogenic and Intrusion Related Gold mineralisation in the Vagar licence.

Strategic Mineral Targets
AEX conducted exploration on it strategic minerals targets during 2021, most notably at the Sava target where initial assessments suggest the potential for iron oxide copper gold ("IOCG") mineralization. The 2021 exploration season completed remote sensing, airborne geophysics, geological mapping, rock chip and ionic geochemistry studies and hyperspectral imagery across the Sava licence. The results confirmed the presence of three key significant and coherent multi element anomalies potentially indicative of IOCG mineralization with grab sample grades of up to 0.9% copper.

AEX intends to conduct further surface sampling across the licence and a short scout drilling program into these target areas of Sava during 2022 in order to provide further geological evidence of the extent of the mineralizing system at surface and at depth.

Finally, a bulk sample was successfully taken from the Nørream graphite target and has been shipped to Wardell Armstrong in the United Kingdom for initial metallurgical test work, which is ongoing.

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.

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

Eldur Olafsson
Chief Executive Officer

May 13, 2022

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE BUSINESS

Overview

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.

The following discussions review a number of important risks which management believes could impact the Corporation's business. There are other risks, not identified below, which currently, or may in the future exist in the Corporation's operating environment.

Environmental and Social

The Corporation's operations are subject to environmental and social regulations as a result of increased societal and local communities' pressure 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. The Corporation recognizes the importance of social and environment responsibility, close co-operation and building long-lasting partnerships with the host communities. Therefore, the Corporation has adopted a Greenlandic procurement policy to encourage the host community suppliers participating in local operations and contributing to the economy of Greenlandic society. The Corporation is committed to maintaining high standards of environmental stewardship and incorporating environmental protection as part of its strategy and decision-making process. AEX recognizes that appropriate environmental management is essential to the proper conduct of its mining operations and activities. Accordingly, our goal is to minimize the environmental impacts of our projects and activities.

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 Home Rule 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, develop 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, through the development of comprehensive multi-year talent management and succession planning measures to ensure continuity and minimum interruptions to the operations of the Corporation 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. COVID and recent war conflicts, sanctions have demonstrated that heavy reliance on global supply chain and logistics is a risk as well. One very effective way of mitigating that risk is to balance it out where possible with procuring locally and reducing the logistical routes crossing continents. There is increased risk of global supply chain disruptions, prolonged logistical delays due to overall global unrest and conflicts.

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 licences
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 nota met.

Failure to satisfy any of the conditions set forth in the addendums to the Nalunaq Licence for example, the commitment to perform specific exploration activities for sub period 3 as set out in Addendum No. 4) 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 Group'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.

For example, on November 12th, 2020, and following a site visit by geotechnical experts, Golder, a recognized third-party engineering company, submitted its report following the investigation of the underground tailings bulkhead. The result of the report was that measurements indicated that the length of the concrete bulkhead is likely smaller than what would be expected to withstand the current tailings bearing pressure at an acceptable safety factor. The result of this assessment produced a response by the Corporation to review its mining plan and prevent mine development in the existing underground workings due to health and safety hazards until finding a solution to mitigate and solve the problem. The Corporation worked with geotechnical experts and its selected underground mining contractor to finalize the proper scheme to de-risk access in the existing underground workings.

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 company 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 relation to the ability of the Corporation to undertake activities on its properties is 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 risk of various global travel bans and restrictions, including in Greenland. Additionally, the supply and demand equilibrium point has been impacted by COVID, as can be observed through various indexes for goods and services.

COVID-19
As a result of the Coronavirus 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. The outbreak of Coronavirus has demonstrated the need to have contingency plans in place in relation to

the outbreak of pandemics and has also resulted with a number of companies across the globe being essentially shut down for an extended period of time. The impact of this is that the Corporation will have to ensure that its future plans include an appropriate amount of contingency planning for the current Coronavirus and future pandemics but are also likely to result in some prices from suppliers being higher than previously thought, as they too include contingencies into their pricing models and work to ensure they remain profitable despite the period of lock down. As such, costs could escalate from the level originally anticipated. While the Corporation will seek to manage the effect of Coronavirus on its personnel and operations, if and when necessary, there can be no assurance that Coronavirus will not have an adverse effect on the future operations of the Corporation's projects in Greenland or an investment in the Corporation.

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.

Information Systems Security Threats

The Corporation's operations depend upon information technology systems which may be subject to disruption, damage, or failure from different sources, including, without limitation, installation of malicious software, computer viruses, security breaches, cyber-attacks, and defects in design.

Although to date the Corporation has not experienced any material losses relating to cyber-attacks or other information security breaches, there can be no assurance that the Corporation will not incur such losses in the future. The Corporation's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attach, damage or unauthorized access remain a priority. As cyber threats continue to evolve, the Corporation may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Risk mitigation

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 organization* of the *Corporate Governance* section below.

Approved on behalf of the Board

Eldur Olafsson
Chief Executive Officer

on May 13, 2022

DIRECTORS' REPORT

The Directors present their report with the financial statements of the Corporation for the period from 1 January 2021 to 31 December 2021.

Incorporation and listings

AEX 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 and on the UK's AIM Market of the London Stock Exchange since July 31, 2020. The Corporation's 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.

- **Graham Duncan Stewart –** *Chairman and Non-Executive Director (62)*
  Graham Stewart 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. 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 University and is currently also chairman of Longboat Energy plc.

- **Eldur Olafsson –** *Founder, Director and Chief Executive Officer (36)*
  Eldur Olafsson 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 Sinopac 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 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 (45)*
  Jaco Crouse 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, Mr. Crouse 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 Mr. Crouse 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. Mr. Crouse 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. Jaco is also the CFO of Metals Acquisition Corp.

- **Sigurbjorn ('Siggi') Thorkelsson –** *Non-Executive Director (55)*
  Siggi Thorkelsson has over 25 years' experience in the banking and securities industry across New York, London, Tokyo, Hong Kong and his native Iceland. Mr. Thorkelsson has previously served as Managing Director at Nomura International (Hong Kong) Limited and as Head of Asia-Pacific Equities before becoming Senior Managing Director of the Nomura Group. In 2010, Mr. Thorkelsson 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, Mr. Thorkelsson has co-founded investment and securities companies in Iceland and in the UK.

- **Line Frederiksen –** *Non-executive Director (42)*
  Line Frederiksen has substantial experience in Greenlandic infrastructure and is currently CFO at Tuass (formerly Tele Greenland A/S), the leading provider of telecom solutions in Greenland, as well as being responsible for cybersecurity governance. Prior to being promoted to CFO, Ms. Frederiksen was the Head of Finance at Tele Greenland A/S and has previously had roles at Air Greenland.

- **David Neuhauser –** *Non-executive Director (51)*
  David Neuhauser has extensive capital markets and M&A experience and is the founder and managing director of event-driven hedge fund Livermore Partners in Chicago. He has invested in and advised global public companies for the past 21 years and has a strong track record of enhancing intrinsic value. Mr. Neuhauser currently sits on the board of Shareholders Gold Council, a Canadian corporation promoting best practices in the gold mining industry, AIM-quoted Jadestone Energy Plc, and Kolibri Global Energy Inc.

- **Liane Kelly –** *Non-executive Director (58)*
  Liane Kelly is a corporate social responsibility professional with extensive experience in environment, social and governance (ESG) oversight. Her expertise focuses on sustainability strategies, social risk management, and methodologies for effective community investment outcomes. Her professional career includes working as an exploration geophysicist in the global mining sector. Liane currently sits on the board of B2Gold Corp., is a member of their HSESS (health, safety, environment, social and security) Committee, and has worked with other boards in areas of governance, board performance and diversity, and employee ownership.

- **Warwick Morley –** *Jepson- Non-executive Director (64)*
  Warwick Morley-Jepson is mining professional with a track record of increasing responsibility over a 39-year career in the hard rock, capital intensive resource industry. Currently is the Chairman of Wesdome Gold Mines (TSX:WDO) and director of Karora Resources (TSX:KRR). Held executive and management positions within deep level and open pit Gold, Platinum and Base Metal mining operations and undertaken several mine development projects at a senior level. Served as Executive Vice President and Chief Operating Officer of Ivanhoe Mines (2019 to 2020) and Kinross Gold Corporation (2014 to 2016), and as Senior Vice President, Operations, and Regional Vice President – Russia, (2009 to 2014). Warwick served as Chief Executive Officer of SUN Gold and Managing Director of Barrick Africa, Barrick Platinum South Africa and three Russian-based companies in the Barrick group. Warwick graduated in the faculty of Mechanical Engineering (HND) at the Technicon Witwatersrand and completed programs at the Graduate School of Business at Cape Town University, Witwatersrand School of Business at the University of the Witwatersrand and Harvard Business School.

Directors who left office during 2021:

- **George Fowlie** stepped down as Chief Financial Officer on January 25, 2021, and left office as Director of the Corporation on 26 August 2021.

  George Fowlie (77) has extensive experience in the banking and finance industry following a successful 40-year career working for several high-quality global companies and setting up his own consulting company to manage private company investments and advise companies through capital raising and M&A mandates.

- **Robert Ménard** stepped down as Non-executive Director on April 27, 2021.

  Robert Ménard (72) 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.

- **Georgia Quenby** left office as Non-executive Director on 9th June 2021.

  Georgia Margaret Quenby (51) is a highly experienced commercial lawyer who throughout her career has worked on a number of cross-border transactions, both in financings and M&A, in many industries including natural resources and the defense sector. She is regulated by the Institute of Chartered Accountants of England and Wales as a non-appointment taking Insolvency Practitioner.

Status and activities

AEX is an independent gold mining corporation engaged in the identification, acquisition, exploration and development of gold properties and other strategic mineral assets in Greenland.

AEX is leveraging first mover advantage to deliver shareholder value by redeveloping the past-producing Nalunaq mine and is generating significant upside from the Corporation's portfolio of high-impact exploration assets in Southern Greenland.

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 4 to 6.

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 31 December 2021:

	Ordinary shares
David Neuhauser[1]	11,764,910
Graham Stewart	2,043,058
Eldur Olafsson[2]	8,006,385
Jaco Crouse	100,000
Sigurbjorn Thorkelsson[3]	6,727,834

(1) This holding is held through Livermore Partners LLC, a company in which David Neuhauser is Managing Director

(2) This holding is held through Vatnar Sarl and Vatnar EHF

(3) This holding is held through Fossar Holdings Ltd, a company that is jointly owned by Sigurbjorn Thorkelsson and his spouse. It is the holding company for Fossar Ltd and Fossar ehf.

Directors' Compensation
Details of the compensation of each Director are provided in the Compensation Committee Report on pages 30 to 41.

Substantial shareholdings
At 31 December 2021, with updates in the notes below.

Shareholder	Shareholding (%)
Livermore Partners LLC (1)	6.64
First Pecos, LLC	6.27
Chelverton Asset Management	5.42
Amati Global Investors	5.03
Eldur Ólafsson (2)	4.52
Sigurbjorn Thorkelsson (3)	3.80
JCAM Investments	3.78
Regal Funds Management	3.76
Libra Advisors	3.76
Greenland Venture A/S	3.39
SISA (Greenland Pension Fund)	3.39
Vaekstfonden (Danish Growth Fund)	3.39
Crossroads Holdings Sarl	3.05

(1) Livermore Partners LLP is a company in which David Neuhauser, Non-Executive Director of AEX, is Managing Director. In February 2022 Livermore Partners increased their holdings to 6.69%.

(2) This holding is held through Vatnar Sarl and Vatnar EHF.

(3) This holding is held through Fossar Holdings Ltd, a company that is jointly owned by Sigurbjorn Thorkelsson and his spouse. It is the holding company for Fossar Ltd and Fossar ehf.

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 & 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.

Independent Auditors
PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l ('PwC'), a partnership of Chartered Professional Accountants, were appointed as auditors during the financial year.

In November 2021 PwC advised the Corporation that owing to a change in client profile they wished to work with in terms of size they would be tendering their resignation once an arrangement with a new Auditor was agreed.

BDO Canada LLP ("BDO") tendered their Audit Proposal on January 14, 2022.

Upon mutual agreement PwC resigned on their own initiative as the Corporation's auditor effective February 01, 2022. BDO was appointed as successor auditor effective February 02, 2022.

There were no reservations contained, and no modified opinion was expressed, in PwC's report on any of the Corporation's financial statements for the period commencing at the beginning of the Corporation's two most recently completed financial years and ending on the date of resignation of PwC. There were no "reportable events", as defined in section 4.11 of NI 51-102.

The Directors have reason to believe that BDO Canada LLP ('BDO') conducted an effective audit. The Directors have provided the auditors with full access to all the books and records of the Corporation. BDO 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.

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 31 July 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.

CORPORATE SOCIAL RESPONSIBILITY

AEX Values

AEX aims to perform as a responsible mining company and uphold high standards of governance, responsibility, social and ethical behaviour which are reflected in the Corporation's values:

- Leading through professionalism – an experienced board and management team with diverse backgrounds delivering on commitments to all stakeholders.
- Collaborative and caring – building strong, long-term relationships to allow sustainable mining practices and an empowered local community.
- Innovative and agile – finding creative solutions for the redevelopment of the past-producing Nalunaq mine and further resource growth.
- Long term perspective – the largest licence holder in Southern Greenland with 7,616 km2 of high-grade gold and wider mineral projects building a full cycle portfolio.
- Execute and deliver – Nalunaq development plan and exploration programme on wider portfolio are both well underway with regular updates planned.

These values are applied throughout the business internally and also in our dealings with external suppliers and stakeholders and we regularly evaluate how successfully we are operating against these standards.

SOCIAL RESPONSIBILITY

Wider ESG concerns are at the forefront of the Corporation's strategy, with a particular focus on the social aspect, which considers the wellbeing of AEX employees, the communities in which we operate, and our suppliers. AEX is committed to building a sustainable business and empowering the communities in which we operate to play a leading role in their own development.

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.

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. Over 50% of staff employed by the Corporation during 2021 field season were Greenlandic. 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 focusing 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.

We have defined our Core Purpose as "Creating a Greenlandic Legacy". We will:

- Take time to understand Greenlandic culture and respect traditions
- Engage with local stakeholders to establish how we can collaborate positively
- Be an active member of the community empowering it to grow
- Encourage skills and knowledge transfer to Greenlanders from internal and external sources
- Prioritise Greenlandic laws, guidelines and practices in all our work
- Recognise and celebrate successes
- Ensure all our impacts are positive
- Inspire loyalty and pride

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.

Occupational health & safety

The Corporation has endeavoured to protect its employees during the COVID-19 pandemic by implementing the strict measures at its sites in Southern Greenland.

ENVIRONMENTAL STEWARDSHIP

The Corporation is committed to maintaining high standards of environmental stewardship and incorporating environmental protection as part of its strategy and decision-making process. AEX recognizes that appropriate environmental management is essential to the proper conduct of its mining operations and activities. Accordingly, our goal is to minimize the environmental impacts of our projects and activities.

The Corporation's Environmental Policy is integrated into the design of its projects, including exploration, development and construction. AEX employees are trained to comply with environmental regulations and provided the tools to apply the Corporation's policies to all areas of their work. AEX will continue to explore options to reduce its environmental impact, such as rehabilitation, impact on wildlife, energy alternatives (local wind and hydro potential to support the mine and reduce the project's environmental footprint), or responsible suppliers. Nalunaq gold mine is a significant distance from local communities.

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.

The Environmental Policy is available on our website.

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 and it is evaluating practical ways it can do this.

The Corporation is committed to working with stakeholders to promote actions that contribute to increased energy efficiencies, including monitoring and adopting management processes to reduce greenhouse gas emissions. The Corporation's Environmental Policy benefits all the Corporation's employees, suppliers, shareholders and the communities in which it operates.

One of the Corporation's guiding principles is to implement an effective environmental management system by establishing measurable targets for environmental practices, in particular limiting pollution, greenhouse gases and other emissions.

CORPORATE GOVERNANCE

Chairman's Governance Statement

As Chairman of the Board of Directors of the Corporation, it is my responsibility to ensure that AEX has both sound corporate governance and an effective Board. 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 Corporation operates to the highest applicable regulatory standards and 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.

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. It requires AIM-quoted companies to adopt a 'comply or explain' approach in respect of the application of guidance contained within. This report follows the structure of these guidelines and explains how we have applied the guidance. The Board considers that the Corporation complies with the QCA Code in all respects.

This Governance section of the Annual Report also includes reports from our five committees: the Audit and Risk Management Committee, the Corporate Governance and Nomination Committee, and the Technical, Safety and Sustainability Committee, the Compensation Committee and the Disclosure Committee, all with formally delegated duties and responsibilities.

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/.

There have been changes to the Corporation's corporate governance arrangements over the past year, including significant changes to the composition of the Board of Directors: resignation of three directors (Robert Ménard, George Fowlie and Georgia Quenby) and appointment of four new non-executive directors (and one executive Director, Jaco Crouse, who joined the Corporation as CFO in January 2021 to replace George Fowlie.

Ultimate responsibility for the quality of, and approach to, corporate governance lies with me as Chairman of the Board, and an effective Board is at the heart of the governance structure. Sound corporate governance begins with engaged, capable, and experienced directors; and I believe that outstanding professionals on Board of AEX is a well-functioning and balanced team.

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

The board has a shared view of the Corporation's purpose, business model and strategy which are stated and explained on pages 4 to 6 of this Annual Report.

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

As with many other countries in the world the Government of Greenland implemented travel bans and restrictions during 2021. In May 2021 the Corporation agreed a plan with the Greenlandic Covid Commission which meant that it could mobilize personnel to undertake work in its licence areas during 2021.

The Corporation maintains a Risk Matrix which focuses on the risks facing the business both from an operational and corporate perspective. 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.

The Board takes steps to mitigate the risks. Various challenges to the execution of the Corporation's strategy are highlighted in the section covering Principal risks and uncertainties facing the business.

The Corporation has implemented remuneration policies that reinforce this strategy, by rewarding Executive directors and senior management in a manner that ensures that they are properly incentivised and motivated to perform in the best interests of shareholders.

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

Directors put much effort in developing a good understanding of the needs and expectations of the shareholders to form a clear view of the motivations behind their voting decisions.

The Corporation has engaged corporate brokers, in-house investor relations adviser, and an external PR firm. The Corporation believes these appointments facilitate regular dialogue with shareholders to provide a good awareness and understanding of shareholders and their expectations. The Corporation's Nominated Advisor and Broker, Stifel Europe, is briefed regularly and updates the directors during the year on shareholder expectations.

The Board is committed to maintaining good communication and having constructive dialogue with shareholders by providing effective communication through our Annual Reports along with Regulatory News Service announcements.

All shareholders have the opportunity to attend the Annual and Special Meetings of Shareholders 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. The Annual General Meeting is regarded as an opportunity to meet, listen and present to shareholders, and shareholders are encouraged to attend and ask questions. The results are subsequently published on the Corporation's website.

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 2021 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 and email address 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.

We also use the Corporation's website, www.aexgold.com, for both financial and general news relevant to shareholders. The Corporation has established an AIM Rule 26 website page which includes the details of all its key advisors, 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

The Board recognises that the long-term success of the Corporation is reliant upon the efforts of all its stakeholders, both internal and external. The Corporation's main stakeholder groups are the Government of Greenland, the local communities surrounding licence areas, and the Corporation's employees, contractors, suppliers and customers.

AEX seeks to be a socially responsible corporation which has a positive impact on the community in which it operates. We have defined our Core Purpose as "Creating a Greenlandic Legacy". We will:

- Take time to understand Greenlandic culture and respect traditions
- Engage with local stakeholders to establish how we can collaborate positively
- Be an active member of the community empowering it to grow
- Encourage skills and knowledge transfer to Greenlanders from internal and external sources
- Prioritise Greenlandic laws, guidelines and practices in all our work
- Recognise and celebrate successes
- Ensure all our impacts are positive
- Inspire loyalty and pride

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.

AEX has close ongoing relationships with a broad range of its stakeholders and provides them with the opportunity to raise issues and provide feedback which is an essential part of all control mechanisms. The Corporation holds information meetings with the local communities each year to provide updates about the project and take questions. It also meets monthly with representatives from the local business associations.

The Corporation targets significant local employment and in the 2021 field season, 61% of the workforce were local. It uses local contractors wherever possible and has agreed a Greenlandic procurement policy to ensure transparency of process. No discrimination is tolerated and the Corporation endeavours to give all employees the opportunity to develop their capabilities. Everyone within the Corporation is a valued member of the team and our aim is to help every individual achieve his/her full potential. Weekly team meetings are held where members of the team can raise 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

The Board recognises the need for an effective and well-defined risk management process. Risk management is integral to the ability of the Corporation to deliver on its strategic objectives. The key risks to the business are outlined on pages 7 to 11 of this Annual Report. 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 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 2021 and currently, the Board is comprised of two executive officers (Eldur Olafsson and Jaco Crouse) and six non-executive directors. Of the non-executive directors, the Board considers that Line Frederiksen, Liane Kelly, Warwick Morley-Jepson and Sigurbjorn Thorkelsson are “independent” in accordance with Canadian corporate governance standards, but Graham Stewart and David Neuhauser are not (as a result of being the chairman of the Corporation and as a result of David’s interest in Common Shares, held through Livermore Partners, being over three percent of the Corporation). The Board considers that Graham Stewart, Line Frederiksen, Liane Kelly, Warwick Morley-Jepson 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 Holdings Ltd, a company that is jointly owned by Sigurbjorn Thorkelsson and his spouse and is the holding company for Fossar Ltd and Fossar ehf.) but David Nuehauser is not (as a result of his interest in Common Shares, held through Livermore Partners, being over three percent of the Corporation).The Directors' interests in shares can be found on page 14.

The board believes that it has an appropriate balance between executive and non-executive directors.

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	5 years
Eldur Olafsson	No	No	14th April 2017	5 years
Jaco Crouse	No	No	27th April 2021	1 year
Sigurbjorn Thorkelsson	Yes	Yes	27th July 2020	1.5 years
Line Frederiksen	Yes	Yes	9th June 2021	< 1 year
David Neuhauser	No	No	9th June 2021	< 1 year
Liane Kelly	Yes	Yes	26th August 2021	< 1 year
Warwick Morley-Jepson	Yes	Yes	26th August 2021	< 1 year

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, in practice all the Non-Executives spend more than the minimum number of days on Corporation business. Board meetings are open and constructive, with every director participating fully. Senior management can frequently be invited to meetings, providing the Board with a thorough overview of the Corporation.

The following is a table of Board and Committee meetings held during the year to December 31, 2021 and Directors' attendance[1]:

	Board Meetings	**Audit and Risk Management Committee**	**Compensation Committee**	**Corporate Governance and Nomination Committee**	**Technical, Safety and Sustainability Committee**
Total meetings held during the year	11	4	2	3	1
Member Attendance:					
Executive Directors					
Eldur Olafsson	11 / 11				
Jaco Crouse	6 / 6[2]				
Non-Executive Directors					
Graham Stewart	11 / 11	3 / 3[2]	2 / 2	3 / 3	
Sigurbjorn Thorkelsson	11 / 11	4 / 4		3 / 3	
David Neuhauser	5 / 5[2]	2 / 3[2]	2 / 2	1 / 1[2]	
Line Frederiksen	4 / 5[2]	2 / 3[2]	1 / 1[2]		1 / 1
Liane Kelly	2 / 2[2]				1 / 1
Warwick Morley-Jepson	2 / 2[2]				1 / 1

1. Does not include directors attending as invitees.
2. The total number of Board / Committee meetings held after the director joined the Board / the Committee or before he or she stepped down from the Committee.

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

The Directors have both a breadth and depth of skills and experience to fulfil their roles. The Corporation believes that the current balance of skills in the Board as a whole reflects a very broad range of commercial and professional skills across geographies and industries and each of the Directors has experience in public markets.

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, legal, risk management, ESG and financial experience. During the year there has been a further strengthening of the Board with the appointment of four new Non Executive Directors.

Line Fredriksen has substantial experience in Greenlandic infrastructure and is currently CFO at Tuass (previously Tele Greenland A/S), the leading provider of telecom solutions in Greenland, as well as being responsible for cybersecurity governance. Prior to being promoted to CFO, Ms. Fredriksen was the Head of Finance at Tele Greenland A/S and has previously had roles at Air Greenland.

David Neuhauser has extensive capital markets and M&A experience and is the founder and managing director of event-driven hedge fund Livermore Partners in Chicago. He has invested in and advised global public companies for the past 21 years and has a strong track record of enhancing intrinsic value. Mr. Neuhauser currently sits on the board of Shareholders Gold Council, a Canadian corporation promoting best practices in the gold mining industry, AIM-quoted Jadestone Energy Plc, and Kolibri Global Energy Inc

Liane Kelly brings a wealth of ESG experience to the Board having enjoyed a successful career focused on advising natural resource companies on sustainability and CSR initiatives. Her expertise focuses on community engagement and social impact, both of which will be vital for AEX as the Corporation continues to build on its strong engagement with its Greenlandic stakeholders.

Warwick Morley-Jepson has significant experience in mining having spent just under 40 years' in the industry, holding various managerial and executive positions. His experience in mine development and operations at global mining firms is highly relevant to AEX as the Corporation continues to progress both the Nalunaq mine and its various exploration targets.

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 12 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. The Board shall also review annually the appropriateness and opportunity for continuing professional development of Directors whether formal or informal.

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 is responsible for carrying out an annual evaluation of the performance of the Board, Board Committees, the Chair, and individual Directors. The Board evaluation process is designed to provide Directors with an opportunity to examine how the Board is operating and to make suggestions for improvement.

Considering that five of the eight directors joined the Board during 2021, the Committee recommended carrying out internal evaluation to review 2021 performance. Rationale for external Board performance evaluation will be considered in 2023.

The performance evaluation took the form of questionnaires that were completed by the Board and committee members. The areas covered were: Board organization, managing the affairs of the Board, strategy and planning, management and human resources, business and risk management, financial and corporate issues, shareholder and corporate communications, policies and procedures. Each Board Committee was evaluated separately.

The performance evaluation results demonstrated that overall, the Board and its Committees are effectively organised and perform well as a whole with each Director contributing well. Respondents highly rated the Board's performance for 2021 as 7.8 out of 10 (with 1 being very poor and 10 being excellent). The Board understands the vision for the future and the Corporation's long-term strategic direction, cooperation with the management is viewed as excellent. It was concluded that overall, effectiveness and performance of the Board had improved during the past year, with the Board being more diverse, with a competent mix of industry experience, regulatory, risk management, ESG and financial expertise.

The directors identified certain areas for improvement and recommended further steps to enhance the Board performance, such increasing the number of in-person meetings to ensure higher quality discussions, enhancing the Corporation's KPI system and Risk metrics and developing an ESG-focused training program for the Board members.

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

One of our values is leading through professionalism and we encourage employees, officers, consultants and directors to show this through the quality of their work, behaving in an ethical manner and always seeking to be a positive ambassador of the organization.

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. The Board recognises that its decisions regarding strategy and risk will impact the corporate culture of the Corporation as a whole and that this will impact the performance of the Corporation. Good governance 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, its shareholders and greater stakeholders. 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 additional meetings as required, and the Board has five committees, as detailed below, which meet during the year at different frequencies.

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 Terms of Reference for the Audit and Risk Management Committee can be found at the Corporation's website at https://www.aexgold.com/about/corporate-governance/.

A report from the Audit and Risk Management Committee can be found on page 27.

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 Terms of Reference for the Compensation Committee can be found at the Corporation's website at https://www.aexgold.com/about/corporate-governance/.

A report from the Compensation Committee can be found on page 27.

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 Terms of Reference for the Corporate Governance and Nomination Committee can be found at the Corporation's website at https://www.aexgold.com/about/corporate-governance/.

A report from the Corporate Governance and Nomination Committee can be found on page 28.

Technical, Safety and Sustainability Committee: The role of the Safety and Environmental Committee is to assist the Corporation and the Board in fulfilling their respective obligations relating to technical, health and safety, environmental and social matters concerning the corporation.

The Terms of Reference for the Technical, Safety and Sustainability Committee can be found at the Corporation's website at https://www.aexgold.com/about/corporate-governance/.

A report from the Safety and Environmental Committee can be found on page 29.

Disclosure Committee: The purpose of the Disclosure Committee is to assist the Board in fulfilling its responsibilities in respect of timely and accurate disclosure of all information and establishing and maintaining adequate procedures to comply with these obligations.

The Terms of Reference for the Disclosure Committee can be found at the Corporation's website at https://www.aexgold.com/about/corporate-governance/.

A report from the Disclosure Committee can be found on page 42.

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

The Board believes that a healthy dialogue exists between the board and all of its stakeholders, including shareholders, to enable all interested parties to come to informed decisions about the Corporation. The Board is committed to maintaining effective communication and having constructive dialogue with its shareholders.

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 (which has not yet been the case).

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, Twitter and Instagram. The Corporations' only subsidiary Nalunaq A/S maintains a Facebook page.

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 AIM, the Corporation has adopted a revised insider trading and share dealing policy for Directors and applicable employees of the Corporation for 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.

Business Principles Ethics
The Corporation has implemented Code of Business Conduct and Ethics 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 reflect the Corporation's commitment to a culture of honesty, integrity and accountability.

The Corporation is committed to conduct all activities with the highest standards of fairness, honesty and integrity and in compliance with all legal and regulatory requirements. The Corporation expects all directors, officers, employees, consultants and agents of the Corporation to conduct dealings in accordance with the Code of Business Conduct and Ethics.

The Code of Business Conduct and Ethics policy is available on our website.

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:
Line Frederiksen (Chair) (from June 09, 2021)
Sigurbjorn Thorkelsson
David Neuhauser (from June 09, 2021)
Georgia Quenby (to June 09, 2021)
Graham Stewart (to August 26, 2021)

The Audit and Risk Management Committee ('the Committee') is pleased to present its 2021 report to shareholders. During the year there have been a number of changes to membership, which was driven by new non-executive directors joining the Board.

Audit and Risk Management Committee Membership changes during the year
Line Frederiksen was appointed as the Chair from June 09, 2021. Prior to that Sigurbjorn Thorkelsson was Chair of the Committee from July 31, 2020. Georgia Quenby served as a member of the Committee until the Corporation's AGM on June 09, 2021. Graham Stewart stepped down from the Committee on August 26, 2021.

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, it 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 three times and the external auditors attended one of these meetings. The Committee's Charter is available on the Corporation's website www.aexgold.com.

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 current strategic developments. The Committee was also responsible for agreeing policies specific to the Committees remit, as well as various arrangements for implementation of a new accounting system which was put in place in February 2022.

The external auditor PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l ('PwC') attended one Committee meeting which 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.

In November 2021 the external auditor PwC advised the Corporation that owing to a change in client profile they wished to work with in terms of size, they gave notice they would be tendering their resignation once an arrangement with a new Auditor was agreed.

BDO Canada LLP ("BDO") tendered their Audit Proposal on January 14, 2022. It was reviewed by the Committee and the Committee on January 21, 2022 recommended the Board to approve the change in auditor from PwC to BDO.

The resolution of appointment of a new external auditor was passed by the Board on February 02, 2022.

External audit
The Committee is responsible for managing the relationship with the external auditor, 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 totaled CAD 53,000, for audit related services in relation to accounting advice totaled CAD 12,375, and CAD 455 and CAD 95,111 for other fees in relation to CPAB fees and for assistance with the design and implementation of new long-term incentive arrangement were billed respectively. 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 2021 report to shareholders.

Corporate Governance and Nomination Committee Members:
Liane Kelly, Chair (from August 26, 2021)
Graham Stewart
David Neuhauser (from June 09, 2021)
Sigurbjorn Thorkelsson (from June 09, 2021 to August 26, 2021)
Georgia Quenby (to June 09, 2021)

The Committee's members are Liane Kelly who chairs the Committee, and Graham Stewart and David Neuhauser who are both Non-Executive Directors. In line with the corporate governance guidelines for smaller quoted companies published by the Quoted Companies Alliance ('QCA') Liane Kelly and Graham Stewart are considered independent but David Neuhauser is not considered independent.

The Committee shall meet at least once a year. The Committee's Charter is available on the Corporation's website www.aexgold.com.

Activity during the year
During the year the Committee considered the Corporation's requirement to appoint new Non-Executive Directors and commissioned a search for these appointments. The Committee was actively engaged in recruitment and nomination of new directors.

The Committee was also involved in recommending compensation packages for Executive Directors and the Non-Executive Directors. More information about the packages and the Corporation's Compensation Report and Policy can be found on pages 30 to 41.

The Committee also considered the appointment of the new Chief Financial Officer, Jaco Crouse who joined the Corporation as the CFO on January 25, 2021 and the Board as executive director on April 27, 2021 on recommendation by the Committee.

Report of the Technical Safety and Sustainability Committee

The Technical Safety and Sustainability Committee (the "Committee") is pleased to present its 2021 report to shareholders.

Technical Safety and Sustainability Committee Members:
Warwick Morley-Jepson, Chair (from August 26, 2021)
Liane Kelly (from August 26, 2021)
Line Frederiksen (from August 26, 2021)
George Fowlie (from June 09, 2021 to August 26, 2021)
Robert Ménard (to April 27, 2021)
Eldur Olafsson (to August 26, 2021)
Graham Stewart (from April 27, 2021 to June 09, 2021)

The Committee's members are Warwick Morley-Jepson who chairs the Committee, Line Frederiksen and Liane Kelly. All Committee members are considered "independent" within the meaning of NI 52-110 and in line with the QCA.

Activity during the year

The Committee was reconfigured in August 2021 as the Technical, Safety and Sustainability Committee to replace the Safety and Environmental Committee and to assist the Corporation and the Board in fulfilling their respective obligations relating to technical, health and safety, environmental and social matters concerning the Corporation.

As a consequence, a new Committee Mandate was adopted to reflect the revised scope. By suggestion of the Committee's Chair Warwick Morley-Jepson it was also agreed that the Committee should meet at least four times a year given the current point in the Corporation's development.

The Committee's Charter is available on the Corporation's website www.aexgold.com.

Report of the Compensation Committee. Directors' Compensation Report

The Compensation Committee (the 'Committee') is pleased to present its 2021 report to shareholders. The period covered by this report is January 1 to December 31, 2021.

Compensation Committee Members:
Sigurbjorn Thorkelsson, Chair (from June 09, 2021)
Graham Stewart
Warwick Morley-Jepson (from August 26, 2021)
Line Frederiksen (from June 09, 2021 to August 26, 2021)
Georgia Quenby (to June 09, 2021)

In the relevant period the Committee's members were Sigurbjorn Thorkelsson, Chair, who replaced Georgia Quenby who chaired the Committee until the Corporation's AGM on June 09, 2021, Graham Stewart and Warwick Morley-Jepson, all of whom are Non-Executive Directors. Each of its members are considered "independent" within the meaning of the QCA and Sigurbjorn Thorkelsson and Warwick Morley-Jepson also within the meaning of NI 52-110. The Committee meets at least twice a year. The Committee's Charter is available on the Corporation's website www.aexgold.com.

The Committee met three times during the year to discuss compensation matters and to consider and approve the proposed compensation packages for the Executive Directors and the Non-Executive Directors. The Committee also met informally on December 16, 2021 to discuss compensation related issues.

The main elements of compensation agreed by the Committee for the period from January 1 to December 31, 2021 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$348,000	11.5%	Up to 100%	N/A
George Fowlie[3]	CA$250,000	N/A	Up to 75%	200%
Georgie Quenby[4]	CA$60,000	N/A	N/A	N/A
Robert Menard[5]	CA$60,000	N/A	N/A	N/A
Jaco Crouse[6]	CA$288,200	10%	Up to 75%	N/A
Graham Stewart	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 30
2. An additional fee of CA$13,000 was payable for each Committee membership from the date a respective director became a member of one of the committees till December 31, 2021 or the date he or she stepped down
3. George Fowlie stepped down from the Board on 26 August 2021
4. Georgie Quenby stepped down from the Board on 9 June 2021
5. Robert Menard stepped down from the Board on 27 April 2021
6. Jaco Crouse became a Director on 27 April 2021

A total of CA$193,557 in bonuses was paid for 2021, and 4,100,000 options were issued. The bonuses were awarded in early 2022 following a performance review of all AEX Gold objectives.

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 40 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 30. There is no contractual obligation to pay bonuses.	A performance scorecard has been devised and will be used by the Committee to determine the bonus payment. 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.
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.

Objective and link to strategy	Operation	Maximum opportunity	Performance assessment
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 had stepped down as the Chief Financial Officer but remained on the Board as a Director to August 26, 2021. Mr Crouse joined the Board as an executive director on April 27, 2021.

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, 2021 compares with the salary earned by the average employee of the Corporation in the year to December 31, 2021.

	Chief Executive	Chief Financial Officer	Average employee[1]
Salary/fees	CA$348,000	CA$288,200	CA$128,815

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 fee[s]	Taxable benefits[2]	Annual bonus[3]	Long-term incentives[4]	Pension	Total
Eldur Olafsson[1]	CA$345,000	—	CA$69,600	—	CA$57,215	CA$471,815
George Fowlie[6]	CA$79,547	CA$372	—	—	—	CA$79,919
Jaco Crouse[5]	CA$271,886	CA$3,430	CA$59,441	—	—	CA$334,757

Notes

1. Mr Olafsson was a Director throughout the year and the compensation shown is for the period from January 1 to December 31, 2021.
2. The taxable benefits received by Mr Fowlie and Mr Crouse was pension/medical/health insurance.
3. More details on the annual bonus that was paid in respect of the year ended December 31, 2021 are set out below.
4. No share options were exercised by the Directors during the year to December 31, 2021.
5. Mr Crouse joined the Corporation as Chief Finance Officer on January 25, 2021, and Director on 27 April 2021, and the compensation shown is for the period from January 25 to December 31, 2021.
6. Mr Fowlie resigned from his role as Chief Finance Officer on January 24, 2021, and stepped down from Director on 26 August 2021, and the compensation shown is for the period from January 1 to August 26, 2021.

Annual bonus scheme

Bonuses were paid in 2022 at the discretion of the Board based on the delivery of operational and financial targets during 2021. Key performance metrics in the period included; completion of IFS, completion of the 2021 drilling programme, the resource model review, and the completion of the exploration programme. A total of CA$193,557 in bonuses was paid and 4,100,000 options were issued in early 2022 for 2021 performance.

The maximum bonus amount that could be awarded was 30% of pro-rated 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 the bonus payments for performance in 2021 are reasonable in the context.

There is no deferral period associated with the 2021 bonus payments.

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	CA$195,228
Sigurbjorn Thorkelsson	CA$94,478
Line Frederiksen [1]	CA$47,962
Liane Kelly	CA$29,913
David Neuhauser [1]	CA$47,962
Warwick Morley-Jepson [2]	CA$138,904
Robert Menard [3]	CA$30,417
Georgia Quenby [4]	CA$43,788

Notes

1. Mr Neuhauser and Ms Frederiksen were appointed Directors on June 09, 2021 and the fees shown are for the period from this date to 31 December 2021.
2. Mr Morley-Jepson was appointed Director on August 26, 2021 and the fees shown are for the period from this date to 31 December 2021.
3. Mr Menard was Director to April 27, 2021, and the fees shown are for the period from January 1 to this date
4. Ms Quenby was Director to the Corporation's AGM to June 09, 2021, and the fees shown are for the period from January 1 to this date

Share options granted during the year table

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

Director	**Date of grant**	**Number of shares under option**	**Exercise price of option**	**Date from which exercisable**	**Expiry date of option**
Jaco Crouse	06/09/2021	900,000	CA$0.59	06/09/2021	12/31/2027

Directors' shareholding and share interests' table

Directors' shareholding as at December 31, 2021 can be found on page 14.

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

Director	Number of outstanding share options[1]	Exercise prices of outstanding share options[1]	Expiry dates of outstanding share options[1]
Eldur Olafsson	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
	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	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
	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. All the options have vested and are therefore exercisable.

The implementation of the Directors' compensation policy in 2021

The policy was 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
Graham Stewart	April 28, 2017	July 27, 2020	Thirty days by the Director
Sigurbjorn Thorkelsson	July 27, 2020	July 27, 2020	Thirty days by the Director
Line Frederiksen	March 18, 2021	June 9, 2021	Thirty days by the Director
Jaco Crouse	April 27, 2021	April 28, 2021	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
David Neuhauser	June 9, 2021	June 8, 2021	Thirty days by the Director
Liane Kelly	August 26, 2021	August 10, 2021	Thirty days by the Director
Warwick Morley-Jepson	August 26, 2021	August 24, 2021	Thirty days by the Director

Report of the Disclosure Committee

The Disclosure Committee (the "Committee") is pleased to present its 2021 report to shareholders.

Disclosure Committee Members:
Eldur Olafsson, CEO
Jaco Crouse, CFO

The Committee's members are executive directors Eldur Olafsson, the Corporation's CEO and Jaco Crouse, CFO.

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.

Activity during the year
The Disclosure Committee is comprised of the executive management only and is involved in the Corporation's regulatory disclosure process on a day-to-day basis. The disclosure committee met to discuss the effectiveness of the Corporation's disclosure procedures in 2022 prior to the AGM and agreed that the procedures were adequate and appropriate to the Corporation's size and complexity.

The Committee's Charter is available on the Corporation's website www.aexgold.com.

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 ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

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 IFRS;
- 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.

AEX Gold Inc.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2021 and 2020

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Independent Auditor's Report

To the Shareholders of
AEX Gold Inc.

Opinion

We have audited the consolidated financial statements of AEX Gold Inc. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

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 are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated financial statements as at and for the year ended December 31, 2020 were audited by another auditor, who expressed an unmodified opinion on those consolidated financial statements on April 28, 2021.

Other Information

Management is responsible for the other information. The other information comprises:

- The information, other than the consolidated financial statements and our auditor's report thereon, included in the Annual Report; and
- The information included in the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express 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.

We obtained the Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact 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 IFRSs, 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group'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 Group'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 Group'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 Group 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 Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group's 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 Anne-Marie Henson.

BDO Canada s.r.l./S.E.N.C.R.L./LLP [1]

Montréal, Québec
April 28, 2022

[1] CPA auditor, CA, public accountancy permit No. A129869

AEX Gold Inc.
Consolidated Statements of Financial Position
As at December 31, 2021 and 2020
(In Canadian Dollars)

	Notes	As at December 31, 2021	As at December 31, 2020
		$	$
ASSETS			
Current assets			
Cash		27,324,459	61,874,999
Sales tax receivable		51,250	62,750
Prepaid expenses and others		266,617	371,258
Total current assets		27,642,326	62,309,007
Non-current assets			
Deposit on order		9,805	1,711,970
Escrow account for environmental monitoring	**5**	424,637	460,447
Mineral properties	**6**	62,244	62,244
Capital assets	**7**	14,642,652	1,401,014
Total non-current assets		15,139,338	3,635,675
TOTAL ASSETS		**42,781,664**	**65,944,682**
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		2,049,249	831,899
Lease liabilities – current portion	**8**	50,835	65,900
Total current liabilities		2,100,084	897,799
Non-current liabilities			
Lease liabilities	**8**	713,078	763,913
Total non-current liabilities		713,078	763,913
Total liabilities		**2,813,162**	**1,661,712**
Equity			
Capital stock	**10**	88,500,205	88,500,205
Warrants	**11**	-	-
Contributed surplus		3,300,723	2,925,952
Accumulated other comprehensive loss		(36,772)	(36,772)
Deficit		(51,795,654)	(27,106,415)
Total equity		39,968,502	64,282,970
TOTAL LIABILITIES AND EQUITY		**42,781,664**	**65,944,682**
Subsequent events	**22**		

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

AEX Gold Inc.
Consolidated Statements of Comprehensive Loss
For the years ended December 31, 2021 and 2020
(In Canadian Dollars)

	Notes	2021	2020
		$	$
Expenses			
Exploration and evaluation expenses	**15**	14,280,055	7,055,707
General and administrative	**16**	9,328,427	3,291,176
Stock-based compensation	**12**	374,771	1,031,650
Foreign exchange		809,751	1,130,808
Operating loss		24,793,004	12,509,341
Other expenses (income)			
Interest income		(143,759)	(84,214)
Finance costs	**17**	39,994	12,831
Other expenses (income)	**9**	-	(98,846)
Net loss and comprehensive loss		**(24,689,239)**	**(12,339,112)**
Weighted average number of common shares outstanding - basic and diluted		177,098,737	119,729,081
Basic and diluted loss per common share	**19**	(0.14)	(0.10)

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

AEX Gold Inc.

Consolidated Statements of Changes in Equity

For the years ended December 31, 2021 and 2020
(In Canadian Dollars)

	Notes	Number of common shares outstanding	Capital stock	Warrants	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total equity
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**
Balance, January 1, 2021		**177,098,737**	**88,500,205**	**-**	**2,925,952**	**(36,772)**	**(27,106,415)**	**64,282,970**
Net loss and comprehensive loss		-	-	-	-	-	(24,689,239)	(24,689,239)
Stock-based compensation	**12**	-	-	-	374,771	-	-	374,771
Balance, December 31, 2021		**177,098,737**	**88,500,205**	**-**	**3,300,723**	**(36,772)**	**(51,795,654)**	**39,968,502**

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

AEX Gold Inc.
Consolidated Statements of Cash Flows
For the years ended December 31, 2021 and 2020
(In Canadian Dollars)

	Notes	2021	2020
		$	$
Operating activities			
Net loss		(24,689,239)	(12,339,112)
Adjustments for:			
Depreciation	**7**	389,953	228,267
Stock-based compensation	**12**	374,771	1,031,650
Finance costs	**17**	-	5,959
Other expenses (Income)	**9**	-	(98,846)
Payment from cash held in escrow account for environmental monitoring	**5**	-	(95,102)
Escrow account for environmental monitoring	**9**	-	95,102
Foreign exchange		377,674	1,119,240
		(23,546,841)	(10,052,842)
Changes in non-cash working capital items:			
Sales tax receivable		11,500	(44,958)
Prepaid expenses and others		104,641	(276,316)
Trade and other payables		1,141,384	508,094
		1,257,525	186,820
Cash flow used in operating activities		**(22,289,316)**	**(9,866,022)**
Investing activities			
Acquisition of mineral properties	**6**	-	(20,299)
Acquisition of capital assets, net of deposit on order	**7**	(11,875,926)	(421,098)
Deposit on order		-	(1,711,970)
Cash flow used in investing activities		**(11,875,926)**	**(2,153,367)**
Financing activities			
Shares and warrants issuance	**10**	-	74,550,202
Share issuance costs	**10**	-	(6,266,929)
Principal repayment – lease liabilities	**8**	(65,900)	(11,267)
Exercise of warrants		-	5,240,236
Exercise of stock options		-	38,000
Cash flow from financing activities		**(65,900)**	**73,550,242**
Net change in cash before effects of exchange rate changes on cash		(34,231,142)	61,530,853
Effects of exchange rate changes on cash		(319,398)	(1,171,260)
Net change in cash		(34,550,540)	60,359,593
Cash, beginning		61,874,999	1,515,406
Cash, ending		**27,324,459**	**61,874,999**
Supplemental cash flow information			
Deposit on order for acquisition of capital assets		1,702,165	-
Interest received		143,759	84,214
Additions in capital assets included in trade and other payables		53,500	-
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.

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, 2022.

1.1 Basis of presentation and consolidation

The Financial Statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. 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 ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee. ("IFRIC").

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 to 10 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

- 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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").

The costs of equity-settled transactions with employees and others providing similar services 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 2021 and 2020, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 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, 2022. 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.

Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*

In February 2021, the IASB issued amendments to IAS 8, which added the definition of Accounting Estimates in IAS 8. The amendments also clarified that the effects of a change in an input or measurement technique are changes in accounting estimates, unless resulting from correction of prior period errors. The Corporation is currently evaluating the impact of these amendments on its 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.

4. CRITICAL ACCOUNTING JUDGMENTS AND ASSUMPTIONS (CONT'D)

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.

(In Canadian Dollars, except as otherwise noted)

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.

	2021	2020
	$	$
Balance beginning	460,447	516,996
Effect of translation	(35,810)	38,553
Payment for environmental monitoring work	-	(95,102)
Balance ending	424,637	460,447
Non-current portion – escrow account for environmental monitoring	(424,637)	(460,447)
Current portion – escrow account for environmental monitoring	**-**	**-**

6. MINERAL PROPERTIES

	As at December 31, 2020	Additions	As at December 31, 2021
	$	$	$
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
Sava (previously called Kangerluarsuk)	6,562	-	6,562
Total mineral properties	**62,244**	**-**	**62,244**

	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
Sava (previously called Kangerluarsuk)	-	6,562	6,562
Total mineral properties	**41,945**	**20,299**	**62,244**

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. MINERAL PROPERTIES (CONT'D)

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.

6. MINERAL PROPERTIES (CONT'D)

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 originally expired December 31, 2024 with an entitlement to a 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 2021, adding the non-fulfilled exploration obligation 2020 of DKK 514,901, for a total of DKK 514,901 ($99,702 using the exchange rate as at December 31, 2021) exploration obligation in 2021 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 2021 year to the MLSA by April 1, 2022.

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 had an original expiry date of December 31, 2022 with an entitlement to a 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. MINERAL PROPERTIES (CONT'D)

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 2021, reducing by the total credit from 2020 of DKK 16,400, for a total credit of DKK 16,400 (credit of $3,176 using the exchange rate as at December 31, 2021) so there is no exploration obligation in 2021 which was confirmed by MLSA. 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 2021 year to the MLSA by April 1, 2022.

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 originally expired 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 2021, reducing by the total credit from 2020 of DKK 2,517,299, for a total credit of DKK 2,517,299 (credit of $487,432 using the exchange rate as at December 31, 2021) so there is no exploration obligation in 2021 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 2021 year to the MLSA by April 1, 2022.

6. MINERAL PROPERTIES (CONT'D)

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 originally expired December 31, 2023 with an entitlement to a 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 2021, reducing by the total credit from 2020 of DKK 96,972, for a total credit of DKK 96,972 (credit of $18,777 using the exchange rate as at December 31, 2021) so there is no exploration obligation in 2021 which was confirmed by MLSA. 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 2021 year to the MLSA by April 1, 2022.

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 originally expired December 31, 2024 with an entitlement to a 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. For the exploration licence, Nalunaq A/S shall complete DKK nil of exploration activities in 2021, reducing by the total credit from 2020 of DKK 271,382, for a total credit of DKK 271,382 (credit of $52,549 using the exchange rate as at December 31, 2021) so there is no exploration obligation in 2021 which was confirmed by MLSA. 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 2021 year to the MLSA by April 1, 2022.

6. MINERAL PROPERTIES (CONT'D)

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 originally expired 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. For the exploration licence, Nalunaq A/S shall complete DKK nil of exploration activities in 2021, reducing by the total credit from 2020 of DKK 516,903, for a total credit of DKK 516,903 (credit of $100,089 using the exchange rate as at December 31, 2021) so there is no exploration obligation in 2021 which was confirmed by MLSA. 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 2021 year to the MLSA by April 1, 2022.

6.8 Sava (previously called Kangerluarsuk)

6.8.1 Purchase of the Sava 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 Sava. 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 originally expired 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.

(In Canadian Dollars, except as otherwise noted)

6. MINERAL PROPERTIES (CONT'D)

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, 2021) in 2021. For the purpose of crediting expenditures against the amounts set forth in the Sava 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 Sava 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 78ºN and west of 44ºW. It is valid for a term of five years until December 31, 2021. This licence has expired and Nalunaq A/S is in the process of applying for a replacement licence with the Government of Greenland. 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 75ºN and east of 44ºW. 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

	Field equipment and infrastructure	Vehicles and rolling stock	Equipment (including software)	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**

(In Canadian Dollars, except as otherwise noted)

7. CAPITAL ASSETS (CONT'D)

	Field equipment and infrastruc-ture	Vehicles and rolling stock	Equipment (including software)	Construc-tion In Progress	Right-of-use assets (note 8)	Total
	$	$	$	$	$	$
2021						
Opening net book value	146,203	256,865	177,052	-	820,894	1,401,014
Additions	1,983,718	4,195,205	-	7,452,668	-	13,631,591
Depreciation	(140,807)	(147,361)	(21,041)	-	(80,744)	(389,953)
Closing net book value	1,989,114	4,304,709	156,011	7,452,668	740,150	14,642,652
As at December 31, 2021						
Cost	**2,371,041**	**4,729,005**	**185,878**	**7,452,668**	**841,080**	**15,579,672**
Accumulated depreciation	**(381,927)**	**(424,296)**	**(29,867)**	**-**	**(100,930)**	**(937,020)**
Closing net book value	**1,989,114**	**4,304,709**	**156,011**	**7,452,668**	**740,150**	**14,642,652**

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 $299,771 ($206,153 – 2020) was expensed as exploration and evaluation expenses in 2021.

As at December 31, 2021, the Corporation had capital asset purchase commitments, net of deposit on order, of $nil ($8,796,288 as at December 31, 2020). These commitments related to purchases of equipment, infrastructure and vehicles.

As of December 31, 2021, the amount of $7,452,668 of construction in progress is related to equipment and infrastructure received or in storage and which will be installed at the appropriate time.

8. LEASE LIABILITIES

	As at December 31, 2021	As at December 31, 2020
	$	$
Balance beginning	829,813	-
Additions	-	841,080
Principal repayment	(65,900)	(11,267)
Balance ending	763,913	829,813
Non-current portion – lease liabilities	(713,078)	(763,913)
Current portion – lease liabilities	**50,835**	**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 $80,744 ($20,186 in 2020) was expensed as general and administration expenses in 2021.

9. ENVIRONMENTAL MONITORING PROVISION

	2021	2020
	$	$
Balance beginning	-	174,864
Effect of foreign exchange translation	-	13,125
Payment from cash held in escrow account for environmental monitoring	-	(95,102)
Accretion expense	-	5,959
Change in estimates	-	(98,846)
Balance ending	-	-
Non-current portion – environmental monitoring provision	-	-
Current portion – environmental monitoring provision	**-**	**-**

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. SHARE CAPITAL (CONT’D)

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.

(In Canadian Dollars, except as otherwise noted)

11. WARRANTS

11.1 Warrants

Changes in the Corporation's warrants are as follow:

	2021			2020		
	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
Exercised	-	-	-	(11,272,271)	(974,758)	0.45
Expired	-	-	-	(1,885,624)	(163,058)	0.45
Balance, end	**-**	**-**	**-**	-	-	-

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:

	2021			2020		
	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
Exercised	-	-	-	(335,627)	(103,944)	0.50
Expired	-	-	-	(732,112)	(217,844)	0.49
Balance, end	**-**	**-**	**-**	-	-	**-**

12. STOCK OPTIONS

An incentive stock option plan (the "Plan") was approved initially in 2017 and renewed by shareholders on June 9, 2021. 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.

(In Canadian Dollars, except as otherwise noted)

12. STOCK OPTIONS (CONT'D)

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.

On June 9, 2021, the Corporation granted the CFO with 900,000 stock options exercisable at an exercise price of $0.59, with an expiry date of December 31, 2027. The stock options vested 100% at the grant date. Those options were granted at an exercise price equal the closing market value of the shares the previous day of the grant. Total stock-based compensation costs amount to $360,000 for an estimated fair value of $0.40 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 75.85% expected volatility, 1.07% risk-free interest rate and 6.6 years options expected life. The expected life and expected volatility were estimated by benchmarking comparable companies to the Corporation.

On July 5, 2021, the Corporation granted to an employee 100,000 stock options exercisable at an exercise price of $0.50, with an expiry date of July 5, 2026. The stock options vest in three equal annual tranches from 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 $29,000 for an estimated fair value of $0.29 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 71.40% expected volatility, 1.01% risk-free interest rate and 5 years options expected life. The expected life and expected volatility were estimated by benchmarking comparable companies to the Corporation.

On September 13, 2021, the Corporation granted to an employee 100,000 stock options exercisable at an exercise price of $0.50, with an expiry date of September 13, 2026. The stock options vest in three equal annual tranches from 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 $29,000 for an estimated fair value of $0.29 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 69.49% expected volatility, 0.86% risk-free interest rate and 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:

	2021		2020	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
		$		$
Balance, beginning	7,745,000	0.51	5,650,000	0.43
Granted	1,100,000	0.57	2,195,000	0.70
Expired	(1,910,000)	0.52	-	-
Exercised	-	-	(100,000)	0.38
Balance, end	**6,935,000**	**0.51**	**7,745,000**	**0.51**
Balance, end exercisable	6,801,666	0.51	7,745,000	0.51

(In Canadian Dollars, except as otherwise noted)

12. STOCK OPTIONS (CONT'D)

Stock options outstanding and exercisable as at December 31, 2021 are as follows:

Number of options outstanding	Number of options exercisable	Exercise price	Expiry date
		$	
1,160,000	1,160,000	0.50	July 13, 2022
1,360,000	1,360,000	0.45	August 22, 2023
1,820,000	1,820,000	0.38	December 31, 2025
100,000	33,333	0.50	July 5, 2026
100,000	33,333	0.50	September 13, 2026
1,495,000	1,495,000	0.70	December 31, 2026
900,000	900,000	0.59	December 31, 2027
6,935,000	**6,801,666**		

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

	2021	2020
	$	$
Salaries	5,343,482	1,154,302
Director's fees	628,652	252,083
Benefits	878,580	218,740
	6,850,714	1,625,125
Less : salaries and benefits presented in E&E expenses	(3,569,124)	(1,024,094)
Salaries disclosed in general and administrative expenses	**3,281,590**	**601,031**

(In Canadian Dollars, except as otherwise noted)

15. EXPLORATION AND EVALUATION EXPENSES

2021	Nalunaq	Vagar	Tartoq	Naalagaaffiup Portornga	Nuna Nutaaq	Saarloq	Anoritooq	Sava (previously called Kangerluarsuk)	Genex	Total
	$	$	$	$	$	$	$	$	$	$
Geochemistry	-	227,764	80,631	-	-	-	-	292,883	-	601,278
Geology	2,332,281	427,903	19,413	1,105	113,309	6,620	57,905	219,458	11,039	3,189,033
Lodging and on-site support	479,921	-	248	-	-	-	-	-	-	480,169
Underground works	118,017	-	-	-	-	-	-	-	-	118,017
Drilling	3,647,452	-	130	-	-	-	-	-	-	3,647,582
Analysis	120,548	1,250	-	-	469	-	-	-	-	122,267
Transport	35,324	-	957	-	-	-	-	-	-	36,281
Supplies and equipment	1,998	-	-	-	-	-	-	-	-	1,998
Helicopter Charter	181,069	124,843	-	-	128,328	-	11,772	295,147	33,302	774,461
Logistic support	1,009,553	-	-	-	-	-	-	-	-	1,009,553
Insurance	41,197	-	-	-	-	-	-	-	-	41,197
Project Engineering costs	3,753,320	20,461	-	-	21,039	-	1,927	-	5,461	3,802,208
Government fees	137,453	8,419	8,419	-	-	-	-	-	1,949	156,240
Depreciation	299,771	-	-	-	-	-	-	-	-	299,771
Exploration and evaluation expenses	**12,157,904**	**810,640**	**109,798**	**1,105**	**263,145**	**6,620**	**71,604**	**807,488**	**51,751**	**14,280,055**

2020	Nalunaq	Vagar	Tartoq	Naalagaaffiup Portornga	Nuna Nutaaq	Saarloq	Anoritooq	Sava (previously called 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**

16. GENERAL AND ADMINISTRATIVE

	2021	2020
	$	$
Salaries and benefits	2,652,938	348,948
Management and consulting fees	-	633,220
Director's fees	628,652	252,083
Professional fees	2,382,916	1,077,541
Marketing and investor relations	791,722	466,465
Insurance	571,364	218,355
Travel and other expenses	1,884,189	140,135
Regulatory fees	326,464	132,315
Depreciation	90,182	22,114
General and administrative	**9,328,427**	**3,291,176**

(In Canadian Dollars, except as otherwise noted)

17. FINANCE COSTS

	2021	2020
	$	$
Accretion expense - environmental monitoring provision	-	5,959
Financing fees lease	39,994	6,872
Finance costs	**39,994**	**12,831**

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:

	2021	2020
	$	$
Net loss before income taxes	(24,689,239)	(12,339,112)
Income tax rates	26.5%	26.5%
Income tax recovery	(6,542,648)	(3,269,865)
Increase (decrease) attributable to:		
Non deductible expenses	104,109	274,878
Difference in statutory tax rate	265,772	111,110
Changes in unrecognized deferred tax assets	6,172,767	2,883,877
Tax recovery	-	-

The analysis of the Corporation's deferred tax assets and liabilities as at December 31, 2021 and 2020 is as follows:

	2021	2020
	$	$
Deferred tax assets (liabilities):		
Capital assets	(437,033)	(25,949)
Non-capital losses	437,033	25,949
	-	-

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, 2021 are as follows:

Greenland	**As at December 31, 2021**
	$
Non-capital losses carry forwards	36,398,528

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

(In Canadian Dollars, except as otherwise noted)

18. INCOME TAXES (CONT'D)

Canada	**As at December 31, 2021**
	$
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	5,622,490
Non-capital losses carry forwards expiring in 2042	8,302,287

19. NET LOSS PER SHARE

The calculation of basic and diluted net loss per share for the year ended December 31, 2021, was based on the net loss attributable to shareholders of $24,689,239 ($12,339,112 for the year ended December 31, 2020) and the weighted average number of common shares outstanding for the year ended December 31, 2021 of 177,098,737 (119,729,081 for the year ended December 31, 2020). As a result of the net loss for the years ended December 31, 2021 and 2020, 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, the Vice President Exploration and the Corporate Secretary. Key management compensation is as follows:

	2021	**2020**
	$	**$**
Short-term benefits		
Management and consulting fees	-	633,220
Professional fees	64,162	-
Salaries and benefits	1,639,334	292,562
Salaries and benefits included in the E&E expenses	71,349	72,170
Professional fees included in the E&E expenses	-	261,292
Director's fees	628,652	252,083
Long-term benefits		
Stock-based compensation (note 12)	365,909	916,500
Total compensation	**2,769,406**	**2,427,827**

The compensation for Joan Plant (Corporate Secretary) is charged through FBC BA for $nil for 2021 ($161,925 for 2020).

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 firm in which Georgia Quenby (director until June 9, 2021) is a partner charged legal professional fees for $9,934 ($168,309 in 2020);
- A company controlled by Martin Ménard (Chief Operating Officer from July 9, 2019 to June 30, 2021) charged engineering professional fees of $12,240 for his staff ($765,235 in 2020). The Chief Operating Officer is the son of Robert Ménard, director until April 27, 2021;
- Nicolas and Catherine Ménard and Samuel Martel, engineering consultants, (the son, the daughter and the son-in-law of Robert Ménard, director until April 27, 2021 and the brother, the sister and brother-in-law of Martin Ménard, Chief Operating Officer until June 30, 2021) were paid $324,799 ($464,896 in 2020);

(In Canadian Dollars, except as otherwise noted)

20. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION (CONT'D)

- As at December 31, 2021, the balance due to those related parties listed above and in the compensation to key management amounted to $173,254 ($150,829 as at December 31, 2020).

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 $906,737 ($nil in 2021). The directors and officers subscribed to the fundraising in 2020 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:

	2021			2020		
	Short-term benefits [(a)]	Stock-based compensation	Total compensation	Short-term benefits [(a)]	Stock-based compensation	Total compensation
	$	$	$	$	$	$
Eldur Olafsson	471,815	-	471,815	406,265	211,500	617,765
George Fowlie [(1)]	79,919	-	79,919	270,888	117,500	388,388
Jaco Crouse	334,757	360,000	694,757	-	-	-
Graham Stewart	195,228	-	195,228	110,000	188,000	298,000
Georgia Quenby [(2)]	43,788	-	43,788	55,833	47,000	102,833
Sigurbjorn Thorkelsson	94,478	-	94,478	41,250	-	41,250
Robert Ménard [(3)]	30,417	-	30,417	45,000	47,000	92,000
Liane Kelly	29,913	-	29,913	-	-	-
Line Frederiksen	47,962	-	47,962	-	-	-
David Neuhauser	47,962	-	47,962	-	-	-
Warwick Morley-Jepson	138,904	-	138,904	-	-	-
Total compensation	**1,515,143**	**360,000**	**1,875,143**	**929,236**	**611,000**	**1,540,236**

(a) Short-term benefits comprise salary, director fees as applicable, annual bonus and pension.
(1) George Fowlie ceased to be Director 26th August 2021
(2) Georgia Quenby ceased to be Non-Executive Director 9th June 2021
(3) Robert Ménard ceased to be Non-Executive Director 27 April 2021

The directors participated in the July 31, 2020 fundraising for $836,596 ($nil in 2021). The director participation is as follows:

	2021	2020
	Number of new shares	Number of new shares
Eldur Olafsson	-	222,222
George Fowlie	-	100,000
Graham Stewart	-	222,222
Georgia Quenby	-	-
Sigurbjorn Thorkelsson	-	444,444
Robert Ménard	-	97,600
Total	**-**	**1,086,488**

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, 2021		As at December 31, 2020	
	Trade and other payables	Lease liabilities	Trade and other payables	Lease liabilities
	$	$	$	$
Within 1 year	2,049,249	88,245	831,899	105,894
1 to 5 years	-	431,910	-	411,320
5 to 10 years	-	435,343	-	544,178
Total	**2,049,249**	**955,498**	**831,899**	**1,061,392**

21.3 Currency risk

As at December 31, 2021 and 2020, 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, 2021	In DKK	In Euros	In US$	In GBP
Cash	2,145,132	526,043	5,314,298	882
Escrow account for environmental monitoring	2,193,001	-	-	-
Trade and other payables	(3,740,924)	(20,987)	(44,301)	(36,563)
	597,209	505,056	5,269,997	(35,681)
Exchange rate	0.1936	1.4401	1.2697	1.7155
Equivalent to CAD	**115,620**	**727,331**	**6,691,315**	**(61,211)**

Based on the above net exposures as at December 31, 2021, 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 $747,306.

(In Canadian Dollars, except as otherwise noted)

21. FINANCIAL INSTRUMENTS (CONT'D)

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.

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 2021, 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.

22. SUBSEQUENT EVENTS

On January 17, 2022, the Corporation granted to its directors, officers, employees and consultant 4,100,000 stock options exercisable at an exercise price of $0.60, with an expiry date of January 17, 2027. 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 $1,435,000 for an estimated fair value of $0.35 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 69.38% expected volatility, 1.51% risk-free interest rate and 5 years options expected life. The expected life and expected volatility were estimated by benchmarking comparable companies to the Corporation.