



# **AEX Gold Inc.**

## **UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

Nine months ended September 30, 2018

*The attached financial statements have been prepared by Management of  
AEX Gold Inc. and have not been reviewed by the auditor*

**AEX Gold Inc.**  
**Consolidated Statements of Financial Position**  
(Unaudited, in Canadian Dollars)

	Notes	As at September 30, 2018 \$	As at December 31, 2017 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		677,232	1,465,277
Escrow account for environmental monitoring		61,640	138,386
Sales tax receivable		9,541	18,849
Prepaid expenses and others		74,841	56,697
<b>Total current assets</b>		<b>823,254</b>	<b>1,679,209</b>
<b>Non-current assets</b>			
Escrow account for environmental monitoring		498,037	505,131
Mineral properties	<b>3</b>	35,869	29,535
Property and equipment	<b>4</b>	390,099	160,108
<b>Total non-current assets</b>		<b>924,005</b>	<b>694,774</b>
<b>TOTAL ASSETS</b>		<b>1,747,259</b>	<b>2,373,983</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Trade and other payables		511,516	273,825
Payables to shareholders		27,141	16,456
Current portion of environmental monitoring provision		61,640	138,386
<b>Total current liabilities</b>		<b>600,297</b>	<b>428,667</b>
<b>Non-current liabilities</b>			
Environmental monitoring provision		138,798	134,687
<b>Total non-current liabilities</b>		<b>138,798</b>	<b>134,687</b>
<b>Total liabilities</b>		<b>739,095</b>	<b>563,354</b>
<b>Equity</b>			
Capital stock	<b>5</b>	9,064,105	6,696,759
Warrants	<b>6</b>	321,788	273,889
Contributed surplus		990,000	518,630
Accumulated other comprehensive loss		(36,772)	(36,772)
Deficit		(9,330,957)	(5,641,877)
<b>Total equity</b>		<b>1,008,164</b>	<b>1,810,629</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,747,259</b>	<b>2,373,983</b>
Going concern		1	
Subsequent events		11	

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

**AEX Gold Inc.**  
**Consolidated Statements of Comprehensive Loss**

(Unaudited, in Canadian Dollars)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2018	2017	2018	2017
		\$	\$	\$	\$
<b>Expenses</b>					
Exploration and evaluation expenses	8	1,306,886	2,216,823	2,000,892	2,357,596
General and administrative	9	177,785	467,363	885,877	879,497
Stock-based compensation	7	465,258	510,839	471,370	510,839
Short form prospectus expenses		394	-	322,701	-
Foreign exchange loss (gain)		8,334	(15,321)	6,545	(45,430)
Operating loss		1,958,657	3,179,704	3,687,385	3,702,502
<b>Other expenses (income)</b>					
Interest income		(2,016)	-	(7,474)	-
Finance costs		2,433	2,918	9,169	8,469
<b>Net loss</b>		<b>(1,959,074)</b>	<b>(3,182,622)</b>	<b>(3,689,080)</b>	<b>(3,710,971)</b>

**Other comprehensive loss that may not be  
reclassified subsequently to net loss:**

Exchange rate differences on translation from functional to presentation currency		-	-	-	(2,823)
<b>Other comprehensive loss</b>		-	-	-	(2,823)
<b>Comprehensive loss</b>		<b>(1,959,074)</b>	<b>(3,182,622)</b>	<b>(3,689,080)</b>	<b>(3,713,794)</b>

Weighted average number of common shares outstanding - basic and diluted	55,156,922	47,819,565	52,446,050	40,728,398
Basic and diluted loss per common share	(0.04)	(0.07)	(0.07)	(0.09)

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

**AEX Gold Inc.**  
**Consolidated Statements of Changes in Equity**  
(Unaudited, in Canadian Dollars)

	Notes	Common Shares Number	Capital Stock	Warrants	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total Equity
			\$	\$	\$	\$	\$	\$
<b>Balance at January 1, 2017</b>	<b>1.1</b>	<b>35,657,869</b>	<b>1,088,160</b>	<b>-</b>	<b>224,562</b>	<b>27,145</b>	<b>(1,151,928)</b>	<b>187,939</b>
Net loss		-	-	-	-	-	(3,710,971)	(3,710,971)
Other comprehensive loss		-	50,756	-	10,338	(63,917)	-	(2,823)
<b>Comprehensive loss</b>								<b>(3,525,855)</b>
Share issuance in consideration of cash		1	1	-	-	-	-	1
Share issuance in consideration of conversion of debt		342,130	171,065	-	-	-	-	171,065
Share issuance in IPO		13,592,500	6,796,250	-	-	-	-	6,796,250
Pre-IPO Reorganization		-	234,600	-	(234,600)	-	-	-
Warrants issuance in IPO		-	(273,889)	273,889	-	-	-	-
Stock-based compensation		-	-	-	510,539	-	-	510,539
Share issuance costs		-	(1,372,652)	-	-	-	-	(1,372,652)
<b>Balance at September 30, 2017</b>		<b>49,592,500</b>	<b>6,694,291</b>	<b>273,889</b>	<b>510,839</b>	<b>(36,772)</b>	<b>(4,862,899)</b>	<b>2,579,348</b>
<b>Balance at January 1, 2018</b>		<b>49,592,500</b>	<b>6,696,759</b>	<b>273,889</b>	<b>518,630</b>	<b>(36,772)</b>	<b>(5,641,877)</b>	<b>1,810,629</b>
Net loss		-	-	-	-	-	(3,689,080)	(3,689,080)
Other comprehensive loss		-	-	-	-	-	-	-
<b>Comprehensive loss</b>								<b>(3,689,080)</b>
Share issuance under a private placement	<b>5</b>	5,564,422	2,503,990	-	-	-	-	2,503,990
Warrants issuance under a private placement	<b>5,6</b>	-	(47,899)	47,899	-	-	-	-
Share issuance costs	<b>5</b>	-	(88,745)	-	-	-	-	(88,745)
Stock-based compensation	<b>7</b>	-	-	-	471,370	-	-	471,370
<b>Balance at September 30, 2018</b>		<b>55,156,922</b>	<b>9,064,105</b>	<b>321,788</b>	<b>990,000</b>	<b>(36,772)</b>	<b>(9,330,957)</b>	<b>1,008,164</b>

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

**AEX Gold Inc.**  
**Consolidated Statements of Cash Flows**  
(Unaudited, in Canadian Dollars)

	Notes	Nine months ended September 30,	
		2018	2017
		\$	\$
<b>Operating activities</b>			
Net loss for the period		(3,689,080)	(3,710,971)
Adjustments for:			
Depreciation	4	73,307	16,011
Stock-based compensation		471,370	510,539
Finance costs		9,169	8,469
Payment from cash held in escrow account for environmental monitoring		(85,015)	(10,036)
Escrow account for environmental monitoring		85,015	10,036
Foreign exchange loss (gain)		4,623	(21,290)
		(3,130,611)	(3,197,242)
Changes in non-cash working capital items:			
Sales tax receivable		9,308	(128,881)
Prepaid expenses and others		(22,257)	(59,076)
Trade and other payables		258,604	492,190
Payables to shareholders		10,685	52,949
		256,340	357,182
<b>Cash flow used in operating activities</b>		<b>(2,874,271)</b>	<b>(2,840,060)</b>
<b>Investing activities</b>			
Acquisition of mineral properties	3	(6,334)	(17,479)
Acquisition of property and equipment	4	(303,298)	(192,129)
<b>Cash flow used in investing activities</b>		<b>(309,632)</b>	<b>(209,608)</b>
<b>Financing activities</b>			
Share issuance	5	2,503,990	6,796,251
Share issuance costs		(103,887)	(1,368,352)
Loans from shareholders		-	254,233
Reimbursement of loans from shareholders		-	(254,233)
<b>Cash flow from financing activities</b>		<b>2,400,103</b>	<b>5,427,899</b>
Net change in cash before effects of exchange rate changes on cash during the period		(783,800)	2,378,231
Effects of exchange rate changes on cash		(4,245)	(9,288)
Net change in cash during the period		(788,045)	2,368,943
Cash, beginning of period		1,465,277	137,322
<b>Cash, end of period</b>		<b>677,232</b>	<b>2,506,265</b>
<b>Supplemental cash flow information</b>			
Interest received		7,474	-
Share issuance costs included in prepaid expenses and others		750	-
Share issuance costs included in trade and other payables		1,856	4,300
Share issued in payment of payables and loans to shareholders		-	171,065

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

# **AEX Gold Inc.**

## **Condensed Notes to the interim Consolidated Financial Statements**

Nine months ended September 30, 2018 and 2017

(Unaudited, in Canadian Dollars)

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### **1. NATURE OF OPERATIONS, BASIS OF PRESENTATION AND GOING CONCERN**

AEX Gold Inc. (the "Corporation") (previously known as Alopex Gold Inc.) was incorporated on February 22, 2017 under the *Canada Business Corporations Act*. The Corporation's head office is situated at 123 Front Street West, suite 905, Toronto, Ontario, 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 "Exchange") under the AEX ticker.

These unaudited condensed interim consolidated financial statements for the nine months ended September 30, 2018 ("Financial Statements") were approved by the Board of Directors on November 21, 2018.

#### **1.1 Basis of presentation**

The Corporation's properties were acquired upon the reorganisation that was completed on June 26, 2017 whereby the Corporation acquired 100% of the shares of Nalunaq A/S, a corporation incorporated under the *Greenland Public Companies Act*, in anticipation of the initial public offering ("IPO") of the Corporation on the Exchange completed on July 13, 2017. As the Corporation was founded by the same group of shareholders as Nalunaq A/S and in contemplation of the reorganisation, said reorganisation is accounted for as a reorganisation of the capital of Nalunaq A/S. These Financial Statements thus reflect the continuation of the activities of Nalunaq A/S for periods prior to the incorporation of the Corporation on February 22, 2017, the combined activities of the Corporation and Nalunaq A/S for the period from February 22, 2017 until the reorganization on June 26, 2017, and the consolidated activities of the Corporation since June 26, 2017.

The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") including International Accounting Standard ("IAS") 34, Interim Financial Reporting. The Financial Statements have been prepared under the historical cost convention.

The Financial Statements should be read in conjunction with the annual financial statements for the year ended December 31, 2017 which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies, methods of computation and presentation applied in these Financial Statements are consistent with those of the previous financial year ended December 31, 2017.

#### **1.2 Going concern**

The Financial Statements were prepared using IFRS applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. In assessing whether the going concern assumption is appropriate, senior management of the Corporation ("Management") takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. Management is aware in making its assessment of material uncertainties related to events and conditions that lend a significant doubt upon the Corporation's ability to continue as a going concern and accordingly, the appropriateness of the use of IFRS applicable to a going concern, as described in the following paragraph. The Financial Statements do not reflect the adjustment to the carrying values of assets and liabilities, expenses and financial position classifications that would be necessary if the going concern assumption would not be appropriate. These adjustments could be material.

The Corporation recorded a loss of \$3,689,080 for the nine months ended September 30, 2018 and has an accumulated deficit of \$9,330,957 as at September 30, 2018. In addition to ongoing working capital requirements, the Corporation must secure sufficient funding to meet its other obligations, existing commitments for the exploration and evaluation programs and pay general and administration costs. As at September 30, 2018, the Corporation had a working capital of \$222,957. These conditions indicate the existence of material uncertainties that may cast a significant doubt regarding the Corporation's ability to continue as a going concern.

# AEX Gold Inc.

## Condensed Notes to the interim Consolidated Financial Statements

Nine months ended September 30, 2018 and 2017

(Unaudited, in Canadian Dollars)

### 1. NATURE OF OPERATIONS, BASIS OF PRESENTATION AND GOING CONCERN (CONT'D)

The Corporation's ability to continue as a going concern is dependent upon its ability to raise additional financing to further explore its mineral properties. The completion of the IPO in July 2017 and of the private placement in May and October 2018, contributed to such financing. While Management has secured financing in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Corporation or that they will be available on terms which are acceptable to the Corporation. If Management is unable to obtain new funding, the Corporation may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in these Financial Statements and this could have a significant impact on the financial position of the Corporation, its financial performance and its cash flows.

The measurement of certain assets and liabilities is dependent on future events; therefore the preparation of these Financial Statements requires the use of estimates, which may vary from actual results. The success of the Corporation's exploration and evaluation activities is influenced by significant financial risks, legal and political risks, commodity prices, and the ability of the Corporation to discover economically recoverable reserves.

### 2. CRITICAL ACCOUNTING JUDGMENTS AND ASSUMPTIONS

The preparation of the 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.

In preparing the Financial Statements, the significant judgements made by Management in applying the Corporation accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Corporation's audited annual financial statements for the year ended December 31, 2017. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### 3. MINERAL PROPERTIES

	As at December 31, 2017	Additions	As at September 30, 2018
	\$	\$	\$
Nalunaq	1	-	1
Tartoq	18,431	-	18,431
Vagar	11,103	-	11,103
Naalagaaffiup Portornga	-	6,334	6,334
<b>Total mineral properties</b>	<b>29,535</b>	<b>6,334</b>	<b>35,869</b>

	As at December 31, 2016	Effect of translation	Additions	As at December 31, 2017
	\$	\$	\$	\$
Nalunaq	1	-	-	1
Tartoq	17,617	814	-	18,431
Vagar	-	-	11,103	11,103
<b>Total mineral properties</b>	<b>17,618</b>	<b>814</b>	<b>11,103</b>	<b>29,535</b>

# AEX Gold Inc.

## Condensed Notes to the interim Consolidated Financial Statements

Nine months ended September 30, 2018 and 2017

(Unaudited, in Canadian Dollars)

### 4. PROPERTY AND EQUIPMENT

	Exploration and evaluation		Total
	Field equipment and base camp	Vehicles and rolling stock	
	\$	\$	\$
<b>Nine months ended September 30, 2018</b>			
Opening net book value	16,667	143,441	160,108
Additions	187,361	115,937	303,298
Depreciation	(20,613)	(52,694)	(73,307)
Closing net book value	183,415	206,684	390,099
<b>As at September 30, 2018</b>			
<b>Cost</b>	<b>207,361</b>	<b>288,066</b>	<b>495,427</b>
<b>Accumulated depreciation</b>	<b>(23,946)</b>	<b>(81,382)</b>	<b>(105,328)</b>
<b>Closing net book value</b>	<b>183,415</b>	<b>206,684</b>	<b>390,099</b>

Depreciation of property and equipment related to exploration and evaluation properties is being recorded in exploration and evaluation expenses in the statement of income (loss), under depreciation. Depreciation of \$73,307 was expensed as exploration and evaluation expenses during the nine months ended September 30, 2018.

### 5. SHARE CAPITAL

#### 5.1 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.

#### 5.2 Private placement

On May 14, 2018, the Corporation has completed a non-brokered private placement by issuing 5,564,422 common shares at a price of \$0.45 per share, for gross proceeds to the Corporation of \$2,503,990.

In connection with the private placement, \$32,901 finders fees were paid and 184,227 non-transferable finders warrants were issued. The finder's warrants are exercisable at any time up to 24 months following the closing of the private placement at \$0.45 per share. Insiders of the Corporation purchased an aggregate of 986,111 common shares for \$443,750.

The Corporation incurred total issuance costs of \$136,644 of which \$88,745 was incurred in cash and \$47,899 was incurred through the issuance of the 184,227 non-transferable finders warrants. The fair value of the finders warrants of \$0.26 per finder warrant was determined using the Black-Scholes option pricing model assuming no expected dividends, a risk-free interest rate of 1.99%, an expected stock price volatility of 100%, and an expected life of 2 years. The expected volatility was estimated by benchmarking comparable situations for companies that are similar to the Corporation.

# AEX Gold Inc.

## Condensed Notes to the interim Consolidated Financial Statements

Nine months ended September 30, 2018 and 2017

(Unaudited, in Canadian Dollars)

### 6. AGENT AND FINDERS WARRANTS

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

	Nine months ended September 30, 2018			2017		
	Number of warrants	Carrying Value	Weighted average exercise price	Number of warrants	Carrying Value	Weighted average exercise price
		\$	\$		\$	\$
Balance, beginning	883,512	273,889	0.50	-	-	-
Issued (note 5.2)	184,227	47,899	0.45	883,512	273,889	0.50
<b>Balance, end</b>	<b>1,067,739</b>	<b>321,788</b>	<b>0.49</b>	<b>883,512</b>	<b>273,889</b>	<b>0.50</b>

Agent and finders warrants outstanding as at September 30, 2018 are as follows:

Number of warrants	Exercise price	Expiry date
	\$	
883,512	0.50	July 13, 2020
184,227	0.45	May 14, 2020

### 7. STOCK OPTIONS

Changes in stock options are as follow:

	Nine months ended September 30, 2018		2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Balance, beginning	1,410,000	0.50	165	0.19
Granted	1,660,000	0.45	1,410,000	0.50
Expired	(50,000)	0.59	-	-
Exercised	-	-	(165)	0.19
<b>Balance, end</b>	<b>3,020,000</b>	<b>0.47</b>	<b>1,410,000</b>	<b>0.50</b>
Balance, end exercisable	3,020,000	0.47	1,372,500	0.50

Stock options outstanding and exercisable as at September 30, 2018 are as follows:

Number of options outstanding	Exercise price	Expiry date
	\$	
1,360,000	0.50	July 13, 2022
1,660,000	0.45	August 22, 2023
<b>3,020,000</b>		

## AEX Gold Inc.

### Condensed Notes to the interim Consolidated Financial Statements

Nine months ended September 30, 2018 and 2017

(Unaudited, in Canadian Dollars)

#### 7. STOCK OPTIONS (CONT'D)

On August 22, 2018, the Corporation granted to its directors, officers and consultants 1,660,000 stock options exercisable at an exercise price of \$0.45, valid for 5 years. The stock options vest 100% at the grant date. Those options were granted at an exercise price over to the closing market value of the shares the previous day of the grant. Total stock-based compensation costs amount to \$464,800 for an estimated fair value of \$0.28 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 100% expected volatility, 2.18% risk-free interest rate and 5 years options expected life. The expected life and expected volatility were estimated by benchmarking comparable situations for companies that are similar to the Corporation.

#### 8. EXPLORATION AND EVALUATION EXPENSES

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Geology	162,448	362,797	314,709	409,776
Lodging and on-site support	422,280	342,061	556,704	342,061
Drilling	395,404	594,769	455,663	594,769
Analysis	29,008	3,965	33,556	5,490
Transport	208,727	326,980	424,604	326,980
Helicopter Charter	-	387,622	-	387,622
Logistic support	47,734	100,712	132,808	190,033
Supplies and equipment	-	40,880	-	40,880
Government fees	-	41,026	9,541	43,974
Depreciation	41,285	16,011	73,307	16,011
<b>Exploration and evaluation expenses</b>	<b>1,306,886</b>	<b>2,216,823</b>	<b>2,000,892</b>	<b>2,357,596</b>

#### 9. GENERAL AND ADMINISTRATION

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Management and consulting fees	82,935	143,353	279,783	289,515
Director's fees	-	18,750	18,750	31,250
Professional fees	45,587	58,343	302,578	259,931
Marketing and industry involvement	27,595	172,122	122,198	176,021
Insurance	10,091	17,924	53,792	26,779
Travel and other expenses	10,857	48,409	85,437	86,674
Regulatory fees	720	8,462	23,339	9,327
<b>General and administration</b>	<b>177,785</b>	<b>467,363</b>	<b>885,877</b>	<b>879,497</b>

#### 10. SHORT FORM PROSPECTUS EXPENSES

A preliminary short form prospectus was filed on February 14, 2018 pursuant to which the Corporation proposed to complete, on a best efforts basis, a public offering of common shares upon terms to be determined in the context of the market. On April 12, 2018, the Corporation announced that it withdrew the preliminary prospectus. For the nine months ended September 30, 2018, the Corporation incurred professional fees and expenses related to this short form prospectus for an amount of \$322,701.

## **AEX Gold Inc.**

### **Condensed Notes to the interim Consolidated Financial Statements**

Nine months ended September 30, 2018 and 2017

(Unaudited, in Canadian Dollars)

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#### **11. SUBSEQUENT EVENTS**

On October 9, 2018, the Corporation has completed a non-brokered private placement by issuing 2,631,577 common shares at a price of \$0.38 per share, for gross proceeds to the Corporation of \$1,000,000. Insiders of the Corporation purchased an aggregate of 759,905 common shares for \$288,764.