



# **AEX Gold Inc.**

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

Six months ended June 30, 2019

*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 June 30, 2019 \$	As at December 31, 2018 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		5,245,467	963,788
Escrow account for environmental monitoring		176,050	209,695
Sales tax receivable		22,500	9,285
Prepaid expenses and others		20,819	22,280
<b>Total current assets</b>		<b>5,464,836</b>	<b>1,205,048</b>
<b>Non-current assets</b>			
Escrow account for environmental monitoring		351,241	373,091
Mineral properties	<b>3</b>	35,869	35,869
Property and equipment	<b>4</b>	276,464	348,813
<b>Total non-current assets</b>		<b>663,574</b>	<b>757,773</b>
<b>TOTAL ASSETS</b>		<b>6,128,410</b>	<b>1,962,821</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Trade and other payables		416,448	109,918
Payables to shareholders		12,996	8,234
Current portion of environmental monitoring provision		176,050	209,695
<b>Total liabilities</b>		<b>605,494</b>	<b>327,847</b>
<b>Equity</b>			
Capital stock	<b>5</b>	13,883,611	10,058,355
Warrants	<b>6</b>	1,459,604	321,788
Contributed surplus		956,800	956,800
Accumulated other comprehensive loss		(36,772)	(36,772)
Deficit		(10,740,327)	(9,665,197)
<b>Total equity</b>		<b>5,522,916</b>	<b>1,634,974</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>6,128,410</b>	<b>1,962,821</b>
Going concern	<b>1</b>		
Subsequent events	<b>10</b>		

*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 June 30,		Six months ended June 30,	
		2019	2018	2019	2018
		\$	\$	\$	\$
<b>Expenses</b>					
Exploration and evaluation expenses	8	397,220	591,687	565,822	694,006
General and administrative	9	277,335	278,245	493,796	708,092
Stock-based compensation		-	1,987	-	6,112
Short form prospectus expenses		-	10,696	-	322,307
Foreign exchange loss (gain)		1,773	15,833	17,935	(1,789)
Operating loss		676,328	898,448	1,077,553	1,728,728
<b>Other expenses (income)</b>					
Interest income		(4,765)	(2,892)	(7,065)	(5,458)
Finance costs		2,162	3,273	4,642	6,736
<b>Net loss and comprehensive loss</b>		<b>(673,725)</b>	<b>(898,829)</b>	<b>(1,075,130)</b>	<b>(1,730,006)</b>

Weighted average number of common shares					
outstanding - basic and diluted		58,222,276	52,527,580	58,006,586	51,068,148
Basic and diluted loss per common share		(0.01)	(0.02)	(0.02)	(0.03)

*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	Number of common shares outstanding	Capital Stock	Warrants	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total Equity
			\$	\$	\$	\$	\$	\$
<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 and comprehensive loss		-	-	-	-	-	(1,730,006)	(1,730,006)
Share issuance under a private placement		5,564,422	2,503,990	-	-	-	-	2,503,990
Warrants issuance under a private placement		-	(47,899)	47,899	-	-	-	-
Share issuance costs		-	(86,889)	-	-	-	-	(86,889)
Share-based compensation		-	-	-	6,112	-	-	6,112
<b>Balance at June 30, 2018</b>		<b>55,156,922</b>	<b>9,065,961</b>	<b>321,788</b>	<b>524,742</b>	<b>(36,772)</b>	<b>(7,371,883)</b>	<b>2,503,836</b>
<b>Balance at January 1, 2019</b>		<b>57,788,499</b>	<b>10,058,355</b>	<b>321,788</b>	<b>956,800</b>	<b>(36,772)</b>	<b>(9,665,197)</b>	<b>1,634,974</b>
Net loss and comprehensive loss		-	-	-	-	-	(1,075,130)	(1,075,130)
Share issuance under a private placement	5	13,157,895	3,853,718	1,146,282	-	-	-	5,000,000
Share issuance costs	5	-	(28,462)	(8,466)	-	-	-	(36,928)
<b>Balance at June 30, 2019</b>		<b>70,946,394</b>	<b>13,883,611</b>	<b>1,459,604</b>	<b>956,800</b>	<b>(36,772)</b>	<b>(10,740,327)</b>	<b>5,522,916</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	Six months ended June 30,	
		2019	2018
		\$	\$
<b>Operating activities</b>			
Net loss for the period		(1,075,130)	(1,730,006)
Adjustments for:			
Depreciation	4	82,863	32,022
Share-based compensation		-	6,112
Finance costs		4,642	6,736
Payment from cash held in escrow account for environmental monitoring		(28,846)	(85,015)
Escrow account for environmental monitoring		28,846	85,015
Foreign exchange loss (gain)		19,380	(6,989)
		(968,245)	(1,692,125)
Changes in non-cash working capital items:			
Sales tax receivable		(13,215)	(20,327)
Prepaid expenses and others		1,467	(518)
Trade and other payables		271,621	(33,979)
Payables to shareholders		4,762	(753)
		264,635	(55,577)
<b>Cash flow used in operating activities</b>		<b>(703,610)</b>	<b>(1,747,702)</b>
<b>Investing activities</b>			
Acquisition of mineral properties	3	-	(6,334)
Acquisition of property and equipment	4	(10,514)	(303,298)
<b>Cash flow used in investing activities</b>		<b>(10,514)</b>	<b>(309,632)</b>
<b>Financing activities</b>			
Share issuance	5	5,000,000	2,503,990
Share issuance costs		(750)	(91,139)
<b>Cash flow from financing activities</b>		<b>4,999,250</b>	<b>2,412,851</b>
Net change in cash before effects of exchange rate changes on cash during the period		4,285,126	355,517
Effects of exchange rate changes on cash		(3,447)	121
Net change in cash during the period		4,281,679	355,638
Cash, beginning of period		963,788	1,465,277
<b>Cash, end of period</b>		<b>5,245,467</b>	<b>1,820,915</b>
<b>Supplemental cash flow information</b>			
Interest received		7,065	5,458
Share issuance costs included in trade and other payables		36,178	11,998

*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

Six months ended June 30, 2019 and 2018

(Unaudited, in Canadian Dollars)

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

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 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 six months ended June 30, 2019 ("Financial Statements") were approved by the Board of Directors on August 21, 2019.

#### 1.1 Basis of presentation

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, 2018 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, 2018.

#### 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 \$1,075,130 for the six months ended June 30, 2019 and has an accumulated deficit of \$10,740,327 as at June 30, 2019. 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 June 30, 2019, the Corporation had a working capital of \$4,859,342. 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.

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 private placements in June 2019, 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.

# AEX Gold Inc.

## Condensed Notes to the interim Consolidated Financial Statements

Six months ended June 30, 2019 and 2018

(Unaudited, in Canadian Dollars)

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

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' 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, 2018. 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, 2018	Additions	As at June 30, 2019
	\$	\$	\$
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>35,869</b>	<b>-</b>	<b>35,869</b>

	As at December 31, 2017	Additions	As at December 31, 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>

# AEX Gold Inc.

## Condensed Notes to the interim Consolidated Financial Statements

Six months ended June 30, 2019 and 2018

(Unaudited, in Canadian Dollars)

### 4. PROPERTY AND EQUIPMENT

	Exploration and evaluation			Total
	Field equipment and base camp	Vehicles and rolling stock	Equipment	
	\$	\$	\$	\$
<b>Six months ended June 30, 2019</b>				
Opening net book value	166,134	182,679	-	348,813
Additions	-	-	10,514	10,514
Depreciation	(34,560)	(48,011)	(292)	(82,863)
Closing net book value	131,574	134,668	10,222	276,464
<b>As at June 30, 2019</b>				
<b>Cost</b>	<b>207,361</b>	<b>288,066</b>	<b>10,514</b>	<b>505,941</b>
<b>Accumulated depreciation</b>	<b>(75,787)</b>	<b>(153,398)</b>	<b>(292)</b>	<b>(229,477)</b>
<b>Closing net book value</b>	<b>131,574</b>	<b>134,668</b>	<b>10,222</b>	<b>276,464</b>

Depreciation of property and equipment 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 \$82,863 was expensed as exploration and evaluation expenses during the six months ended June 30, 2019.

### 5. SHARE CAPITAL

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

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

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

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

Insiders of the Corporation purchased an aggregate of 1,337,173 units for \$508,126.

# AEX Gold Inc.

## Condensed Notes to the interim Consolidated Financial Statements

Six months ended June 30, 2019 and 2018

(Unaudited, in Canadian Dollars)

### 6. WARRANTS

#### 6.1 Warrants

Changes in the Corporation's warrants are as follow:

	Six months ended June 30, 2019			2018		
	Number of warrants	Carrying Value	Weighted average exercise price	Number of warrants	Carrying Value	Weighted average exercise price
		\$	\$		\$	\$
Balance, beginning	-	-	-	-	-	-
Issued	13,157,895	1,137,816	0.45	-	-	-
<b>Balance, end</b>	<b>13,157,895</b>	<b>1,137,816</b>	<b>0.45</b>	-	-	-

Warrants outstanding as at June 30, 2019 are as follows:

Number of warrants	Exercise price	Expiry date
	\$	
13,157,895	0.45	June 28, 2022

#### 6.2 Agent warrants

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

	Six months ended June 30, 2019			2018		
	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	883,512	273,889	0.50
Issued	-	-	-	184,227	47,899	0.45
<b>Balance, end</b>	<b>1,067,739</b>	<b>321,788</b>	<b>0.49</b>	<b>1,067,739</b>	<b>321,788</b>	<b>0.49</b>

Agent and finders warrants outstanding as at June 30, 2019 are as follows:

Number of warrants	Exercise price	Expiry date
	\$	
184,227	0.45	May 14, 2020
883,512	0.50	July 13, 2020
<b>1,067,739</b>		

## AEX Gold Inc.

### Condensed Notes to the interim Consolidated Financial Statements

Six months ended June 30, 2019 and 2018

(Unaudited, in Canadian Dollars)

#### 7. STOCK OPTIONS

An incentive stock option plan (the "Plan") was approved initially in 2017 and renewed by shareholders on June 5, 2019. 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.

Changes in stock options are as follow:

	Six months ended June 30, 2019		2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning	3,020,000	\$ 0.47	1,410,000	\$ 0.50
Granted	-	-	1,660,000	0.45
Expired	-	-	(50,000)	0.59
<b>Balance, end</b>	<b>3,020,000</b>	<b>0.47</b>	<b>3,020,000</b>	<b>0.47</b>

Stock options outstanding and exercisable as at June 30, 2019 are as follows:

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

#### 8. EXPLORATION AND EVALUATION EXPENSES

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Geology	262,113	69,109	361,727	152,261
Lodging and on-site support	-	134,425	-	134,425
Drilling	-	60,259	-	60,259
Analysis	12,088	1,392	14,580	4,548
Transport	5,725	215,876	5,725	215,876
Logistic support	60,939	85,074	79,889	85,074
Government fees	14,778	9,541	21,038	9,541
Depreciation	41,577	16,011	82,863	32,022
<b>Exploration and evaluation expenses</b>	<b>397,220</b>	<b>591,687</b>	<b>565,822</b>	<b>694,006</b>

## AEX Gold Inc.

### Condensed Notes to the interim Consolidated Financial Statements

Six months ended June 30, 2019 and 2018

(Unaudited, in Canadian Dollars)

#### 9. GENERAL AND ADMINISTRATION

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Management and consulting fees	70,427	91,733	139,800	196,848
Director's fees	18,750	-	18,750	18,750
Professional fees	104,405	103,353	186,705	256,991
Marketing and industry involvement	33,503	19,745	61,821	94,603
Insurance	10,088	21,851	20,180	43,701
Travel and other expenses	30,840	27,786	48,265	74,580
Regulatory fees	9,322	13,777	18,275	22,619
<b>General and administration</b>	<b>277,335</b>	<b>278,245</b>	<b>493,796</b>	<b>708,092</b>

#### 10. SUBSEQUENT EVENTS

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