



# **AEX Gold Inc.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**QUARTERLY HIGHLIGHTS**

Six months ended June 30, 2021

# AEX Gold Inc.

## Management Discussion & Analysis – Quarterly Highlights

Six months ended June 30, 2021

The following quarterly highlights management discussion and analysis (the “MD&A”) should be read in conjunction with the unaudited condensed interim consolidated financial statements of AEX Gold Inc. (the “Corporation” or “AEX”) for the three and six months ended June 30, 2021 prepared in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”) as well as with the MD&A for the year ended December 31, 2020. All figures are in Canadian dollars unless otherwise noted. This MD&A is current as of August 26, 2021.

Further information regarding the Corporation and its operations are filed electronically on the System for Electronic Document Analysis and Retrieval (SEDAR) in Canada and can be found on [www.sedar.com](http://www.sedar.com). The following abbreviations are used to describe the periods under review throughout this MD&A:

Abbreviation	Period
Q1-20	January 1, 2020 to March 31, 2020
Q2-20	April 1, 2020 to June 30, 2020
Q2-20 YTD	January 1, 2020 to June 30, 2020
Q3-20	July 1, 2020 to September 30, 2020
Q4-20	October 1, 2020 to December 31, 2020
2020	January 1, 2020 to December 31, 2020
Q1-21	January 1, 2021 to March 31, 2021
Q2-21	April 1, 2021 to June 30, 2021
Q2-21 YTD	January 1, 2021 to June 30, 2021
Q3-21	July 1, 2021 to September 30, 2021
Q4-21	October 1, 2021 to December 31, 2021
2021	January 1, 2021 to December 31, 2021

### 1. NATURE OF ACTIVITIES

AEX 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. Since July 2017, the Corporation’s shares have been listed on the TSX Venture Exchange (the “Exchange”) under the AEX ticker and since July 2020, the Corporation’s shares have also been admitted to trading on the AIM market of the London Stock Exchange (“AIM”) under the AEXG ticker.

At the time of the AIM admission, AEX announced the development of the Nalunaq Project of which the main engineering and constructing activities commenced in Q4-20. As previously communicated, the Nalunaq Project was put on hold in February 2021 due to unforeseen cost increases associated with the impacts of the COVID-19 global pandemic and as per the April 2021 announcement, the Corporation was focussing on three elements to continue advancing and de-risking the Nalunaq Project:

- Conducting a third-party engineering study to optimize the Project costs and de-risk the Project schedule that will enable AEX to re-assess the execution methodology (self-execution vs. EPC) post completion;
- Conducting a fully funded ‘early works’ infrastructure and 20,000-30,000m exploration program to expand the Nalunaq Resource and adjacent licenses. The drilling campaign has got off to a slow start given the influence of COVID-19 and the high demand placed on drilling contractors which has been caused by high Commodity prices. Negotiations are currently underway with additional international drilling companies to support our exploration efforts this year, which will extend to our 2022 campaign;
- Continue to advance the EIA and SIA to obtain all permits.

The cost increases between Q2-20 and Q2-21 reflect in large the costs associated with the above-mentioned work streams, in contrast to purely exploration activities.

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### 2. CORPORATE UPDATE

#### 2.1 Financial Highlights

The Corporation reported a net loss of \$7,866,015 in Q2-21 YTD compared to \$3,408,569 for Q2-20 YTD. The main variations by function are as follow:

- Exploration and evaluation expenses of \$3,245,196 (\$1,524,451 in Q2-20 YTD) (see section exploration and evaluation expenses for details). The costs mainly represent Project Engineering costs incurred on Nalunaq.
- General and administrative costs of \$3,678,649 (\$881,550 in Q2-20 YTD).
  - Salaries and benefits of \$1,054,961 (\$nil in Q2-20 YTD), driven by the on-boarding of full-time employees in the advancement of the Nalunaq Project and associated increase in corporate activity post the dual-listing. A number of executive managers also transferred from contractors to payroll post Q2-20.
  - Director's fees increased from \$50,000 in Q2-20 YTD to \$236,379 in Q2-21 YTD with the addition of Mr. Thorkeleson as external director in July 2020 and an amendment of the Chairman of the Board's fees following AIM admission.
  - Professional fees of \$1,246,949 (\$318,104 in Q2-20 YTD). An increase in legal costs in Q2-21 YTD driven by the review of contracts associated with the procurement of equipment. In addition, third party consultants have been engaged over the period to, among other things, design and implement the new long-term incentive plan of the Corporation, recruit staff, evaluate the financial system and obtain Greenlandic tax advice.
  - Investor Relations and Communication costs of \$356,332 (\$146,981 in Q2-20 YTD). The increase in costs in Q2-21 YTD relates to the establishment of a larger investor relations function, recruitment of a full-time employee and the retention of communication services.
  - Insurance costs of \$266,342 (\$21,122 in Q2-20 YTD). The Q2-21 YTD increase relates to the increase in insurance limits across the Corporation given the transition from an exploration to an exploration and development company. This included increased limits for umbrella liability, cargo as well as Directors' and Officers' insurance.
  - Travel and other expenses of \$302,365 (\$31,180 in Q2-20 YTD). Other expenses include the purchase cost of computer hardware as well as software licenses, rent costs associated with the establishment of the project office in Montreal and executive recruitment costs.
  - Regulatory fees increased to \$170,230 (\$31,722 in Q2-20 YTD) with the Corporation's dual-listing on AIM in July 2020.
- Stock-based compensation of \$360,000 (\$1,031,650 in Q2-20 YTD) was estimated using the Black-Scholes model. In Q2-21, the Corporation granted 900,000 (2,195,000 in Q2-20) options to the CFO based on an estimated fair value of \$0.40 (\$0.47 in Q2-20 YTD) per option. The stock options vested 100% at the grant date.
- Unrealized foreign exchange loss of \$647,691 (gain of \$21,567 in Q2-20 YTD) relates to cash balances held in USD and EUR that depreciated against the Canadian Dollar.

The Corporation has working capital of \$48,500,792 as of June 30, 2021 (\$61,411,208 as of December 31, 2020) which is mainly comprised of cash.

#### 2.2 AEX Executive Management and Directors update

Jaco Crouse, who was appointed on January 25, 2021 as Chief Financial Officer was also appointed to the Corporation's Board of Directors on April 29, 2021. Mr. Crouse replaced Robert Ménard who decided to step down from his position after four years.

At the AEX AGM, held on June 9, 2021, Line Fredriksen and David Neuhauser were appointed as Non-Executive Directors of the Corporation. Ms. Fredriksen has substantial experience in Greenlandic infrastructure and is currently CFO at Tele Greenland A/S, the leading provider of telecom solutions in Greenland, as well as being responsible for cybersecurity governance. Mr. 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, a shareholder in the Corporation. Georgia Quenby decided not to stand for re-election at the 2021 AGM as Non-Executive Director.

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#### 2. CORPORATE UPDATE (CONT'D)

On June 25, 2021, the Corporation announced that Martin Ménard, Chief Operating Officer, is departing on June 30, 2021. The Corporation has since revamped the Executive Management team with the promotion of Joan Plant to Vice President – Environment, Social and Governance. Joan has been with the Nalunaq Project since its early days and comes with a wealth of experience and very strong relationships with the Greenlandic government.

Azhar Cajee was appointed as Director of Projects on July 5, 2021. With approximately 15 years' experience, he most recently occupied the position of Manager Projects at New Gold Inc. Prior to this, he began his career at Glencore as a Project Director and worked with the company through its merger with Xstrata Nickel in 2013.

#### 3. EXPLORATION AND EVALUATION EXPENSES

Exploration and evaluation expenses are included in the operating loss in the consolidated statement of comprehensive loss.

The Corporation incurred the following exploration and evaluation expenses:

	Q2-21	Q2-20	Q2-21 YTD	Q2-20 YTD
	\$	\$	\$	\$
<b>Nalunaq</b>				
Geology	399,772	524,317	502,086	789,523
Lodging and on-site support	64,275	1,522	64,275	1,522
Underground work	18,588	23,040	18,589	45,847
Drilling	287,760	33,950	287,760	33,315
Safety and environment	-	6,568	-	6,568
Analysis	5,362	42,942	82,862	66,805
Transport	21,455	9,923	21,456	70,656
Helicopter charter	109,024	-	109,024	-
Logistic support	64,913	72,223	86,114	138,710
Insurance	45	3,287	8,707	4,513
Project Engineering costs	804,267	102,442	1,736,133	187,297
Government fees	9,393	3,417	4,940	9,030
Depreciation	49,316	57,159	98,632	114,317
	1,834,170	880,790	3,020,578	1,468,103
<b>Tartoq</b>				
Geology	4,978	-	12,134	-
Lodging and on-site support	248	-	248	-
Transport	-	-	957	-
Logistic support	-	3,000	-	6,000
Government fees	-	8,468	8,420	14,615
	5,226	11,468	21,759	20,615
<b>Naalagaaffiup Portornga</b>				
Geology	4,978	-	1,105	-
Logistic support	-	3,000	-	6,000
	4,978	3,000	1,105	6,000
<b>Vagar</b>				
Geology	76,171	-	102,194	5,354
Lodging and on-site support	-	2,141	-	2,141
Analysis	-	263	1,250	263
Logistic support	-	3,000	-	6,000
Government fees	-	8,468	8,419	8,468
	76,171	13,872	111,863	22,226

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#### 3. EXPLORATION AND EVALUATION EXPENSES (CONT'D)

	Q2-21	Q2-20	Q2-21 YTD	Q2-20 YTD
	\$	\$	\$	\$
<b>Nuna Nutaaq</b>				
Geology	5,618	-	12,610	-
Analysis	-	-	469	-
Logistic support	-	3,000	-	6,000
	5,618	3,000	13,079	6,000
<b>Saarloq</b>				
Geology	4,978	546	6,620	546
	4,978	546	6,620	546
<b>Anoritooq</b>				
Geology	4,978	-	6,620	-
	4,978	-	6,620	-
<b>Sava (previously called Kangerluarsuk)</b>				
Geology	60,943	-	62,585	-
	60,943	-	62,585	-
<b>Genex</b>				
Government fees	987	-	987	961
	987	-	987	961
<b>Total</b>				
Geology	562,416	524,863	705,954	795,423
Lodging and on-site support	64,523	3,663	64,523	3,663
Underground work	18,588	23,040	18,589	45,847
Drilling	287,760	33,950	287,760	33,315
Safety and environment	-	6,568	-	6,568
Analysis	5,362	43,205	84,581	67,068
Transport	21,455	9,923	22,413	70,656
Helicopter charter	109,024	-	109,024	-
Logistic support	64,913	84,223	86,114	162,710
Insurance	45	3,287	8,707	4,513
Project Engineering costs	804,267	102,442	1,736,133	187,297
Government fees	10,380	20,353	22,766	33,074
Depreciation	49,316	57,159	98,632	114,317
<b>Total exploration and evaluation expenses</b>	<b>1,998,049</b>	<b>912,676</b>	<b>3,245,196</b>	<b>1,524,451</b>

James Gilbertson CGeol, who is a full-time employee and Managing Director of SRK Exploration Services Limited ("SRK") and a Chartered Geologist with the Geological Society of London and as such a qualified person as defined in NI 43-101, supervised the preparation of the technical information in this section.

#### 3.1 Nalunaq

As previously announced, the COVID-19 pandemic has caused significant cost escalation, uncertainty, and unprecedented interruptions to logistics. As a result, after the February 2021 announcement to suspend all development activities, only essential temporary infrastructure construction to support exploration activities is ongoing and are scheduled to be completed in the coming months 2021. As a result, all non-essential expenditures and commitments have been terminated or suspended where possible to reduce spending.

The Corporation completed a tender process with regards to the third-party engineering study and have appointed Halyard Inc. ('Halyard') a boutique engineering consulting firm based out of Toronto, Canada. Halyard was involved in the engineering and design of most of the components in the Nalunaq processing plant and comes with Greenlandic, project execution experience.

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### **3. EXPLORATION AND EVALUATION EXPENSES (CONT'D)**

The primary objective of the engineering study is to optimize the process plant and surface infrastructure for efficiencies/potential cost savings. Halyard is scheduled to provide its initial Internal Feasibility Study Report at the end of October 2021 with the final report expected by the end of the year 2021.

Any legacy procurement and contracting commitments have been reviewed and orders were placed for the Process Plant and Site Mobile fleet prior to the February 2021 announcement, are ready for delivery, and a strategy for logistics/storage is being considered.

The third-party review of the Nalunaq Resource Model by InnovExplo, a specialist in a wide range of exploration and technical services in the metals and mining industry, has been completed and have concluded that the existing resource model contains no fatal flaws. The results of the review and recommendations formed the framework of the 2021 exploration program at Nalunaq. The drilling program will also leverage the latest findings from the drilling campaigns of 2019 and 2020 to test the down-dip extension of Main Vein in the Kirkspir Valley, nearby the South and Valley Blocks.

Mine Planning, Mine Infrastructure and Mine Development will be evaluated based on the outcomes of the 2021 drilling campaign. In preparation for this evaluation, representatives from mining contractors and an underground geotechnical engineering will be conducting surface and underground site inspections in September 2021.

A condition assessment of the Bulkhead will be conducted in October 2021 to confirm the design parameters and the quality of construction after which a remediation plan will be developed. The assessment will include non-destructive pile integrity and ultrasound tests to determine the Bulkhead thickness as well as an unconfined compressive strength test of cored concrete samples.

In June 2021, site preparation for the 50-person exploration camp commenced. Construction of the camp is progressing according to plan with estimated completion by September 2021. The camp will support continuing exploration activities at Nalunaq as the weather conditions turn towards winter in the coming months. Following the camp construction, the bridge crossing the Kirkespir River will be upgraded to provide reliable access between the exploration camp and historical mine site.

#### **3.2 Vagar**

Ongoing target generation work by GoldSpot and the internal team identified several high priority targets for fieldwork in 2021. A high resolution airborne geophysical survey (magnetics and radiometrics) has begun over the entire licence area in mid-August 2021. The purpose of this work is to advance the project to a drill ready stage and prioritise targets for diamond drilling as early as 2022.

Within the Nalunaq East sub area, the Sarqaa peridotite dyke is known to host semi-massive and disseminated magmatic sulphide mineralisation, with elevated concentrations of Nickel (up to >1%), Copper (up to 6% in float samples), and Platinum Group Elements (up to 10 g/t Pd in channel samples). This mineralisation will be revisited during 2021. Further samples will be collected to confirm historic grades, and geophysical lines may be flown along the Kirkspir valley to determine the dyke's strike extension. A review of other ultramafic intrusives which occur in AEX's licences is ongoing. Prices are significantly higher than in the 1980s, when systematic exploration for Platinum Group Elements was last carried out in the region, in particular for Palladium.

#### **3.3 Tartog**

Desktop work is ongoing for the Nuuluk and Iterlak licence sub areas to prioritise targets for future drilling.

An airborne magnetic and radiometric survey is planned in September to cover the Nuuluk and Iterlak subareas with a 50 metre line spacing over priority areas and 100 metre line spacing over the remainder of the licence.

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### **3. EXPLORATION AND EVALUATION EXPENSES (CONT'D)**

#### **3.4 Naalagaaffiup Portornga**

Desktop work is ongoing in conjunction with that for the neighbouring Tartoq licence.

Any fieldwork carried out in 2021 will be focused on understanding the extent of known gold occurrences in the eastern parts of the licence, including revisiting a major unconformity where semi-massive sulphides have been reported in historic work.

#### **3.5 Nuna Nutaaq**

During the 2020 field season, AEX conducted reconnaissance mapping and a sampling program to support additional progression of the geological baseline at the Nanoq gold prospect at Kangerluluk fjord in South East Greenland (previously called Kangerluluk). Chip and channel samples were collected and dispatched to SGS Canada Inc. in Canada. The results of these samples were released in February 2021.

AEX plans to visit several targets within the licence in the 2021 field season. Structural mapping will be carried out along the main gold-bearing shear zone at Nanoq, to better understand the controls on high grade gold mineralisation ahead of future drilling programmes. Further prospecting will also be carried out away from the main shear zone, where float samples grading up to 3.8% Cu were collected in 2020, and over other metavolcanic inliers along Kangerluluk fjord.

Prospecting is also planned at the Ippatit licence which has a similar geological setting to Nalunaq and where several high priority gold targets have been recognised by GoldSpot.

At Nørrearm the graphite-sulphide horizon discovered in 2019 will be revisited with the goal of understanding the extents of mineralisation, and additional larger samples will be collected for preliminary metallurgical testwork, including characterising the flake size. Similar mineralisation has been described at Ippatit and along the main Nalunaq thrust exposed on the North face of Nalunaq mountain.

#### **3.6 Saarloq**

Several prospective targets which have been identified by GoldSpot's targeting study may be visited in the 2021 field season.

#### **3.7 Anoritooq**

Several prospective targets which have been identified by GoldSpot's targeting study will be visited in the 2021 field season. Priority targets are those on the east coast in the Kangerluluk and Igutsaat fjord areas, and north of the Vagar licence, close to the Saarloq shear zone.

Further sampling is planned at the Lake 410 gold occurrences which are hosted in a very similar geological setting to Nalunaq. A structural assessment and refinement of the geological map will be used to better understand the controls on gold mineralisation. There is potential for higher grade ore shoots to occur within the known mineralized structures, which historic drilling by Crew Gold has shown are continuous over at least a 700m strike length. AEX's current exploration model at Nalunaq is considered highly relevant in this respect, given the similarities of the mineralisation described at Lake 410.

#### **3.8 Sava (previously called Kangerluarsuk)**

Data compilation work and a literature review have been carried out since the licence was acquired in late 2020 and AEX considers this licence to be highly prospective for Iron Oxide Copper Gold (IOCG) and/or copper porphyry style mineralization. The licence is also prospective for orogenic gold mineralisation and strategic minerals including Niobium and Rare Earth Elements.

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### 3. EXPLORATION AND EVALUATION EXPENSES (CONT'D)

Historic rock chip samples have returned grades up to 3.4% Cu, 3.7% Zn, 0.28% Mo, 382 g/t Au, 100 g/t Ag, 19.9% Nb, 1.7% U.

Pervasive magnetite and hematite-mineralised granites, breccias and regional alternation signatures are described within historic reports from the area, as are common with significant global IOCG districts. IOCG / porphyry and Iron-Oxide-Apatite (IOA) deposits are common in granitic rocks of similar age and geological setting in northern Sweden, which can broadly be considered as a geological extension of South Greenland. Possible analogue deposits include Aitik and deposits in the Kiruna area. Beryl-pegmatites have been mapped in the northern part of the licence and will be investigated for their potential to host economic concentrations of beryllium and other rare metals.

Spectral remote sensing was carried out ahead of geological fieldwork which began in early July 2021. Several priority targets were identified based on the remote sensing study, a structural lineament assessment and historic geochemistry data. Approximately half of these targets have been followed up so far in the 2021 field season. Several more days of fieldwork are planned in August 2021.

An airborne magnetic and radiometric survey is planned in September 2021 over the whole licence with a line spacing of 100 metres.

#### 3.9 Additional Exploration Target Generation

Geological research is actively progressing with GoldSpot, SRK and AEX's internal team to define the resource potential within our licence area, as we continue to develop our exploration programme. In addition, there is strong geological prospectivity for other strategic minerals including copper, molybdenum, graphite, platinum group elements, REE and others across the licence portfolio and the wider region. Priority targets will be visited by AEX geoscientists in the 2021 field season.

On July 1, 2021 the Corporation announced that it has applied for a new mineral exploration licence in the Kobberrminebugt region of South Greenland covering an area of approximately 266 km<sup>2</sup>. The area hosts numerous copper-gold showings including the small past-producing Josva copper mine, which was last worked in 1914 with reported grades up to 5% Copper, 1.5 g/t Gold and 250 g/t Silver. Copper mineralisation discovered to date is found within volcanic and sedimentary sequences as disseminated stratabound sulphides, and locally enriched into layers due to strong folding or in quartz veins and breccias. Sulphide concentrations vary from 1-50% volume depending on the style of mineralisation. Some showings can be followed for several hundred metres along strike with widths of up to several metres.

Mineralisation has been interpreted as Iron-Oxide-Copper-Gold (IOCG) style by the Geological Survey of Denmark and Greenland (GEUS). The new licence is located approximately 100 km west of AEX's Sava exploration project, (formerly known as Kangerluarsuk), which is targeting granite hosted IOCG mineralisation in the Julianehåb granitic batholith. AEX believes that the region is underexplored for IOCG deposits and shows many geological similarities to the IOCG province of northern Sweden, which hosts several operating mines. Data compilation work is ongoing and priority targets may be visited in the 2021 field season, as many of the sulphide showings have not been assayed for precious metals.

The Corporation may apply for further licences in due course.

August 26, 2021

(s) "Eldur Ólafsson"  
Eldur Ólafsson  
President, CEO and Director

(s) "Jaco Crouse"  
Jaco Crouse  
CFO