



AEX Gold Inc.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2021 and 2020

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.

Independent Auditor's Report

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.

Independent Auditor's Report

- 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.F.L./S.E.N.C.R.L./LLP¹

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.

AEX Gold Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(In Canadian Dollars, except as otherwise noted)

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

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

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

AEX Gold Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(In Canadian Dollars, except as otherwise noted)

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.

AEX Gold Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(In Canadian Dollars, except as otherwise noted)

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.

AEX Gold Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(In Canadian Dollars, except as otherwise noted)

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 Corporation 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

AEX Gold Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(In Canadian Dollars, except as otherwise noted)

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.

AEX Gold Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(In Canadian Dollars, except as otherwise noted)

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's 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.

AEX Gold Inc.

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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.

AEX Gold Inc.

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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's 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.

AEX Gold Inc.

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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's 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.

AEX Gold Inc.

Notes to the Consolidated Financial Statements

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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.

AEX Gold Inc.

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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.

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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 170km² 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.

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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 292km². 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.

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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 266km² 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 818km² 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.

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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 1,710km² 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 1,889km² 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 335km² 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.

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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 78°N and west of 44°W. 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 75°N and east of 44°W. It is valid for a term of five years until December 31, 2023. Nalunaq A/S is not obligated to spend exploration expenses regarding this licence area during this period.

7. CAPITAL ASSETS

	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

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(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.

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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.

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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.

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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

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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

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15. EXPLORATION AND EVALUATION EXPENSES

2021	Nalunaq	Vagar	Tartoq	Naalagaaffiup Portornga	Nuna Nutaag	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 Nutaag	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

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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:

	As at December 31, 2021
Greenland	\$
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.

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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);

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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

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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's 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.

AEX Gold Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(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.