



AEX Gold Inc.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018



Independent auditor's report

To the Shareholders of AEX Gold Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of AEX Gold Inc. and its subsidiaries (together, the Corporation) as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Corporation's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2019 and 2018;
- the consolidated statements of comprehensive loss for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.
1250 René-Lévesque Boulevard West, Suite 2500, Montréal, Quebec, Canada H3B 4Y1
T: +1 514 205 5000, F: +1 514 876 1502



Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Corporation's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 IFRS, 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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation'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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation'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 Corporation 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 Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group 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 Marc Stéphane Pennee.

PricewaterhouseCoopers LLP¹

Montréal, Quebec
February 26, 2020

¹ CPA auditor, CA, public accountancy permit No. A123642

AEX Gold Inc.
Consolidated Statements of Financial Position

As at December 31, 2019 and 2018
(In Canadian Dollars)

	Notes	As at December 31, 2019 \$	As at December 31, 2018 \$
ASSETS			
Current assets			
Cash		1,515,406	963,788
Escrow account for environmental monitoring	5	174,864	209,695
Sales tax receivable		17,792	9,285
Prepaid expenses and others		94,883	22,280
Total current assets		1,802,945	1,205,048
Non-current assets			
Deferred share issuance costs	10	166,348	-
Escrow account for environmental monitoring	5	342,132	373,091
Mineral properties	6	41,945	35,869
Property and equipment	7	367,103	348,813
Total non-current assets		917,528	757,773
TOTAL ASSETS		2,720,473	1,962,821
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		471,069	109,918
Payables to shareholders	8	-	8,234
Environmental monitoring provision	9	174,864	209,695
Total liabilities		645,933	327,847
Equity			
Capital stock	11	13,883,611	10,058,355
Warrants	12	1,459,604	321,788
Contributed surplus		1,535,400	956,800
Accumulated other comprehensive loss		(36,772)	(36,772)
Deficit		(14,767,303)	(9,665,197)
Total equity		2,074,540	1,634,974
TOTAL LIABILITIES AND EQUITY		2,720,473	1,962,821

Going concern 1

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) George Fowlie
George Fowlie
Director

AEX Gold Inc.

Consolidated Statements of Comprehensive Loss

For the years ended December 31, 2019 and 2018

(In Canadian Dollars)

	Notes	2019	2018
		\$	\$
Expenses			
Exploration and evaluation expenses	16	3,557,662	2,185,493
General and administrative	17	950,946	1,085,630
Stock-based compensation	13	578,600	438,170
Short form prospectus expenses	18	-	322,701
Foreign exchange		38,365	(8,249)
Operating loss		5,125,573	4,023,745
Other expenses (income)			
Interest income		(30,337)	(10,640)
Finance costs	19	6,870	10,215
Net loss and comprehensive loss		(5,102,106)	(4,023,320)
Weighted average number of common shares outstanding - basic and diluted		64,529,667	53,734,961
Basic and diluted loss per common share	21	(0.08)	(0.08)

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, 2019 and 2018

(In Canadian Dollars)

	Notes	Number of common shares outstanding	Capital stock	Warrants	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total equity
Balance, January 1, 2018		49,592,500	6,696,759	273,889	518,630	(36,772)	(5,641,877)	1,810,629
Net loss and comprehensive loss		-	-	-	-	-	(4,023,320)	(4,023,320)
Shares issuance under private placements	11	8,195,999	3,503,990	-	-	-	-	3,503,990
Warrants issuance under a private placement	12	-	(47,899)	47,899	-	-	-	-
Share issuance costs	11	-	(94,495)	-	-	-	-	(94,495)
Stock-based compensation	13	-	-	-	438,170	-	-	438,170
Balance, December 31, 2018		57,788,499	10,058,355	321,788	956,800	(36,772)	(9,665,197)	1,634,974
Balance, January 1, 2019		57,788,499	10,058,355	321,788	956,800	(36,772)	(9,665,197)	1,634,974
Net loss and comprehensive loss		-	-	-	-	-	(5,102,106)	(5,102,106)
Shares and warrants issuance under private placements	11	13,157,895	3,853,718	1,146,282	-	-	-	5,000,000
Share issuance costs	11	-	(28,462)	(8,466)	-	-	-	(36,928)
Stock-based compensation	13	-	-	-	578,600	-	-	578,600
Balance, December 31, 2019		70,946,394	13,883,611	1,459,604	1,535,400	(36,772)	(14,767,303)	2,074,540

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, 2019 and 2018

(In Canadian Dollars)

	Notes	2019 \$	2018 \$
Operating activities			
Net loss		(5,102,106)	(4,023,320)
Adjustments for:			
Depreciation	7	172,186	114,593
Stock-based compensation	13	578,600	438,170
Finance costs	19	6,870	10,215
Payment from cash held in escrow account for environmental monitoring	5	(28,846)	(85,015)
Escrow account for environmental monitoring	9	28,846	85,015
Foreign exchange		33,839	(8,623)
		(4,310,611)	(3,468,965)
Changes in non-cash working capital items:			
Sales tax receivable		(8,507)	9,564
Prepaid expenses and others		(72,655)	29,611
Trade and other payables		241,951	(145,967)
Payables to shareholders		(8,234)	(8,222)
		152,555	(115,014)
Cash flow used in operating activities		(4,158,056)	(3,583,979)
Investing activities			
Acquisition of mineral properties	6	(6,076)	(6,334)
Acquisition of property and equipment	7	(190,476)	(303,298)
Cash flow used in investing activities		(196,552)	(309,632)
Financing activities			
Shares and warrants issuance	11	5,000,000	3,503,990
Share issuance costs	11	(36,928)	(110,743)
Deferred share issuance costs	10	(45,617)	-
Cash flow from financing activities		4,917,455	3,393,247
Net change in cash before effects of exchange rate changes on cash		562,847	(500,364)
Effects of exchange rate changes on cash		(11,229)	(1,125)
Net change in cash		551,618	(501,489)
Cash, beginning		963,788	1,465,277
Cash, ending		1,515,406	963,788
Supplemental cash flow information			
Interest received		30,337	10,640
Deferred share issuance costs included in trade and other payables		120,731	-

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, 2019 and 2018

(In Canadian Dollars, except as otherwise noted)

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

AEX Gold Inc. (the "Corporation") was incorporated on February 22, 2017 under the *Canada Business Corporations Act*. The Corporation's head office is situated at 123 Front Street West, suite 905, Toronto, Ontario, M5J 2M2, Canada. The Corporation operates in one industry segment, being the acquisition, exploration and development of mineral properties. It owns interests in properties located in Greenland. The Corporation's financial year ends on December 31. Since July 2017, the Corporation's shares are listed on the TSX Venture Exchange (the "Exchange") under the AEX ticker.

These consolidated financial statements ("Financial Statements") were reviewed and authorized for issue by the Board of Directors on February 26, 2020.

1.1 Basis of presentation and consolidation

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 as issued by the International Accounting Standards Board ("IFRS").

1.2 Going concern

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

The Corporation recorded a loss of \$5,102,106 for 2019 (\$4,023,320 for 2018) and has an accumulated deficit of \$14,767,303 as at December 31, 2019 (\$9,665,197 as at December 31, 2018). In addition to ongoing working capital requirements, the Corporation must secure sufficient funding to meet its other obligations, existing commitments for the exploration and evaluation programs including the unspent amount on the Tartoq Licence, Naalagaaffiup Portornga Licence, Vagar Licence, Nuna Nutaaq Licence discussed in Note 6 and pay general and administration costs. As at December 31, 2019, the Corporation had a working capital of \$1,157,012 (\$877,201 as at December 31, 2018). These conditions indicate the existence of material uncertainties that may cast a significant doubt regarding the Corporation's ability to continue as a going concern.

AEX Gold Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

(In Canadian Dollars, except as otherwise noted)

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

The Corporation' ability to continue as a going concern is dependent upon its ability to raise additional financing to further explore its mineral properties. The completion of the private placements in June 2019, contributed to such financing. While Management has secured financing in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Corporation or that they will be available on terms which are acceptable to the Corporation. If Management is unable to obtain new funding, the Corporation may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in these Financial Statements and this could have a significant impact on the financial position of the Corporation, its financial performance and its cash flows.

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

2. 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 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.

When a foreign operation is sold, such exchange differences are recognized in the statement of comprehensive loss as part of the gain or loss on sale.

2.3 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.

AEX Gold Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

(In Canadian Dollars, except as otherwise noted)

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

Exploration and evaluation expenses ("E&E expenses") also typically include costs associated with prospecting, sampling, trenching, drilling and other work involved in searching for ore such as topographical, geological, geochemical and geophysical studies. Generally, expenditures relating to exploration and evaluation activities are expensed as incurred. Capitalization of E&E expenses commences when a mineral resource estimate has been obtained for an area of interest.

E&E expenses include costs related to establishing the technical and commercial viability of extracting a mineral resource identified through exploration or acquired through a business combination or asset acquisition. E&E include the cost of:

- establishing the volume and grade of deposits through drilling of core samples, trenching and sampling activities in an ore body that is classified as either a mineral resource or a proven and probable reserve;
- determining the optimal methods of extraction and metallurgical and treatment processes, including the separation process, for Corporation' mining properties;
- studies related to surveying, transportation and infrastructure requirements;
- permitting activities; and
- economic evaluations to determine whether development of the mineralized material is commercially justified, including scoping, prefeasibility and final feasibility studies.

When a mine project moves into the development phase, E&E expenses are capitalized to mine development costs. An impairment test is performed before reclassification and any impairment loss is recognized in the consolidated statement of comprehensive loss.

E&E include overhead expenses directly attributable to the related activities.

The Corporation has taken steps to verify the validity of title to mineral properties on which it is conducting exploration activities and is acquiring interests in accordance with industry standards that apply to the current stage of exploration and evaluation of such property. However, these procedures do not guarantee the Corporation' title, as property title may be subject to unregistered prior agreements, aboriginal claims or noncompliance with regulatory requirements.

2.4 Property and equipment

Property and equipment 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.

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 property and equipment 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 years
Vehicles and rolling stock	3 years
Equipment	3 years

Depreciation of property and equipment, 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.

AEX Gold Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

(In Canadian Dollars, except as otherwise noted)

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

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 property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are recorded in the consolidated statement of comprehensive loss.

2.5 Impairment of non-financial assets

Mineral properties and property and equipment are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. Mineral properties and property and equipment 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.

2.6 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.

2.7 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.

AEX Gold Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

(In Canadian Dollars, except as otherwise noted)

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

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
- 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.

2.8 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 represents 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.

AEX Gold Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

(In Canadian Dollars, except as otherwise noted)

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

Costs related to shares not yet issued are recorded as deferred share issuance costs. These costs are deferred until the issuance of the shares to which the costs relate to, at which time the costs will be charged against the related share capital or charged to operations if the shares are not issued.

Proceeds from unit placements are allocated between shares and warrants issued on a pro-rata basis of their value within the unit using the Black-Scholes pricing model.

2.9 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.

2.10 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").

In situations where equity instruments are issued for goods or services, the transaction is measured at the fair value of the goods or services received by the entity. When the value of the goods or services cannot be specifically identified, they are measured at fair value of the share-based payment. The costs of equity-settled transactions with employees 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.

2.11 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 2019 and 2018, all the outstanding common share equivalents were anti-dilutive.

2.12 Financial instruments

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the financial instrument.

AEX Gold Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

(In Canadian Dollars, except as otherwise noted)

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

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.

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.

2.12.1 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.

2.12.2 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.

2.12.3 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.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018
(In Canadian Dollars, except as otherwise noted)

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

2.13 Segment disclosures

The Corporation operates in one industry segment, being the acquisition, exploration and evaluation of mineral properties. All of the Corporation' activities are conducted in Greenland.

3. CHANGES IN ACCOUNTING POLICIES

3.1 Accounting standards issued but not yet effective

The Corporation has not yet adopted certain standards, interpretations to existing standards and amendments that have been issued but have an effective date of later than January 1, 2020. All of these updates are not relevant to the Corporation and are therefore not discussed herein.

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 Going concern

The assessment of the Corporation' ability to execute its strategy by funding future working capital requirements involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future cash flows from operations and events that are believed to be reasonable under the circumstances.

4.2 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.

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.

AEX Gold Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

(In Canadian Dollars, except as otherwise noted)

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

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs must be determined. Identifying the cash-generating units requires considerable management judgment. In testing an individual asset or cash-generating unit for impairment and identifying a reversal of impairment losses, Management estimates the recoverable amount of the asset or the cash-generating unit. This requires management to make several assumptions as to future events or circumstances. These assumptions and estimates are subject to change if new information becomes available. Actual results with respect to impairment losses or reversals of impairment losses could differ in such a situation and significant adjustments to the Corporation' assets and earnings may occur during the next period.

4.3 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.

4.4 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

4.5 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.

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.

AEX Gold Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

(In Canadian Dollars, except as otherwise noted)

5. ESCROW ACCOUNT FOR ENVIRONMENTAL MONITORING (CONT'D)

	2019	2018
	\$	\$
Balance beginning	582,786	643,517
Effect of translation	(36,944)	24,284
Payment for environmental monitoring work	(28,846)	(85,015)
Balance ending	516,996	582,786
Non-current portion – escrow account for environmental monitoring	(342,132)	(373,091)
Current portion – escrow account for environmental monitoring	174,864	209,695

6. MINERAL PROPERTIES

	As at December 31, 2018	Additions	As at December 31, 2019
	\$	\$	\$
Nalunaq	1	-	1
Tartog	18,431	-	18,431
Vagar	11,103	-	11,103
Naalagaaffiup Portornga	6,334	-	6,334
Nuna Nutaaq	-	6,076	6,076
Total mineral properties	35,869	6,076	41,945

	As at December 31, 2017	Additions	As at December 31, 2018
	\$	\$	\$
Nalunaq	1	-	1
Tartog	18,431	-	18,431
Vagar	11,103	-	11,103
Naalagaaffiup Portornga	-	6,334	6,334
Total mineral properties	29,535	6,334	35,869

6.1 Nalunaq

Nalunaq A/S holds the gold exploitation licence number 2003/05 on the Nalunaq property (the “Nalunaq Licence”) located in South West Greenland. The licence expires in April 2033 with an extension possible up to 20 years.

6.1.1 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”). Under the Project Schedules, the following collaboration conditions are defined:

AEX Gold Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

(In Canadian Dollars, except as otherwise noted)

6. MINERAL PROPERTIES (CONT'D)

- 1) ARC shall undertake an exploration program in the summer of 2015.
- 2) The activities will consist of progressing the work programs approved by the Mineral Licence and Safety Authority in Greenland ("MLSA") in respect of the Nalunaq Licence in 2015 and 2016, providing assistance as may be required in connection with the IPO and manage Nalunaq A/S.
- 3) The Project Schedules are in effect up to the earliest of i) the completion of the IPO, ii) June 30, 2017 and iii) the date on which the 2016-2017 Project Schedule is terminated in accordance with the Collaboration Agreement.

In preparation for the Pre-IPO Reorganization, an agreement was signed on May 30, 2017 between ARC, AEX Gold Limited, FBC Mining and Nalunaq A/S whereby the 2016-2017 Project Schedule effective date was extended up to July 31, 2017.

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

Under Addendum No. 2 of the Nalunaq Licence dated March 2016 and as subsequently amended with Addendum No. 3 dated May 2016, Nalunaq A/S is committed to perform exploration activities for an estimated amount of US\$1,750,000 in 2016 and US\$9,600,000 from January 1, 2017 to December 31, 2018, for a total of US\$11,350,000.

AEX Gold Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

(In Canadian Dollars, except as otherwise noted)

6. MINERAL PROPERTIES (CONT'D)

On March 27, 2017, the MLSA confirmed that the Government of Greenland had approved that the outstanding exploration obligation initially scheduled to be incurred by December 31, 2016 (sub period 2) be carried forward to the ensuing licence period. As a result, Nalunaq A/S is committed to perform specific exploration activities stated in Addendum No. 3 and as subsequently confirmed with Addendum No. 4 (dated June 2017 which was signed by the Government of Greenland and therefore became effective on December 5, 2017) totaling an estimated amount of US\$10,259,000 by no later than December 31, 2018 (sub period 3). This US\$10,259,000 takes into account the Addendum No. 3 obligation totaling an estimated amount of US\$11,350,000 less the US\$1,091,000 expenditures of 2016 calculated in line with the MLSA guidelines. For the purpose of crediting expenditures for MLSA purposes, actual expenditures are multiplied by a factor of between 1.5 and 3, depending upon the type of expenditures made.

Nalunaq A/S has submitted its statements of expenses in the amount of US\$6,216,606 for the Nalunaq Licence for the 2017 and 2018 years to the MLSA. After review, the MLSA has approved Nalunaq A/S' transition to the subsequent period (sub period 4) without a rollover of the unspent amount of US\$4,042,394.

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.

The MLSA has forwarded a recommendation to the Government of Greenland to approve to extend the requirement dates to perform the following tasks. No later than December 31, 2022, the licensee shall submit a report on a bankable feasibility study, 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.

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 expires December 31, 2019 with a possible 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 shall be effective from the date when it is signed by the Government of Greenland.

6.2.2 Exploration commitments

Under the exploration licence, Nalunaq A/S shall complete DKK 967,600 of exploration activities in 2019, adding the non-fulfilled exploration obligation 2018 of DKK 972,720 and the credit from 2017 of DKK 509,813, for a total of DKK 1,430,507 (\$279,451 using the exchange rate as at December 31, 2019) exploration obligation in 2019 which was confirmed by MLSA. 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 must submit its statements of expenses for the Tartoq exploration licence for the 2019 year to the MLSA by April 1, 2020.

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 expires December 31, 2022 with a possible 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.

AEX Gold Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

(In Canadian Dollars, except as otherwise noted)

6. MINERAL PROPERTIES (CONT'D)

6.3.2 Exploration commitments

Under the exploration licence, Nalunaq A/S shall complete DKK 442,800 of exploration activities in 2019, adding the non-fulfilled exploration obligation 2018 of DKK 445,500, for a total of DKK 888,300 (\$173,530 using the exchange rate as at December 31, 2019) exploration obligation in 2019 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 must submit its statements of expenses for the Naalagaaffiup Portornga exploration licence for the 2019 year to the MLSA by April 1, 2020.

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 expires December 31, 2021 with a possible 6 year extension.

6.4.2 Exploration commitments

For the Vagar Licence the exploration commitment for 2018 is nil as confirmed in Addendum No. 7 to the Vagar Licence signed by the Corporation on January 22, 2018 which became effective upon the Greenland authorities executing the document on February 19, 2018.

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 shall be effective from the date when it is signed by the Government of Greenland.

Under the exploration licence and the new size of the area covered by the licence, Nalunaq A/S shall complete DKK 21,840,800 of exploration activities in 2019, reducing by the credits from 2012, 2013, 2014 and 2018 of DKK 21,193,355, for a total of DKK 647,445 (\$126,479 using the exchange rate as at December 31, 2019) exploration obligation in 2019. 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 must submit its statements of expenses for the Vagar exploration licence for the 2019 year to the MLSA by April 1, 2020.

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 License 2019/113 Nuna Nutaaq. The license application has been approved and all required documentation was signed by the Corporation on September 13, 2019 and the license became effective on September 26, 2019 when it was signed by the Government of Greenland.

AEX Gold Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

(In Canadian Dollars, except as otherwise noted)

6. MINERAL PROPERTIES (CONT'D)

6.5.2 Exploration commitments

The exploration commitments for this new exploration Licence is DKK 600,240 (\$117,257 using the exchange rate as at December 31, 2019) in 2019. 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 must submit its statements of expenses for the Nuna Nutaaq exploration licence for the 2019 year to the MLSA by April 1, 2020.

6.6 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. 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. PROPERTY AND EQUIPMENT

	Exploration and evaluation			
	Field equipment and infrastructure	Vehicles and rolling stock	Equipment	Total
	\$	\$	\$	\$
2018				
Opening net book value	16,667	143,441	-	160,108
Additions	187,361	115,937	-	303,298
Depreciation	(37,894)	(76,699)	-	(114,593)
Closing net book value	166,134	182,679	-	348,813
As at December 31, 2018				
Cost	207,361	288,066	-	495,427
Accumulated depreciation	(41,227)	(105,387)	-	(146,614)
Closing net book value	166,134	182,679	-	348,813
2019				
Opening net book value	166,134	182,679	-	348,813
Additions	179,962	-	10,514	190,476
Depreciation	(74,119)	(96,023)	(2,044)	(172,186)
Closing net book value	271,977	86,656	8,470	367,103
As at December 31, 2019				
Cost	387,323	288,066	10,514	685,903
Accumulated depreciation	(115,346)	(201,410)	(2,044)	(318,800)
Closing net book value	271,977	86,656	8,470	367,103

AEX Gold Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

(In Canadian Dollars, except as otherwise noted)

7. PROPERTY AND EQUIPMENT (CONT'D)

Depreciation of property and equipment related to exploration and evaluation properties is being recorded in exploration and evaluation expenses in the consolidated statement of comprehensive loss, under depreciation. Depreciation of \$172,186 (\$114,593 – 2018) was expensed as exploration and evaluation expenses in 2019.

8. PAYABLES TO SHAREHOLDERS

Amounts payable to shareholders for cost recoveries related to management and professional services are detailed as follow:

	As at December 31, 2019	As at December 31, 2018
	\$	\$
Shareholders payables		
FBC Mining (BA) Ltd.	-	8,234
	-	8,234

FBC Mining BA Ltd. ("FBC BA") is a subsidiary of FBC Mining (75%) and ARC (25%). Amounts due to shareholders are unsecured, non-interest bearing.

9. ENVIRONMENTAL MONITORING PROVISION

	2019	2018
	\$	\$
Balance beginning	209,695	273,073
Effect of translation	(12,855)	11,422
Payment from cash held in escrow account for environmental monitoring	(28,846)	(85,015)
Accretion expense	8,980	10,882
Change in estimates	(2,110)	(667)
Balance ending	174,864	209,695
Non-current portion – environmental monitoring provision	-	-
Current portion – environmental monitoring provision	174,864	209,695

The estimated undiscounted cash flows required to settle the environmental monitoring obligations attached to the Nalunaq Licence are DKK 905,618 (\$176,913) as at December 31, 2019. Nalunaq A/S is reviewing, at each period, the amount and the expected timing of payment of the cash flows required to settle the obligations and adjusts the environmental monitoring provision accordingly. The key assumptions applied to determine the environmental monitoring provision is a discount rate of 4.69% (4.99% as at December 31, 2018) and the calculation uses the assumption that the disbursements necessary to settle the obligations would be made in 2020, half year later than as estimated in the environmental monitoring program produced for the Ministry of Environment and Nature of the Government of Greenland.

10. POTENTIAL AIM LISTING

The Corporation is in the preliminary stages of considering an additional listing on the AIM market of the London Stock Exchange plc ("AIM"), alongside its current listing on the Exchange. As at December 31, 2019, the Corporation has incurred in this process, deferred share issuance costs of \$166,348.

AEX Gold Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

(In Canadian Dollars, except as otherwise noted)

11. SHARE CAPITAL

11.1 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.

11.2 Private placements

a) May 2018

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

In connection with the private placement, \$32,901 finders fees were paid and 184,227 non-transferable finders warrants were issued. The finder's warrants are exercisable at any time up to 24 months following the closing of the private placement at \$0.45 per share. Insiders of the Corporation purchased an aggregate of 986,111 common shares for \$443,750 (note 22).

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

b) October 2018

On October 9, 2018, the Corporation completed a non-brokered private placement by issuing 2,631,577 common shares at a price of \$0.38 per share, for gross proceeds to the Corporation of \$1,000,000. Share issue costs amounted to \$5,750. Insiders of the Corporation purchased an aggregate of 759,905 common shares for \$288,764 (note 22).

c) June 2019

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

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

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

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

Insiders of the Corporation purchased an aggregate of 1,337,173 units for \$508,126 (note 22).

AEX Gold Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

(In Canadian Dollars, except as otherwise noted)

12. WARRANTS

12.1 Warrants

Changes in the Corporation's warrants are as follow:

	2019		
	Number of warrants	Carrying Value	Weighted average exercise price
		\$	\$
Balance, beginning	-	-	-
Issued (note 11)	13,157,895	1,137,816	0.45
Balance, end	13,157,895	1,137,816	0.45

Warrants outstanding and exercisable as at December 31, 2019 are as follows:

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

12.2 Agent warrants

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

	2019			2018		
	Number of warrants	Carrying Value	Weighted average exercise price	Number of warrants	Carrying Value	Weighted average exercise price
		\$	\$	\$	\$	\$
Balance, beginning	1,067,739	321,788	0.49	883,512	273,889	0.50
Issued (note 11)	-	-	-	184,227	47,899	0.45
Balance, end	1,067,739	321,788	0.49	1,067,739	321,788	0.49

Agent and finders warrants outstanding and exercisable as at December 31, 2019 are as follows:

Number of warrants outstanding and exercisable	Exercise price	Expiry date
	\$	
184,227	0.45	May 14, 2020
883,512	0.50	July 13, 2020
1,067,739		

AEX Gold Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

(In Canadian Dollars, except as otherwise noted)

13. STOCK OPTIONS

An incentive stock option plan (the "Plan") was approved initially in 2017 and renewed by shareholders on June 5, 2019. The Plan is a "rolling" plan whereby a maximum of 10% of the issued shares at the time of the grant are reserved for issue under the Plan to executive officers and directors, employees and consultants. The Board of directors attributes the stock options and the exercise price of the options shall not be less than the closing price on the last trading day preceding the grant date. The options have a maximum term of ten years. Options granted pursuant to the Plan shall vest and become exercisable at such time or times as may be determined by the Board, except options granted to consultants providing investor relations activities shall vest in stages over a 12 month period with a maximum of one-quarter of the options vesting in any three-month period. The Corporation has no legal or constructive obligation to repurchase or settle the options in cash.

On August 22, 2018, the Corporation granted to its directors, officers and consultants 1,660,000 stock options exercisable at an exercise price of \$0.45, valid for 5 years. The stock options vest 100% at the grant date. Those options were granted at an exercise price over to the closing market value of the shares the previous day of the grant. Total stock-based compensation costs amount to \$431,600 for an estimated fair value of \$0.26 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 89.12% expected volatility, 2.18% risk-free interest rate and 5 years options expected life. The expected life and expected volatility were estimated by benchmarking comparable situations for companies that are similar to the Corporation.

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

Changes in stock options are as follow:

	2019		2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning	3,020,000	\$ 0.47	1,410,000	\$ 0.50
Granted	2,630,000	0.38	1,660,000	0.45
Expired	-	-	(50,000)	0.59
Balance, end	5,650,000	0.43	3,020,000	0.47

Stock options outstanding and exercisable as at December 31, 2019 are as follows:

Number of options outstanding and exercisable	Exercise price	Expiry date
	\$	
1,360,000	0.50	July 13, 2022
1,660,000	0.45	August 22, 2023
2,630,000	0.38	December 31, 2025
5,650,000		

AEX Gold Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

(In Canadian Dollars, except as otherwise noted)

14. 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. Refer to consolidated statement of changes in equity for explanations regarding changes to capital between December 31, 2019 and 2018.

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.

15. EMPLOYEE REMUNERATION

Salaries

	2019	2018
	\$	\$
Salaries	642,421	255,894
Director's fees	56,250	18,750
Benefits	83,745	26,188
	782,416	300,832
Less : salaries and benefits presented in E&E expenses	(726,166)	(282,082)
Salaries disclosed in general and administrative expenses	56,250	18,750

16. EXPLORATION AND EVALUATION EXPENSES

2019	Nalunaq	Vagar	Tartoq	Naalagaaffiup Portornga	Nuna Nutaaq	Genex	Total
	\$	\$	\$	\$	\$	\$	\$
Geology	822,113	118,858	70,763	71,382	9,626	8,896	1,101,638
Lodging and on-site support	308,754	-	-	-	-	-	308,754
Underground works	12,500	-	-	-	-	-	12,500
Drilling	229,473	-	-	-	-	-	229,473
Safety and environment	29,900	-	-	-	-	-	29,900
Analysis	45,558	-	-	-	-	-	45,558
Transport	312,513	-	-	-	-	-	312,513
Helicopter Charter	-	18,768	-	-	9,130	-	27,898
Logistic support	182,430	26,086	20,487	15,801	2,000	-	246,804
Insurance	38,512	-	-	-	-	-	38,512
Maintenance infrastructure	992,539	-	-	-	-	-	992,539
Government fees	17,963	14,651	980	-	-	5,793	39,387
Depreciation	172,186	-	-	-	-	-	172,186
Exploration and evaluation expenses	3,164,441	178,363	92,230	87,183	20,756	14,689	3,557,662

AEX Gold Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

(In Canadian Dollars, except as otherwise noted)

16. EXPLORATION AND EVALUATION EXPENSES (CONT'D)

2018	Nalunaq	Vagar	Total
	\$	\$	\$
Geology	408,419	-	408,419
Lodging and on-site support	556,922	-	556,922
Drilling	455,663	-	455,663
Analysis	55,798	3,709	59,507
Transport	423,877	5,235	429,112
Logistic support	144,217	-	144,217
Government fees	7,699	9,361	17,060
Depreciation	114,593	-	114,593
Exploration and evaluation expenses	2,167,188	18,305	2,185,493

17. GENERAL AND ADMINISTRATIVE

	2019	2018
	\$	\$
Management and consulting fees	298,885	370,318
Director's fees	56,250	18,750
Professional fees	300,017	354,636
Marketing and industry involvement	160,199	153,331
Insurance	40,029	63,902
Travel and other expenses	71,674	98,181
Regulatory fees	23,892	26,512
General and administrative	950,946	1,085,630

18. SHORT FORM PROSPECTUS EXPENSES

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

19. FINANCE COSTS

	2019	2018
	\$	\$
Accretion expense - environmental monitoring provision	8,980	10,882
Change in estimates - environmental monitoring provision	(2,110)	(667)
Finance costs	6,870	10,215

AEX Gold Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

(In Canadian Dollars, except as otherwise noted)

20. 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:

	2019	2018
	\$	\$
Net loss before income taxes	(5,102,105)	(4,023,320)
Income tax rates	26.5%	26.5%
Income tax recovery based on Canadian statutory and Greenlandic income tax rates	(1,352,058)	(1,066,180)
Increase (decrease) attributable to:		
Non deductible expenses	154,345	117,175
Difference in statutory tax rate	(132,014)	(84,278)
Changes in unrecognized deferred tax assets	1,329,727	1,033,283
Tax recovery	-	-

The analysis of the Corporation's deferred tax assets and liabilities as at December 31, 2019 and 2018 is as follows:

	2019	2018
	\$	\$
Deferred tax assets (liabilities):		
Deferred share issuance costs	(8,816)	-
Property and equipment	(11,765)	(20,193)
Non-capital losses	20,581	20,193
	-	-

The Corporation has recorded 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, 2019 are as follows:

Greenland	As at December 31, 2019
	\$
Non-capital losses carry forwards	10,640,242

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

Canada	As at December 31, 2019
	\$
Non-capital losses carry forwards expiring in 2038	931,764
Non-capital losses carry forwards expiring in 2039	1,272,338
Non-capital losses carry forwards expiring in 2040	1,210,346

AEX Gold Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

(In Canadian Dollars, except as otherwise noted)

21. NET LOSS PER SHARE

The calculation of basic and diluted net loss per share for the year ended December 31, 2019, was based on the net loss attributable to shareholders of \$5,102,106 (\$4,023,320 for the year ended December 31, 2018) and the weighted average number of common shares outstanding for the year ended December 31, 2019 of 64,529,667 (53,734,961 for the year ended December 31, 2018). As a result of the net loss for the years ended December 31, 2019 and 2018, 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.

22. 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, the Vice-President Operations and Logistic and the Corporate Secretary. Key management compensation is as follows:

	2019	2018
	\$	\$
Short-term benefits		
Management and consulting fees	298,885	370,318
Professional fees included in the deferred share issuance costs	9,638	-
Professional fees	59,783	41,963
Professional fees included in the short form prospectus expenses	-	12,712
Professional fees included in the E&E expenses	76,680	48,683
Salaries and benefits included in E&E expenses	-	10,891
Director's fees	56,250	18,750
Long-term benefits		
Stock-based compensation (note 13)	572,000	429,000
Total compensation	1,073,236	932,317

The compensation of the Corporate Secretary is charged through FBC BA for \$50,099 for 2019 (\$45,353 for 2018).

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 company in which the President and Chief Executive Officer holds shares charged exploration work and equipment amounting to \$19,666 (\$99,079 in 2018);
- A firm in which a director is a partner charged legal professional fees for \$15,350 (\$10,121 in 2018);
- A company controlled by an officer charged accounting professional fees of \$127,180 (\$113,518 in 2018) for her staff;
- A company controlled by an officer (appointed July 9, 2019) charged engineering professional fees of \$186,720 for his staff (nil in 2018). The officer is the son of a director;
- Two engineering consultants (both the sons of a director and the brothers of an officer), have been paid \$77,365 (nil in 2018).
- A company controlled by a director charged engineering professional fees of \$62,213 (nil in 2018);
- The Vice-President Operations and Logistic ceased to be a member of management on January 1, 2019 and has signed a consulting agreement on the same date. No charges were invoiced in 2019 (\$91,293 in 2018);
- As at December 31, 2019, the balance due to those related parties listed above and in the compensation to key management amounted to \$144,063 (\$40,972 as at December 31, 2018).

Following are the related party transactions, outside of the normal course of operations:

- Directors and officers of the Corporation participated in the June 28, 2019 private placement for \$508,126 (\$182,514 in 2018) while AEX Gold Limited participated for nil (\$550,000 in 2018). The directors and officers as well as AEX Gold Limited subscribed to the private placements in 2019 and 2018 under the same terms and conditions set forth all subscribers.

AEX Gold Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

(In Canadian Dollars, except as otherwise noted)

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

- Key management are subject to employment or consulting agreements which provide for payments on termination, without cause or following a change of control, providing for payments up to twice base salary or consulting fees.

23. 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.

23.1 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.

23.2 Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation seeks to ensure that it has sufficient capital to meet short-term financial obligations after taking into account its exploration and operating obligations and cash on hand. The Corporation anticipates seeking additional financing in order to fund general and administrative costs and exploration and evaluation costs. The Corporation' options to enhance liquidity include the issuance of new equity instruments or debt (refer to note 1 for going concern discussion).

The following table summarizes the carrying amounts and contractual maturities of financial liabilities:

	As at December 31, 2019	As at December 31, 2018	
	Trade and other payables	Trade and other payables	Payables to shareholders
	\$	\$	\$
Within 1 year	471,069	109,918	8,234
1 to 5 years	-	-	-
Total	471,069	109,918	8,234

23.3 Currency risk

As at December 31, 2019, 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.

AEX Gold Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

(In Canadian Dollars, except as otherwise noted)

23. FINANCIAL INSTRUMENTS (CONT'D)

The Corporation had the following balances in currencies:

As at December 31, 2019	In DKK	In Euros	In US\$	In GBP
Cash	272,320	209	752	-
Escrow account for environmental monitoring	2,646,497	-	-	-
Prepaid expenses and others	257,592	-	-	-
Trade and other payables	(726,684)	-	-	(49,223)
Payables to shareholders	-	-	-	-
Environmental monitoring provision ⁽¹⁾	(895,125)	-	-	-
	1,554,600	209	752	(49,223)
Exchange rate	0.1954	1.4597	1.3016	1.7161
Equivalent to CAD	303,769	305	979	(84,472)

⁽¹⁾ The provision is not a financial instrument but is considered a DKK exposure for currency risk management purposes.

Based on the above net exposures as at December 31, 2019, 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 \$22,059.

As at December 31, 2018	In DKK	In Euros	In US\$	In GBP
Cash	240,818	6,953	8,634	-
Escrow account for environmental monitoring	2,789,997	-	-	-
Prepaid expenses and others	4,541	-	-	-
Trade and other payables	(147,677)	(4,373)	-	(12,387)
Payables to shareholders	-	-	(680)	(4,744)
Environmental monitoring provision ⁽¹⁾	(1,003,881)	-	-	-
	1,883,798	2,580	7,954	(17,131)
Exchange rate	0.2089	1.5598	1.3630	1.7357
Equivalent to CAD	393,525	4,024	10,841	(29,734)

⁽¹⁾ The provision is not a financial instrument but is considered a DKK exposure for currency risk management purposes.

Based on the above net exposures as at December 31, 2018, 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 \$37,866.

23.4 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 2019, the Corporation' financial instruments are cash, escrow account for environmental monitoring and trade and other payables. 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.