



# **AEX Gold Inc.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**QUARTERLY HIGHLIGHTS**

Six months ended June 30, 2020

# AEX Gold Inc.

## Management Discussion & Analysis – Quarterly Highlights

Six months ended June 30, 2020

The following quarterly highlights management discussion and analysis (the “MD&A”) should be read in conjunction with the unaudited condensed interim consolidated financial statements of AEX Gold Inc. (the “Corporation” or “AEX”) for the six months ended June 30, 2020 prepared in accordance with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) as well as with the MD&A for the year ended December 31, 2019. All figures are in Canadian dollars unless otherwise noted. This MD&A is current as of August 26, 2020.

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

Abbreviation	Period
Q1-19	January 1, 2019 to March 31, 2019
Q2-19	April 1, 2019 to June 30, 2019
Q2-19 YTD	January 1, 2019 to June 30, 2019
Q3-19	July 1, 2019 to September 30, 2019
Q4-19	October 1, 2019 to December 31, 2019
2019	January 1, 2019 to December 31, 2019
Q1-20	January 1, 2020 to March 31, 2020
Q2-20	April 1, 2020 to June 30, 2020
Q2-20 YTD	January 1, 2020 to June 30, 2020
Q3-20	July 1, 2020 to September 30, 2020
Q4-20	October 1, 2020 to December 31, 2020
2020	January 1, 2020 to December 31, 2020

### 1. NATURE OF ACTIVITIES

AEX was incorporated on February 22, 2017 under the *Canada Business Corporations Act*. The Corporation’s head office is situated at 3400, One First Canadian Place, P.O. Box 130, Toronto, Ontario, M5X 1A4, Canada. The Corporation operates in one industry segment, being the acquisition, exploration and development of mineral properties. It owns interests in properties located in Greenland. Since July 2017, the Corporation’s shares are listed on the TSX Venture Exchange (the “Exchange”) 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 (see section 2.2).

### 2. CORPORATE UPDATE

#### 2.1 Financial Highlights

The Corporation reported a net loss of \$3,408,569 in Q2-20 YTD compared to \$1,075,130 for Q2-19 YTD. The main variations are as follows:

- Exploration and evaluation expenses of \$1,524,451 (\$565,822 in Q2-19 YTD) (see section exploration and evaluation expenses for details).
- General and administrative of \$881,550 (\$493,796 in Q2-19 YTD).
  - Management and consulting fees of \$282,441 (\$139,800 in Q2-19 YTD), driven by an increase in corporate activity as a result of adding additional full-time members of management and the appointment of the new CFO. Bonuses were also paid in Q2-20 to reward good work during the year.
  - Director’s fees of \$50,000 (\$18,750 in Q2-19 YTD), with the increase a result of the Corporation deciding to reintroduce director’s fees in Q2-19 and an increase in director fees for the Chairman of the Board in 2020.

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

- Professional fees of \$318,104 (\$186,705 in Q2-19 YTD). Legal fees in Q2-20 YTD were higher due to the increase in corporate activities, the preparation of statutory documents as well as the development of projects. In addition, costs for terminating the contract with the company of the former CFO of AEX were incurred during Q2-20 and a new contract was signed with the same company for accounting services.
- Marketing and industry involvement of \$146,981 (\$61,821 in Q2-19 YTD). This increase in fees in Q2-20 YTD is mainly due to the complete redesign of the Corporation's website and bonuses for non-management employees given to reward good work during the year.
- Stock-based compensation of \$1,031,650 (nil in Q2-19 YTD) was estimated using the Black-Scholes model. In Q2-20, the Corporation granted 2,195,000 (nil in Q2-19 YTD) options to its directors, officers and consultants based on an estimated fair value of \$0.47 (nil in Q2-19 YTD) per option. The stock options vested 100% at the grant date.

The Corporation had working capital of \$2,978,497 as of June 30, 2020 (\$1,157,012 as of December 31, 2019), with the increase resulting from the exercise of warrants during the period net of increased expenses as described above.

As at June 30, 2020, Nalunaq A/S had a payable of nil to FBC Mining (BA) Ltd. ("FBC BA"), a subsidiary of FBC Mining (Holdings) Ltd. (75%) and Arctic Resources Capital S.à r.l. (25%).

On March 5, 2020, 8,399,556 warrants were exercised at a price of \$0.45 per share for total gross proceeds of \$3,779,800.

The Corporation accelerated the expiry of certain common share purchase warrants ("Warrants"), which had 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 30<sup>th</sup> trading day following the occurrence of the acceleration event, would expire and be cancelled.

As a result, in Q2-20, certain Warrant holders exercised 2,988,070 Warrants, each entitling the holder to receive one common share of the Corporation, at an exercise price per warrant of between \$0.45 and \$0.50, representing gross proceeds of \$1,350,300.

During Q1-20, an outbreak of a new strain of coronavirus (COVID-19) resulted in a major global health crisis which continues to have impacts on the global economy and the financial markets. The Corporation has taken and will continue to take action to minimize the impact of the virus on its operations; however, there can be no certainty that it will not cause significant changes on its ability to complete planned exploration and evaluation activities, meet obligations and existing commitments, or to obtain debt and equity financing. It is impossible to determine the ultimate financial implications of these events at the current time.

#### 2.2 AIM listing

As of June 30, 2020, the Corporation was considering an additional listing on the AIM market of the London Stock Exchange, alongside its current listing on the TSX-V. As at June 30, 2020, the Corporation had incurred deferred share issuance costs of \$1,221,138 in relation to this process.

The admission of its entire issued share capital to trading on the AIM market occurred and dealings commenced on AIM on July 31, 2020 ("Admission") under the ticker AEXG.

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

#### **2.3 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 (GBP 0.45) per share, for gross proceeds to the Corporation of \$72,722,223 (GBP 42,500,000) ("Fundraising").

Stifel Nicolaus Europe Limited ("Stifel") acted as nominated adviser, broker and bookrunner to the Corporation in connection with the Fundraising and Admission. Cormark Securities Inc. and Paradigm Capital Inc. acted as co-managers in connection with the Fundraising (the "Agents").

#### **2.4 Appointment of Non-Executive Director**

In conjunction with the Corporation's admission to AIM, it is pleased to announce that Sigurbjorn ("Siggi") Thorkelsson joined the Board of AEX as independent non-executive director, and Chair of the Audit and Risk Committee, on July 27, 2020. Mr. Thorkelsson has a wealth of experience in the financial markets, having worked at major financial institutions throughout his career.

### **3. PROPERTY ACQUISITION**

Property acquisitions are capitalized in the statement of financial position.

#### **Saarloq Licence**

During the period, the Corporation acquired the right to conduct exploration activities on approximately 818km<sup>2</sup> of land in an area of Quassugaarsuk and Sermeq Kangilleq in South Greenland. The exploration rights have been granted to the Corporation under a new separate Exploration License 2020/31, referred to as Saarloq. The license application was approved and all required documentation was signed by the Corporation on May 15, 2020 and the license became effective on May 28, 2020 when it was signed by the Government of Greenland.

#### **Anoritoq Licence**

During the period, the Corporation acquired the right to conduct exploration activities on approximately 1,710km<sup>2</sup> of land in the areas of Anoritoq and Kangerluluk in South Greenland. The exploration rights have been granted to the Corporation under a new separate Exploration License 2020/36, referred to as Anoritoq. The license application was approved and all required documentation was signed by the Corporation on June 11, 2020 and the license became effective on June 24, 2020 when it was signed by the Government of Greenland.

### **4. EXPLORATION AND EVALUATION EXPENSES**

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

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

The Corporation incurred the following exploration and evaluation expenses:

	Q2-20	Q2-19	Q2-20 YTD	Q2-19 YTD
	\$	\$	\$	\$
<b>Nalunaq</b>				
Geology	524,317	243,770	789,523	322,588
Lodging and on-site support	1,522	-	1,522	-
Underground works	23,040	-	45,847	-
Drilling	33,950	-	33,315	-
Safety and environment	6,568	-	6,568	-
Analysis	42,942	12,088	66,805	14,580
Transport	9,923	5,725	70,656	5,725
Logistic support	72,223	60,939	138,710	79,889
Insurance	3,287	-	4,513	-
Maintenance infrastructure	102,442	-	187,297	-
Government fees	3,417	4,883	9,030	4,786
Depreciation	57,159	41,577	114,317	82,863
	880,790	368,982	1,468,103	510,431
<b>Tartoq</b>				
Geology	-	622	-	2,893
Logistic support	3,000	-	6,000	-
Government fees	8,468	-	14,615	-
	11,468	622	20,615	2,893
<b>Vagar</b>				
Geology	-	14,199	5,354	32,724
Lodging and on-site support	2,141	-	2,141	-
Analysis	263	-	263	-
Logistic support	3,000	-	6,000	-
Government fees	8,468	8,294	8,468	14,651
	13,872	22,493	22,226	47,375
<b>Naalagaaffiup Portornga</b>				
Geology	-	414	-	414
Logistic support	3,000	-	6,000	-
	3,000	414	6,000	414
<b>Nuna Nutaaq</b>				
Logistic support	3,000	-	6,000	-
	3,000	-	6,000	-
<b>Saarloq</b>				
Geology	546	-	546	-
	546	-	546	-
<b>Genex</b>				
Geology	-	3,108	-	3,108
Government fees	-	1,601	961	1,601
	-	4,709	961	4,709

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

	Q2-20	Q2-19	Q2-20 YTD	Q2-19 YTD
	\$	\$	\$	\$
<b>Total</b>				
Geology	524,863	262,113	795,423	361,727
Lodging and on-site support	3,663	-	3,663	-
Underground works	23,040	-	45,847	-
Drilling	33,950	-	33,315	-
Safety and environment	6,568	-	6,568	-
Analysis	43,205	12,088	67,068	14,580
Transport	9,923	5,725	70,656	5,725
Logistic support	84,223	60,939	162,710	79,889
Insurance	3,287	-	4,513	-
Maintenance infrastructure	102,442	-	187,297	-
Government fees	20,353	14,778	33,074	21,038
Depreciation	57,159	41,577	114,317	82,863
<b>Total exploration and evaluation expenses</b>	<b>912,676</b>	<b>397,220</b>	<b>1,524,451</b>	<b>565,822</b>

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

Due to the current COVID-19 crisis, the corporation is closely monitoring the evolution of the crisis and its potential impacts on its field activities for 2020. Nevertheless, AEX submitted a mobilization plan in early June to the Greenlandic Covid Commission which outlined the procedures the corporation will implement to manage and mitigate the risks associated with Covid and according to the rules of the local authorities. The procedures were developed with experts in the field of Occupational Health and Safety, Insurances, and Medical Services. On June 15, 2020, the Greenlandic Covid Commission approved AEX's mobilization plan relating to Covid requirements. The Corporation's regional activities in 2020 will be based and operated out of the Nalunaq exploration camp. As such, the Corporation will continue geological definition at Nalunaq, and will also schedule field activities on its other regional licenses with daily fly-in and fly-out from Nalunaq camp.

#### 4.1 Nalunaq

AEX has continued its development activities to resume operations on the project, in line with the CAD 72.7M (GBP 42.5M) fundraise at the end of July. The use of proceeds from the fundraise will largely be dedicated to a capital expenditure program with the objective of re-initiating production at Nalunaq in the short-term.

Underground development will be cornerstone in validating and confirming the gold grades within the existing Inferred Mineral Resource and Exploration Target at Nalunaq. In June 2020, SRK completed an updated Mineral Resource Estimate ("MRE") on the Nalunaq project. The results of this MRE are available on AEX's website. The Corporation is finalizing a plan to undertake 2,000 meters of underground development in 2021-2022, which will be initially focused on the upper Target Block and lower South Block, and supported by 5,000 meters of surface drilling and 3,000 meters of underground drilling. The underground development program will be on vein, which will allow the Corporation to significantly reduce waste handling and cover more ground in less time versus the conventional ramp-in-waste approach. The development program will be flexible, meaning that if required the ramp-on-vein approach can be changed to the conventional ramp-in-waste mining method. The vein will be mined using a combination of rescue mining, cut-and-fill, and long hole stoping.

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

At the end of the underground development program, the Corporation expects to have approximately 70,000 tonnes of mineralized material stockpiled outside of the mine, consisting of the mined material from the underground development program and the historical remnant mining materials which were detailed in a press release on April 2, 2020.

Mining activities will be initiated after this initial underground development program, and ramped up steadily to reach a target of 100,000 tonnes per annum. AEX, with its senior technical advisors, is currently preparing a Request For Proposal (“RFP”) for the underground development contract, which is scheduled to be issued at the end of August 2020.

AEX has also developed a plan to process mineralized materials on site. The Corporation is working with industry leaders in mineral processing to develop a gravity recovery plant as part of Phase 1 solution, given the robust gravity recoverable gold characteristics at Nalunaq. A 300 tonnes per day process plant comprising of a primary jaw crusher, a secondary cone crusher, a ball mill, gravity concentrators and a tailings filtering plant will be implemented. The Corporation is also advancing flotation testwork on Nalunaq’s representative samples to compare the results of a simple flotation circuit to a cyanidation plant, which would be considered in Phase 2 once the Phase 1 operation is generating cash flow. The advantage of a flotation plant over a cyanidation plant would be to increase gold recovery from the gravity plant of Phase 1, with gold recovery comparable to cyanide leaching, whilst being less capital intensive and having a smaller environmental footprint than cyanide leaching.

Several RFPs have been issued for firm bids since January for the camp facilities, which are key for the project schedule, and some contracts will be awarded throughout the rest of 2020 and into early 2021. Shop fabrication drawings will be committed to shortly and purchase orders for equipment and material supply could be committed throughout the rest of 2020 and into early 2021, depending on the project schedule timeline. Purchase Orders for equipment and materials could be issued throughout the rest of 2020 and into early 2021 to maintain the project schedule.

Activities related to execution in the spring of 2021 are ongoing and will be continued throughout 2020 and early 2021. As such, a “Business Readiness” program was initiated internally so that the Corporation increases its overall readiness for transitioning towards project execution. The programs currently being developed are, but not limited to: Human Resources Program, Recruiting Program, Environmental and Social Impact Assessment Scoping Study, Organizational Structuring, Project and Cost Control, Accounting.

AEX cautions that its production decision has been taken before the estimation of Mineral Reserves and is not based on a preliminary economic assessment, a pre-feasibility study or a feasibility study of these Mineral Reserves demonstrating economic and technical viability, resulting in a significantly higher risk of economic and technical failure.

In terms of exploration, in 2020, AEX will front-end 3,000 meters of surface drilling out of the 5,000 metres scheduled to occur between 2020 and 2022. The aims of the 2020 drilling program are threefold:

- Infill drilling in an area approximately 150 meters south of South Block where historic drilling and drilling in 2018 has returned high-grade intersections and may represent a parallel ore-shoot. Drilling will support planned future underground development to reach this area;
- Continue testing for down-dip extensions to South Block, extending the area tested in 2019;
- Test for near surface extensions to the Target Block ore shoot.

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

The Corporation also plans to resample some of the western drives in Target Block and South Block, on 300, 350 and 400 levels. These are smaller exploration drives that were advanced in 2000 and 2001, where samples were assayed with the screen metallica fire assay method. Resampling and assaying with the LeachWell method would allow for significantly larger sample sizes and therefore sample support and has been used successfully during previous operations to give more representative gold grades.

Samples will be assayed for the full suite of trace elements, with the aim being to test whether a geochemical index, i.e. trace element ratios, can discriminate between high- vs low-grade gold domains based on drill core samples, potentially improving confidence in the payability of different zones ahead of underground exploration development. For this study, samples will be collected in different areas of the mine, from known high- and low-grade zones. Underground geological mapping will be carried out at the same time, to better understand potential lithological controls over high grade zones, e.g. plunging intersections of Main Vein with dolerite sills.

There is potential for additional mineralised veins in the structural hanging wall and footwall. Surface mapping and exploration will be carried out to follow up on work completed in the early 1990s.

The mandatory Field Application summarizing all work to be conducted in the licence during the 2020 field season was submitted to Greenland's Mineral Licence and Safety Authority ("MLSA") and approved July 24, 2020.

##### **4.2 Tartoq**

No field work has been conducted in Q2-20 YTD so all work carried out has been in the form of desk-based studies.

Due to the current COVID-19 crisis, the Tartoq license will not be part of the 2020 summer exploration program.

##### **4.3 Naalagaaffiup Portornga**

No field work has been conducted in Q2-20 YTD so all work carried out has been in the form of desk-based studies.

Due to the current COVID-19 crisis, the Naalagaaffiup Portornga license will not be part of the 2020 summer exploration program.

##### **4.4 Vagar**

Since the beginning of the year, AEX has been developing a comprehensive exploration program for the next three years with the objective of progressing the geological models over the various prospective sub-areas within the license. Activities such as geophysical and hyperspectral surveys, chip and channel sampling, and diamond drilling are currently being planned and assessed for the near future.

For the 2020 exploration season, AEX is planning an exploration program with the objective of following up on historic high-grade targets to verify gold grades, to map their extents at surface (including potential extensions), to collect samples for gold deportment studies and metallurgical testwork, and to assess their suitability for diamond drilling in 2021. This work will take place over a period of three to four weeks and include helicopter-supported mapping, prospecting and channel sampling, using Nalunaq as a base for all operations. Work will be focussed on targets in the Greater Amphibolite Ridge area, including Vein 1, Vein 2, Femøren, Øresund, Kastrup, Bella, Christianshavn, LGM Showing, and also some of the outlying prospects including John's Lake, Ivituut, and Qoorormiut North.

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

At the same time, a high-resolution ground-based hyperspectral survey will be carried out over the Greater Amphibolite Ridge area over a period of seven days. This will assess the potential of this technique for rapid and direct detection of hydrothermal alteration associated with gold mineralisation.

The mandatory Field Application summarizing all work to be conducted in the licence during the 2020 field season was submitted to the MLSA and approved July 24, 2020.

##### **4.5 Nuna Nutaaq**

No field work has been conducted in Q2-20 YTD so all work carried out has been in the form of desk-based studies.

AEX is planning an exploration program in 2020 consisting of two to three days reconnaissance mapping and sampling program to support additional progression of the geological baseline. Work will be focussed on targets at Ippatit, Kangerluluk and Jokum's Shear. If weather allows for an extended period of surface exploration, the unexplored coastal areas along Søndre Sermilik fjord will be explored by boat.

The mandatory Field Application summarizing all work to be conducted in the Licence during the 2020 field season was submitted to the MLSA and approved July 24, 2020.

##### **4.6 Saarloq**

AEX has been granted the exclusive exploration rights under a new license in South Greenland: license 2020/31. The license covers 818 km<sup>2</sup> over the Saarloq Shear Zone and is highly prospective for gold.

In 2020, AEX is planning two to three days of field activities for general prospecting of the northern part of the shear zone. Additionally, AEX will continue with desktop studies, including structural lineament analysis, data compilation and interpretation of the geochemical database to generate targets for future seasons.

The corporation is currently finalizing the Field Application for Saarloq and expect to submit it for approval to the MLSA throughout the rest of 2020.

##### **4.7 Anoritooq**

AEX has been granted the exclusive exploration rights under a new license in South Greenland: license 2020/36. The license covers 1,710 km<sup>2</sup> over the two sub-areas of Anoritooq and Kangerluluk and is prospective for gold mineralisation.

Exploration in 2020 will be focussed at the Lake 410 area, on the southern part of the Nanortalik peninsula. Several larger samples will be taken from outcrops of mineralised features at Lake 410; for mineralogical and gold deportment studies to understand whether the mineralised structures are genuinely low grade as suggested by historic drilling results, or whether there is a high nugget effect that resulted in low grades in sampling data. Scree sediment anomalies will be followed up with prospecting, and channel sampling if appropriate. If weather allows for an extended period of surface exploration, historic gold anomalies in Appinite-suite rocks close to Alluitsup Paa may be investigated by boat.

The mandatory Field Application summarizing all work to be conducted in the Licence during the 2020 field season was submitted to the MLSA and approved on July 24, 2020.

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

#### 4.8 Additional Exploration Target Generation

Regional assessment is ongoing, with the corporation continuously assessing its potential to grow its licensing footprint over prospective zones in Greenland. Early in 2020, the corporation applied for licences over areas along the Saarloq shear zone, north of Ippatit, northwest of the Niaqornaarsuk peninsula, and on the east coast along Kangerluluk Fjord (now part of licence 2020/36 'Anorittoq'). These targets are at an early stage of exploration and were selected based on a combination of gold anomalies in stream sediments, known samples of gold-mineralised float material, and prospective structural and geological settings analogous to high grade gold occurrences in AEX's existing licences. Lineament analysis, data compilation and a detailed review of the geochemical database is going to be used to generate priority targets for follow up in coming field seasons. AEX is currently migrating data into industry standard database software MX Deposit to support all future drilling and sampling campaigns at Nalunaq and across AEX's other licences. This will allow for more efficient workflows and will provide a full audit trail to increase data confidence going forward.

### 5. ENVIRONMENTAL MONITORING EXPENSES

When Nalunaq A/S purchased the Nalunaq Property on October 15, 2015, it came with an escrow account for environmental monitoring and an environmental monitoring provision. This escrow account was set up in favour of the Government of Greenland as security for fulfilling the environmental monitoring expenses following the closure of the Nalunaq Gold Mine.

For the six months ended June 30, 2020, Nalunaq A/S incurred nil in environmental monitoring expenses. All incurred amounts are funded from the escrow account.

August 26, 2020

(s) "Eldur Ólafsson"

Eldur Ólafsson  
President, CEO and Director

(s) "George Fowlie"

George Fowlie  
CFO