



# **AEX Gold Inc.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**QUARTERLY HIGHLIGHTS**

Nine months ended September 30, 2020

# AEX Gold Inc.

## Management Discussion & Analysis – Quarterly Highlights

Nine months ended September 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 nine months ended September 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 November 18, 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
Q3-19	July 1, 2019 to September 30, 2019
Q3-19 YTD	January 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
Q3-20	July 1, 2020 to September 30, 2020
Q3-20 YTD	January 1, 2020 to September 30, 2020
Q4-20	October 1, 2020 to December 31, 2020
Q1-21	January 1, 2021 to March 31, 2021
H1-2021	January 1, 2021 to June 30, 2021

## 1. NATURE OF ACTIVITIES

AEX was incorporated on February 22, 2017 under the *Canada Business Corporations Act*. The Corporation’s head office is situated at 3400, One First Canadian Place, P.O. Box 130, Toronto, Ontario, M5X 1A4, Canada. The Corporation operates in one industry segment, being the acquisition, exploration and development of mineral properties. It owns interests in properties located in Greenland. Since July 2017, the Corporation’s shares 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 2.1).

## 2. CORPORATE UPDATE

### 2.1 AIM listing

During the quarter ended September 30, 2020, the Corporation completed the admission of its entire issued share capital to trading on the AIM market and trading commenced on AIM on July 31, 2020 (“Admission”) under the ticker AEXG.

### 2.2 Completion of the fundraising

On July 31, 2020, the Corporation completed the fundraising by issuing 94,444,445 common shares at a price of \$0.77 per share for subscription made in Canadian dollars and GBP 0.45 per share for subscriptions made in British pounds sterling, for gross proceeds to the Corporation of \$74,550,202 (the “Fundraising”).

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”).

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

The Corporation incurred total issuance costs of \$6,312,546 in relation to this process.

Certain officers and directors of the Corporation purchased an aggregate of 1,177,581 common shares for \$906,737. The officers and directors of the Corporation subscribed to the Fundraising under the same terms and conditions as set forth for all subscribers.

#### 2.3 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.

#### 2.4 Financial Highlights

The Corporation reported a net loss of \$8,018,061 in Q3-20 YTD compared to \$3,636,759 in Q3-19 YTD. The main variations are as follows:

- Exploration and evaluation expenses of \$4,432,791 (\$2,320,175 in Q3-19 YTD) (see section exploration and evaluation expenses for details).
- General and administrative of \$1,986,372 (\$721,547 in Q3-19 YTD).
  - Management and consulting fees of \$633,220 (\$219,024 in Q3-19 YTD), driven by an increase in corporate activity as a result of adding additional full-time members of management and the appointment of a full-time CFO. Bonuses were also paid to reward good work during the year and fee adjustments were awarded.
  - Director fees of \$135,833 (\$37,500 in Q3-19 YTD), with the increase a result of the Corporation deciding to reintroduce director fees in Q2-19, an increase in director fees for the Chairman of the Board and other directors since the Corporation was admitted to AIM in July 2020 and finally the addition of an external director Mr. Thorkelsson in July 2020.
  - Professional fees of \$637,001 (\$254,207 in Q3-19 YTD). Legal fees in Q3-20 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 Q3-20 and a new contract was signed with the same company for accounting services in Q2-20. In addition, consultants have been engaged over the period to, among other things, assess the optimal organizational structure of the Corporation.
  - Marketing and industry involvement of \$299,025 (\$96,560 in Q3-19 YTD). The increase in fees in Q3-20 YTD is mainly due to the 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 (\$578,600 in Q3-19 YTD) was estimated using the Black-Scholes model. In Q3-20 YTD, the Corporation granted 2,195,000 options to its directors, officers and consultants (2,630,000 in Q3-19 YTD) for a costs amount of \$1,031,650 (\$578,600 in Q3-19 YTD) based on an estimated fair value of \$0.47 per option (\$0.22 in Q3-19 YTD). The stock options vested 100% at the grant date.
- Foreign exchange loss of \$696,010 (\$32,631 in Q3-19 YTD) is mainly explained by the effects of exchange rate changes on cash. The July 31, 2020 Fundraising was largely completed in GBP, which has depreciated since the Fundraising.

The Corporation had working capital of \$67,475,882 as of September 30, 2020 (\$1,157,012 as of December 31, 2019), with the increase resulting from the Fundraising completed on July 31, 2020 (see section 2.2 for details) as well as from the exercise of warrants during the period net of increased expenses as described above.

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.

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

During the period, 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 and Q3-20, certain Warrant holders exercised 3,208,342 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 \$1,460,436.

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. Whilst the Corporation has taken significant precautions to minimize the impact of COVID-19 on its operations, there can be no certainty that there will not be an impact to the Corporation's ability to complete planned exploration, evaluation and development activities, meet obligations and existing commitments, or to obtain financing.

#### **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 areas 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. Early in November 2020, the Corporation was granted an addendum to the Anoritoq Licence, increasing the size of the licence to 1,889km<sup>2</sup>.

##### **Kangerluarsuk Licence**

Following the period end, the Corporation acquired the right to conduct exploration activities on approximately 335km<sup>2</sup> of land in the area of Equaluit Iluat in South Greenland. The exploration rights have been granted to the Corporation under a new separate Exploration License 2021/02, referred to as Kangerluarsuk. The license application was approved and all required documentation was signed by the Corporation on October 13, 2020 and the license became effective on November 6, 2020 when it was signed by the Government of Greenland.

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### 4. EXPLORATION AND EVALUATION EXPENSES

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

The Corporation incurred the following exploration and evaluation expenses:

	Q3-20	Q3-19	Q3-20 YTD	Q3-19 YTD
	\$	\$	\$	\$
<b>Nalunaq</b>				
Geology	839,315	310,929	1,628,839	633,517
Lodging and on-site support	177,836	194,895	179,358	194,895
Underground works	19,440	-	65,287	-
Drilling	134,913	83,023	168,227	83,023
Safety and environment	14,045	27,787	20,613	27,787
Analysis	132,211	4,057	199,017	18,637
Transport	330,084	228,391	400,740	234,116
Helicopter Charter	4,922	-	4,922	-
Logistic support	163,657	102,418	302,367	182,307
Insurance	29,260	18,301	33,773	18,301
Maintenance infrastructure	790,631	630,877	977,928	630,877
Government fees	9,341	4,829	18,370	9,614
Depreciation	43,196	42,162	157,513	125,025
	2,688,851	1,647,669	4,156,954	2,158,099
<b>Tartoq</b>				
Geology	1,789	6,749	1,789	9,642
Logistic support	12,906	-	18,906	-
Government fees	-	-	14,615	-
	14,695	6,749	35,310	9,642
<b>Vagar</b>				
Geology	14,846	42,242	20,200	74,966
Lodging and on-site support	4,947	-	7,088	-
Analysis	-	-	263	-
Helicopter Charter	40,451	18,768	40,451	18,768
Logistic support	12,906	6,000	18,906	6,000
Government fees	-	-	8,468	14,651
	73,150	67,010	95,376	114,385
<b>Naalagaaffiup Portornga</b>				
Geology	4,473	6,749	4,473	7,163
Logistic support	12,906	-	18,906	-
	17,379	6,749	23,379	7,163
<b>Nuna Nutaaq</b>				
Geology	8,076	6,754	8,076	6,754
Helicopter Charter	18,005	9,130	18,005	9,130
Logistic support	12,906	-	18,906	-
	38,987	15,884	44,987	15,884
<b>Saarloq</b>				
Geology	22,367	-	22,913	-
	22,367	-	22,913	-
<b>Anoritooq</b>				
Geology	46,122	-	46,122	-
Helicopter Charter	6,789	-	6,789	-
	52,911	-	52,911	-
<b>Genex</b>				
Geology	-	6,101	-	9,210
Government fees	-	4,191	961	5,792
	-	10,292	961	15,002

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

	Q3-20	Q3-19	Q3-20 YTD	Q3-19 YTD
	\$	\$	\$	\$
<b>Total</b>				
Geology	936,988	379,524	1,732,412	741,252
Lodging and on-site support	182,783	194,895	186,446	194,895
Underground works	19,440	-	65,287	-
Drilling	134,913	83,023	168,227	83,023
Safety and environment	14,045	27,787	20,613	27,787
Analysis	132,211	4,057	199,280	18,637
Transport	330,084	228,391	400,740	234,116
Helicopter Charter	70,167	27,898	70,167	27,898
Logistic support	215,281	108,418	377,991	188,307
Insurance	29,260	18,301	33,773	18,301
Maintenance infrastructure	790,631	630,877	977,928	630,877
Government fees	9,341	9,020	42,414	30,057
Depreciation	43,196	42,162	157,513	125,025
<b>Total exploration and evaluation expenses</b>	<b>2,908,340</b>	<b>1,754,353</b>	<b>4,432,791</b>	<b>2,320,175</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.

The Corporation successfully managed the mobilization and demobilization of a small crew based at Nalunaq from August to the end of October to accomplish key activities at Nalunaq and the other exploration licenses, as described hereunder. The procedure for mitigating the risks related to COVID-19 proved to be effective, and the local authorities were very supportive.

In August 2020, AEX and Goldspot Discoveries Corp. (“Goldspot”) announced an agreement to identify new exploration targets in South Greenland. Goldspot will apply its proprietary machine learning algorithm to provide a cohesive and uniform geoscientific interpretation and prospectivity ranked exploration over the full land coverage in and around AEX’s licenses in South Greenland.

#### 4.1 Nalunaq

The 2020 surface drilling program at Nalunaq commenced during the period in August and was finalized following the end of the period, in the second half of October, with eleven drill holes for a total of 2,191 metres drilled. The drilling program’s objective was to continue investigating the down-dip extension of the mineralized structure around South Block. The Main Vein was identified in six of the eleven holes drilled, with some of the intersects yielding the thickest interceptions (1.50 meters) ever recorded at Nalunaq. This area has been named Valley Block. All core samples are subject to multi-element assaying covering 33 elements. Initial results from the drilling were announced on October 21<sup>st</sup> 2020, and the remaining results will be reported when received during Q4-2020.

The results from surface drilling provide a further support of the underground development strategy which AEX intends to pursue. The positive drilling results support initially focussing underground development on the newly named Valley Block, given the greater geological confidence and certainty gained from the 2016-2020 surface drilling programs. The Corporation will continue the investigation of the down-dip extension of Valley Block in 2021 with a further surface drilling program established and designed with the assistance of AEX’s senior consultants.

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

Target Block remains a highly prospective zone of Nalunaq, and as such deserves the same amount of attention as Valley Block in terms of exploration. AEX has continued to plan an underground drilling program at the 600 level, which will allow the Corporation to further increase its geological confidence ahead of a development program in Target Block, either in parallel or following the underground development program in Valley Block.

During Q3-2020, AEX issued a request for proposal to potential underground development contractors. The bids were received in mid-October, and the Corporation has proceeded with short-listing the bids received, based on a number of factors including price, quality, and contract terms, and expect to award the contract by the end of 2020.

The Corporation has completed the majority of the basic engineering of the camp facility, a critical path item for project delivery. Key packages for the engineering and equipment supply for the main camp, the potable and sewage treatment systems, as well as the main fuel storage facility were awarded and committed to in November 2020.

On the process engineering side, Soutex Inc (“Soutex”) has been selected to assist AEX in designing the process flow diagrams and to derive the technical specifications of the process equipment. Soutex’s mandate started early in Q3-2020 and has progressed well. Requests for proposals for key long lead process equipment have been issued and bids are expected by the end of the year. The Corporation is looking to commit to the supply of the long lead equipment packages in January 2021, if not before.

Halyard Inc (“Halyard”) has been contracted to establish the general mechanical arrangements of the process plant, based on technical specifications, which in turn has provided an understanding of the footprint of the building required to house the processing plant. AEX was therefore able to issue a request for proposal for the process plant building in October 2020.

Further to the press release in Q2-2020, demonstrating positive results from flotation testwork on Nalunaq’s mineralized material, the Corporation has continued assessing the implementation of gold flotation at Nalunaq. The Corporation expects that flotation could be implemented during the first phase of the project, complementing the gravity concentration circuit, or alternatively as a phase two project. AEX is of the opinion that flotation provides a substantial opportunity for the project to increase gold recovery, with testwork resulting in total gold recoveries of 91-97%, increasing revenues substantially versus a standalone phase one gravity concentration circuit, at a fraction of the cost of a cyanide leaching plant. Additionally, the environmental footprint of a flotation circuit compared to cyanide leaching is significantly lower, which would support the Corporation ESG policy. Initial discussions with global smelters support the Corporation’s view that the flotation concentrate from Nalunaq would satisfy the requirements of many global smelters and therefore have a readily available market.

In relation to permitting, AEX has completed the Terms of Reference of the environmental impact assessment (“EIA”) and social impact assessment (“SIA”), and these were accepted by the authorities in October 2020. The translation in Greenlandic and Danish have been completed and the public consultation process will be initiated before year end.

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.

#### **4.2 Tartog**

No field work has been conducted in Q3-20 YTD with all work carried out being in the form of desk-based studies, mainly consisting of historical data review and preliminary geological modeling.

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

#### **4.3 Naalagaaffiup Portornga**

No field work has been conducted in Q3-20 YTD with all work carried out being in the form desk-based studies, mainly consisting of historical data review and preliminary geological modeling.

#### **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, additional chip and channel sampling, and diamond drilling are currently being planned and assessed for the near future.

During the 2020 field season, geologists were dispatched to Vagar on day trips to further prospect the license, including taking chip and channel samples. The visits were focused on the targets in the Greater Amphibolite Ridge area (Vein 1 and Vein 2), John's Lake and LGM Showing. The majority of the samples are currently being dispatched by sea to a laboratory in Canada. The results of these samples should be compiled and communicated to the market in Q1-2021.

#### **4.5 Nuna Nutaaq**

During the 2020 field season, AEX conducted reconnaissance mapping and a sampling program to support additional progression of the geological baseline at Kangerluluk. Chip and channel samples were collected and dispatched to a lab in Canada. The results of these samples should be compiled and communicated to the market in Q1-2021.

#### **4.6 Saarloq**

In 2020, AEX conducted reconnaissance visits to the license, based on preliminary target generation from GoldSpot. The site visit report will be shared with Goldspot in Q4-2020 to continue progressing on the machine learning report for this license.

#### **4.7 Anoritooq**

In 2020, AEX conducted reconnaissance visits to the license, based on preliminary target generation from GoldSpot. The site visit report will be shared with Goldspot in Q4-2020 to continue progressing on the machine learning report for this license.

#### **4.8 Additional Exploration Target Generation**

In August 2020, AEX and Goldspot announced an agreement to identify new exploration targets in South Greenland. Goldspot will apply its proprietary machine learning algorithm to provide a cohesive and uniform geoscientific interpretation and prospectivity ranked exploration over the full land coverage in and around AEX's licenses in South Greenland.

Regional assessment is ongoing, with the Corporation continuously assessing its potential to grow its licensing footprint over prospective zones in Greenland. Using the preliminary targets generated by Goldspot, geologists were dispatched to various targets to assess their suitability to sit in the Corporation's exploration portfolio.

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#### **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. This environmental monitoring program is now complete.

For the nine months ended September 30, 2020, Nalunaq A/S incurred \$95,102 in environmental monitoring expenses. All incurred amounts are funded from the escrow account.

November 18, 2020

(s) “Eldur Ólafsson”

Eldur Ólafsson  
President, CEO and Director

(s) “George Fowlie”

George Fowlie  
CFO