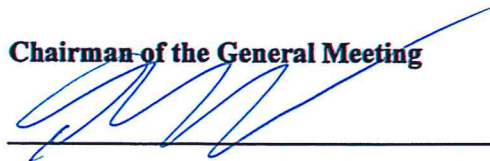


Nalunaq A/S
CVR-nr. 12 79 40 53
Business Registration No 12 79 40 53

Annual report 2020

*The Annual General Meeting adopted the annual
report on 14. June 2021*

Chairman of the General Meeting



THOR SUHR
Advokat
Qullilerfik 2, 6.
Box 59, 3900 Nuuk

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Please note that Danish decimal and digit grouping symbols have been used in the financial statements.

Company details

Company

Nalunaq A/S

Central Business Registration No: 12 79 40 53

Registered in Kommuneqarfik Sermersooq

Supervisory Board

Eldur Olafsson (chairman)

Joan Maria Plant

Per Buhl Olsen

Executive Board

Martin Ménard

Company auditors

Deloitte Statsautoriseret Partnerselskab

Statement by Management on the annual report

We have today presented the annual report of Nalunaq A/S for the financial year 1 January to 31 December 2020.

The annual report has been presented in accordance with the Greenlandic Financial Statements Act. We consider the accounting policies appropriate for the annual report to provide a true and fair view of the Company's financial position and results.

We consider the preconditions for not auditing the financial statements for the financial year 1 January to 31 December 2020 as complied with.

We recommend the annual report for adoption at the Annual General Meeting.

Nuuk, 14 June 2021

Executive Board



Martin Ménard

Supervisory Board



Eldur Olafsson (Jun 11, 2021 09:23 GMT+1)

Eldur Olafsson
Chairman

Joan Plant

Joan Maria Plant



Per Buhl Olsen (Jun 11, 2021 11:43 GMT-2)

Per Buhl Olsen

The independent auditor's compilation report on the annual report***To the Management of Nalunaq A/S***

We have compiled the annual report of Nalunaq A/S for the financial year 1 January to 31 December 2020 based on the Entity's bookkeeping records and other information Management has provided.

The annual report comprise the accounting policies, income statement, balance sheet and notes.

We performed this compilation engagement in accordance with ISRS 4410, Compilation Engagements.

We have applied our expertise in accounting and financial reporting to assist Management in the preparation and presentation of this annual report in accordance with the Greenlandic Financial Statements Act. We have complied with relevant provisions of the Greenlandic Public Accountants Act and FSR - Danish Auditors' Code of Conduct for professional accountants, including principles of integrity, objectivity, professional competence and due care.

The annual report and the accuracy and completeness of the information used to compile the financial statements are Management's responsibility.

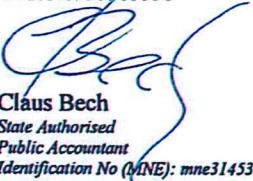
Since a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the disclosures Management provided to us to compile these financial statements. Accordingly, we do not express an audit opinion or a review conclusion about whether the financial statements have been prepared in accordance with the Greenlandic Financial Statements Act.

Nuuk, 14 June 2021

Deloitte

Statsautoriseret Revisionpartnerselskab

CVR No. 33963556



Claus Bech
State Authorised
Public Accountant
Identification No (MNE): mne31453

Management's review

Primary activities

Nalunaq A/S ("Nalunaq" or the "Company") carries on business to hold and use the Exploitation Licence for Nalunaq in Greenland. As at 31st December 2020, it is a wholly owned subsidiary of a Canadian entity AEX Gold Inc. which is listed in Canadian TSX Venture exchange and in London Stock exchange.

Development in activities and finances

The year loss is CAD 7.407k compared with a loss of CAD 3.772k last year. The result is as expected.

Events after the balance sheet date

No other significant events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report

Accounting policies

The annual report is presented in accordance with the provisions of the Greenlandic Financial Statements Act governing reporting class B enterprises with addition of a few provisions for reporting class C enterprises.

In connection with the change in the policies the comparative figures has been adjusted.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Income statement

Other external expenses

Other external expenses comprise expenses for distribution, sale, marketing, administration, premises, bad debts, etc.

Financial income and expenses

These items comprise interest income and interest expenses, realised and unrealised capital gains etc.

Income taxes

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit/loss for the year, and recognised directly on equity by the portion attributable to entries directly on equity.

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities.

Accounting policies (cont'd)

Deferred tax assets, including the tax base of tax loss carry forwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Balance sheet

Intangible assets

Intangible assets acquired are measured at cost less accumulated amortisation and impairment losses.

Property, plant and equipment

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when the asset is ready to be put into operation.

The basis of depreciation is cost plus revaluation and minus estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets

<i>Other fixtures and fittings, tools and equipment</i>	<i>3 to 10 years</i>
---	----------------------

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Receivables

Receivables are measured at amortised cost usually equalling nominal value less provisions for bad debts.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Other provision

Provision for decommissioning costs comprises costs for demobilization and reclamation of the license area after the exploration has been carried out.

Other financial liabilities

Other financial liabilities are measured at amortised cost which usually corresponds to nominal value.

Foreign currency translation

The functional and presentation currency is Canadian dollars ("CAD").

Accounting policies (cont'd)

On initial recognition, foreign currency transactions are translated into the functional currency applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date, are translated using the exchange rate at the balance sheet date. Exchange rate differences that arise between the rate at the transaction date and the one in effect at the payment date, or the balance sheet date, are recognised in the income statement as financial income or financial expenses.

Income statement for 2020

	Notes	2020 CAD	2019 CAD
Other external costs		(7.326.818)	(3.554.367)
Depreciation, amortisation and impairment losses	2	(206.153)	(172.186)
Operating profit/loss		(7.532.971)	(3.726.553)
Other financial income/expenses	3	32.746	(38.392)
Other financial expenses	4	92.889	(6.870)
Profit/loss before tax		(7.407.336)	(3.771.815)
Tax on profit/loss for the year		0	0
Profit/loss for the year		(7.407.336)	(3.771.815)
Proposed distribution of profit/loss			
Retained earnings		(7.407.336)	
		(7.407.336)	

Balance sheet at 31 December 2020

	<u>Notes</u>	<u>2020 CAD</u>	<u>2019 CAD</u>
Research and development	5	<u>62.244</u>	<u>41.945</u>
Intangible assets		<u>62.244</u>	<u>41.945</u>
Other fixtures and fittings, tools and equipment	6	<u>487.667</u>	<u>367.103</u>
Property, plant and equipment		<u>487.667</u>	<u>367.103</u>
Other receivables	7	<u>2.162.612</u>	<u>516.996</u>
Fixed assets investments		<u>2.162.612</u>	<u>516.996</u>
Fixed assets		<u>2.712.523</u>	<u>926.044</u>
Prepayments		<u>179.129</u>	<u>50.321</u>
Receivables		<u>179.129</u>	<u>50.321</u>
Cash		<u>639.380</u>	<u>470.913</u>
Current assets		<u>818.509</u>	<u>521.234</u>
Assets		<u>3.531.032</u>	<u>1.447.278</u>

Balance sheet at 31 December 2020

	Notes	2020 CAD	2019 CAD
Share capital	8	198.448	198.448
Retained earnings		<u>(14.765.153)</u>	<u>(7.357.817)</u>
Equity	9	<u>(14.566.705)</u>	<u>(7.159.369)</u>
Other provisions	10	<u>0</u>	<u>174.864</u>
Provisions		<u>0</u>	<u>174.864</u>
Trade payables		466.856	283.415
Payable to group enterprises		<u>17.630.881</u>	<u>8.148.368</u>
Short-term liabilities other than provisions		<u>18.097.737</u>	<u>8.431.783</u>
Liabilities other than provisions		<u>18.097.737</u>	<u>8.431.783</u>
Equity and liabilities		<u>3.531.032</u>	<u>1.447.278</u>
Going concern	1		
Assets charged, contingent liabilities, etc	11		
Ownership	12		
Staff costs	13		

Notes

	<u>2020</u> <u>CAD</u>	<u>2019</u> <u>CAD</u>
1. Going concern		
The parent company has in the connection with the closing of the financial statements for 2020 issued a letter of comfort valid until at least 31 December 2021. The company has thus availability to liquidity to continue operations and fulfil liabilities when due for payment.		
2. Depreciation, amortisation and impairment losses		
Other fixtures and fittings, tools and equipment	<u>206.153</u>	<u>172.186</u>
	<u>206.153</u>	<u>172.186</u>
3. Other financial income/expenses		
Other financial income/expenses	<u>(32.746)</u>	<u>38.392</u>
	<u>(32.746)</u>	<u>38.392</u>
4. Other financial income/expenses		
Other financial income/expenses	<u>(92.889)</u>	<u>6.870</u>
	<u>(92.889)</u>	<u>6.870</u>
5. Intangible assets		Research and development CAD
Cost at 01.01.2020		41.945
Year additions		<u>20.299</u>
Cost at 31.12.2020		<u>62.244</u>
Depreciation and impairment losses at 01.01.2020		<u>0</u>
Depreciation and impairment losses at 31.12.2020		<u>0</u>
Carrying amount at 31.12.2020		<u>62.244</u>
Research and development consisting of mining properties.		

Notes (cont'd)

	Other fix- tures and fittings, tools and equipment CAD
6. Property, plant and equipment	
Cost at 01.01.2020	685.904
Year additions	<u>326.717</u>
Cost at 31.12.2020	<u>1.012.621</u>
Depreciation and impairment losses at 01.01.2020	(318.801)
Depreciation and impairment losses	<u>(206.153)</u>
Depreciation and impairment losses at 31.12.2020	<u>(524.954)</u>
Carrying amount at 31.12.2020	<u>487.667</u>

	2020 CAD	2019 CAD
7. Fixed assets investments		
Environmental Bond	460.447	516.996
Deposit on order	<u>1.702.165</u>	<u>0</u>
	<u>2.162.612</u>	<u>516.996</u>

In connection with the application for an exploitation license at Nalunaq, an initial amount representing the estimated reclamation costs was deposited in escrow as security for due performance of its obligations as required by the Bureau of Minerals and Petroleum in Greenland ("MLSA"). The escrowed amount will be released upon satisfactory fulfillment of its obligations.

Notes (cont'd)**8. Share capital**

Share capital consists of 1.002.018 share at DKK 1. The shares have not been divided into classes.

	<u>CAD</u>
Changes in share capital in the past six financial years	
Share capital at 01.09.2015	100.901
Capital increase 21.10.2016	97.545
Capital increase 04.07.2017	1
Capital increase 28.05.2018, 25.06.2018 and 16.08.2018	<u>1</u>
Share capital at 31.12.2020	<u>198.448</u>

	<u>2020 CAD</u>	<u>2019 CAD</u>
9. Equity		
Equity at 01.01.2020	(7.159.369)	(3.387.554)
Capital increase	0	0
Premium at underwriting	0	0
Profit/loss for the year	<u>(7.407.336)</u>	<u>(3.771.815)</u>
Equity at 31.12.2020	<u>(14.566.705)</u>	<u>(7.159.369)</u>

Notes (cont'd)

	2020	2019
	CAD	CAD
10. Other provisions		
Provision for decommissioning costs	<u>0</u>	<u>174.864</u>
	<u>0</u>	<u>174.864</u>

The terms of the exploitation license held by the Company stipulates that should the activities under the license be terminated, the Company has a responsibility to remove all installations and equipment from the area and remedy any remaining damage to the terrain within 12 months of such termination. The cost of such reclamation and demobilization activities at Nalunaq is estimated at CAD 0 at 31 December 2020. The evaluation of the Nalunaq project is on-going, and at present the Company does not intend to terminate the activities under the license.

11. Assets charge, contingent liabilities etc.

The Company has been imposed a royalty obligation that will become effective when the mining begins.

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.

12. Ownership

The Company has registered the following shareholders to hold more than 5% of the voting share capital or of the nominal value of the share capital:

- AEX Gold Inc.

	2020	2019
	CAD	CAD
13. Staff costs		
Wages and salaries	<u>643.506</u>	<u>642.421</u>
	<u>643.506</u>	<u>642.421</u>
Average number of full-time employees	<u>4</u>	<u>4</u>