Alopex Gold Inc.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2017 and 2016

April 18, 2018

Independent Auditor's Report

To the Shareholders of
Alopex Gold Inc.

We have audited the accompanying consolidated financial statements of Alopex Gold Inc., which comprise the consolidated statements of financial position as at December 31, 2017 and 2016 and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years ended December 31, 2017 and 2016, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Alopex Gold Inc. as at December 31, 2017 and 2016 and its financial performance and its cash flows for the years ended December 31, 2017 and 2016 in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 1 to the consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Alopex's ability to continue as a going concern.

PricewaterhouseCoopers LLP[1]

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

Alopex Gold Inc.
Consolidated Statements of Financial Position
As at December 31, 2017 and 2016
(In Canadian Dollars)

	Notes	As at December 31, 2017	As at December 31, 2016
		$	**$**
ASSETS			
Current assets			
Cash		1,465,277	137,322
Escrow account for environmental monitoring	**5**	138,386	141,433
Sales tax receivable		18,849	-
Prepaid expenses and others		56,697	-
Total current assets		1,679,209	278,755
Non-current assets			
Escrow account for environmental monitoring	**5**	505,131	475,780
Mineral properties	**6**	29,535	17,618
Property and equipment	**7**	160,108	-
Total non-current assets		694,774	493,398
TOTAL ASSETS		**2,373,983**	**772,153**
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		273,825	156,464
Payables and loans to shareholders	**8**	16,456	167,266
Current portion of environmental monitoring provision	**9**	138,386	137,075
Total current liabilities		428,667	460,805
Non-current liabilities			
Environmental monitoring provision	**9**	134,687	123,409
Total non-current liabilities		134,687	123,409
Total liabilities		**563,354**	**584,214**
Equity			
Capital stock	**11**	6,696,759	1,088,160
Warrants	**12**	273,889	-
Contributed surplus		518,630	224,562
Accumulated other comprehensive income (loss)		(36,772)	27,145
Deficit		(5,641,877)	(1,151,928)
Total equity		1,810,629	187,939
TOTAL LIABILITIES AND EQUITY		**2,373,983**	**772,153**
Going concern	**1**		
Subsequent events	**22**		

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board of Directors

(s) Eldur Ólafsson
Eldur Ólafsson
Director

(s) George Fowlie
George Fowlie
Director

Alopex Gold Inc.
Consolidated Statements of Comprehensive Loss
For the years ended December 31, 2017 and 2016
(In Canadian Dollars)

	Notes	2017	2016
		$	$
Expenses			
Exploration and evaluation expenses	**16**	2,808,517	800,103
General and administrative	**17**	1,212,237	445,188
Stock-based compensation	**13**	518,630	-
Foreign exchange gain		(52,958)	(11,990)
Operating loss		4,486,426	1,233,301
Other expenses (income)			
Interest income		(3,629)	-
Finance costs	**18**	7,152	8,031
Loss before income tax recovery		**(4,489,949)**	**(1,241,332)**
Deferred income tax recovery	**19**	-	97,908
Net loss		**(4,489,949)**	**(1,143,424)**
Other comprehensive loss that may not be reclassified subsequently to net loss:			
Exchange rate differences on translation from functional to presentation currency		(2,823)	(12,083)
Other comprehensive loss		(2,823)	(12,083)
Comprehensive loss		**(4,492,772)**	**(1,155,507)**
Weighted average number of common shares outstanding - basic and diluted		43,333,821	21,297,037
Basic and diluted loss per common share		(0.10)	(0.05)

The accompanying notes are an integral part of these consolidated financial statements.

Alopex Gold Inc.
Consolidated Statements of Changes in Equity
For the years ended December 31, 2017 and 2016
(In Canadian Dollars)

	Notes	Number of common shares outstanding	Capital stock	Warrants	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total equity
			$	$	$	$	$	$
Balance, January 1, 2016	**1.1**	**17,828,935**	**100,901**	**-**	**236,953**	**(242)**	**(8,504)**	**329,108**
Net loss		-	-	-	-	-	(1,143,424)	(1,143,424)
Other comprehensive loss		-	(26,764)	-	(12,706)	27,387	-	(12,083)
Comprehensive loss								(1,155,507)
Shares issued for private placement		17,828,934	1,014,023	-	-	-	-	1,014,023
Stock-based compensation		-	-	-	315	-	-	315
Balance, December 31, 2016		**35,657,869**	**1,088,160**	**-**	**224,562**	**27,145**	**(1,151,928)**	**187,939**
Balance, January 1, 2017	**1.1**	**35,657,869**	**1,088,160**	**-**	**224,562**	**27,145**	**(1,151,928)**	**187,939**
Net loss		-	-	-	-	-	(4,489,949)	(4,489,949)
Other comprehensive loss		-	50,756	-	10,338	(63,917)	-	(2,823)
Comprehensive loss								(4,492,772)
Share issuance in consideration of cash		1	1	-	-	-	-	1
Share issuance in consideration of conversion of debt	**10**	342,130	171,065	-	-	-	-	171,065
Share issuance in initial public offering (“IPO”)	**10**	13,592,500	6,796,250	-	-	-	-	6,796,250
Pre-IPO Reorganization	**10**	-	234,600	-	(234,600)	-	-	-
Warrants issuance in IPO	**12**	-	(273,889)	273,889	-	-	-	-
Stock-based compensation	**13**	-	-	-	518,330	-	-	518,330
Share issuance costs		-	(1,370,184)	-	-	-	-	(1,370,184)
Balance, December 31, 2017		**49,592,500**	**6,696,759**	**273,889**	**518,630**	**(36,772)**	**(5,641,877)**	**1,810,629**

The accompanying notes are an integral part of these consolidated financial statements.

Alopex Gold Inc.

Consolidated Statements of Cash Flows

For the years ended December 31, 2017 and 2016
(In Canadian Dollars)

	Notes	2017	2016
		$	$
Operating activities			
Net loss		(4,489,949)	(1,143,424)
Adjustments for:			
Depreciation	**7**	32,021	-
Stock-based compensation	**13**	518,330	315
Finance costs	**18**	7,152	8,031
Deferred income tax recovery	**19**	-	(97,908)
Payment from cash held in escrow account for environmental monitoring	**5**	(10,036)	(75,880)
Escrow account for environmental monitoring	**9**	10,036	75,880
Foreign exchange gain		(32,654)	(6,814)
		(3,965,100)	(1,239,800)
Changes in non-cash working capital items:			
Sales tax receivable		(18,849)	-
Prepaid expenses and others		(51,217)	-
Trade and other payables		141,326	131,633
Payables to shareholders		5,119	172,098
		76,379	303,731
Cash flow used in operating activities		**(3,888,721)**	**(936,069)**
Investing activities			
Acquisition of mineral properties		(27,768)	(968)
Acquisition of property and equipment	**7**	(192,129)	-
Cash flow used in investing activities		**(219,897)**	**(968)**
Financing activities			
Share issuance	**10**	6,796,251	1,014,023
Share issuance costs		(1,353,936)	-
Loans from shareholders	**8**	254,233	-
Reimbursement of loans from shareholders	**8**	(254,233)	-
Cash flow from financing activities		5,442,315	**1,014,023**
Net change in cash before effects of exchange rate changes on cash		1,333,697	76,986
Effects of exchange rate changes on cash		(5,742)	18,545
Net change in cash		1,327,955	95,531
Cash, beginning		137,322	41,791
Cash, ending		**1,465,277**	**137,322**
Supplemental cash flow information			
Interest received		3,629	-
Interest paid		-	97
Additions in mineral properties included in trade and other payables		-	16,665
Share issuance costs included in trade and other payables		21,048	-
Share issuance costs included in prepaid expenses and others		4,800	-
Share issued in payment of payables and loans to shareholders		171,065	-

The accompanying notes are an integral part of these consolidated financial statements.

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

Alopex 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, 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 April 18, 2018.

1.1 Basis of presentation

The Corporation's properties were acquired upon the reorganisation that was completed on June 26, 2017 whereby the Corporation acquired 100% of the shares of Nalunaq A/S, a corporation incorporated under the *Greenland Public Companies Act*, in anticipation of the IPO of the Corporation on the Exchange completed on July 13, 2017 (Note 10). As the Corporation was founded by the same group of shareholders as Nalunaq A/S and in contemplation of the reorganisation, said reorganisation is accounted for as a reorganisation of the capital of Nalunaq A/S. These Financial Statements thus reflect the continuation of the activities of Nalunaq A/S for periods prior to the incorporation of the Corporation on February 22, 2017, the combined activities of the Corporation and Nalunaq A/S for the period from February 22, 2017 until the reorganization on June 26, 2017, and the consolidated activities of the Corporation since June 26, 2017.

The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

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' 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 $4,489,949 for 2017 and has an accumulated deficit of $5,641,877 as at December 31, 2017. 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 and pay general and administration costs. As at December 31, 2017, the Corporation had a working capital of $1,250,542. These conditions indicate the existence of material uncertainties that may cast a significant doubt regarding the Corporation' ability to continue as a going concern.

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 IPO of the Corporation discussed in Note 10, 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.

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

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 was Danish Krone ("DKK") up until June 30, 2017 and it was changed thereafter to 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.

Until June 30, 2017, for presentation purposes, the results of operations are translated to CAD at an appropriate average rate of exchange during the year and are included in net profit or loss. The assets, liabilities, capital stock and contributed surplus are translated to CAD at rates of exchange in effect at the end of the period. Gains or losses arising on translation to the presentation currency for assets, liabilities, capital stock and contributed surplus to CAD at period end are recognized in other comprehensive loss as a foreign currency translation adjustment.

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 statement of income (loss).

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

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

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 statement of income (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 statement of income (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:

Vehicles and rolling stock	3 years
Field equipment and base camp related to exploration and evaluation activities	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 statement of income (loss).

Depreciation of an asset ceases when it is classified as held for sale (or included in a disposal group that is classified as held for sale) or when it is derecognized. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

Residual values, methods of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are recorded in the statement of income (loss).

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

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 Corporations 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 to sell 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 statement of income (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 statement of income (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 statement of financial position.

Deferred income taxes are provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable earnings; and

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

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable earnings; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the 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 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 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. Options represents the charges related to stock options until they are exercised. Contributed surplus includes charges related to stock options that are expired and not 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 deficit in the year in which the shares are 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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' 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 2017 and 2016, 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.

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.

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

Effective January 1, 2017 (see Note 3.1 a) for early adoption of IFRS 9, *Financial Instruments*)

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.

Effective until December 31, 2016

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recognized initially at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment.

2.12.2 Financial liabilities

Effective for all periods presented

Financial liabilities measured at amortized cost
Trade and other payables and payables and loans 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

Effective January 1, 2017

Amortized cost:
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.

Effective until December 31, 2016

All financial assets are subject to review for impairment periodically. Financial assets are impaired only if there is objective evidence that a financial asset or a group of financial assets is impaired.

Objective evidence of impairment could include:
– Significant financial difficulty of the issuer or counterparty;
– Default or delinquency in interest or principal payments; or
– It becoming probable that the borrower will enter bankruptcy or financial reorganization.

Individually significant accounts receivable are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

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

2.13 Segment disclosures

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

3. CHANGES IN ACCOUNTING POLICIES

The most relevant standards, amendments and interpretations issued up to the date of the issuance of these Financial Statements are listed below.

3.1 Accounting standards adopted in current fiscal year

The Corporation has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2017. These changes were made in accordance with the applicable transitional provisions.

a) IFRS 9, Financial Instruments, ("IFRS 9")

The Corporation has elected to early adopt the requirements of *IFRS 9, Financial Instruments* with a date of initial application of January 1, 2017. This standard replaces *IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39")*. IFRS 9 eliminates the classification of financial instruments as "available-for-sale" and "held to maturity" and the requirement to bifurcate embedded derivatives with respect to hybrid financial assets. This standard incorporates a new hedging model, which increases the scope of hedged items eligible for hedge accounting and aligns hedge accounting more closely with risk management. This standard also amends the impairment model by introducing a new "expected credit loss" model for calculating impairment. This new standard also increases required disclosures about an entity's risk management strategy, cash flows from hedging activities, and the impact of hedge accounting on the Financial Statements.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. Most of the requirements in the IAS 39 for classification and measurement of financial liabilities and for the derecognition of financial assets were carried forward in IFRS 9.

The following table summarizes the classification and measurement changes for the Corporation's financial assets and financial liabilities as a result of the adoption of IFRS 9.

	IAS 39	IFRS 9
Financial assets		
Cash	Loans and receivables	Amortized cost
Escrow account for environmental monitoring	Loans and receivables	Amortized cost
Financial liabilities		
Trade and other payables	Other financial liabilities	Amortized cost
Payables and loans to shareholders	Other financial liabilities	Amortized cost

The measurement for these instruments and the line item in which they are included in the statement of financial position were unaffected by the adoption of IFRS 9.

3. CHANGES IN ACCOUNTING POLICIES (CONT'D)

In accordance with the transitional provision of IFRS 9, the financial assets and liabilities held on January 1, 2017 were reclassified retrospectively without prior period restatement based on the new classification requirements taking into account the business model under which they are held at January 1, 2017 and the cash flow characteristics of the financial assets at their date of initial recognition.

No measurement adjustments were required to the opening balances as at January 1, 2017.

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.

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.

(In Canadian Dollars, except as otherwise noted)

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

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 statement of financial situation, 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.

	2017	**2016**
	$	**$**
Balance beginning	617,213	726,696
Effect of translation	36,340	(33,603)
Payment for environmental monitoring work	(10,036)	(75,880)
Balance ending	643,517	617,213
Non-current portion – escrow account for environmental monitoring	(505,131)	(475,780)
Current portion – escrow account for environmental monitoring	**138,386**	**141,433**

(In Canadian Dollars, except as otherwise noted)

6. MINERAL PROPERTIES

	As at December 31, 2016	Effect of translation	Additions	As at December 31, 2017
	$	$	$	$
Nalunaq	1	-	-	1
Tartoq	17,617	814	-	18,431
Vagar	-	-	11,103	11,103
Total mineral properties	**17,618**	**814**	**11,103**	**29,535**

	As at December 31, 2015	Additions	As at December 31, 2016
	$	$	$
Nalunaq	1	-	1
Tartoq	-	17,617	17,617
Total mineral properties	**1**	**17,617**	**17,618**

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 50 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:

a) ARC shall undertake an exploration program in the summer of 2015.
b) 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.
c) 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.

6. MINERAL PROPERTIES (CONT'D)

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 conditions 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.

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. In the event the additional exploration expenditures totaling an estimated amount of US$10,259,000 are not made by December 31, 2018, Nalunaq A/S would request a rollover of any unspent amount to the next period (sub period 4), subject to approval from the MLSA. Failure to satisfy any of the conditions set forth in the addendums to the Nalunaq Licence may result in the MLSA revoking the Nalunaq Licence without further notice.

6. MINERAL PROPERTIES (CONT'D)

No later than December 31, 2019, the licensee shall submit a report on a bankable feasibility study, prepare an environmental impact assessment and social impact assessment and by December 31, 2020, perform an impact benefit agreement. The time limit for commencement of exploitation is January 1, 2021.

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.

6.2.2 Exploration commitments

Under the exploration licence, Nalunaq A/S shall complete DKK 959,340 of exploration activities in 2017, adding the non-fulfilled exploration obligation 2016 of DKK 105,587, for a total of DKK 1,064,927 ($214,984 using the exchange rate as at December 31, 2017) exploration obligation in 2017. 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. Based on the December 31, 2017 expense report submitted to the MLSA for their approval, Nalunaq A/S estimates it has met the 2016 and 2017 exploration obligation. For 2018, Nalunaq A/S is required to expense a total of DKK 972,720 ($196,370 using the exchange rate as at December 31 2017) on exploration activities.

6.2.3 Land Adjacent to Existing Tartoq Licence

The Corporation has acquired the right to conduct exploration activities on approximately 170km^2 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. 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. The exploration commitment for this new exploration Licence is DKK 445,500 ($89,936 using the exchange rate as at December 31, 2017) in 2018.

6.3 Vagar

6.3.1 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.

6.3.2 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.

(In Canadian Dollars, except as otherwise noted)

6. MINERAL PROPERTIES (CONT'D)

6.4 Genex

On October 16, 2017, Nalunaq A/S was awarded a prospecting licence covering West Greenland, in this context defined as areas south of 78ºN and west of 44ºW. 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.

7. PROPERTY AND EQUIPMENT

	Exploration and evaluation		
	Field equipment and base camp	**Vehicles and rolling stock**	**Total**
	$	**$**	**$**
2017			
Opening net book value	-	-	-
Additions	20,000	172,129	192,129
Depreciation	(3,333)	(28,688)	(32,021)
Closing net book value	16,667	143,441	160,108
As at December 31, 2017			
Cost	**20,000**	**172,129**	**192,129**
Accumulated depreciation	**(3,333)**	**(28,688)**	**(32,021)**
Closing net book value	**16,667**	**143,441**	**160,108**

Depreciation of property and equipment related to exploration and evaluation properties is being recorded in exploration and evaluation expenses in the statement of income (loss), under depreciation. Depreciation of $32,021 ($nil – 2016) was expensed as exploration and evaluation expenses in 2017.

8. PAYABLES AND LOANS TO SHAREHOLDERS

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

	As at December 31, 2017	**As at December 31, 2016**
	$	**$**
Shareholders payables		
ARC	-	111,439
FBC Mining (BA) Ltd.	16,456	55,827
	16,456	**167,266**

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.

(In Canadian Dollars, except as otherwise noted)

8. PAYABLES AND LOANS TO SHAREHOLDERS (CONT'D)

On March 1, 2017, March 30, 2017, April 10, 2017 and April 19, 2017, Nalunaq A/S signed loan agreements with ARC and FBC BA whereby ARC and FBC BA agreed to make available US$80,000 ($103,849) and US$106,707 ($138,518) respectively to Nalunaq A/S. The loans bore no interest and were payable in one installment upon request when Nalunaq A/S has sufficient cash reserves. Nalunaq A/S reimbursed all shareholders loans in the month of August 2017.

9. ENVIRONMENTAL MONITORING PROVISION

	2017	2016
	$	$
Balance beginning	260,484	341,576
Effect of translation	15,473	(13,243)
Payment from cash held in escrow account for environmental monitoring	(10,036)	(75,880)
Accretion expense	11,350	9,989
Change in estimates	(4,198)	(1,958)
Balance ending	273,073	260,484
Non-current portion – environmental monitoring provision	(134,687)	(123,409)
Current portion – environmental monitoring provision	**138,386**	**137,075**

The estimated undiscounted cash flows required to settle the environmental monitoring obligations attached to the Nalunaq Licence are DKK 1,437,075 ($290,112) as at December 31, 2017. 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 4.87% (4.19% as at December 31, 2016) and the calculation uses the assumption that the disbursements necessary to settle the obligations would be made in 2018 and 2019, the years as estimated in the environmental monitoring program produced for the Ministry of Environment and Nature of the Government of Greenland.

10. TRANSACTIONS EXECUTED, PRE-IPO REORGANIZATION AND INITIAL PUBLIC OFFERING

On June 26, 2017, ARC, AEX Gold Limited and the Corporation completed the Pre-IPO Reorganization. Pursuant to the Pre-IPO Reorganization, ARC transferred the shares of Nalunaq A/S held by ARC to its shareholders by way of a distribution in kind. Upon completion of such distribution, Nalunaq A/S issued 2 shares to ARC and 1 share to AEX Gold Limited in settlement of outstanding debt obligations in the aggregate amount of $171,065 which was owed to them for advances made to fund the operations of Nalunaq A/S, and contemporaneously therewith, each of ARC, ARC's shareholders and AEX Gold Limited transferred all of their respective shares of Nalunaq A/S to the Corporation in exchange for an aggregate of 35,999,999 Shares of the Corporation. Nalunaq A/S thereby became a wholly-owned subsidiary of the Corporation. As of June 26, 2017 (without giving effect to the prospectus offering), ARC and its shareholders and AEX Gold Limited held 66.67% and 33.33%, respectively, of the issued and outstanding shares of the Corporation.

The final prospectus was filed on June 29, 2017 by the Corporation to qualify the IPO of a minimum of 10,000,000 common shares in the share capital of the Corporation (the "Shares"), for total gross proceeds to the Corporation of $5,000,000, and a maximum of 20,000,000 Shares, for total gross proceeds to the Corporation of $10,000,000, at a price of $0.50 per share.

The IPO was made pursuant to the terms of an agency agreement dated June 29, 2017 (the "Agency Agreement") between the Corporation and Paradigm Capital Inc., acting as lead agent (the "Lead Agent") and Canaccord Genuity Corp. (together with the Lead Agent, the "Agents"). The Corporation has also agreed to pay the Lead Agent a work fee of $15,000 per month for up to four months, commencing January 1, 2017 (the "Work Fee"). Any Work Fee payable shall be creditable against any Commission that becomes payable.

(In Canadian Dollars, except as otherwise noted)

10. TRANSACTIONS EXECUTED, PRE-IPO REORGANIZATION AND INITIAL PUBLIC OFFERING (CONT'D)

On July 13, 2017, the Corporation completed its IPO of 13,592,500 common shares at a price of $0.50 per share (the "IPO share price") for aggregate gross proceeds of $6,796,250.

The Agents received a commission of $441,756 which represents 6.5% of the gross amount raised in the IPO. In addition, the Corporation issued 883,512 compensation, non-transferable share purchase warrants (each an "Agent Warrant") which represents 6.5% of the shares sold during the IPO. The Agent Warrants are exercisable at $0.50 (the IPO share price) on or before July 13, 2020. The total cost of the Agent Warrant is $273,889 which was recorded under warrants. The fair value of the Agent Warrants was estimated using the Black-Scholes model with no expected dividend yield, 100% expected volatility, 1.38% risk-free interest rate and 3 years Agent Warrant expected life. The expected life and expected volatility were estimated by benchmarking comparable situations for companies that are similar to the Corporation.

11. SHARE CAPITAL

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.

12. AGENT WARRANTS

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

	2017		
	Number of warrants	Carrying value	Weighted average exercise price
		$	$
Balance, beginning	-	-	-
Issued (note 10)	883,512	273,889	0.50
Balance, end	**883,512**	**273,889**	**0.50**

Agent warrants outstanding as at December 31, 2017 are as follows:

Number of warrants	Exercise price	Expiry date
	$	
883,512	0.50	July 13, 2020

(In Canadian Dollars, except as otherwise noted)

13. STOCK OPTIONS

Changes in stock options are as follow:

	2017		2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		$		$
Balance, beginning	165	0.19	-	-
Granted	1,410,000	0.50	165	0.19
Exercised	(165)	0.19	-	-
Balance, end	**1,410,000**	**0.50**	**165**	**0.19**
Balance, end exercisable	1,372,500	0.50	165	0.19

Stock options outstanding as at December 31, 2017 are as follows:

Number of options outstanding	Number of options exercisable	Exercise price	Expiry date
		$	
1,360,000	1,360,000	0.50	July 13, 2022
50,000	12,500	0.59	August 9, 2022
1,410,000	**1,372,500**		

On July 6, 2016, Nalunaq A/S signed a service agreement with a consultant complemented with a share option agreement whereby Nalunaq A/S granted 165 share options at an exercise price of $0.19 (DKK 1) per share option, with an expiry date of August 30, 2018. Notwithstanding, Nalunaq A/S is entitled to, instead of issuing shares, make a cash payment of $77.87 (US$ 59.88) per share option.

As per an agreement signed on February 12, 2017, Nalunaq A/S paid in August 2017 $12,728 (US$9,735) to a consultant in lieu of issuing shares according to the consultant's July 6, 2016 share option agreement.

On July 13, 2017, the Corporation granted to its directors, officers and consultants 1,360,000 options exercisable at an exercise price of $0.50, valid for 5 years. The options vest 100% at the grant date. Those options were granted at an exercise price equal to the shares issued as part of concurring IPO. Total stock-based compensation costs amount to $503,200 for an estimated fair value of $0.37 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 100% expected volatility, 1.57% 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 August 9, 2017, the Corporation granted to an investor relation firm 50,000 options exercisable at an exercise price of $0.59, valid for 5 years. The options vest 25% every quarter from the grant date. Those options were granted at an exercise price equal to the closing market value of the shares the previous day of the grant. Total stock-based compensation costs amount to $22,000 for an estimated fair value of $0.44 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 100% expected volatility, 1.68% 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.

(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 statement of changes in shareholders' equity. Refer to consolidated statement of changes in equity for explanations regarding changes to capital between December 31, 2017 and 2016.

The Corporation' objectives are to safeguard the Corporation' ability to continue as a going concern in order to pursue its exploration, evaluation and development 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

	2017	2016
	$	$
Salaries	23,986	-
Director's fees	50,001	-
Benefits	216	-
	74,203	-
Less : salaries and benefits presented in E&E expenses	(24,202)	-
Salaries disclosed on the statement of comprehensive loss	**50,001**	**-**

16. EXPLORATION AND EVALUATION EXPENSES

2017	Nalunaq	Tartoq	Vagar	Genex	Total
	$	$	$	$	$
Geology	423,623	111,957	-	-	535,580
Lodging and on-site support	340,518	17,099	-	-	357,617
Drilling	673,205	-	-	-	673,205
Analysis	56,952	7,968	458	-	65,378
Transport	391,979	53,647	-	-	445,626
Helicopter Charter	387,525	40	-	-	387,565
Operator fees	215,579	-	-	-	215,579
Supplies and equipment	46,100	1,606	-	-	47,706
Government fees	9,477	4,011	29,000	5,752	48,240
Depreciation	32,021	-	-	-	32,021
Exploration and evaluation expenses	**2,576,979**	**196,328**	**29,458**	**5,752**	**2,808,517**

(In Canadian Dollars, except as otherwise noted)

16. EXPLORATION AND EVALUATION EXPENSES (CONT'D)

2016	Nalunaq	Tartoq	Total
	$	$	$
Geochemistry	-	694	694
Geology	306,079	26,546	332,625
Analysis	14,652	15,248	29,900
Transport	382,391	21,497	403,888
Supplies and equipment	23,514	8,132	31,646
Taxes and permits	-	1,035	1,035
Stock-based compensation	-	315	315
Exploration and evaluation expenses	**726,636**	**73,467**	**800,103**

17. GENERAL AND ADMINISTRATION

	2017	2016
	$	$
Management and consulting fees	378,751	205,378
Director's fees	50,001	-
Professional fees	344,544	121,043
Marketing and industry involvement	237,058	5,858
Insurance	61,469	42,481
Travel and other expenses	127,152	70,428
Regulatory fees	13,262	-
General and administration	**1,212,237**	**445,188**

18. FINANCE COSTS

	2017	2016
	$	$
Accretion expense - environmental monitoring provision	11,350	9,989
Change in estimates - environmental monitoring provision	(4,198)	(1,958)
Finance costs	**7,152**	**8,031**

19. 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:

	2017	2016
	$	$
Loss before income taxes	(4,489,949)	(1,241,332)
Income tax rates	27%	30%
Income tax recovery based on Canadian statutory and Greenlandic income tax rates	(1,189,836)	(372,400)
Increase (decrease) attributable to:		
Non deductible expenses	138,170	-
Difference in statutory tax rate	(114,992)	
Changes in unrecognized deferred tax assets	1,166,658	274,492
Tax recovery	**-**	**(97,908)**

(In Canadian Dollars, except as otherwise noted)

19. INCOME TAXES (CONT'D)

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 statement of financial position as at December 31, 2017 are as follows:

Greenland	As at December 31, 2017	As at December 31, 2016
	$	$
Non-capital losses carry forwards	4,776,764	902,827

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

Canada	As at December 31, 2017	As at December 31, 2016
	$	$
Non-capital losses carry forwards expiring in 2038	964,131	-

20. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

In 2017, the Corporation's key management are the members of the board of directors, the President and Chief Executive Officer, the Chief Financial Officer, the Vice-President Exploration, the Vice-President Operations and Logistic and the Corporate Secretary. In 2016, the Corporation's key management are the members of the board of directors (including the only officer who is also a director). Key management compensation is as follows:

	2017	2016
	$	$
Short-term benefits		
Management and consulting fees	377,955	205,378
Professional fees presented in the share issuance costs	20,191	-
Professional fees	41,468	-
Professional fees presented in the E&E expenses	123,008	-
Salaries and benefits presented in E&E expenses	11,085	-
Director's fees	50,001	-
Long-term benefits		
Stock-based compensation (note 13)	499,500	-
Total compensation	**1,123,208**	**205,378**

The compensation of the Corporate Secretary is charged through FBC BA for $69,967 for 2017 ($27,216 for 2016).

From January 1, 2017 to April 30, 2017 (date of the termination of the agreement with ARC), ARC charged a fixed management fee of $65,637 including management services from two directors and other services ($178,162 in 2016).

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 (appointed April 28, 2017) holds shares charged exploration work and equipment amounting to $129,207;
- A firm in which a director (appointed April 14, 2017) is a partner charged legal professional fees of $11,761 through FBC BA and directly to the Corporation for $5,169;

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

- A company controlled by an officer (appointed on April 28, 2017) charged accounting professional fees of $85,553 for her staff;
- As at December 31, 2017, the balance due to those related parties listed above and in the compensation to key management amounted to $45,173 ($167,266 as at December 31, 2016).

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

- Directors and officers of the Corporation participated in the July 2017 IPO offering for $135,000 while AEX Gold Limited participated for $450,000. The directors and officers as well as AEX Gold Limited subscribed to the IPO under the same terms and conditions set forth all subscribers.
- 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.

21. FINANCIAL INSTRUMENTS

The Corporation is exposed to various financial risks resulting from both its operations and its investment activities. The Management manages financial risks. The Corporation does not enter into financial instruments agreements, including derivative financial instruments, for speculative purposes. The Corporation's main financial risks exposure and its financial policies are described below.

21.1 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Corporation's cash and escrow account for environmental monitoring are exposed to credit risk. Management believes the credit risk on cash and escrow account for environmental monitoring is small because the counterparties are chartered Canadian and Greenlandic banks.

21.2 Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation seeks to ensure that it has sufficient capital to meet short term financial obligations after taking into account its exploration, development, 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, 2017		As at December 31, 2016	
	Trade and other payables	**Payables to shareholders**	**Trade and other payables**	**Payables and loans to shareholders**
	$	**$**	**$**	**$**
Within 1 year	273,825	16,456	156,464	167,266
1 to 5 years	-	-	-	-
Total	**263,747**	**16,456**	**156,464**	**167,266**

21.3 Currency risk

As at December 31, 2017, 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.

(In Canadian Dollars, except as otherwise noted)

21. FINANCIAL INSTRUMENTS (CONT'D)

The Corporation had the following balances in currencies:

As at December 31, 2017	In DKK	In Euros	In US$	In GBP
Cash	303,129	1,415	(7)	-
Escrow account for environmental monitoring	3,187,667	-	-	-
Trade and other payables	(182,502)	(18,186)	(61,563)	(35,929)
Payables and loans to shareholders	-	-	(13,112)	-
Environmental monitoring provision[(1)]	(1,352,670)	-	-	-
	1,955,624	(16,771)	(74,682)	(35,929)
Exchange rate	0.2019	1.5034	1.2551	1.6932
Equivalent to CAD	**394,840**	**(25,214)**	**(93,733)**	**(60,835)**

[(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, 2017, 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 $21,507.

As at December 31, 2016	In Euros	In US$	In GBP
Cash	3,331	97,583	-
Trade and other payables	-	(80,183)	(21,343)
Receivables (payables) and loans from (to) shareholders	60,626	(88,287)	-
	63,957	(70,887)	(21,343)
Exchange rate	1.4169	1.3427	1.6564
Equivalent to CAD	**90,621**	**(95,180)**	**(35,353)**

Based on the above net exposures as at December 31, 2016, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the Danish krone against the Euro, US$ and GBP by 10% would decrease/increase profit or loss by $3,991.

21.4 Fair value risk

Fair value estimates are made at the statement of financial position date, based on relevant market information and other information about financial instruments. As at December 31 2017, the Corporation' financial instruments are cash, escrow account for environmental monitoring, trade and other payables and payables to shareholders. For all the financial instruments, the amounts reflected in the statement of financial position are carrying amounts and approximate their fair values due to their short-term nature.

22. SUBSEQUENT EVENTS

22.1 Financing

A preliminary short form prospectus was filed on February 14, 2018 by the Corporation pursuant to which the Corporation proposes to complete, on a best efforts basis, a public offering of common shares for a minimum gross proceeds of $4,000,000, and a maximum gross proceeds of $7,000,000 upon terms to be determined in the context of the market. On April 12, 2018, the Corporation announced that it has withdrawn this preliminary prospectus filed in February 14, 2018.