



# **Amaroq Minerals Ltd.**

## **AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2022 and 2021

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## Independent Auditor's Report

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To the Shareholders of Amaroq Minerals Ltd.

### Opinion

We have audited the consolidated financial statements of Amaroq Minerals Ltd. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### *Impairment of Capital Assets and Construction in Progress (CIP)*

##### *Description of the key audit matter*

Capital assets and CIP are the most significant non-cash item on the Company's consolidated financial statements. The net book value of these items is \$13.9M for the year ended December 31, 2022. The amount is material and the assessment of whether there are indicators of impairment is subject to professional judgment. CIP is subject to an annual impairment test since the assets are not yet available for use. Determination as to whether or not there is an impairment relating to an asset involves significant judgement about the estimated replacement cost and future plans for these assets.

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## Independent Auditor's Report

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The Group's accounting policy on impairment of non-financial assets is disclosed in Note 2.7 to the consolidated financial statements.

*How the key audit matter was addressed in the audit*

Our approach in addressing this matter included the following procedures, among others:

- Assessing management's determination of whether indicators of impairment exist.
- Evaluating evidence regarding management's conclusion over the impairment indicators.
- Testing the impairment calculations including the replacement cost of CIP. We assessed the reasonableness of the replacement cost estimates used in the impairment models. We also performed sensitivity analysis around the key drivers of the replacement cost.
- Reviewing the adequacy of the disclosures in the financial statements, including disclosures related to significant judgments and estimates.

Other Information

Management is responsible for the other information. The other information comprises:

- The information, other than the consolidated financial statements and our auditor's report thereon, included in the Annual Report, and
- The information included in the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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## Independent Auditor's Report

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### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- Independent Auditor's Report

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Anne-Marie Henson.

*BDO Canada s.r.l./S.E.N.C.R.L./LLP*

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Montréal, Québec  
March 30, 2023

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<sup>1</sup> CPA auditor, public accountancy permit No. A129869

# Amaroq Minerals Ltd.

## Consolidated Statements of Financial Position

As at December 31, 2022 and 2021  
(In Canadian Dollars)

|   | Notes | As at<br>December 31,<br>2022<br>\$ | As at<br>December 31,<br>2021<br>\$ |
|---|-------|-------------------------------------|-------------------------------------|
| <b>ASSETS</b>                               |       |                                     |                                     |
| <b>Current assets</b>                       |       |                                     |                                     |
| Cash  |       | 50,137,569                          | 27,324,459                          |
| Sales tax receivable                        |       | 95,890                              | 51,250                              |
| Prepaid expenses and others                 |       | 450,290                             | 266,617                             |
| <b>Total current assets</b>                 |       | <b>50,683,749</b>                   | <b>27,642,326</b>                   |
| <b>Non-current assets</b>                   |       |                                     |                                     |
| Deposit                                     |       | 27,944                              | 9,805                               |
| Escrow account for environmental monitoring | 5     | 427,120                             | 424,637                             |
| Mineral properties                          | 6     | 85,579                              | 62,244                              |
| Capital assets                              | 7     | 13,871,669                          | 14,642,652                          |
| <b>Total non-current assets</b>             |       | <b>14,412,312</b>                   | <b>15,139,338</b>                   |
| <b>TOTAL ASSETS</b>                         |       | <b>65,096,061</b>                   | <b>42,781,664</b>                   |
| <b>LIABILITIES AND EQUITY</b>               |       |                                     |                                     |
| <b>Current liabilities</b>                  |       |                                     |                                     |
| Trade and other payables                    |       | 1,138,961                           | 2,049,249                           |
| Lease liabilities – current portion         | 8     | 71,797                              | 50,835                              |
| <b>Total current liabilities</b>            |       | <b>1,210,758</b>                    | <b>2,100,084</b>                    |
| <b>Non-current liabilities</b>              |       |                                     |                                     |
| Lease liabilities                           | 8     | 657,440                             | 713,078                             |
| <b>Total non-current liabilities</b>        |       | <b>657,440</b>                      | <b>713,078</b>                      |
| <b>Total liabilities</b>                    |       | <b>1,868,198</b>                    | <b>2,813,162</b>                    |
| <b>Equity</b>                               |       |                                     |                                     |
| Capital stock                               | 9     | 131,708,387                         | 88,500,205                          |
| Contributed surplus                         |       | 5,250,865                           | 3,300,723                           |
| Accumulated other comprehensive loss        |       | (36,772)                            | (36,772)                            |
| Deficit                                     |       | (73,694,617)                        | (51,795,654)                        |
| <b>Total equity</b>                         |       | <b>63,227,863</b>                   | <b>39,968,502</b>                   |
| <b>TOTAL LIABILITIES AND EQUITY</b>         |       | <b>65,096,061</b>                   | <b>42,781,664</b>                   |

Subsequent events

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

**Approved on Behalf of the Board of Directors**

(s) Eldur Ólafsson

Eldur Ólafsson  
Director

(s) Line Frederiksen

Line Frederiksen  
Director

**Amaroq Minerals Ltd.**  
**Consolidated Statements of Comprehensive Loss**  
For the years ended December 31, 2022 and 2021  
(In Canadian Dollars)

|   | Notes | 2022                | 2021                |
|---|-------|---------------------|---------------------|
|   |       | \$                  | \$                  |
| <b>Expenses</b>   |       |                     |                     |
| Exploration and evaluation expenses   | 13    | 12,700,526          | 14,280,055          |
| General and administrative  | 14    | 10,150,020          | 9,703,198           |
| Loss on disposal of capital assets  |       | 100,536             | -                   |
| Foreign exchange loss (gain)  |       | (849,773)           | 809,751             |
| Operating loss  |       | 22,101,309          | 24,793,004          |
| <b>Other expenses (income)</b>  |       |                     |                     |
| Interest income   |       | (239,869)           | (143,759)           |
| Finance costs   | 15    | 37,523              | 39,994              |
| <b>Net loss and comprehensive loss</b>                                      |       | <b>(21,898,963)</b> | <b>(24,689,239)</b> |
|   |       |                     |                     |
| Weighted average number of common shares<br>outstanding - basic and diluted |       | 191,575,781         | 177,098,737         |
| Basic and diluted loss per common share                                     | 17    | (0.11)              | (0.14)              |

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

## Amaroq Minerals Ltd.

### Consolidated Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

(In Canadian Dollars)

|                                    | Notes | Number of<br>common<br>shares<br>outstanding | Capital<br>stock   | Contributed<br>surplus | Accumulated<br>other<br>comprehensive<br>loss | Deficit             | Total<br>equity   |
|------------------------------------|-------|--|--------------------|------------------------|---|---------------------|-------------------|
|                                    |       |  | \$                 | \$                     | \$  | \$                  | \$                |
| <b>Balance, January 1, 2021</b>    |       | <b>177,098,737</b>                           | <b>88,500,205</b>  | <b>2,925,952</b>       | <b>(36,772)</b>                               | <b>(27,106,415)</b> | <b>64,282,970</b> |
| Net loss and comprehensive loss    |       | -  | -                  | -                      | -   | (24,689,239)        | (24,689,239)      |
| Stock-based compensation           | 10.1  | -  | -                  | 374,771                | -   | -                   | 374,771           |
| <b>Balance, December 31, 2021</b>  |       | <b>177,098,737</b>                           | <b>88,500,205</b>  | <b>3,300,723</b>       | <b>(36,772)</b>                               | <b>(51,795,654)</b> | <b>39,968,502</b> |
| <b>Balance, January 1, 2022</b>    |       | <b>177,098,737</b>                           | <b>88,500,205</b>  | <b>3,300,723</b>       | <b>(36,772)</b>                               | <b>(51,795,654)</b> | <b>39,968,502</b> |
| Net loss and comprehensive loss    |       | -  | -                  | -                      | -   | (21,898,963)        | (21,898,963)      |
| Share issuance under a fundraising | 9     | 85,714,285                                   | 46,313,551         | -                      | -   | -                   | 46,313,551        |
| Share issuance costs               | 9     | -  | (3,331,569)        | -                      | -   | -                   | (3,331,569)       |
| Options exercised                  |       | 260,000                                      | 226,200            | (96,200)               | -   | -                   | 130,000           |
| Stock-based compensation           | 10.1  | -  | -                  | 2,046,342              | -   | -                   | 2,046,342         |
| <b>Balance, December 31, 2022</b>  |       | <b>263,073,022</b>                           | <b>131,708,387</b> | <b>5,250,865</b>       | <b>(36,772)</b>                               | <b>(73,694,617)</b> | <b>63,227,863</b> |

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



# Amaroq Minerals Ltd.

## Consolidated Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(In Canadian Dollars)

|  | Notes | 2022<br>\$          | 2021<br>\$          |
|--|-------|---------------------|---------------------|
| <b>Operating activities</b>  |       |                     |                     |
| Net loss   |       | (21,898,963)        | (24,689,239)        |
| Adjustments for:   |       |                     |                     |
| Depreciation   | 7, 8  | 850,699             | 389,953             |
| Stock-based compensation   | 10.1  | 2,046,342           | 374,771             |
| Loss on disposal of capital assets                                 |       | 100,536             | -                   |
| Other expenses   |       | 2,785               | -                   |
| Foreign exchange   |       | (882,897)           | 377,674             |
|  |       | (19,781,498)        | (23,546,841)        |
| Changes in non-cash working capital items:                         |       |                     |                     |
| Sales tax receivable   |       | (44,640)            | 11,500              |
| Prepaid expenses and others  |       | (183,673)           | 104,641             |
| Trade and other payables   |       | (864,477)           | 1,141,384           |
|  |       | (1,092,790)         | 1,257,525           |
| <b>Cash flow used in operating activities</b>                      |       | <b>(20,874,288)</b> | <b>(22,289,316)</b> |
| <b>Investing activities</b>  |       |                     |                     |
| Acquisition of mineral properties                                  | 6     | (23,335)            | -                   |
| Acquisition of capital assets, net of deposit on order             |       | (301,957)           | (11,875,926)        |
| Disposition of capital assets                                      |       | 63,325              | -                   |
| <b>Cash flow used in investing activities</b>                      |       | <b>(261,967)</b>    | <b>(11,875,926)</b> |
| <b>Financing activities</b>  |       |                     |                     |
| Shares issuance  | 9     | 46,313,551          | -                   |
| Share issuance costs   | 9     | (3,331,569)         | -                   |
| Principal repayment – lease liabilities                            | 8     | (50,722)            | (65,900)            |
| Exercise of stock options  |       | 130,000             | -                   |
| <b>Cash flow from financing activities</b>                         |       | <b>43,061,260</b>   | <b>(65,900)</b>     |
| Net change in cash before effects of exchange rate changes on cash |       | 21,925,005          | (34,231,142)        |
| Effects of exchange rate changes on cash                           |       | 888,105             | (319,398)           |
| Net change in cash   |       | 22,813,110          | (34,550,540)        |
| Cash, beginning  |       | 27,324,459          | 61,874,999          |
| <b>Cash, ending</b>  |       | <b>50,137,569</b>   | <b>27,324,459</b>   |
| <b>Supplemental cash flow information</b>                          |       |                     |                     |
| Deposit on order for acquisition of capital assets                 |       | -                   | 1,702,165           |
| Interest received  |       | 239,869             | 143,759             |
| Additions in capital assets included in trade and other payables   |       | -                   | 53,500              |

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

# Amaroq Minerals Ltd.

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(In Canadian Dollars, except as otherwise noted)

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### 1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Amaroq Minerals Ltd. (the "Corporation") (previously known as AEX Gold Inc.) was incorporated on February 22, 2017 under the *Canada Business Corporations Act*. The Corporation's head office is situated at 3400, One First Canadian Place, P.O. Box 130, Toronto, Ontario, M5X 1A4, Canada. The Corporation operates in one industry segment, being the acquisition, exploration and development of mineral properties. It owns interests in properties located in Greenland. The Corporation's financial year ends on December 31. Since July 2017, the Corporation's shares are listed on the TSX Venture Exchange (the "TSX-V"), since July 2020, the Corporation's shares are also listed on the AIM market of the London Stock Exchange ("AIM") and from November 1, 2022, on Nasdaq First North Growth Market Iceland ("Nasdaq") under the AMRQ ticker (note 9).

These consolidated financial statements ("Financial Statements") were reviewed and authorized for issue by the Board of Directors on March 30, 2023.

#### 1.1 Basis of presentation and consolidation

The Financial Statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Financial Statements include the accounts of the Corporation and those of its subsidiaries Nalunaq A/S, corporation incorporated under the *Greenland Public Companies Act*, owned at 100%.

Control is defined by the authority to direct the financial and operating policies of a business in order to obtain benefits from its activities. The amounts presented in the consolidated financial statements of subsidiary have been adjusted, if necessary, so that they meet the accounting policies adopted by the Corporation.

Profit or loss or other comprehensive loss of subsidiary set up, acquired or sold during the year are recorded from the actual date of acquisition or until the effective date of the sale, if any. All intercompany transactions, balances, income and expenses are eliminated at consolidation.

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

### 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 of the Corporation is Canadian dollars ("CAD"). The functional currency of Nalunaq A/S is CAD. The functional currency of Nalunaq A/S is determined using the currency of the primary economic environment in which the entity evolves and using the currency which is more representative of the economic effect of the underlying financings, transactions, events and conditions.

Foreign currency transactions are translated into the functional currency of the underlying entity using appropriate rates of exchange prevailing on the dates of such transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange in effect at the end of each reporting period. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in the net profit or loss.

# **Amaroq Minerals Ltd.**

## **Notes to the Consolidated Financial Statements**

For the years ended December 31, 2022 and 2021

(In Canadian Dollars, except as otherwise noted)

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

#### **2.3 Deposit on order**

The deposit on order represents the sum of money disbursed to a supplier to start or continue the fulfillment of a purchase order for capital assets. This deposit will be transferred to capital assets when the asset has been completed and delivered.

#### **2.4 Mineral properties and exploration and evaluation expenses**

Mineral properties include rights in mining properties, paid or acquired through a business combination or an acquisition of assets, and costs related to the initial search for mineral deposits with economic potential or to obtain more information about existing mineral deposits.

All costs incurred prior to obtaining the legal rights to undertake exploration and evaluation on an area of interest are expensed as incurred.

Mining rights are recorded at acquisition cost or at its recoverable amount in the case of a devaluation caused by an impairment of value. Mining rights and options to acquire undivided interests in mining rights are depreciated only as these properties are put into commercial production. Proceeds from the sale of mineral properties are applied as a reduction of the related carrying costs and any excess or shortfall is recorded as a gain or loss in the consolidated statement of comprehensive loss.

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

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

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

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

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

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

# Amaroq Minerals Ltd.

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(In Canadian Dollars, except as otherwise noted)

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

### 2.5 Capital assets

Capital assets 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.

The intangible assets include software with a definite useful life. The assets are capitalized and amortized on a straight-line basis in the consolidated statement of comprehensive loss. The intangible assets are assessed for impairment whenever there is an indication that the intangible assets may be impaired.

Repairs and maintenance costs are charged to the consolidated statement of comprehensive loss during the period in which they are incurred.

Depreciation is calculated to amortize the cost of the capital assets less their residual values over their estimated useful lives using the straight-line method and following periods by major categories:

|   |               |
|---|---------------|
| Field equipment and infrastructure related to exploration and evaluation activities | 3 to 10 years |
| Vehicles and rolling stock  | 3 to 10 years |
| Equipment   | 3 to 10 years |
| Software  | 3 to 10 years |
| Right-of-use assets   | Lease term    |

Depreciation of capital assets, if related to exploration activities, is expensed consistently with the policy for exploration and evaluation expenses. For those which are not related to exploration and evaluation activities, depreciation expense is recognized directly in the consolidated statement of comprehensive loss. Assets capitalized under Construction in Progress are not depreciated as they are not available for use yet.

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

### 2.6 Leases

At the commencement date of a lease, a liability is recognized to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset) is also recognized. The interest expense on the lease liability is recognized separately from the depreciation expense on the right-of-use asset.

The lease liability is remeasured upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). This remeasurement is generally recognized as an adjustment to the right-of-use asset. Leases of "low-value" assets and short-term leases (12 months or less) are recognized on a straight-line basis as an expense in the consolidated statement of comprehensive loss.

# **Amaroq Minerals Ltd.**

## **Notes to the Consolidated Financial Statements**

For the years ended December 31, 2022 and 2021

(In Canadian Dollars, except as otherwise noted)

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

### **2.7 Impairment of non-financial assets**

Mineral properties and capital assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. Assets under Construction in Progress are subject to an annual impairment test since they are not depreciated yet. Mineral properties and capital assets are reviewed by area of interest. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Corporation estimates the recoverable amount of the asset group to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or asset group is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately in the consolidated statement of comprehensive loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized as a reduction in the impairment charge for the period.

### **2.8 Environmental monitoring provision**

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The Corporation is subject to laws and regulations relating to environmental matters, including land reclamation and discharge of hazardous materials and environmental monitoring. The Corporation may be found to be responsible for damage caused by prior owners and operators of its unproven mineral interests and in relation to interests previously held by the Corporation.

On initial recognition, the estimated net present value of a provision is recorded as a liability and a corresponding amount is added to the capitalized cost of the related non-financial asset or charged to consolidated statement of comprehensive loss if the property has been written off. Discount rates using a pre-tax rate that reflects the time value of money and the risk associated with the liability are used to calculate the net present value. The provision is evaluated at the end of each reporting period for changes in the estimated amount or timing of settlement of the obligation.

### **2.9 Taxation**

Income tax expense represents the sum of tax currently payable and deferred tax.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are substantively enacted by the date of the consolidated statement of financial position.

Deferred income taxes are provided using the liability method on temporary differences at the date of the consolidated 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

# Amaroq Minerals Ltd.

## Notes to the Consolidated Financial Statements

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### 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 consolidated statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the consolidated statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the consolidated statement of financial position.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement comprehensive loss.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

#### 2.10 Equity

Capital stock represents the amount received on the issue of shares. Warrants represent the allocation of the amount received for units issued as well as the charge recorded for the broker warrants relating to financing. Options represent the charges related to stock options until they are exercised. Contributed surplus includes charges related to stock options and the warrants that are expired and not yet exercised. Contributed surplus also includes contributions from shareholders. Deficit includes all current and prior period retained profits or losses and share issue expenses.

Share and warrant issue expenses are accounted for in the year in which they are incurred and are recorded as a deduction to equity in the year in which the shares and warrants are issued.

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

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

# **Amaroq Minerals Ltd.**

## **Notes to the Consolidated Financial Statements**

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

### **2.11 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.

### **2.12 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").

The costs of equity-settled transactions with employees and others providing similar services are measured by reference to the fair value at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Corporation's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in contributed surplus.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional amount is recognized on the same basis as the amount of the original award for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

### **2.13 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, restricted share unit and warrants, in the weighted average number of common shares outstanding during the year, if dilutive. During 2022 and 2021, all the outstanding common share equivalents were anti-dilutive.

### **2.14 Financial instruments**

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

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is an unconditional and legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

# Amaroq Minerals Ltd.

## Notes to the Consolidated Financial Statements

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

All financial instruments are required to be measured at fair value on initial recognition. The fair value is based on quoted market prices, unless the financial instruments are not traded in an active market. In this case, the fair value is determined by using valuation techniques like the Black-Scholes option pricing model or other valuation techniques.

### 2.14.1 Financial assets

Financial assets are derecognized when the contractual rights to receive the cash flows from the financial asset have expired, or when the financial asset and all substantial risks and rewards have been transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

Financial assets are initially measured at fair value. If the financial asset is not subsequently accounted for at fair value through profit or loss, then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. On initial recognition, the Corporation classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired.

#### *Amortized cost:*

Financial assets at amortized cost are non-derivative financial assets with fixed or determinable payments constituted solely of payments of principal and interest that are held within a "held to collect" business model. Financial assets at amortized cost are initially recognized at the amount expected to be received, less, when material, a discount to reduce the financial assets to fair value. Subsequently, financial assets at amortized cost are measured using the effective interest method less a provision for expected losses. The Corporation's cash and escrow account for environmental monitoring are classified within this category.

Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement comprehensive loss.

### 2.14.2 Financial liabilities

A financial liability is derecognized when extinguished, discharged, terminated, cancelled or expired.

#### *Financial liabilities measured at amortized cost*

Trade and other payables 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.

### 2.14.3 Impairment of financial assets

#### *Amortized cost:*

At each reporting date, the Corporation assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The expected loss is the difference between the amortized cost of the financial asset and the present value of the expected future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account. Provisions for expected losses are adjusted upwards or downwards in subsequent periods if the amount of the expected loss increases or decreases.



# Amaroq Minerals Ltd.

## Notes to the Consolidated Financial Statements

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(In Canadian Dollars, except as otherwise noted)

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

### 2.15 Segment disclosures

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

## 3. CHANGES IN ACCOUNTING POLICIES

### 3.1 New accounting standard adopted

#### Amendments to IAS 16 *Property, plant and equipment*

The IASB has made amendments to IAS 16 *Property, plant and equipment*, which is effective for financial years beginning on or after January 1, 2022. Proceeds from selling items before the related item of Property, plant and equipment is available for use should be recognized in profit or loss, together with the costs of producing those items. The Corporation therefore need to distinguish between the costs associated with producing and selling items before the item of Property, plant and equipment (pre-production revenue) is available for use and the costs associated with making the item of Property, plant and equipment available for its intended use. For the sale of items that are not part of a Corporation's ordinary activities, the amendments require the Corporation to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the consolidated statement of comprehensive loss. The Corporation adopted IAS 16 on January 1, 2022, which did not have a significant impact on the consolidated financial statements disclosures.

### 3.2 Accounting standards issued but not yet effective

The Corporation has not yet adopted certain standards, interpretations to existing standards and amendments which have been issued but have an effective date of later than January 1, 2023. Many of these updates are not expected to have any significant impact on the Corporation and are therefore not discussed herein.

## 4. CRITICAL ACCOUNTING JUDGMENTS AND ASSUMPTIONS

The preparation of these Financial Statements requires Management to make judgments and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. On an ongoing basis, Management evaluates its judgments in relation to assets, liabilities and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments. Actual outcomes may differ from these estimates under different assumptions and conditions. Critical judgments exercised in applying accounting policies with the most significant effect on the amounts recognized in the Financial Statements are described below.

### JUDGMENTS

#### 4.1 Impairment of mineral properties and capital assets

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.

# **Amaroq Minerals Ltd.**

## **Notes to the Consolidated Financial Statements**

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

#### **4.1.1 Impairment of mineral properties**

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's assets and earnings may occur during the next period.

#### **4.1.2 Impairment of capital assets**

Determining whether to test for impairment of capital assets requires Management's judgement, among other factors, regarding the following: whether capital assets have been in use and depreciated, did market value of capital assets decline, whether net assets of the Corporation are higher than the market capitalization, was there any obsolescence or physical damage recorded to the capital assets, was there an increase to market interest rates.

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's assets and earnings may occur during the next period.

With regards to the annual impairment test on Construction in Progress, the Management has assessed that the replacement cost approach is the most appropriate for determining the recoverable value of individual assets under CIP. The Corporation has conducted the analysis based on the enquiry of the current market prices obtained from suppliers for each asset under the CIP category as well as the assessment of the recoverable value based on the general Machinery and Equipment as well as Industrial Producer Price index changes from 2022 to 2021. As a result of this analysis, the replacement value of the assets under CIP category has produced a recoverable value that was at least 15% higher than the carrying value of assets under CIP as of December 31, 2022.

# **Amaroq Minerals Ltd.**

## **Notes to the Consolidated Financial Statements**

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(In Canadian Dollars, except as otherwise noted)

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

#### **4.2 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.

#### **4.3 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**

#### **4.4 Environmental monitoring costs**

The provisions for environmental monitoring costs are based on estimated future costs using information available at the financial reporting date. Determining these obligations requires significant estimates and assumptions due to the numerous factors that affect the amount ultimately payable. Such factors include estimates of the scope and cost of restoration activities, legislative amendments, known environmental impacts, the effectiveness of reparation and restoration measures and changes in the discount rate. This uncertainty may lead to differences between the actual expense and the provision. At the date of the consolidated statement of financial position, environmental monitoring costs represent Management's best estimate of the charge that will result when the actual obligation is terminated.

#### **4.5 Restricted Share Units ("RSU")**

For the purpose of determining the fair market value of restricted share unit awards a number of assumptions are required for input in the pricing model. Determining these assumptions requires significant level of estimates and Management's judgement. For equity-settled awards, assumptions must be determined at the date of the grant. Such assumptions include grant calculation date, projection period, share price at grant, exercise price, risk-free rate of interest, dividends, share price volatility and forfeitures. The uncertainty related to the choice of assumptions may lead to difference between the actual value of restricted share unit awards and its estimated fair value based on the Monte-Carlo simulation run. At the date of the consolidated statement of financial position, restricted share units award value represents Management's best estimate of awards fair value vesting at measurement dates stipulated under the RSU award contract.

# Amaroq Minerals Ltd.

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### 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. This environmental monitoring program was completed in 2020.

|  | 2022      | 2021      |
|--|-----------|-----------|
|  | \$        | \$        |
| Balance beginning  | 424,637   | 460,447   |
| Effect of translation  | 2,483     | (35,810)  |
| Balance ending   | 427,120   | 424,637   |
| Non-current portion – escrow account for environmental monitoring    | (427,120) | (424,637) |
| <b>Current portion – escrow account for environmental monitoring</b> | <b>-</b>  | <b>-</b>  |

### 6. MINERAL PROPERTIES

|  | As at<br>December 31,<br>2021 | Additions     | As at<br>December 31,<br>2022 |
|--|-------------------------------|---------------|-------------------------------|
|  | \$                            | \$            | \$                            |
| Nalunaq - Au                                 | 1                             | -             | 1                             |
| Tartoq - Au                                  | 18,431                        | -             | 18,431                        |
| Vagar - Au                                   | 11,103                        | -             | 11,103                        |
| Nuna Nutaaq - Au                             | 6,076                         | -             | 6,076                         |
| Anoritoq - Au                                | 6,389                         | -             | 6,389                         |
| Siku - Au                                    | -                             | 6,821         | 6,821                         |
| Naalagaaffiup Portornga - Strategic Minerals | 6,334                         | -             | 6,334                         |
| Saarloq - Strategic Minerals                 | 7,348                         | -             | 7,348                         |
| Sava - Strategic Minerals                    | 6,562                         | -             | 6,562                         |
| Kobberminebugt - Strategic Minerals          | -                             | 6,840         | 6,840                         |
| Stendalen - Strategic Minerals               | -                             | 4,837         | 4,837                         |
| North Sava - Strategic Minerals              | -                             | 4,837         | 4,837                         |
| <b>Total mineral properties</b>              | <b>62,244</b>                 | <b>23,335</b> | <b>85,579</b>                 |

|                                 | As at<br>December 31,<br>2020 | Additions | As at<br>December 31,<br>2021 |
|---------------------------------|-------------------------------|-----------|-------------------------------|
|                                 | \$                            | \$        | \$                            |
| Nalunaq                         | 1                             | -         | 1                             |
| Tartoq                          | 18,431                        | -         | 18,431                        |
| Vagar                           | 11,103                        | -         | 11,103                        |
| Naalagaaffiup Portornga         | 6,334                         | -         | 6,334                         |
| Nuna Nutaaq                     | 6,076                         | -         | 6,076                         |
| Saarloq                         | 7,348                         | -         | 7,348                         |
| Anoritoq                        | 6,389                         | -         | 6,389                         |
| Sava                            | 6,562                         | -         | 6,562                         |
| <b>Total mineral properties</b> | <b>62,244</b>                 | <b>-</b>  | <b>62,244</b>                 |

# Amaroq Minerals Ltd.

## Notes to the Consolidated Financial Statements

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### 6. MINERAL PROPERTIES (CONT'D)

#### 6.1 Nalunaq - Au

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

##### 6.1.1 Collaboration agreement and project schedule

Cyrus Capital Partners LP was the main creditor of Angel Mining PLC, the parent company of Angel Mining (Gold) A/S. Angel Mining PLC went into administration in February 2013 and as part of the Administrator's restructuring process, FBC Mining (Holdings) Ltd. ("FBC Mining") and Arctic Resources Capital S.à r.l. ("ARC") agreed to enter into a collaboration agreement ("Collaboration Agreement") (signed July 15, 2015) to progress the Nalunaq exploration project. FBC Mining is a 100% subsidiary of FBC Holdings S.à r.l. which is managed by Cyrus Capital Partners LP.

In addition, ARC, FBC Mining and AEX Gold Limited (previously known as FBC Mining (Nalunaq) Limited) (a 100% subsidiary of FBC Mining) signed on July 17, 2015 the Nalunaq project schedule ("2015 Project Schedule") which was continued following the signature with Nalunaq A/S on March 31, 2017 of the 2016-2017 Nalunaq Project Schedule ("2016-2017 Project Schedule"), (collectively "Project Schedules").

Finally, the conditions relating to a processing plant located on the Nalunaq Licence ("Processing Plant") and a royalty payment were outlined in the 2015 Project Schedule and formalized in the processing plant and royalty agreement ("Processing Plant and Royalty Agreement") signed on March 31, 2017 and the conditions are as follows:

- a) AEX Gold Limited transfers the Processing Plant to Nalunaq A/S under the following conditions:
  - i) An initial purchase price of US\$1;
  - ii) A deferred consideration of US\$1,999,999 ("Deferred Consideration") on a pay as you go basis until the Deferred Consideration is paid in full. If only part of the Processing Plant is used, then the Deferred Consideration payable shall be reduced by an amount to be agreed by the parties to reflect the value of the part of the Processing Plant used.
  - iii) The Deferred Consideration may be reduced to the extent that the Processing Plant or any part which is being used requires repairs, is not in good working condition or will not be capable of doing the work for which it was designed.
  - iv) Nalunaq A/S may dispose or otherwise deal with the Processing Plant or any part of it at its own cost. If any disposal proceeds (defined as proceeds received minus costs of dealing with the disposal) are received, that disposal proceeds shall be paid to AEX Gold Limited and such amount shall be deemed to be Deferred Consideration. If there are any disposal proceeds remaining after the Deferred Consideration has been paid in full, the disposal proceeds remaining may be retained by Nalunaq A/S.
- b) Nalunaq A/S shall pay to AEX Gold Limited a 1% royalty on Nalunaq A/S' net revenue generated on the Nalunaq Licence (total revenue minus production, transportation and refining costs), provided that in respect to the last completed calendar year, the operating profit per ounce of gold exceeded US\$500. The cumulative royalty payments over the life of mine are capped at a maximum of US\$1,000,000.

##### 6.1.2 Government of Greenland royalty

The Nalunaq Licence and subsequent Addendums does not have a royalty clause. However, according to the Addendum 3 of the *Mineral Resources Act* enacted on July 1, 2014, the Greenland Government may set terms on the licensee's payment of royalty or consideration, if the Greenland Government and the licensee agree, since the Nalunaq Licence was granted before July 1, 2014. Nalunaq A/S may have to pay to the Government of Greenland a sales royalty of up to 2.5% of the value of the minerals. Nalunaq A/S may on certain terms offset an amount equal to paid corporate income tax and corporate dividend tax against the sales royalty to be paid.

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### **6. MINERAL PROPERTIES (CONT'D)**

#### **6.1.3 Exploration commitments and exploitation milestones**

After Nalunaq A/S has submitted its statements of expenses for the Nalunaq Licence for the 2017 and 2018 years, the MLSA has approved Nalunaq A/S' transition to the subsequent period (sub period 4) without a rollover of the unspent amount.

The Government of Greenland has been confirmed with Addendum No. 5 dated March 2020 which was signed by the Government of Greenland and therefore became effective on March 13, 2020, to extend the requirement dates to perform the following tasks. No later than December 31, 2022, the licensee shall prepare an environmental impact assessment, make a social impact assessment and perform an impact benefit agreement. The time limit for commencement of exploitation is January 1, 2023. As these deadlines have passed, the Government of Greenland has completed Addendum No. 6.

The Government of Greenland has been confirmed with Addendum No. 6 dated November 2022 which has not yet been signed by the Government of Greenland and therefore has not officially entered into force, to extend the requirement dates to perform the following tasks. No later than December 31, 2023, the licensee shall prepare an environmental impact assessment and make a social impact assessment. No later than December 31, 2024, the licensee shall negotiate, conclude and perform an impact benefit agreement. Prior to commencement of exploitation, and no later than December 31, 2025, the Licence shall be amended to include terms on royalty. The time limit for commencement of exploitation is January 1, 2026.

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.

### **6.2 Tartog - Au**

#### **6.2.1 Purchase of the Tartog Licence**

Nalunaq A/S signed on July 6, 2016 a sale and purchase agreement, to purchase from Nanoq Resources Ltd. the Tartog exploration licence number 2015/17 located in Southwest Greenland, for a total consideration of \$7,221. The licence originally expired December 31, 2024 with an entitlement to a 5-year extension. The renewal for a period of five years has been confirmed with Addendum No. 3 dated February 2020 which was signed by Nalunaq A/S on February 13, 2020 and became effective on March 13, 2020 when it was signed by the Government of Greenland. In response to the COVID 19 pandemic, the Government of Greenland gave an extension of the licence period for all exploration licences by two years, therefore the licence expires December 31, 2026.

#### **6.2.2 Exploration commitments**

In response to the COVID 19 pandemic, the Government of Greenland set the exploration obligation for year 2021 to DKK nil and reduced by 50% for the year 2022, which also means that the balance of the transferred non-fulfilled exploration obligation from 2021 is carried over to 2022. For the exploration licence, Nalunaq A/S shall complete DKK 996,600 of exploration activities in 2022, reducing by the total credit from 2021 of DKK 254,457, for a total of DKK 742,143 (\$144,543 using the exchange rate as at December 31, 2022) exploration obligation in 2022 which was confirmed by MLSA. For the purpose of crediting expenditures against the amounts set forth in the Tartog Licence, actual expenditures are multiplied by a factor of between 1.5 and 3, depending upon the type of expenditures made. If these obligations are not met, certain measures may be taken by the licence holder to rectify the situation, including reducing the area of the licence proportionately to the spending shortfall or rolling over the exploration commitment to the next period subject to approval from the MLSA. Nalunaq A/S submitted its statements of expenses for the Tartog exploration licence for the 2022 year to the MLSA by April 1, 2023.

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**6. MINERAL PROPERTIES (CONT'D)**

**6.3 Vagar - Au**

**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. The licence originally expired December 31, 2021 with a possible 6-year extension. In response to the COVID 19 pandemic, the Government of Greenland gave an extension of the licence period for all exploration licences by two years, therefore the licence expires December 31, 2023.

**6.3.2 Exploration commitments**

In response to the COVID 19 pandemic, the Government of Greenland set the exploration obligation for year 2021 to DKK nil and reduced by 50% for the year 2022, which also means that the balance of the transferred non-fulfilled exploration obligation from 2021 is carried over to 2022. For the exploration licence, Nalunaq A/S shall complete DKK 11,205,000 of exploration activities in 2022, reducing by the total credit from 2021 of DKK 9,203,442, for a total of DKK 2,001,558 (\$389,833 using the exchange rate as at December 31, 2022) exploration obligation in 2022 which was confirmed by MLSA. For the purpose of crediting expenditures against the amounts set forth in the Vagar Licence, actual expenditures are multiplied by a factor of between 1.5 and 3,

depending upon the type of expenditures made. If these obligations are not met, certain measures may be taken by the licence holder to rectify the situation, including reducing the area of the licence proportionately to the spending shortfall or rolling over the exploration commitment to the next period subject to approval from the MLSA. Nalunaq A/S submitted its statements of expenses for the Vagar exploration licence for the 2022 year to the MLSA by April 1, 2023.

**6.4 Nuna Nutaaq - Au**

**6.4.1 Purchase of the Nuna Nutaaq Licence**

The Corporation has acquired the right to conduct exploration activities on approximately 266km<sup>2</sup> of land in an area of Itillersuaq near Narsaq in South Greenland. The exploration rights have been granted to the Corporation under a new separate Exploration Licence 2019/113 Nuna Nutaaq. The licence application has been approved and all required documentation was signed by the Corporation on September 13, 2019 and the licence became effective on September 26, 2019 when it was signed by the Government of Greenland. The licence originally expired December 31, 2023 with an entitlement to a 5-year extension. In response to the COVID 19 pandemic, the Government of Greenland gave an extension of the licence period for all exploration licences by two years, therefore the licence expires December 31, 2025.

**6.4.2 Exploration commitments**

In response to the COVID 19 pandemic, the Government of Greenland set the exploration obligation for year 2021 to DKK nil and reduced by 50% for the year 2022, which also means that the balance of the transferred non-fulfilled exploration obligation from 2021 is carried over to 2022. For the exploration licence, Nalunaq A/S shall complete DKK 309,270 of exploration activities in 2022, reducing by the total credit from 2021 of DKK 2,344,489, for a total credit of DKK 2,035,219 (credit of \$396,389 using the exchange rate as at December 31, 2022) so there is no exploration obligation in 2022 which was confirmed by MLSA. For the purpose of crediting expenditures against the amounts set forth in the Nuna Nutaaq Licence, actual expenditures are multiplied by a factor of between 1.5 and 3, depending upon the type of expenditures made. If these

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**6. MINERAL PROPERTIES (CONT'D)**

obligations are not met, certain measures may be taken by the licence holder to rectify the situation, including reducing the area of the licence proportionately to the spending shortfall or rolling over the exploration commitment to the next period subject to approval from the MLSA. Nalunaq A/S submitted its statements of expenses for the Nuna Nutaq exploration licence for the 2022 year to the MLSA by April 1, 2023.

**6.5 Anoritoq - Au**

**6.5.1 Purchase of the Anoritoq Licence**

The Corporation acquired the right to conduct exploration activities on approximately 1,710km<sup>2</sup> of land in the areas of Anoritoq and Kangerluluk in South Greenland. The exploration rights have been granted to the Corporation under a new separate Exploration Licence 2020/36, referred to as Anoritoq. The licence application has been approved and all required documentation was signed by the Corporation on June 11, 2020 and the licence became effective on June 24, 2020 when it was signed by the Government of Greenland. In October 2020, the Corporation was granted an addendum to the Anoritoq Licence, increasing the size of the licence to 1,889km<sup>2</sup> and became effective November 6, 2020 when it was signed by the Government of Greenland. The licence originally expired December 31, 2024 with a possible 5-year extension. In response to the COVID 19 pandemic, the Government of Greenland gave an extension of the licence period for all exploration licences by two years, therefore the licence expires December 31, 2026.

**6.5.2 Exploration commitments**

In response to the COVID 19 pandemic, the Government of Greenland set the exploration obligation for year 2021 to DKK nil and reduced by 50% for the year 2022, which also means that the balance of the transferred non-fulfilled exploration obligation from 2021 is carried over to 2022. For the exploration licence, Nalunaq A/S

shall complete DKK 1,680,705 of exploration activities in 2022, reducing by the total credit from 2021 of DKK 1,449,481, for a total of DKK 231,224 (\$45,034 using the exchange rate as at December 31, 2022) exploration obligation in 2022 which was confirmed by MLSA. For the purpose of crediting expenditures against the amounts set forth in the Anoritoq Licence, actual expenditures are multiplied by a factor of between 1.5 and 3, depending upon the type of expenditures made. If these obligations are not met, certain measures may be taken by the licence holder to rectify the situation, including reducing the area of the licence proportionately to the spending shortfall or rolling over the exploration commitment to the next period subject to approval from the MLSA. Nalunaq A/S submitted its statements of expenses for the Anoritoq exploration licence for the 2022 year to the MLSA by April 1, 2023.

**6.6 Siku - Au**

**6.6.1 Purchase of the Siku Licence**

The Corporation acquired the right to conduct exploration activities on approximately 251km<sup>2</sup> of land in an areas between the Nanoq and Jokum's Shear project on the east coast of South Greenland. The exploration rights have been granted to the Corporation under a new separate Exploration Licence 2022/08, referred to as Siku. The licence application has been approved and all required documentation was signed by the Corporation on May 10, 2022 and the licence became effective on June 3, 2022 when it was signed by the Government of Greenland. The licence expires December 31, 2026 with a possible 5-year extension.

**6.6.2 Exploration commitments**

In response to the COVID 19 pandemic, the Government of Greenland reduced by 50% the exploration obligation for year 2022. For the exploration licence, Nalunaq A/S shall complete DKK 296,595 of exploration activities in 2022 (\$57,766 using the exchange rate as at December 31, 2022). For the purpose of crediting expenditures against the amounts set forth in the Siku Licence, actual expenditures are multiplied by a factor of



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### **6. MINERAL PROPERTIES (CONT'D)**

between 1.5 and 3, depending upon the type of expenditures made. If these obligations are not met, certain measures may be taken by the licence holder to rectify the situation, including reducing the area of the licence proportionately to the spending shortfall or rolling over the exploration commitment to the next period subject to approval from the MLSA. Nalunaq A/S submitted its statements of expenses for the Siku exploration licence for the 2022 year to the MLSA by April 1, 2023.

#### **6.7 Naalagaaffiup Portornga (Land Adjacent to Existing Tartoq Licence) - Strategic Minerals**

##### **6.7.1 Purchase of the Naalagaaffiup Portornga Licence**

The Corporation has acquired the right to conduct exploration activities on approximately 170km<sup>2</sup> of land in an area adjacent to the Tartoq Licence. The exploration rights have been granted to the Corporation under a new separate exploration Licence 2018/17 Naalagaaffiup Portornga and the licence had an original expiry date of December 31, 2022 with an entitlement to a 5-year extension. The licence application has been approved and all required documentation was signed by the Corporation on January 16, 2018 and the licence became effective on February 19, 2018 when it was signed by the Greenland authorities. In response to the COVID 19 pandemic, the Government of Greenland gave an extension of the licence period for all exploration licences by two years, therefore the licence expires December 31, 2024.

##### **6.7.2 Exploration commitments**

In response to the COVID 19 pandemic, the Government of Greenland set the exploration obligation for year 2021 to DKK nil and reduced by 50% for the year 2022, which also means that the balance of the transferred non-fulfilled exploration obligation from 2021 is carried over to 2022. For the exploration licence, Nalunaq A/S shall complete DKK 886,400 of exploration activities in 2022, reducing by the total credit from 2021 of DKK 24,912, for a total of DKK 861,488 (\$167,788 using the exchange rate as at December 31, 2022) exploration obligation in 2022 which was confirmed by MLSA. For the purpose of crediting expenditures against

the amounts set forth in the Naalagaaffiup Portornga Licence, actual expenditures are multiplied by a factor of between 1.5 and 3, depending upon the type of expenditures made. If these obligations are not met, certain measures may be taken by the licence holder to rectify the situation, including reducing the area of the licence proportionately to the spending shortfall or rolling over the exploration commitment to the next period subject to approval from the MLSA. Nalunaq A/S submitted its statements of expenses for the Naalagaaffiup Portornga exploration licence for the 2022 year to the MLSA by April 1, 2023.

#### **6.8 Saarloq - Strategic Minerals**

##### **6.8.1 Purchase of the Saarloq Licence**

The Corporation acquired the right to conduct exploration activities on approximately 818km<sup>2</sup> of land in the areas of Quassugaarsuk and Sermeq Kangilleq in South Greenland. The exploration rights have been granted to the Corporation under a new separate Exploration Licence 2020/31, referred to as Saarloq. The licence application has been approved and all required documentation was signed by the Corporation on May 15, 2020 and the licence became effective on May 28, 2020 when it was signed by the Government of Greenland. The licence originally expired December 31, 2024 with an entitlement to a 5-year extension. In response to the COVID 19 pandemic, the Government of Greenland gave an extension of the licence period for all exploration licences by two years, therefore the licence expires December 31, 2026.

##### **6.8.2 Exploration commitments**

In response to the COVID 19 pandemic, the Government of Greenland set the exploration obligation for year 2021 to DKK nil and reduced by 50% for the year 2022, which also means that the balance of the transferred non-fulfilled exploration obligation from 2021 is carried over to 2022. For the exploration licence, Nalunaq A/S

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### **6. MINERAL PROPERTIES (CONT'D)**

shall complete DKK 775,710 of exploration activities in 2022, reducing by the total credit from 2021 of DKK 321,617, for a total of DKK 454,093 (\$88,441 using the exchange rate as at December 31, 2022) exploration obligation in 2022 which was confirmed by MLSA. For the purpose of crediting expenditures against the amounts set forth in the Saarloq Licence, actual expenditures are multiplied by a factor of between 1.5 and 3, depending upon the type of expenditures made. If these obligations are not met, certain measures may be taken by the licence holder to rectify the situation, including reducing the area of the licence proportionately to the spending shortfall or rolling over the exploration commitment to the next period subject to approval from the MLSA. Nalunaq A/S submitted its statements of expenses for the Saarloq exploration licence for the 2022 year to the MLSA by April 1, 2023.

### **6.9 Sava - Strategic Minerals**

#### **6.9.1 Purchase of the Sava Licence**

The Corporation acquired the right to conduct exploration activities on approximately 335km<sup>2</sup> of land in the area of Eqluit Iluat in South Greenland. The exploration rights have been granted to the Corporation under a new separate Exploration Licence 2021/02, referred to as Sava. The licence application has been approved and all required documentation was signed by the Corporation on October 13, 2020 and the licence became effective on November 6, 2020 when it was signed by the Government of Greenland. The licence originally expired December 31, 2025 with a possible 5-year extension. In response to the COVID 19 pandemic, the Government of Greenland gave in December 2020, an extension of the licence period for all exploration licences by one year, therefore the licence expires December 31, 2026.

#### **6.9.2 Exploration commitments**

In response to the COVID 19 pandemic, the Government of Greenland set the exploration obligation for year 2021 to DKK nil and reduced by 50% for the year 2022, which also means that the balance of the transferred non-fulfilled exploration obligation from 2021 is carried over to 2022. For the exploration licence, Nalunaq A/S shall complete DKK 367,575 of exploration activities in 2022, reducing by the total credit from 2021 of DKK 6,673,960, for a total credit of DKK 6,306,385 (credit of \$1,228,263 using the exchange rate as at December 31, 2022) so there is no exploration obligation in 2022 which was confirmed by MLSA. For the purpose of crediting expenditures against the amounts set forth in the Sava Licence, actual expenditures are multiplied by a factor of between 1.5 and 3, depending upon the type of expenditures made. If these obligations are not met, certain measures may be taken by the licence holder to rectify the situation, including reducing the area of the licence proportionately to the spending shortfall or rolling over the exploration commitment to the next period subject to approval from the MLSA. Nalunaq A/S submitted its statements of expenses for the Sava exploration licence for the 2022 year to the MLSA by April 1, 2023.

### **6.10 Kobberminebugt - Strategic Minerals**

#### **6.10.1 Purchase of the Kobberminebugt Licence**

The Corporation acquired the right to conduct exploration activities on approximately 220km<sup>2</sup> of land in an areas of Aputaajuitsok in South Greenland. The exploration rights have been granted to the Corporation under a new separate Exploration Licence 2022/01, referred to as Kobberminebugt. The licence application has been approved and all required documentation was signed by the Corporation on November 24, 2021 and the licence became effective on February 23, 2022 when it was signed by the Government of Greenland. The licence expires December 31, 2026 with a possible 5-year extension.

#### **6.10.2 Exploration commitments**

In response to the COVID 19 pandemic, the Government of Greenland reduced by 50% the exploration obligation for year 2022. For the exploration licence, Nalunaq A/S shall complete DKK 270,400 of exploration activities in 2022 (\$52,664 using the exchange rate as at December 31, 2022). For the purpose of crediting

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### 6. MINERAL PROPERTIES (CONT'D)

expenditures against the amounts set forth in the Kobberrminebugt Licence, actual expenditures are multiplied by a factor of between 1.5 and 3, depending upon the type of expenditures made. If these obligations are not met, certain measures may be taken by the licence holder to rectify the situation, including reducing the area of the licence proportionately to the spending shortfall or rolling over the exploration commitment to the next period subject to approval from the MLSA. Nalunaq A/S submitted its statements of expenses for the Kobberrminebugt exploration licence for the 2022 year to the MLSA by April 1, 2023.

#### 6.11 Stendalen Licence - Strategic Minerals

##### 6.11.1 Purchase of the Stendalen Licence

The Corporation acquired the right to conduct exploration activities on approximately 2,486km<sup>2</sup> of the existing 2021/11 licence split into two areas around the Qasinngortoq and Kangerlussuatsiaq areas of South Greenland through the acquisition from the Orano Group ("Orano") as announced May 12, 2022 and are referred to as Stendalen. This acquisition from Orano was for zero upfront consideration but in exchange for a 0.5% contractual, gross revenue royalty (GRR), based on potential future sales of minerals exploited on the Stendalen and North Sava licences. The GRR is paid annually and capped at US\$10 million ("Royalties Cap"). The Royalties Cap is subject to an annual inflation adjustment, with an ultimate cap limited to the market capitalisation of the Corporation at the time of signature. Orano has a right of first refusal on any sales or transfer of licenses. All related transfer application documents have been signed by the Corporation and have been approved by the Government of Greenland on November 14, 2022. The licence expired December 31, 2026 with a possible 5-year extension.

##### 6.11.2 Exploration commitments

In response to the COVID 19 pandemic, the Government of Greenland reduced by 50% the exploration obligation for year 2022. For the exploration licence, Nalunaq A/S shall complete DKK 2,185,170 of exploration activities in 2022 (\$425,595 using the exchange rate as at December 31, 2022). For the purpose of crediting expenditures against the amounts set forth in the Stendalen Licence, actual expenditures are multiplied by a factor of between 1.5 and 3, depending upon the type of expenditures made. If these obligations are not met, certain measures may be taken by the licence holder to rectify the situation, including reducing the area of the licence proportionately to the spending shortfall or rolling over the exploration commitment to the next period subject to approval from the MLSA. Nalunaq A/S submitted its statements of expenses for the Stendalen exploration licence for the 2022 year to the MLSA by April 1, 2023.

#### 6.12 North Sava Licence - Strategic Minerals

##### 6.12.1 Purchase of the North Sava Licence

The Corporation acquired the right to conduct exploration activities on approximately 1,042km<sup>2</sup> of the existing 2020/41 licence split into two areas around the Akuliarutsip and Narsaviarsuasiit areas of South Greenland through the acquisition from the Orano as announced May 12, 2022 and are referred to as North Sava. This acquisition from Orano was for zero upfront consideration but in exchange for a 0.5% contractual, gross revenue royalty (GRR), based on potential future sales of minerals exploited on the Stendalen and North Sava licences. The GRR is paid annually and capped at US\$10 million ("Royalties Cap"). The Royalties Cap is subject to an annual inflation adjustment, with an ultimate cap limited to the market capitalisation of the Corporation at the time of signature. Orano has a right of first refusal on any sales or transfer of licenses. All related transfer documents have been signed by the Corporation and have been approved by the Government of Greenland on November 14, 2022. The licence expires on December 31, 2026 with a possible 5-year extension.

##### 6.12.2 Exploration commitments

In response to the COVID 19 pandemic, the Government of Greenland reduced by 50% the exploration obligation for year 2022. For the exploration licence, Nalunaq A/S shall complete DKK 964,990 of exploration

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### 6. MINERAL PROPERTIES (CONT'D)

activities in 2022 (\$187,946 using the exchange rate as at December 31, 2022). For the purpose of crediting expenditures against the amounts set forth in the North Sava Licence, actual expenditures are multiplied by a factor of between 1.5 and 3, depending upon the type of expenditures made. If these obligations are not met, certain measures may be taken by the licence holder to rectify the situation, including reducing the area of the licence proportionately to the spending shortfall or rolling over the exploration commitment to the next period subject to approval from the MLSA. Nalunaq A/S submitted its statements of expenses for the North Sava exploration licence for the 2022 year to the MLSA by April 1, 2023.

#### 6.13 Genex

On September 26, 2019, Nalunaq A/S was granted a prospecting licence number 2019/146 covering East Greenland, in this context defined as areas south of 75°N and east of 44°W. It is valid for a term of five years until December 31, 2023. Nalunaq A/S is not obligated to spend exploration expenses regarding this licence area during this period.

On October 28, 2022, Nalunaq A/S was awarded a prospecting licence number 2022/77 covering West Greenland, in this context defined as areas south of 78°N and west of 44°W. It is valid for a term of five years until December 31, 2027. Nalunaq A/S is not obligated to spend exploration expenses regarding this licence area during this period.

### 7. CAPITAL ASSETS

|                                 | Field<br>equipment<br>and<br>infrastructure<br>\$ | Vehicles<br>and rolling<br>stock<br>\$ | Equipment<br>(including<br>software)<br>\$ | Construc-<br>tion In<br>Progress<br>\$ | Right-of-<br>use assets<br>(note 8)<br>\$ | Total<br>\$        |
|---------------------------------|---|--|--|--|---|--------------------|
| <b>2021</b>                     |   |  |  |  |   |                    |
| Opening net book value          | 146,203   | 256,865                                | 177,052                                    | -                                      | 820,894                                   | 1,401,014          |
| Additions                       | 1,983,718   | 4,195,205                              | -  | 7,452,668                              | -   | 13,631,591         |
| Depreciation                    | (140,807)   | (147,361)                              | (21,041)                                   | -                                      | (80,744)                                  | (389,953)          |
| Closing net book value          | 1,989,114   | 4,304,709                              | 156,011                                    | 7,452,668                              | 740,150                                   | 14,642,652         |
| <b>As at December 31, 2021</b>  |   |  |  |  |   |                    |
| <b>Cost</b>                     | <b>2,371,041</b>                                  | <b>4,729,005</b>                       | <b>185,878</b>                             | <b>7,452,668</b>                       | <b>841,080</b>                            | <b>15,579,672</b>  |
| <b>Accumulated depreciation</b> | <b>(381,927)</b>                                  | <b>(424,296)</b>                       | <b>(29,867)</b>                            | <b>-</b>                               | <b>(100,930)</b>                          | <b>(937,020)</b>   |
| <b>Closing net book value</b>   | <b>1,989,114</b>                                  | <b>4,304,709</b>                       | <b>156,011</b>                             | <b>7,452,668</b>                       | <b>740,150</b>                            | <b>14,642,652</b>  |
| <b>2022</b>                     |   |  |  |  |   |                    |
| Opening net book value          | 1,989,114   | 4,304,709                              | 156,011                                    | 7,452,668                              | 740,150                                   | 14,642,652         |
| Additions                       | -   | -                                      | 179,040                                    | 69,417                                 | -   | 248,457            |
| Disposals                       | -   | (123,360)                              | (40,501)                                   | -                                      | -   | (163,861)          |
| Adjustment                      | -   | -                                      | -  | -                                      | (4,880)                                   | (4,880)            |
| Depreciation                    | (253,362)   | (438,965)                              | (78,165)                                   | -                                      | (80,207)                                  | (850,699)          |
| Closing net book value          | 1,735,752   | 3,742,384                              | 216,385                                    | 7,522,085                              | 655,063                                   | 13,871,669         |
| <b>As at December 31, 2022</b>  |   |  |  |  |   |                    |
| <b>Cost</b>                     | <b>2,351,041</b>                                  | <b>4,466,971</b>                       | <b>313,214</b>                             | <b>7,522,085</b>                       | <b>836,200</b>                            | <b>15,489,511</b>  |
| <b>Accumulated depreciation</b> | <b>(615,289)</b>                                  | <b>(724,587)</b>                       | <b>(96,829)</b>                            | <b>-</b>                               | <b>(181,137)</b>                          | <b>(1,617,842)</b> |
| <b>Closing net book value</b>   | <b>1,735,752</b>                                  | <b>3,742,384</b>                       | <b>216,385</b>                             | <b>7,522,085</b>                       | <b>655,063</b>                            | <b>13,871,669</b>  |

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### 7. CAPITAL ASSETS (CONT'D)

Depreciation of capital assets related to exploration and evaluation properties is being recorded in exploration and evaluation expenses in the consolidated statement of comprehensive loss, under depreciation. Depreciation of \$721,072 (\$299,771 – 2021) was expensed as exploration and evaluation expenses in 2022.

As of December 31, 2022, the amount of \$7,522,085 (\$7,452,668 as at December 31, 2021) of construction in progress is related to equipment and infrastructure received or in storage and which will be installed at the appropriate time. Equipment and infrastructure include process plant components that are not yet available for use.

### 8. LEASE LIABILITIES

|  | As at<br>December 31,<br>2022 | As at<br>December 31,<br>2021 |
|--|-------------------------------|-------------------------------|
|  | \$                            | \$                            |
| Balance beginning                          | 763,913                       | 829,813                       |
| Principal repayment                        | (50,722)                      | (65,900)                      |
| Adjustment                                 | 16,046                        | -                             |
| Balance ending                             | 729,237                       | 763,913                       |
| Non-current portion – lease liabilities    | (657,440)                     | (713,078)                     |
| <b>Current portion – lease liabilities</b> | <b>71,797</b>                 | <b>50,835</b>                 |

The Corporation has one lease for its office. In October 2020, the Corporation started the lease for five years and five months including five free rent months during this period. The monthly rent is \$8,825 until March 2024 and \$9,070 for the balance of the lease. The Corporation has the option to renew the lease for an additional five-year period at \$9,070 monthly rent indexed annually to the increase of the consumer price index of the previous year for the Montreal area.

A right-of-use asset of \$841,080 and an equivalent long term lease liability was recorded as of October 1, 2020, with a 5% incremental borrowing rate and considering that the renewal option would be exercised. Depreciation of right-of-use assets is being recorded in general and administrative expenses in the consolidated statement of comprehensive loss, under depreciation. Depreciation of \$80,207 (\$80,744 in 2021) was expensed as general and administration expenses in 2022.

### 9. SHARE CAPITAL

#### 9.1 Share Capital

The Corporation is authorized to issue an unlimited number of common voting shares and an unlimited number of preferred shares issuable in series, all without par value.

#### 9.2 Fundraising and First North Listing

On November 3, 2022, the Corporation successfully completed a capital fundraising as well as a listing on the Nasdaq First North Growth Iceland Exchange. The Corporation completed the fundraising by issuing 85,714,285 common shares at a price of GBP 0.35 per share for subscriptions made in British pounds sterling, \$0.54 per share for subscription made in Canadian dollars and ISK 56.77 per share for subscription made in Icelandic Krona, for a gross proceeds to the Corporation of \$46,313,551.

The Fundraising is complemented by the joint venture between the Corporation and ACAM LP ("ACAM"), announced on June 10, 2022 and finalized on October 19, 2022 under which the Corporation will establish a strategic mineral focused exploration subsidiary to hold certain licences in which the majority of resource is expected to relate to non-gold minerals (note 20.1). In addition to the Fundraising, the Corporation has now

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**9. SHARE CAPITAL (CONT'D)**

executed final documentation in relation to the ACAM joint venture, with closing and receipt of the initial \$28.5 million (GBP 18 million) funding now only subject to certain regulatory conditions precedent, and is expected to close in Q1 2023.

Arion Bank hf. and Landsbankinn hf. acted as agents in connection with the Icelandic Fundraising. In consideration for their services, the agents received a cash commission equal to \$1,668,318. Stifel Nicolaus Europe Limited ("Stifel") acted as sole bookrunner, nominated adviser and broker on the UK Placing and Panmure Gordon (UK) Limited ("Panmure Gordon"; together with Stifel, the "UK Banks") acted as manager and broker in relation to the UK Placing. In consideration for their services, they received a cash commission equal to \$451,311. The Corporation incurred total issuance costs of \$3,331,569 in relation to this process.

Certain officers and directors of the Corporation purchased an aggregate of 4,972,871 common shares for gross proceeds of \$2,700,132 (note 18). The officers and directors of the Corporation subscribed to the Fundraising under the same terms and conditions as set forth for all subscribers.

**10. STOCK-BASED COMPENSATION**

**10.1 Stock options**

An incentive stock option plan (the "Plan") was approved initially in 2017 and renewed by shareholders on June 16, 2022. The Plan is a "rolling" plan whereby a maximum of 10% of the issued shares at the time of the grant are reserved for issue under the Plan to executive officers, directors, employees and consultants. The Board of directors grants the stock options and the exercise price of the options shall not be less than the closing price on the last trading day, preceding the grant date. The options have a maximum term of ten years. Options granted pursuant to the Plan shall vest and become exercisable at such time or times as may be determined by the Board, except options granted to consultants providing investor relations activities shall vest in stages over a 12-month period with a maximum of one-quarter of the options vesting in any three-month period. The Corporation has no legal or constructive obligation to repurchase or settle the options in cash.

On June 9, 2021, the Corporation granted the CFO with 900,000 stock options exercisable at an exercise price of \$0.59, with an expiry date of December 31, 2027. The stock options vested 100% at the grant date. Those options were granted at an exercise price equal the closing market value of the shares the previous day of the grant. Total stock-based compensation costs amount to \$360,000 for an estimated fair value of \$0.40 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 75.85% expected volatility, 1.07% risk-free interest rate and 6.6 years options expected life. The expected life and expected volatility were estimated by benchmarking comparable companies to the Corporation.

On July 5, 2021, the Corporation granted to an employee 100,000 stock options exercisable at an exercise price of \$0.50, with an expiry date of July 5, 2026. The stock options vest in three equal annual tranches 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 \$29,000 for an estimated fair value of \$0.29 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 71.40% expected volatility, 1.01% risk-free interest rate and 5 years options expected life. The expected life and expected volatility were estimated by benchmarking comparable companies to the Corporation.

On September 13, 2021, the Corporation granted to an employee 100,000 stock options exercisable at an exercise price of \$0.50, with an expiry date of September 13, 2026. The stock options vest in three equal annual tranches 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 \$29,000 for an estimated fair value of \$0.29 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 69.49% expected volatility, 0.86% risk-free interest rate and 5 years options expected life. The expected life and expected volatility were estimated by benchmarking comparable companies to the Corporation.

# Amaroq Minerals Ltd.

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(In Canadian Dollars, except as otherwise noted)

### 10. STOCK-BASED COMPENSATION (CONT'D)

On January 17, 2022, the Corporation granted its officers, employees and consultant 4,100,000 stock options with an exercise price of \$0.60 and expiry date of January 17, 2027. The stock options vested 100% at the grant date. The options were granted at an exercise price equal to the closing market price of the shares the day prior to the grant. Total stock-based compensation costs amount to \$1,435,000 for an estimated fair value of \$0.35 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 69.38% expected volatility, 1.51% risk-free interest rate and a 5-year term. The expected life and expected volatility were estimated by benchmarking comparable companies to the Corporation. On July 29, 2022 500,000 out of 4,100,000 stock options have been canceled due to employees departure.

On April 20, 2022, the Corporation granted a senior employee 73,333 stock options with an exercise price of \$0.75 and expiry date of April 20, 2027. The stock options vested 100% at the grant date. The options were granted with an exercise price equal to the closing market price of the shares the day prior to the grant. Total stock-based compensation costs amount to \$32,267 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, 68.9% expected volatility, 2.7% risk-free interest rate and a 5-year term. The expected life and expected volatility were estimated by benchmarking comparable companies to the Corporation.

On July 14, 2022, the Corporation granted an employee 39,062 stock options with an exercise price of \$0.64 and expiry date of July 14, 2027. The stock options vested 100% at the grant date. The options were granted with an exercise price equal to the closing market price of the shares the day prior to the grant. Total stock-based compensation costs amount to \$14,844 for an estimated fair value of \$0.38 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 69% expected volatility, 3.1% risk-free interest rate and a 5-year term. The expected life and expected volatility were estimated by benchmarking comparable companies to the Corporation.

On December 30, 2022, the Corporation granted its employees and consultant 1,330,000 stock options with an exercise price of \$0.70 and expiry date of December 30, 2027. The stock options vested 100% at the grant date. The options were granted at an exercise price equal to the closing market price of the shares the day prior to the grant. Total stock-based compensation costs amount to \$545,300 for an estimated fair value of \$0.41 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 68.07% expected volatility, 3.27% risk-free interest rate and a 5-year term. The expected life was estimated by benchmarking comparable companies to the Corporation. The expected volatility was determined by calculating the historical volatility of the Corporation's share price back from the date of grant and for a period corresponding to the expected life of the options.

Changes in stock options are as follow:

|                          | 2022              |                                 | 2021              |                                 |
|--------------------------|-------------------|---------------------------------|-------------------|---------------------------------|
|                          | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
|                          |                   | \$                              |                   | \$                              |
| Balance, beginning       | 6,935,000         | 0.51                            | 7,745,000         | 0.51                            |
| Granted                  | 5,542,395         | 0.63                            | 1,100,000         | 0.57                            |
| Expired                  | (1,500,000)       | 0.53                            | (1,910,000)       | 0.52                            |
| Exercised                | (260,000)         | 0.50                            | -                 | -                               |
| <b>Balance, end</b>      | <b>10,717,395</b> | <b>0.57</b>                     | <b>6,935,000</b>  | <b>0.51</b>                     |
| Balance, end exercisable | 10,684,062        | 0.57                            | 6,801,666         | 0.51                            |

# Amaroq Minerals Ltd.

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(In Canadian Dollars, except as otherwise noted)

### 10. STOCK-BASED COMPENSATION (CONT'D)

Stock options outstanding and exercisable as at December 31, 2022 are as follows:

| Number of options<br>outstanding | Number of options<br>exercisable | Exercise<br>price<br>\$ | Expiry date        |
|----------------------------------|----------------------------------|-------------------------|--------------------|
| 1,360,000                        | 1,360,000                        | 0.45                    | August 22, 2023    |
| 1,820,000                        | 1,820,000                        | 0.38                    | December 31, 2025  |
| 100,000                          | 66,667                           | 0.50                    | September 13, 2026 |
| 1,495,000                        | 1,495,000                        | 0.70                    | December 31, 2026  |
| 3,600,000                        | 3,600,000                        | 0.60                    | January 17, 2027   |
| 73,333                           | 73,333                           | 0.75                    | April 20, 2027     |
| 39,062                           | 39,062                           | 0.64                    | July 14, 2027      |
| 1,330,000                        | 1,330,000                        | 0.70                    | December 30, 2027  |
| 900,000                          | 900,000                          | 0.59                    | December 31, 2027  |
| <b>10,717,395</b>                | <b>10,684,062</b>                |                         |                    |

#### 10.2 Restricted Share Unit

##### Conditional awards under the RSU

##### 10.2.1 Description

Conditional awards were made in 2022 that give participants the opportunity to earn restricted share unit awards under the Corporation's Restricted Share Unit Plan ("RSU Plan") subject to the generation of shareholder value over a four year performance period.

The awards are designed to align the interests of the Corporation's employees and shareholders, by incentivising the delivery of exceptional shareholder returns over the long-term. Participants receive a 10% share of a pool which is defined by the total shareholder value created above a 10% per annum compound hurdle.

The awards comprise three tranches, based on performance measured from January 1, 2022, to the following three measurement dates:

- First Measurement Date: December 31, 2023;
- Second Measurement Date: December 31, 2024; and
- Third Measurement Date: December 31, 2025.

Restricted share unit awards granted under the RSU Plan as a result of achievement of the total shareholder return performance conditions are subject to continued service, with vesting as follows:

- Awards granted after the First Measurement Date - 50% vest after one year, 50% vest after three years.
- Awards granted after the Second Measurement Date - 50% vest after one year, 50% vest after two years.
- RSUs granted after the Third Measurement Date - 100% vest after one year.

The maximum term of the awards is therefore four years from grant.

The Corporation's starting market capitalization is based on a fixed share price of \$0.552. Value created by share price growth and dividends paid at each measurement date will be calculated with reference to the average closing share price over the three months ending on that date.

- After December 31, 2023, 100% of the pool value at the First Measurement Date is delivered as restricted share units under the RSU Plan, subject to the maximum number of shares that can be allotted not being exceeded.



# Amaroq Minerals Ltd.

## Notes to the Consolidated Financial Statements

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### 10. STOCK-BASED COMPENSATION (CONT'D)

- After December 31, 2024, the pool value at the Second Measurement Date is reduced by the pool value from the First Measurement Date (increased in line with share price movements between the First and Second Measurement Dates). 100% of the remaining pool value, if any, is delivered as restricted share units under the RSU Plan.
- After December 31, 2025, the pool value at the Third Measurement Date is reduced by the pool value from the Second Measurement Date (increased in line with share price movements between the Second and Third Measurement Dates), and then further reduced by the pool value from the First Measurement Date (increased in line with share price movements between the First Measurement Date and the Third Measurement Date). 100% of the remaining pool value, if any, is delivered as restricted share units under the RSU Plan.

#### 10.2.2 Valuation

The fair value of the award granted in December 2022 is \$5,408,800 based on 80% of the available pool being awarded. There is no charge to be recognized in the year to December 31, 2022 on the grounds of materiality given the awards were granted at the end of the year.

The fair value was obtained through the use of a Monte Carlo simulation model which calculates a fair value based on a large number of randomly generated projections of the Corporation's share price.

| Assumption  | Value              |
|---|--------------------|
| Grant date  | December 30, 2022  |
| Projection period (years)                             | 3                  |
| Expected life (years)                                 | 5                  |
| Share price at grant date                             | \$0.70             |
| Exercise price  | N/A                |
| Dividend yield  | 0%                 |
| Risk-free rate  | 3.60%              |
| Volatility  | 72%                |
| <i>Fair value of awards - First Measurement Date</i>  | <i>\$3,080,800</i> |
| <i>Fair value of awards - Second Measurement Date</i> | <i>\$1,416,000</i> |
| <i>Fair value of awards - Third Measurement Date</i>  | <i>\$912,000</i>   |
| <b>Total fair value of awards (80% of pool)</b>       | <b>\$5,408,800</b> |

Expected volatility was determined from the daily share price volatility over a historical period prior to the date of grant with length commensurate with the expected life. A zero dividend yield has been used based on the dividend yield as at the date of grant.

### 11. CAPITAL MANAGEMENT

The capital of the Corporation consists of the items included in equity and balances thereof and changes therein are depicted in the consolidated statement of changes in equity.

The Corporation's objectives are to safeguard the Corporation's ability to continue as a going concern in order to pursue its acquisition, exploration and evaluation activities and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. As the Corporation does not have cash flow from operations, to maintain or adjust the capital structure, the Corporation may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash. In order to maximize ongoing development efforts and to continue operations, the Corporation does not pay out dividends. The Corporation is not subject to externally imposed restrictions on capital.

**Amaroq Minerals Ltd.**  
**Notes to the Consolidated Financial Statements**  
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**12. EMPLOYEE REMUNERATION**

**Salaries**

|  | 2022             | 2021             |
|--|------------------|------------------|
|  | \$               | \$               |
| Salaries   | 3,502,513        | 5,343,482        |
| Director's fees  | 628,000          | 628,652          |
| Benefits   | 590,407          | 878,580          |
|  | 4,720,920        | 6,850,714        |
| Less : salaries and benefits presented in E&E expenses                               | (904,888)        | (3,569,124)      |
| <b>Salaries and directors' fees disclosed in general and administrative expenses</b> | <b>3,816,032</b> | <b>3,281,590</b> |

**13. EXPLORATION AND EVALUATION EXPENSES**

| 2022   | Nalunaq          | Vagar            | Nuna Nutaq     | Anoritoq      | Saarloq      | Sava           | Kobbermi nebugt | Stendalen     | North Sava     | Total             |
|--|------------------|------------------|----------------|---------------|--------------|----------------|-----------------|---------------|----------------|-------------------|
|  | \$               | \$               | \$             | \$            | \$           | \$             | \$              | \$            | \$             | \$                |
| Geology  | 1,001,263        | 54,524           | 30,992         | 17,966        | 1,919        | 75,596         | 16,914          | 20,202        | 34,912         | 1,254,288         |
| Lodging and on-site support                                    | 170,024          | 20,900           | 4,546          | 6,652         | 854          | 29,413         | 5,737           | 5,676         | 8,791          | 252,593           |
| Drilling   | 2,962,491        | 611,610          | -              | -             | -            | 144,019        | -               | -             | -              | 3,718,120         |
| Analysis   | 205,304          | 86,765           | -              | 1,208         | 87           | 25,060         | 1,035           | 173           | -              | 319,632           |
| Geophysics survey  | -                | -                | 364,827        | -             | -            | -              | -               | -             | 416,177        | 781,004           |
| Transport  | 222,546          | 84,644           | 2,028          | 3,052         | 442          | 37,154         | 2,450           | 2,290         | 3,256          | 357,862           |
| Supplies and equipment   | 484,461          | 21,247           | 5,211          | 7,178         | 661          | 20,959         | 7,148           | 7,779         | 13,575         | 568,219           |
| Helicopter Charter   | 221,039          | 424,586          | -              | 19,850        | -            | 267,957        | 13,072          | -             | -              | 946,504           |
| Logistic support   | 904,310          | 62,777           | 11,530         | 18,478        | 3,316        | 16,275         | 12,479          | 9,796         | 9,643          | 1,048,604         |
| Maintenance infrastructure                                     | 2,401,358        | 62,431           | 16,437         | 21,886        | 1,544        | 83,558         | 23,521          | 26,700        | 48,770         | 2,686,205         |
| Project Engineering costs                                      | 35,946           | -                | -              | -             | -            | -              | -               | -             | -              | 35,946            |
| Government fees  | 2,584            | 7,893            | -              | -             | -            | -              | -               | -             | -              | 10,477            |
| <b>Exploration and evaluation expenses before depreciation</b> | <b>8,611,326</b> | <b>1,437,377</b> | <b>435,571</b> | <b>96,270</b> | <b>8,823</b> | <b>699,991</b> | <b>82,356</b>   | <b>72,616</b> | <b>535,124</b> | <b>11,979,454</b> |
| Depreciation   | 721,072          | -                | -              | -             | -            | -              | -               | -             | -              | 721,072           |
| <b>Exploration and evaluation expenses</b>                     | <b>9,332,398</b> | <b>1,437,377</b> | <b>435,571</b> | <b>96,270</b> | <b>8,823</b> | <b>699,991</b> | <b>82,356</b>   | <b>72,616</b> | <b>535,124</b> | <b>12,700,526</b> |

| 2021   | Nalunaq           | Vagar          | Tartoq         | Naalagaaffiup Portornga | Nuna Nutaq     | Saarloq      | Anoritoq      | Sava           | Genex         | Total             |
|--|-------------------|----------------|----------------|-------------------------|----------------|--------------|---------------|----------------|---------------|-------------------|
|  | \$                | \$             | \$             | \$                      | \$             | \$           | \$            | \$             | \$            | \$                |
| Geochemistry   | -                 | 227,764        | 80,631         | -                       | -              | -            | -             | 292,883        | -             | 601,278           |
| Geology  | 2,332,281         | 427,903        | 19,413         | 1,105                   | 113,309        | 6,620        | 57,905        | 219,458        | 11,039        | 3,189,033         |
| Lodging and on-site support                                    | 479,921           | -              | 248            | -                       | -              | -            | -             | -              | -             | 480,169           |
| Underground works  | 118,017           | -              | -              | -                       | -              | -            | -             | -              | -             | 118,017           |
| Drilling   | 3,647,452         | -              | 130            | -                       | -              | -            | -             | -              | -             | 3,647,582         |
| Analysis   | 120,548           | 1,250          | -              | -                       | 469            | -            | -             | -              | -             | 122,267           |
| Transport  | 35,324            | -              | 957            | -                       | -              | -            | -             | -              | -             | 36,281            |
| Supplies and equipment   | 1,998             | -              | -              | -                       | -              | -            | -             | -              | -             | 1,998             |
| Helicopter Charter   | 181,069           | 124,843        | -              | -                       | 128,328        | -            | 11,772        | 295,147        | 33,302        | 774,461           |
| Logistic support   | 1,009,553         | -              | -              | -                       | -              | -            | -             | -              | -             | 1,009,553         |
| Insurance  | 41,197            | -              | -              | -                       | -              | -            | -             | -              | -             | 41,197            |
| Project Engineering costs                                      | 3,753,320         | 20,461         | -              | -                       | 21,039         | -            | 1,927         | -              | 5,461         | 3,802,208         |
| Government fees  | 137,453           | 8,419          | 8,419          | -                       | -              | -            | -             | -              | 1,949         | 156,240           |
| <b>Exploration and evaluation expenses before depreciation</b> | <b>11,858,133</b> | <b>810,640</b> | <b>109,798</b> | <b>1,105</b>            | <b>263,145</b> | <b>6,620</b> | <b>71,604</b> | <b>807,488</b> | <b>51,751</b> | <b>13,980,284</b> |
| Depreciation   | 299,771           | -              | -              | -                       | -              | -            | -             | -              | -             | 299,771           |
| <b>Exploration and evaluation expenses</b>                     | <b>12,157,904</b> | <b>810,640</b> | <b>109,798</b> | <b>1,105</b>            | <b>263,145</b> | <b>6,620</b> | <b>71,604</b> | <b>807,488</b> | <b>51,751</b> | <b>14,280,055</b> |

# Amaroq Minerals Ltd.

## Notes to the Consolidated Financial Statements

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### 14. GENERAL AND ADMINISTRATIVE

|   | 2022              | 2021             |
|---|-------------------|------------------|
|   | \$                | \$               |
| Salaries and benefits                                       | 3,188,032         | 2,652,938        |
| Director's fees   | 628,000           | 628,652          |
| Professional fees   | 2,258,660         | 2,382,916        |
| Marketing and industry involvement                          | 598,447           | 791,722          |
| Insurance   | 341,793           | 571,364          |
| Travel and other expenses                                   | 746,180           | 1,884,189        |
| Regulatory fees   | 212,939           | 326,464          |
| <b>General and administration before following elements</b> | <b>7,974,051</b>  | <b>9,238,245</b> |
| Stock-based compensation                                    | 2,046,342         | 374,771          |
| Depreciation  | 129,627           | 90,182           |
| <b>General and administrative</b>                           | <b>10,150,020</b> | <b>9,703,198</b> |

### 15. FINANCE COSTS

|                      | 2022          | 2021          |
|----------------------|---------------|---------------|
|                      | \$            | \$            |
| Financing fees lease | 37,523        | 39,994        |
| <b>Finance costs</b> | <b>37,523</b> | <b>39,994</b> |

### 16. 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:

|   | 2022         | 2021         |
|---|--------------|--------------|
|   | \$           | \$           |
| Net loss before income taxes                | (21,898,963) | (24,689,239) |
| Income tax rates                            | 26.5%        | 26.5%        |
| Income tax recovery                         | (5,803,225)  | (6,542,648)  |
| Increase (decrease) attributable to:        |              |              |
| Non deductible expenses                     | 547,829      | 104,109      |
| Difference in statutory tax rate            | 213,652      | 265,772      |
| Changes in unrecognized deferred tax assets | 5,041,744    | 6,172,767    |
| Tax recovery                                | -            | -            |

The analysis of the Corporation's deferred tax assets and liabilities as at December 31, 2022 and 2021 is as follows:

|                                    | 2022      | 2021      |
|------------------------------------|-----------|-----------|
|                                    | \$        | \$        |
| Deferred tax assets (liabilities): |           |           |
| Capital assets                     | (636,131) | (437,033) |
| Non-capital losses                 | 636,131   | 437,033   |
|                                    | -         | -         |

**Amaroq Minerals Ltd.**  
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**16. INCOME TAXES (CONT'D)**

The Corporation records deferred income tax assets to the extent that it is probable that sufficient taxable income will be realized during the carry-forward period to utilize these net future tax assets.

The significant components of deductible temporary differences and unused tax losses for which the benefits have not been recorded on the consolidated statement of financial position as at December 31, 2022 are as follows:

| <b>Greenland</b>                  | <b>As at<br/>December 31,<br/>2022</b> |
|-----------------------------------|--|
|                                   | <b>\$</b>                              |
| Non-capital losses carry forwards | 50,408,928                             |

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

| <b>Canada</b>                                      | <b>As at<br/>December 31,<br/>2022</b> |
|--|--|
|  | <b>\$</b>                              |
| Non-capital losses carry forwards expiring in 2038 | 965,032                                |
| Non-capital losses carry forwards expiring in 2039 | 1,272,338                              |
| Non-capital losses carry forwards expiring in 2040 | 1,210,348                              |
| Non-capital losses carry forwards expiring in 2041 | 5,622,490                              |
| Non-capital losses carry forwards expiring in 2042 | 8,261,231                              |
| Non-capital losses carry forwards expiring in 2043 | 7,660,784                              |

**17. NET LOSS PER SHARE**

The calculation of basic and diluted net loss per share for the year ended December 31, 2022, was based on the net loss attributable to shareholders of \$21,898,963 (\$24,689,239 for the year ended December 31, 2021) and the weighted average number of common shares outstanding for the year ended December 31, 2022 of 191,575,781 (177,098,737 for the year ended December 31, 2021). As a result of the net loss for the years ended December 31, 2022 and 2021, all potentially dilutive common shares are deemed to be antidilutive and thus diluted net loss per share is equal to the basic net loss per share for these periods.

**18. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION**

The Corporation's key management are the members of the board of directors, the President and Chief Executive Officer, the Chief Financial Officer, the Vice President Exploration and the Corporate Secretary. Key management compensation is as follows:

|  | <b>2022</b>      | <b>2021</b>      |
|--|------------------|------------------|
|  | <b>\$</b>        | <b>\$</b>        |
| Short-term benefits                                |                  |                  |
| Professional fees                                  | -                | 64,162           |
| Salaries and benefits                              | 2,104,440        | 1,639,334        |
| Salaries and benefits included in the E&E expenses | -                | 71,349           |
| Director's fees                                    | 628,000          | 628,652          |
| Long-term benefits                                 |                  |                  |
| Stock-based compensation (note 10.1)               | 1,117,000        | 365,909          |
| <b>Total compensation</b>                          | <b>3,849,440</b> | <b>2,769,406</b> |

**Amaroq Minerals Ltd.**  
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**18. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION (CONT'D)**

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 firm in which Georgia Quenby (director until June 9, 2021) is a partner charged legal professional fees for \$nil (\$9,934 in 2021);
- A company controlled by Martin Ménard (Chief Operating Officer from July 9, 2019 to June 30, 2021) charged engineering professional fees of \$nil for his staff (\$12,240 in 2021). The Chief Operating Officer is the son of Robert Ménard, director until April 27, 2021;
- Nicolas and Catherine Ménard and Samuel Martel, engineering consultants, (the son, the daughter and the son-in-law of Robert Ménard, director until April 27, 2021 and the brother, the sister and brother-in-law of Martin Ménard, Chief Operating Officer until June 30, 2021) were paid \$nil (\$324,799 in 2021);
- As at December 31, 2022, the balance due to those related parties listed above and in the compensation to key management amounted to \$nil (\$173,254 as at December 31, 2021).

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

- Directors and officers of the Corporation participated in the November 3, 2022 fundraising for \$2,700,132 (\$nil in 2021). The directors and officers subscribed to the fundraising in 2022 under the same terms and conditions set forth all subscribers.
- Key management are subject to employment agreements which provide for payments on termination, without cause or following a change of control, providing for payments up to one base salary.

The compensation of directors is as follows:

|                               | 2022                                  |                             |                       | 2021                                  |                             |                       |
|-------------------------------|---------------------------------------|-----------------------------|-----------------------|---------------------------------------|-----------------------------|-----------------------|
|                               | Short-term<br>benefits <sup>(a)</sup> | Stock-based<br>compensation | Total<br>compensation | Short-term<br>benefits <sup>(a)</sup> | Stock-based<br>compensation | Total<br>compensation |
|                               | \$                                    | \$                          | \$                    | \$                                    | \$                          | \$                    |
| Eldur Olafsson                | 801,935                               | 385,000                     | 1,186,935             | 471,815                               | -                           | 471,815               |
| George Fowlie <sup>(1)</sup>  | -                                     | -                           | -                     | 79,919                                | -                           | 79,919                |
| Jaco Crouse                   | 496,699                               | 315,000                     | 811,699               | 334,757                               | 360,000                     | 694,757               |
| Graham Stewart                | 181,000                               | -                           | 181,000               | 195,228                               | -                           | 195,228               |
| Georgia Quenby <sup>(2)</sup> | -                                     | -                           | -                     | 43,788                                | -                           | 43,788                |
| Sigurbjorn Thorkelsson        | 86,000                                | -                           | 86,000                | 94,478                                | -                           | 94,478                |
| Robert Ménard <sup>(3)</sup>  | -                                     | -                           | -                     | 30,417                                | -                           | 30,417                |
| Liane Kelly                   | 86,000                                | -                           | 86,000                | 29,913                                | -                           | 29,913                |
| Line Frederiksen              | 86,000                                | -                           | 86,000                | 47,962                                | -                           | 47,962                |
| David Neuhauser               | 86,000                                | -                           | 86,000                | 47,962                                | -                           | 47,962                |
| Warwick Morley-Jepson         | 103,000                               | -                           | 103,000               | 138,904                               | -                           | 138,904               |
| <b>Total compensation</b>     | <b>1,926,634</b>                      | <b>700,000</b>              | <b>2,626,634</b>      | <b>1,515,143</b>                      | <b>360,000</b>              | <b>1,875,143</b>      |

**(a)** Short-term benefits comprise salary, director fees as applicable, annual bonus and pension.

(1) George Fowlie ceased to be Director 26th August 2021

(2) Georgia Quenby ceased to be Non-Executive Director 9th June 2021

(3) Robert Ménard ceased to be Non-Executive Director 27 April 2021

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

The directors participated in the November 3, 2022 fundraising for \$2,700,132 (\$nil in 2021). The director participation is as follows:

|                        | <b>2022</b>                 | <b>2021</b>                 |
|------------------------|-----------------------------|-----------------------------|
|                        | <b>Number of new shares</b> | <b>Number of new shares</b> |
| Eldur Olafsson         | 814,162                     | -                           |
| Jaco Crouse            | 285,714                     | -                           |
| Graham Stewart         | 142,857                     | -                           |
| Sigurbjorn Thorkelsson | 1,444,424                   | -                           |
| David Neuhauser        | 2,285,714                   | -                           |
| <b>Total</b>           | <b>4,972,871</b>            | <b>-</b>                    |

**19. 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.

**19.1 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.

**19.2 Liquidity risk**

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

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

|               | <b>As at December 31, 2022</b>  |                          | <b>As at December 31, 2021</b>  |                          |
|---------------|---------------------------------|--------------------------|---------------------------------|--------------------------|
|               | <b>Trade and other payables</b> | <b>Lease liabilities</b> | <b>Trade and other payables</b> | <b>Lease liabilities</b> |
|               | <b>\$</b>                       | <b>\$</b>                | <b>\$</b>                       | <b>\$</b>                |
| Within 1 year | 1,138,961                       | 105,894                  | 2,049,249                       | 88,245                   |
| 1 to 5 years  | -                               | 434,852                  | -                               | 431,910                  |
| 5 to 10 years | -                               | 344,646                  | -                               | 435,343                  |
| <b>Total</b>  | <b>1,138,961</b>                | <b>885,392</b>           | <b>2,049,249</b>                | <b>955,498</b>           |

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### 19. FINANCIAL INSTRUMENTS (CONT'D).

#### 19.3 Currency risk

As at December 31, 2022 and 2021, 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.

The Corporation had the following balances in currencies:

| <b>As at December 31, 2022</b>              | <b>In DKK</b>  | <b>In Euros</b> | <b>In US\$</b>   | <b>In GBP</b>    |
|---|----------------|-----------------|------------------|------------------|
| Cash  | 1,493,645      | 72,577          | 6,372,862        | 5,580,141        |
| Escrow account for environmental monitoring | 2,193,001      | -               | -                | -                |
| Prepaid expenses and others                 | 207,465        | -               | -                | -                |
| Trade and other payables                    | (1,440,197)    | (81,970)        | (112,718)        | (57,639)         |
|   | 2,453,914      | (9,393)         | 6,260,144        | 5,522,502        |
| Exchange rate                               | 0.1948         | 1.4487          | 1.3541           | 1.6370           |
| <b>Equivalent to CAD</b>                    | <b>478,022</b> | <b>(13,608)</b> | <b>8,476,861</b> | <b>9,040,336</b> |

Based on the above net exposures as at December 31, 2022, 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 \$1,798,162.

| <b>As at December 31, 2021</b>              | <b>In DKK</b>  | <b>In Euros</b> | <b>In US\$</b>   | <b>In GBP</b>   |
|---|----------------|-----------------|------------------|-----------------|
| Cash  | 2,145,132      | 526,043         | 5,314,298        | 882             |
| Escrow account for environmental monitoring | 2,193,001      | -               | -                | -               |
| Trade and other payables                    | (3,740,924)    | (20,987)        | (44,301)         | (36,563)        |
|   | 597,209        | 505,056         | 5,269,997        | (35,681)        |
| Exchange rate                               | 0.1936         | 1.4401          | 1.2697           | 1.7155          |
| <b>Equivalent to CAD</b>                    | <b>115,620</b> | <b>727,331</b>  | <b>6,691,315</b> | <b>(61,211)</b> |

Based on the above net exposures as at December 31, 2021, 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 \$747,306.

#### 19.4 Fair value risk

Fair value estimates are made at the consolidated statement of financial position date, based on relevant market information and other information about financial instruments. As at December 31, 2022, the Corporation's financial instruments are cash, escrow account for environmental monitoring, trade and other payables and lease liabilities. For all the financial instruments, the amounts reflected in the consolidated statement of financial position are carrying amounts and approximate their fair values due to their short-term nature.

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## 20. SUBSEQUENT EVENTS

### 20.1 ACAM LP Joint Venture

On June 10, 2022, the Corporation announced that it had signed a non-binding head of terms with ACAM to establish a special purpose vehicle (the "SPV") and create a joint venture (the "JV") for the exploration and development of its Strategic Mineral assets for a combined contribution of \$58.0 million (GBP 36.7 million). Subject to negotiation of the final terms of the JV, ACAM will invest \$28.5 million (GBP 18 million) in exchange for a 49% shareholding in the SPV, with Amaroq holding 51%. Amaroq is expected to contribute its strategic non-precious mineral (i.e. non-gold) licences as well as a contribution in kind, valued, in aggregate, at \$29.5 million (GBP 18.7 million) in the form of site support, logistics and overhead costs associated with utilizing its existing infrastructure in Southern Greenland to support the JV's activities. The transfer of these licences is subject to approval from the Greenland Government. An option for further future funding of \$16.0 million (GBP 10.0 million) is also potentially available on the achievement of agreed milestones. The final documentation of the deal was executed on October 19, 2022. Written approval by the Government of Greenland pursuant to section 88(1) of the Mineral Resources Act of the transfer of the Initial JV Company Licences by Nalunaq A/S to the JV Company has been received and upon the resolution of the final administrative matters, the Company expects to satisfy the remaining conditions needed to complete the ACAM Transaction before 30 April 2023.

### 20.2 US\$49.5M Debt Financing (the "Financing") and Potential Main Market Listing in Iceland

On March 28, 2023, the Corporation has signed non-binding term sheets for a US\$49.5 million senior secured financing package consisting of:

- US\$18.5 million Senior Debt Revolving Credit Facility ("RCF") with Icelandic banks Landsbanki and Fossar Investment Bank, with a two-year term and interest at the Secured Overnight Financing Rate (SOFR) plus 950bps. The RCF has a 2% arrangement fee and a 0.4% commitment fee on unutilized amounts.
- Up to US\$21 million Syndicated Convertible Notes ("Convertible Note") with an affiliate of ACAM LP, JLE Property Ltd, Livermore Partners and First Pecos with a four-year term, payment-in-kind interest of 5% per annum and a conversion price of 42 pence/share.
  - ACAM LP's main investors are the majority ultimate beneficial owners of GCAM LP.
- US\$10 million, two-year Cost Overrun loan by JLE Property Limited on the same terms as the Convertible Note, plus a 2.5% commitment fee on unutilized amounts, to insure against any potential unexpected cost increases.

The Financing, together with existing capital, is expected to enable the transition from bulk sample stage to trial mining, processing and production of gold doré on site at Nalunaq in a staged approach, ahead of full-scale production. The Corporation will finalise the Financing's legally binding documentation and expects to be in a position to sign binding documents within the next three months.

Alongside the Financing, the Corporation intends to explore the possibility of a main market listing on Iceland's Nasdaq Exchange and will update on progress and timing in due course.