

Fundamental

Research Corp.

Investment Analysis for Intelligent Investors

December 20, 2017

Aton Resources Inc. (TSXV: AAN) - Initiating Coverage; Exploiting Exceedingly Underexplored Egypt Gold Resources

Sector/Industry: Junior Resource

www.atonresources.com

Market Data (as of December 20, 2017)

Current Price	C\$0.04
Fair Value	C\$0.13
Rating*	BUY
Risk*	5 (Highly Spec)
52 Week Range	C\$0.03 - C\$0.07
Shares O/S	183,637,743
Market Cap	C\$7.35 mm
Current Yield	N/A
P/E (forward)	N/A
P/B	N/A
YoY Return	-50.0%
YoY TSXV	12.0%

*see back of report for rating and risk definitions



Investment Highlights

- Aton Resources Inc. (“Aton”, “company”) is one of the only two publicly traded companies active in the Egyptian gold sector. The other company is Centamin plc (LSE: CEY), which operates the only producing gold mine in the country.
- Egypt is a vastly underexplored geologically rich country. Foreign investment has been low in the country due to a high profit sharing arrangement with the Egyptian government. The government has recently opened up, and is taking initiatives to attract more foreign investment to exploit its gold resources.
- Aton’s management is based in Egypt and has extensive experience in the space. Management and board own 26% of the total outstanding shares. Institutions own another 36% of the shares.
- Aton’s projects have a consolidated gold equivalent resource of 0.71 Moz inferred and 0.14 Moz indicated.
- The company is preparing an updated resource estimate and a preliminary economic assessment on the oxide portion of the resource.
- There are 15 regional exploration targets, within Aton’s 40 km long gold trend concession that have never been drill tested. Recent work has identified two prospects with significant upside potential. Success at even one prospect will result in significant upside to the company’s valuation.
- We estimate that Aton’s shares are trading at an enterprise value (“EV”) to resource of just \$9 per oz versus the comparable average of \$29 per oz.

Risks

- The value of the company is highly dependent on gold prices.
- Exploration risks.
- Political risks and changes to mining laws in Egypt may negatively impact the company.
- Permitting
- Access to capital and share dilution.

Key Financial Data (FYE - Dec 31)		
(C\$)	2016	2017 (9M)
Cash	\$3,048,439	\$28,435
Working Capital	\$2,280,603	-\$997,764
Mineral Assets	\$163,393	\$163,393
Total Assets	\$3,518,948	\$384,275
Net Income (Loss)	-\$4,186,837	-\$3,605,339
EPS	-\$0.05	-\$0.02

Company Overview

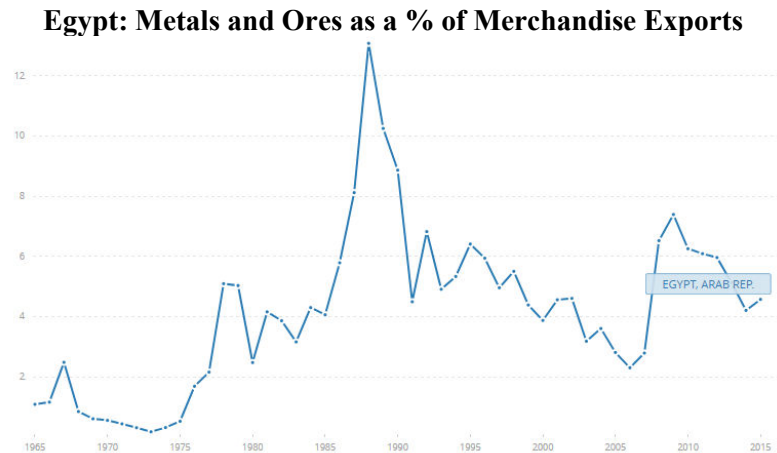
The company was incorporated in May 2006 as Alexander Nubia International Inc. It went public through a reverse takeover in 2010, and the name was changed to Aton Resources Inc. in June 2016.

Aton is headed by President and Chief Executive Officer, Mark Campbell, appointed in October 2015. Mr. Campbell, based in Cairo, Egypt, has been a director of the company since 2010. He has over 37 years of experience in investment banking and petroleum industries. He was a former consultant to Centamin. The company strengthened its technical team in 2016, by adding Rick Cavaney, VP Exploration, and Javier Orduña, Head of Exploration. Mr. Cavaney has over 50 years of experience in the mining industry, and is a former exploration manager of Centamin, when it was exploring Sukari and the Abu Marawat concession, which is currently held by Aton.

Egypt

With a population of 95.69 million, and 2016 gross domestic product (“GDP”) per capita of US\$3,514, Egypt ranks as one of the poorer states in the Middle East and North Africa (MENA) region, according to the World Bank. According to the CIA World Factbook, the nation’s economic growth had slowed significantly since the 2011 Arab Spring revolution that ousted former president Mubarak. The resulting political and regulatory climate has remained uncertain. **However, the economy is now recovering, reporting GDP growth of 4.3% in 2016, versus 1.8% in 2011, according to the World Bank.**

In 2015, Egypt had merchandise exports of US\$21.35 billion, with 4.57% of these exports being ores and metals, according to the World Bank. The graph below outlines the historic contribution of mining products to merchandise exports (note that the Y axis is measured in percentage terms):

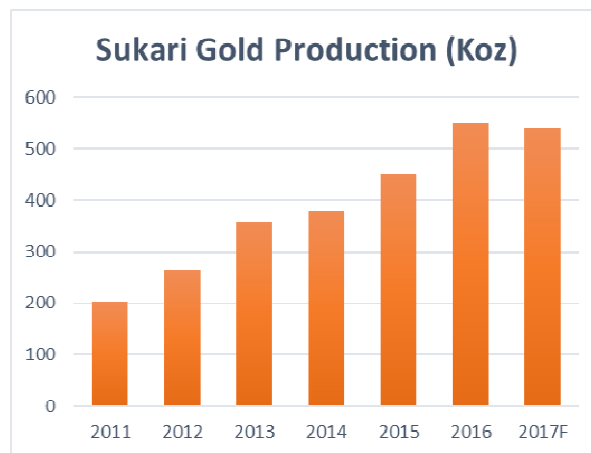


Source: World Bank

According to the World Bank, mineral rents made up only 0.24% of the nation’s GDP. Mineral rent refers to the difference between the value of produced minerals, net of costs of production. Minerals produced include tin, gold, lead, zinc, iron, copper, nickel, silver, bauxite, and phosphate. The Egyptian Mineral Resources Authority estimates the country’s mineral resources as follows:

- 5 billion tons of silica sand.
- 1.25 billion tons of phosphate rock.
- 1 billion tons of feldspar.
- 900 million tons of iron ore.
- 224 million tons of nonferrous metals.
- 150 million tons of bentonite.

Despite having a history of over 5,000 years of artisanal and small-scale gold mining, Egypt currently has only one commercial gold mine - the Sukari gold mine operated by Centamin. The mine commenced production in 2010. Its historical production is shown in the chart below:



Source: Centamin PLC

In Q3-2017, the mine (open pit and underground) processed ore at an average grade of 1.82 gpt, with an overall recovery rate of 88.3%. The all-in cash cost is estimated at US\$790/oz for 2017. Sukari is estimated to hold approximately 14 Moz of gold resources at an average grade of 1.05 gpt.

Aton and Centamin are the only two publicly traded companies active in the Egyptian gold sector. Australia’s Resolute Mining (ASX: RSG) and the U.K.’s Veritas Mining Limited recently obtained exploration concessions when the Egyptian Mineral Resources Authority (EMRA) called for bids in January 2017 for five large blocks. The agreements between EMRA and these companies call for a 6% royalty on gold production, and a 50:50 share of profits after recovering a portion of the cost to advance the projects to production. The profit sharing is significantly high in Egypt relative to other African countries (typically 10% to 20%) – a key reason why Egypt has had very little foreign investment in the exploration and development of gold resources.

Egypt is vastly underexplored for gold in modern times. Recognizing the massive resource potential, the Egyptian government has explicitly stated that it will take initiatives to encourage foreign investment. One such initiative is establishment of the Golden Triangle project, which aims to expand mining infrastructure in the country.

Aton’s Abu Marawat concessions lie in the Arabian Nubian Shield (“ANS). ANS, which covers Egypt, Sudan, Israel, Saudi Arabia, Eritrea, Jordan, Ethiopia, Somali and Yemen, is one of the **most under-explored prospective gold regions in the world**.

The Arabian Nubian Shield



Source: Company

The following table outlines resource estimates of a few of the significant gold projects located on the ANS.

Major Projects on the ANS

Project Name	Company	Location	Resource/ Reserve Category	Tonnes (Mt)	Gold Eq. Grade (g/T)	Gold Eq. (Moz)
Sukari Gold Mine	Centamin PLC	Egypt	Measured& Indicated	386	1.05	12.90
	LSE: CEY		Inferred	33	1.02	1.10
Hassai Gold Mine	Ariab Mining	Sudan	Measured& Indicated	16	2.77	1.43
			Inferred	4	2.77	0.39
Block 14 Gold Project	Orca Gold	Sudan	Measured& Indicated	61	1.77	3.58
	TSXV: ORG		Inferred	19	1.70	1.07
Bisha	Nevsun Resources	Eritrea	Measured& Indicated	35	4.26	4.77
	TSX: NSU		Inferred	30	4.90	4.77

Source: Company

Abu Marawat

Location

The 738k sq. km. Abu Marawat concession is located 400 km to the south-southeast of Cairo, and 200 km north of Centamin’s Sukari gold mine.

Project Location



Source: Company

The project area covers a 40 km long gold trend, including two identified deposits with resource estimates, three historic mines, and approximately 15 untested regional targets. The two known deposits are the Hamama deposit in the west, and the Abu Marawat deposit in the east.

The project has excellent infrastructure and is well connected via highways and a rail line. The port of Safaga is located 45 km northeast. The nearest community is the city of Qena, with a population of approximately 0.23 million. The nearest commercial airports are located at Hurghada (100 km) and Luxor (150 km), both are approximately one-hour flight from Cairo. A 220 kV power line and a water pipeline are in close proximity. Water is trucked in from the Nile, 70km to the west.

Ownership

In 2007, Aton’s predecessor, Alexander Nubia, negotiated an exploration and mining agreement on Abu Marawat with the EMRA and the Egyptian Government. The current permit expires on July 31, 2018. In October 2017, Aton notified the EMRA of its intent to issue a declaration of commerciality and commence production before the end of 2019. The EMRA has agreed to extend the exploration permit to July 31, 2020, if the company is able to submit an economic study (PEA) by May 2018.

The Egyptian Government receives a 3% royalty on the produced gold. Aton is entitled to recover 20% per year of the total exploration, and 20% per year of the total exploitation expenses, and 100% per year of the operating expenses on the project. The annual recoveries will be capped at 25% of the gold produced for exploration expenditures, and 30% of the gold produced for exploitation and operating expenses. After royalties and cost recoveries, the remaining profits will be split 50:50 between EMRA and Aton.

Aton has spent a total of approximately \$14 million on the project to date.

History

The project area has a history of over 5,000 years of artisanal mining, primarily targeting the quartz veins on the project. Three historic British-era mines exist on the property, namely Abu Garida, Semna, and Sir Bakis.

An old plant and tailings at Sir Bakis



Source: Company

Very little modern exploration work has been conducted on the project prior to Aton's acquisition of the concessions in 2007.

The Egyptian Geological Survey and Mining Authority (EGSMA) had completed a

prospecting program in the mid 1970s. Subsequently, from 1986 to 1990, Minex Minerals Egypt Ltd. conducted exploration, including 34 diamond and 220 reverse circulation percussion drill holes. From 1995 to 1997, Centamin conducted reconnaissance geological mapping, prospecting, and sampling programs over the concessions. However, Centamin subsequently turned all of their focus to develop the Sukari deposit.

Aton began its exploration activities in 2008, with a detailed geological mapping over the Abu Marawat and Hamama project areas. From 2011 to 2016, Aton drilled a total of 96 holes totaling 9,704 m at Hamama. The company also completed 65 deep excavator dug trenches, and 76 hammer sampled rock chip channel traverses.

Summary of the Drill Programs

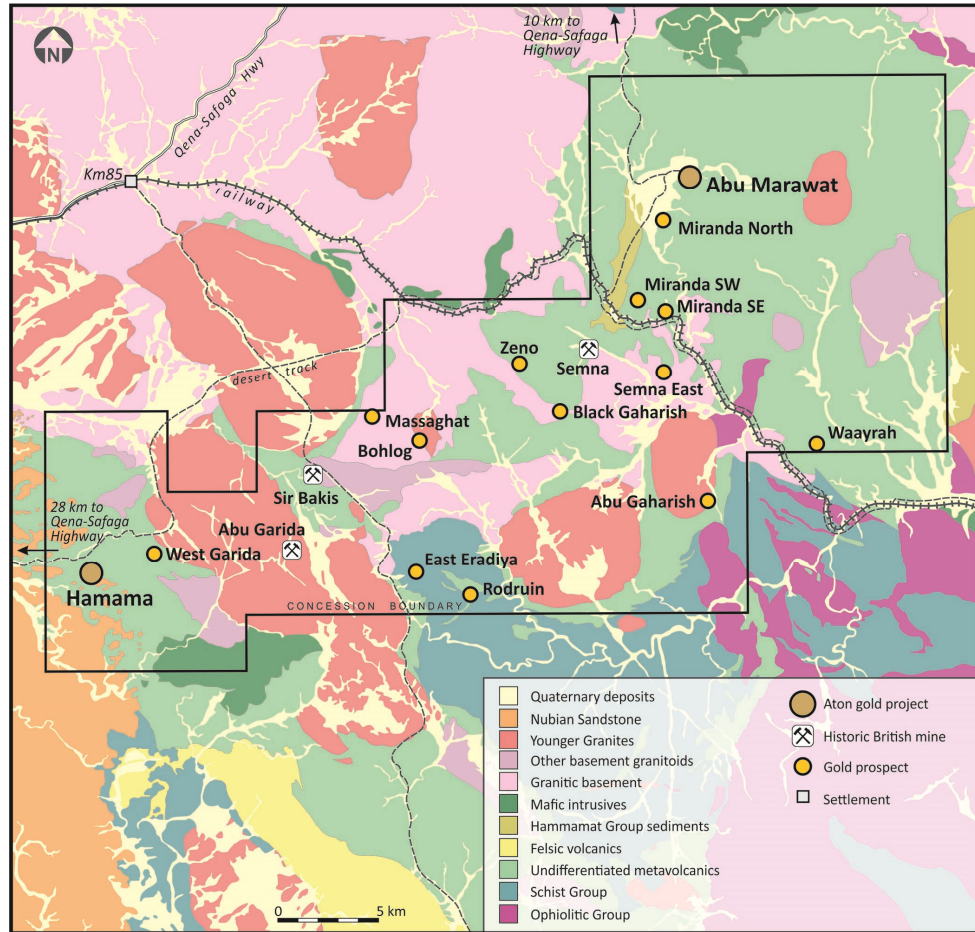
Year	Program	Range of Hole No.	No. of DD Holes	Length of DD holes (m)	Average Depth (m)
2011	DD	AHA-001 to AHA-011	11	1,187	108
2012	DD	AHA-012 to AHA-026	15	1,420	95
2015	DD	AHA-027 to AHA-058	32	3,668	115
2016	DD	AHA-059 to AHA-096	38	3,429	90
TOTAL			96	9,704	101
Multitple	Trench	AHA-001 to AHA-138	138	6,846	50

Deposit	Data Type	Hole_IDs	No of Holes	Total Drill Meters	Average Depth (m)
Hamama West	DDH	AHA-012 to 019 AHA-021 to 047	74	6,597	89
Hamama Central	DDH	-	10	1,369	137
Hamama East	DDH	-	10	1,567	157
NH1	DDH	-	2	172	86
Total Drilling			96	9,704	101

Source: Company

Geology and Resource Estimates

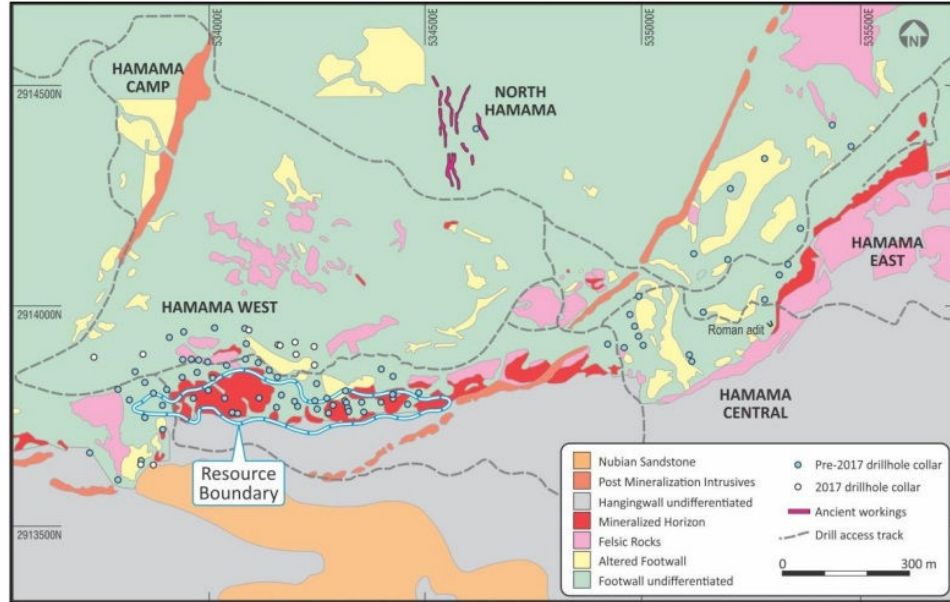
The following map shows the two identified deposits and the several regional targets on the concession area.



Source: Company

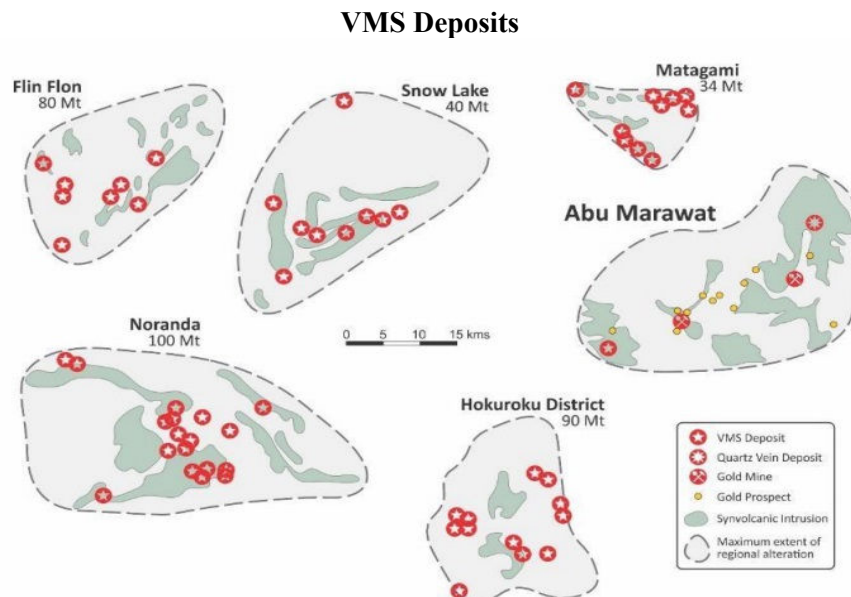
Hamama Deposit

Hamama, located at the western end of the concession, is comprised of three contiguous zones - Hamama West, Hamama Central and Hamama East. The total mineralized strike is currently estimated to be 3,000 m.



Source: Company

Hamama holds a hybrid epithermal - VMS deposit, and is precious metal rich relative to typical VMS deposits. VMS deposits are typically associated with volcanic and / or sedimentary rocks. They consist of massive and / or semi-massive accumulations of sulphide minerals, and form in flat lens-like bodies parallel to the bedding. VMS deposits are base metal-rich deposits, with major sources of zinc, copper, and lead, with gold and silver as byproducts. They commonly occur in clusters (1 – 20 Mt), and the individual deposits when combined, form mining districts / camps. The following image shows the size of Abu Marawat relative to well-known VMS camps in the world:



Source: Company

Aton has drilled a total of 109 diamond drill holes in 11,828 m at Hamama. **A NI 43-101 compliant technical report published in 2017 showed an inferred resource of 341 Koz and an indicated resource of 137 Koz, calculated based on 74 drill holes at Hamama West.** The resource only accounted for 750 m of the total 3,000 m mineralized strike.

The gold oxide cap is approximately 700 m long, up to 110 m wide, and has an average vertical depth of 35m. The oxide layer is underlain by primary hypogene sulphide mineralization to a depth of 120 m below surface. The overall dimensions of the resource are estimated at 800 m strike by 60 m width by 120 m depth.

Abu Marawat Deposit

This deposit, located at the eastern end of concession, is an epithermal deposit consisting of several sub-parallel, steeply dipping quartz veins. Aton has drilled a total of 81 holes / 18,261 m on this deposit. **The NI 43-101 compliant report stated an inferred resource of 2.9 Mt grading 1.75 g/t Au, 29.3 g/t Ag, 0.77% Cu and 1.15% Zn.** The deposit is defined along a strike length of 1,500 m to a depth of 200 m.

The following table shows the consolidated resource estimate of the two deposits. The estimate was based on a cut-off grade of 0.5 g/t gold equivalent, and a gold price of US\$1,250/oz.

Resource Estimate

Deposit	Class	Tonnes	Grade				Contained Metal				
			Au (g/t)	Ag (g/t)	Cu (%)	Zn (%)	Au (koz)	Ag (koz)	AuEq (koz)	Cu (m lbs)	Zn (m lbs)
Abu Marawat	Inferred - open pit & u/g	2,879,000	1.75	29.3	0.77	1.15	162	2,713	364	49	73
Hamama West	Inferred - oxide & trans.	2,580,000	0.87	28.1	-	-	72	2,334	106	-	-
	Inferred - sulphide	5,630,000	0.87	30.4	-	-	157	5,503	235	-	-
TOTAL	Inferred	11,089,000	1.10	29.6	-	-	391	10,550	705	49	73

Deposit	Class	Tonnes	Grade				Contained Metal				
			Au (g/t)	Ag (g/t)	Cu (%)	Zn (%)	Au (koz)	Ag (koz)	AuEq (koz)	Cu (m lbs)	Zn (m lbs)
Hamama West	Indicated - sulphide	3,805,000	0.72	27.6	-	-	88	3,376	137	-	-
TOTAL	Indicated	3,805,000	1.10	29.6	-	-	88	3,376	137	-	-

Source: Company

2017 Drilling

In the first half of 2017, the company completed a 12 hole / 1,975 m drill program with a goal of expanding the sulphide resources at Hamama West. All 12 holes intersected mineralization, indicating strong potential for resource upside. The best hole was HAD-004, which returned 22.2 m of 2.17 gpt gold.

Hole ID	From (m)	To (m)	Interval (m)	Au (g/t)	Ag (g/t)	AuEq (g/t)*	Zn (%)
HAD-001	151	158	7	0.41	36.56	0.93	-
	194	202.6	8.6	0.14	32.63	0.61	-
HAD-002	87	131.9	44.9	0.81	21.64	1.12	0.42
<i>incl.</i>	87	118	31	0.49	16.04	0.72	0.05
<i>incl.</i>	121	131.9	10.9	1.9	41.47	2.49	1.57
<i>incl.</i>	127	131	4	3.81	78.18	4.93	4.12
HAD-003	61	65	4	0.07	6.8	0.17	1.37
<i>and</i>	72	74.1	2.1	0.04	7.67	0.15	1.05
<i>and</i>	131	171	40	0.96	23.99	1.3	0.13
HAD-004	128	131	3	0.06	5.5	0.14	1.19
<i>and</i>	140	143	3	0.12	12.73	0.31	3.64
<i>and</i>	194.1	200	5.9	0.42	15.61	0.64	1.44
<i>and</i>	202	224.2	22.2	2.17	41.92	2.77	0.1
HAD-005	70	91.4	21.4	1.08	30.4	1.52	0.38
HAD-006	37	38	1	0.8	18.9	1.07	0.05
<i>and</i>	39	44	5	0	0.7	0.02	0.7
HAD-007	7	35	28	1.65	82.7	2.84	0.02
<i>incl.</i>	7	16	9	2.2	8.2	2.32	0.03
<i>incl.</i>	31	35	4	6.05	376	11.41	0
HAD-008	42	48	6	0.01	3.4	0.06	1.05
HAD-009	84	88	4	0.08	13.3	0.27	0.64
HAD-010	129	177.5	48.5	0.8	15.5	1.02	0.18
<i>incl.</i>	129	133	4	0.46	11.9	0.63	0.03
<i>incl.</i>	136	141	5	0.9	40.7	1.48	0.75
<i>incl.</i>	144	177.5	33.5	0.91	13.5	1.1	0.12
HAD-011	91	138	47	0.61	31	1.06	0.15
<i>incl.</i>	91	114	23	0.31	42.3	0.92	0.2
<i>incl.</i>	114	138	24	0.9	20.2	1.19	0.11
HAD-012	109	112	3	1.3	102	2.77	0.68
<i>and</i>	136	158	22	0.87	130	2.73	0.09

Source: Company

We estimate this program has expanded the sulphide resource by approximately 10%.

Declaration of Commerciality

In November 2017, the company notified the EMRA of its intention to make a declaration of commerciality and advance the Hamama project to production before the end of 2019. Aton is planning to present a PEA to the EMRA by May 2018. The study will evaluate the viability of an open pit heap leach mining operation to mine the oxide resource delineated at Hamama West. Upon approval, Aton will receive a 20-year mining license at Hamama. EMRA has also agreed to extend the exploration license on the entire project (outside Hamama) by two years to July 2020. **This extension is vital as it allows Aton to evaluate the potential of the regional targets in the concession area.**

On December 6, 2017, the company announced results of metallurgical testing (coarse bottle-roll test to approximate heap leach conditions), which showed the following:

- Gold recoveries of 73.6% and silver recoveries of 39.8% for oxide material, and
- Gold recoveries of 66.2% and silver recoveries of 32.5% for the transitional zone

Column leach tests, that simulate heap leach technology, are in progress.

Regional Exploration

In addition to the Hamama and Abu Marawat deposits, there are approximately 15 regional exploration targets within the Abu Marawat Concession that have never been drill tested. The following table lists the prospects based on priority.

Major targets	Drill ready or near drill ready	High impact exploration targets
Rodruin	West Garida	Miranda SE
Abu Gaharish	Semna	Semna East
	Sir Bakis	Miranda SW
	Bohlog	Miranda North
	Waayrah	Zeno
	East Eradiya	Black Gaharish
		Massaghat
Total	2	6
		7

Source: Company

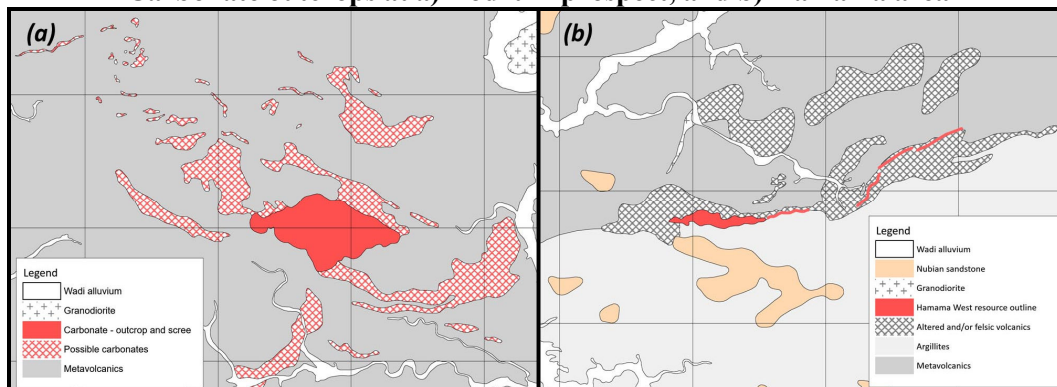
The following section highlights a few of the key targets:

Rodruin

On December 18, 2017, the company announced the discovery of a large new zone of Hamama - style mineralization exposed at surface at the Rodruin prospect, located approximately 18 km east of the Hamama West deposit, and 3 km east of a historic processing site at East Eradiya. A grab sample from the tailings at East Eradiya in 2014 had returned 21.1 g/t Au.

The Rodruin prospect was first identified by a remote sensing study conducted earlier in the year. Similar to Hamama, the mineralization at Rodruin occurs within carbonate rocks. However, the outcrop of mineralized carbonates, and workings at Rodruin, cover a significantly larger area than at Hamama.

Carbonate outcrops at a) Rodruin prospect, and b) Hamama area



Source: Company

Recent field work identified visible gold on the project area. Ancient workings, and mineralization at Rodruin, have been identified over an area of 500 m x 400 m, and over a vertical elevation range of over 100m. We estimate that this could imply a potential resource of 5 to 10 Mt even if only 10% to 20% of the entire area is mineralized. **Management believes that Rodruin has the potential to be the biggest discovery to date in the Abu Marawat concession.** The company has made Rodruin its primary focus of exploration. A small surface sampling program has been completed and assay results are expected in January 2018.

Abu Gaharish

At Abu Gaharish, gold mineralization has been identified over a strike length of over 2.4 km. Recent field reconnaissance has identified possible mineralization over a potential 5 km strike length along the entire eastern margin of the Gaharish granite.

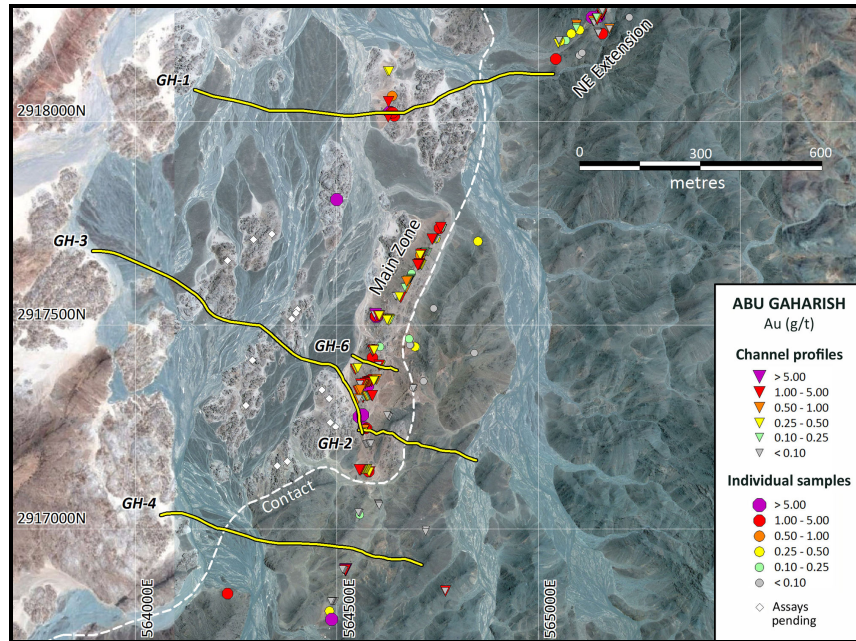
Grab and channel samples collected earlier in the year had returned up to 22.6 g/t Au and 26.6 g/t Au, respectively. Follow up surface channel samples returned up to 31.2m at 1.04 g/t Au, and 3.6m at 11.05 g/t Au. Individual channel samples returned assays of 5.50 g/t Au over a 2 m interval, and a grab sample returned an assay of 11.4 g/t Au.

Channel Profile ID	Intersection			Au (g/t)	Zone
	From (m)	To (m)	Width (m)		
GHC-001	0	31.2	31.2	1.04	Main Zone (MZ)
GHC-007	0	3.6	3.6	11.05	Southern extension of MZ (500m south)
GHC-009	2.3	4.5	2.2	7.73	Southern zone (800m south of the MZ)
GHC-022	0	6	6	1.18	NE Extension Zone
GHC-026	0	1.7	1.7	17.8	NE Extension Zone
GHC-036	0	6.5	6.5	1.44	Main Zone
GHC-037	0	2.1	2.1	8.31	Main Zone
GHC-038	17	24.2	7.2	1.19	Main Zone
GHC-039	10.6	14.9	4.3	2.28	Main Zone
GHC-040	6.4	14.5	8.1	1.25	Main Zone
GHC-052	0	2.1	2.1	5.44	Southern zone (900m south of the MZ)
GHC-054	2	3.1	1.1	45.85	Northern zone (1500m north of the MZ)

Source: Company

In addition, six deep penetrating ground penetrating radar (GPR) profile lines were recently completed at Abu Gaharish. Results were encouraging, as three profile lines (GH-1, GH-3, and GH-4) had significant responses towards the west of the known mineralized structures.

GPR lines at Abu Gaharish



Source: Company

The company also reported in a December 19 press release, that surface reconnaissance identified new zones of mineralization at the North Gaharish area.

The following section provides a quick summary of the other key targets:

West Garida

- 3km north east along strike of Hamama West
- Initial sampling showed grades of up to 99.6 g/t Au from quartz veins
- Shallow and high-grade target

Semna Gold Mine

- High grade quartz vein, up to 6m wide, assayed up to 5.5 oz/t Au
- 9.7m @ 5.17 g/t Au on the south vein
- Individual samples up to 18.05 g/t Au

Sir Bakis Gold Mine

- High grade quartz vein, up to 1.5m wide
- Trenching returned 109m @ 0.21 g/t Au
- Grab and channel surface samples returned up to 150 g/t Au

Bohlog

- Surface channel, chip and grab samples returned up to 21.1 g/t Au
- Surface channel sample profile returned 16.7m @ 3.03 g/t Au

Massaghat

- Assays of 470 g/t Au and 17.9 g/t Au

- Channel and grab sampling of up to 2.7m @ 7.06 g/t Au, and 20.9 g/t Au, respectively.

Waayrah

- Three mineralized zones
- Surface channel and grab samples returned up to 16.4 g/t Au, 24.6% Zn, 62.7 g/t Ag and 1.93% Cu

Upcoming Catalysts

- Updated resource estimate and a PEA at Hamama West by May 2018.
- Metallurgical testwork on the oxide material from Hamama West
- Convert exploration permit to an exploitation permit in 2018
- Continued regional exploration
- Regional exploration drilling at Rodruin, Abu Gaharish and West Garida, followed by Sir Bakis and Semna.

Management

Management and board members currently own 26% of the total outstanding shares. Institutions own another 36% of the shares, which we believe is a strong vote of confidence for Aton’s management and its project portfolio. The following table shows the holdings by management, board members and institutions.

Management / Directors / Institutions Share Ownership

Management	Director Since	Shares	% of Total
Mark Campbell, President, CEO & Director	2010	688,852	0.4%
Giles Baynham, Director (Independent)	2010	798,627	0.4%
Bill Koutsouras, Chairman (Independent)	2014	8,286,664	4.5%
David Lang, Director (Independent)	2016	603,666	0.3%
Anthony Clements, Director (Independent)	2016	-	0.0%
Tonno Vahk, Director (Independent)	2017	36,673,077	20.0%
Total		47,050,886	25.6%

Key Investors	Shares	% of Total
OU Moonrider		19.7%
Exploration Capital Partners		8.0%
New Pacific		8.0%
Total		35.7%
Total		61.3%

Source: Company Data

Brief biographies of the management team and board members, as provided by the company, follow:

Mark W. Campbell - President and Chief Executive Officer

Mr. Campbell has over 37 years of experience in the investment banking and petroleum industries and over 20 years of experience in Egypt. Mr. Campbell was a former consultant to Pharaoh Gold Mines, a wholly owned subsidiary of Centamin Egypt Limited, and before that Mr. Campbell was the Chief Executive Officer of Frontier Drilling and Oilfield Services Inc., an oilfield services company that operated primarily Egypt and the Sudan. Prior to this, Mr. Campbell was the Business Development Director for Challenger Drilling based in Egypt. In addition, Mr. Campbell has held senior positions with a number of investment banks, including T. Hoare & Co., Chase Manhattan, Salomon Brothers, First Boston and Lehman Brothers Kuhn Loeb. Mr. Campbell is currently a director of Raider Petroleum, Blue Heron Resources and Hawkeye Oilfield Services. Mr. Campbell sits on the Energy Committee of the American Chamber of Commerce in Egypt, representing the Mining Industry. Mr. Campbell studied petroleum geology at Texas Tech University.

Rick Cavaney - Vice President Exploration

Mr. Cavaney has over 50 years of experience in exploration geology. Was one of the original exploration managers at Centamin’s Sukari. Rick, spent eight years 1996-2004 with Centamin as an exploration manager at Sukari. He also did some of the original exploration work at Abu Marawat and Hamama. Since then he has managed a drill program utilizing five drill rigs on the Migori Belt in Kenya and a desktop study on lead zinc properties in Ireland. Previous to Centamin, Mr. Cavaney worked as a consultant examining Archaean, greenstone gold properties in Zimbabwe for a private group, mapping and interpreting. Examining exploration properties in Namibia and planning future exploration activities on them. Examining exploration prospects and properties in the Tarkwa Belt of Ghana and mapping some in detail. Regional mapping and compiling geological maps of the whole of the Tarkwa Belt, outlining target areas and prioritizing them. Before this he held senior exploration positions for MIM, ASARCO and Carpentaria Exploration Company. Mr. Cavaney holds an MSc in Exploration and Mining Geology, James Cook University of North Queensland, a MSc (hons) Geology, University of Otago (New Zealand) and a BSc in Geology, University of New Zealand, Otago.

Javier Orduña - Exploration Manager

Javier has 20+ years of experience primarily as an exploration geologist, and has worked in Australia, Central Asia, west and north-east Africa, Europe, Cuba, and the Middle East. He has worked in regional grassroots exploration, through to brownfield mine-based exploration, and also spent time as an underground mine geologist at St Ives in Western Australia. He has also worked on several feasibility studies and mine development projects, and has been involved in successfully bringing several major projects through to production in Kazakhstan. He has experience in a wide variety of geological settings, and mineral types and has been involved in gold, copper, chromite, nickel, bauxite, iron ore, and mineral sands exploration and development projects and has extensive experience in VMS deposits. Javier has a BSc in Geology from Southampton University, and also has master’s degrees from the Camborne School of Mines and Imperial College in the UK.

Tim Neall – Senior Project Geologist

Tim has 35 years experience as an exploration geologist and mining/geotechnical engineer. Before Aton, Tim was the Chief Project Geologist at the San Ramon gold project in Colombia with Canada-based Red Eagle Mining, which he brought from grassroots exploration through to the first gold pour. Tim has also worked in many locations around the world including Central Asia, Europe, North and South America and Africa. Tim holds a BSc. in Exploration Science from Nottingham University in the UK.

Paul Angus – Senior Project Geologist – Regional

Paul has nearly 15 years exploration experience, mostly with SRK Exploration, and has worked in a variety of locations including several countries all over Africa, the Middle East, Russia and Central Asia.

Justin Blanchet, CA, CPA (Illinois) - Chief Financial Officer

Mr. Blanchet is qualified as a Chartered Accountant and as a Certified Public Accountant (Illinois). He has extensive experience in the mining industry as an auditor, and has acted in various roles including CFO, consultant, and controller for a number of public companies listed on the TSX Venture Exchange.

Bill Koutsouras, CA, CFA - Chairman of the Board

Mr. Koutsouras is an international mining financier and financial operator for the mining sector. He was Executive Vice President and Chief Financial Officer at Endeavour Mining from 2002 to 2011, a mining-focused merchant bank, where he directed and managed the Endeavour group of companies. Mr. Koutsouras was primarily responsible for investment activities, financial operations and financial advisory mandates where he was involved in over \$25 billion of M&A transactions and in excess of \$4 billion of financing for junior / mid tier resource companies. He is the principal of Kouts Capital, a strategic advisory and consultancy company to natural resource companies. Mr. Koutsouras sits on several corporate boards of natural resource companies. He is a Chartered Accountant and Chartered Financial Analyst and is a member of the Canadian Institute of Chartered Accountants and the CFA Institute.

Giles Baynham – Non-Executive Director

Mr. Baynham is the current Chief Executive Officer of DuSolo Fertilizers Inc. and is a former banker with significant debt and capital markets experience. He started his career as a Mining Engineer with Rio Tinto, before working at various financial entities including the Industrial Bank of Japan/Mizuho Corporate Bank, NM Rothschild & Sons, and Endeavour Financial. In 2008 he was a co-founder of CB Gold Inc, which holds exploration and mining operations in Colombia.

David Laing- Non-Executive Director

David Laing is the COO of Luna Gold Corp. and was most recently the COO of True Gold Mining Inc., which developed a gold heap leaching operating in Burkina Faso and was acquired by Endeavour Mining Corporation in April 2016. Prior to joining True Gold, Mr. Laing was the COO and led the origination and execution of stream financing transactions of

Quintana Resources, a base metals streaming company. He was also one of the original executives of Endeavour as the group grew from one mine in Burkina Faso to a 500,000 ounce gold producer in West Africa. He was an integral part of the acquisition and integration by Endeavour of three junior gold producers and led the feasibility of a fourth project in Burkina Faso. Prior to these recent roles, Mr. Laing held senior positions in mining investment banking at Standard Bank in New York, technical consulting at MRDI in California, the Refugio project at Bema Gold Corp. and various roles at Billiton, Royal Dutch Shell's mining business. He is currently a non-executive director of Sandspring Resources Ltd.

Anthony Clements - Non-Executive Director

Anthony Clements is a former investment banker with Fox Davies Capital Limited, a London-based firm specializing in mining and oil & gas corporations. He began his career specializing in natural resources, having gained a B.Sc. in Economics followed by a post-graduate course in accountancy. He joined the Electricity Pension Fund in 1970 as Senior Investment Analyst before moving on in 1973 to the Post Office Pension Fund, latterly renamed Postel and then Hermes. Mr. Clements spent several years managing Postel's resource portfolio before moving on to manage a billion dollar North American portfolio. In 1987 Mr. Clements moved over to the sales side of the investment industry, becoming involved with corporate finance and North American resource issuers in particular. Mr. Clements was formerly Head of Corporate Finance at ODL Securities, and prior to taking up his position with ODL Securities, he worked with several firms, including T. Hoare and Co. and Yorkton Securities Inc.

Tonno Vahk - Non-Executive Director

Mr. Vahk is a former derivatives and financial engineering specialist with over 20 years of experience in the financial markets. Since 2012 Mr. Vahk has been managing private equity investments in Eastern Europe, the Middle East and Africa, with a focus on mining and real estate. Mr. Vahk began his career as a financial derivatives specialist at Swedbank, specializing in mezzanine and private equity financings for companies operating in the Baltics. After Swedbank, Mr. Vahk went on to manage several different Eastern European pensions funds, hedge funds and mezzanine funds. Mr. Vahk holds a B.Sc. in Economics and Business Administration from the Stockholm School of Economics in Riga.

Advisory Board

R. Stuart "Tookie" Angus - Advisory Director

Mr. Angus is an independent business advisor to the mining industry. He was formerly Head of the Global Mining Group for Fasken Martineau. For the past 30 years, Mr. Angus has focused on structuring and financing significant international exploration, development and mining ventures. More recently, he was managing Director of Mergers & Acquisitions for Endeavour Financial and was responsible for merger and acquisition mandates. Mr. Angus is the former Chairman of the Board of BC Sugar Refinery Limited, he was a Director of First Quantum Minerals until June 2005, a Director of Canico Resources Corporation until its takeover by CVRD in 2005, a Director of Bema Gold until its takeover by Kinross Gold in 2007, a Director of Ventana Gold until its takeover by AUX Canada Acquisition in 2011 and a Director of Plutonic Power until its merger with Magma Energy in 2011. He is presently Chairman of Nevsun Resources Ltd, and Chairman of K92.

Tom Maher - Advisory Director

Tom Maher is the President and COO of Apex International, an Egypt and North African focused Oil & Gas Exploration and Production Company. Tom was formerly Region Vice President and General Manager, Apache Egypt Companies from 2013-May 2016. Apache, through its two JV companies, became the largest gross oil and gas operator in Egypt in the 3Q of 2015. As Geological Manager and Exploration Manager for Apache in Egypt in 2002-2009, he led a team focused on exploration of new acreage acquired in government bid rounds, farm-in and acquisition. That team was responsible for a number of significant oil and gas discoveries in the Abu Gharadig, Faghur, and Matruh Basins in the Western Desert of Egypt. He holds a bachelor's degree in geology from the University of Massachusetts, a master's in Geology from Miami University (Ohio), and an MBA from the University of Phoenix. He is an American Association of Petroleum Geologists Certified Petroleum Geologist. While in Cairo Tom served as a director for both the American Chamber of Commerce in Egypt and the Community Service Association.

James Leahy - Advisory Director

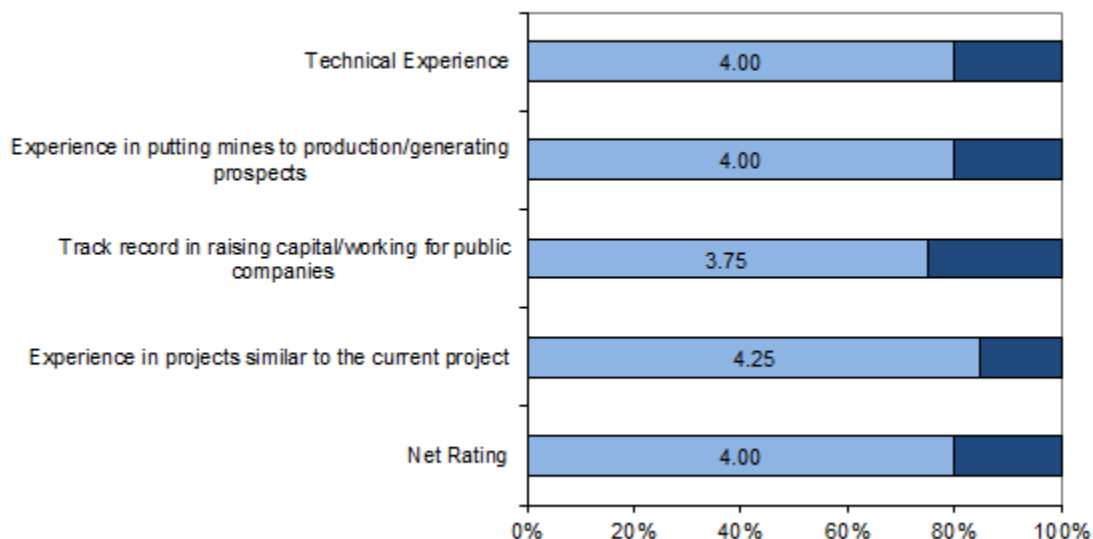
Having begun his career at the LME, James spent 30 years in natural resources, as a specialist corporate broker, which included mining finance, origination and equity sales. He has worked on a wide range of projects, worldwide, ranging from industrial minerals, precious metals, copper, diamonds, coal, uranium, iron ore and oil and gas. He worked at James Capel, Credit Lyonnais, Nedbank, Canaccord and Mirabaud, gaining substantial experience with international institutional fund managers, hedge funds and sector specialists. Over the years he has been involved in a large number of IPO's, as well as primary and secondary placings, developing junior companies through to production and beyond. He is currently a director of Bacanora Minerals and Geiger Counter Ltd.

John (Ian) Stalker - Advisory Director

Mr. Stalker is an international mining executive with 40 years of experience in mine development and operations in Europe, Africa and Australia. Mr. Stalker was the Chief Executive Officer of UraMin Inc., a London- and Toronto-listed uranium company from July 2005 until its \$2.5 billion acquisition by Areva in August 2007. Mr. Stalker was a Vice President of Gold Fields Ltd., the world's fourth largest gold producer, where he spent considerable time on the ground on their International operations. He has worked his way up from operational roles in the base and precious metals arenas to executive positions in some of the largest mining companies in the world and has successfully managed eight mining projects through feasibility study, development and construction phases. In recent years, Mr. Stalker has been involved in raising in excess of \$500 million for various exploration and development projects worldwide.

Our net rating on Aton's management team is 4.0 out of 5.0 (see below).

Management Rating



Source: FRC

The company’s board has six members, of which, five are independent. We believe that the Board of Directors of a company should include independent or unrelated directors who are free of any relationships or business that could materially interfere with the director’s ability to act in the best interest of the company. The following table shows our analysis on the strength of Aton’s board.

Strength of Board

	Poor	Average	Good
Four out of six directors are independent			X
Five directors hold shares of the company			X
The Audit committee is composed of 3 board members, 2 are independent		X	
The Compensation committee is composed of 3 board members, all are independent			X

Source: FRC

Financials

At the end of Q3-2017 (ended September 30, 2017), the company had cash and working capital of \$0.03 million and -\$1.00 million, respectively. We estimate the company had a burn rate (cash spent on operating and investing activities) of \$0.34 million per month in the

first nine months of 2017. The following table summarizes the company’s liquidity position:

(in C\$)	2016	2017 (9M)
Cash	\$3,048,439	\$28,435
Working Capital	\$2,280,603	-\$997,764
Current Ratio	3.45	0.08
LT Debt / Assets	-	-
Monthly Burn Rate (incl. investing activities)	\$324,606	\$335,556
Cash from Financing Activities	\$6,113,239	\$0

The company is pursuing a \$1 million financing by issuing up to 25 million shares at a price of \$0.04 per share.

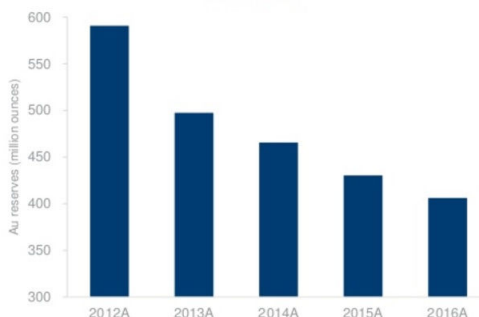
Stock Options and Warrants

The company has 16.50 million options outstanding (weighted average exercise price of \$0.07 per share) and 101.37 million warrants (weighted average exercise price of \$0.09 per share) outstanding. At this time, none of the options / warrants are ‘in-the-money’.

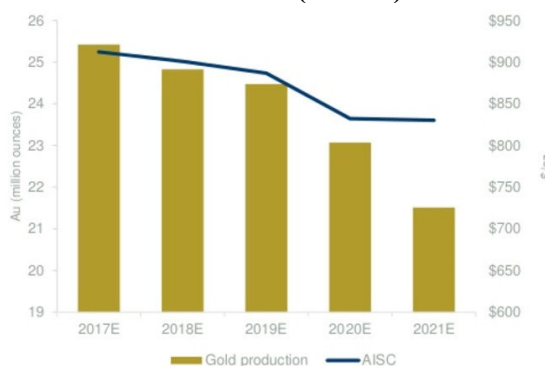
Valuation and Rating

The following charts show the combined production and gold reserves of major gold producers:

Gold Reserves (in Moz)



Production (in Moz)



Source: Goldcorp Inc.

The above charts include production and reserve data of Goldcorp (TSX: G), Barrick (TSX: ABX), Newmont (NYSE: NEM), Newcrest (ASX: NCM), Agnico Eagle (NYSE: AEM), Kinross (TSX: K), Yamana (TSX: YRI), AngloGold (JSE; ANG), Gold Fields (JSE: GFI) and Harmony Gold (JSE: HAR).

The industry has been experiencing a trend of declining reserves and production (see charts below), which we believe will encourage larger companies to seek high-quality and undervalued assets to add to their portfolios.

We have valued Aton based on a total gold equivalent resource of 0.88 Moz, which includes a potential 10% increase (based on recent drilling) in the NI43-101 compliant sulphide resource. **For conservatism, we have not accounted for any upside from the recent discovery at Rodruin or any of the other 14 regional targets.** The below table presents other African gold junior mining companies:

	Company	Ticker	Net Resource	Enterprise Value (\$,M)	EV / Resource
1	African Gold Group	TSXV: AGG	1,727,000	\$13.00	\$7.53
2	Aton Resources	TSXV: AAN	878,746	\$8.34	\$9.49
3	Asante Gold	CSE: ASE	290,500	\$4.96	\$17.07
4	Xtra-Gold Resources Corp.	TSX: XTG	351,500	\$6.68	\$19.00
5	Pelangio Exploration Inc.	TSXV: PX	344,000	\$8.60	\$24.99
6	Pinecrest Resources Ltd.	TSXV: PCR	539,349	\$14.47	\$26.83
7	East Africa Metals	TSXV: EAM	1,651,611	\$45.11	\$27.31
8	Orca Gold	TSXV: ORG	2,060,000	\$69.90	\$33.93
9	Asanko Gold	TSX: AKG	6,715,500	\$281.80	\$41.96
10	Castle Minerals	ASX: CDT	121,550	\$7.35	\$60.46
11	Golden Star Resources	TSX: GSC	7,346,000	\$388.00	\$52.82
	Average				\$29.22

*Net Resource = 100% of Measured and Indicated + 50% of Inferred Resources

Aton's Resources (Au Eq.)	878,746
Average EV/ Resource Ratio (comparables)	\$29.22
Fair Value of Assets	\$25,676,958
Working Capital	-\$997,764
Fair Value of AAN Shares	\$24,679,194
No. of Shares (calculated based on the treasury stock)	183,637,743
Fair Value per Share	\$0.13

Source: FRC

As shown in the above table, we estimate that Aton's shares are trading at an enterprise value ("EV") to resource of just \$9 per oz versus the comparable average of \$29 per oz. Applying

the average multiple of \$29 per oz, we arrived at a fair value estimate of \$0.13 per share on Aton.

Based on our fair value estimate, and the significant resource upside potential of Aton's portfolio, we are initiating coverage on the company with a BUY rating and a fair value estimate of \$0.13 per share. **If the company is able to delineate a resource of over 1 Moz, we expect it to be a serious acquisition candidate for Centamin or a large gold miner seeking to enter Egypt.**

Risks

We believe the company is exposed to the following key risks (not exhaustive):

- The value of the company is highly dependent on gold prices.
- Exploration risks.
- Political risks and changes to mining laws in Egypt may negatively impact the company.
- Permitting
- Access to capital and share dilution.

As with most junior exploration / development companies, we rate Aton's shares a risk of 5 (Highly Speculative).

Fundamental Research Corp. Equity Rating Scale:

Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

Hold – Annual expected rate of return is between 5% and 12%

Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:

1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company’s capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.

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The distribution of FRC’s ratings are as follows: BUY (72%), HOLD (7%), SELL / SUSPEND (21%).

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