

Fundamental

Research Corp.

Investment Analysis for Intelligent Investors

February 20, 2019

Aton Resources Inc. (TSXV: AAN) – Positive Drilling at Rodruin / Expecting Major Positive Mining Reforms in Egypt; Raising Fair Value

Sector/Industry: Junior Resource

www.atonresources.com

Market Data (as of February 20, 2019)

Current Price	C\$0.05
Fair Value	C\$0.16
Rating*	BUY
Risk*	5 (Highly Spec)
52 Week Range	C\$0.02 - C\$0.11
Shares O/S	267,783,223
Market Cap	C\$13.39 mm
Current Yield	N/A
P/E (forward)	N/A
P/B	N/A
YoY Return	0.0%
YoY TSXV	-24.9%

*see back of report for rating and risk definitions



Investment Highlights

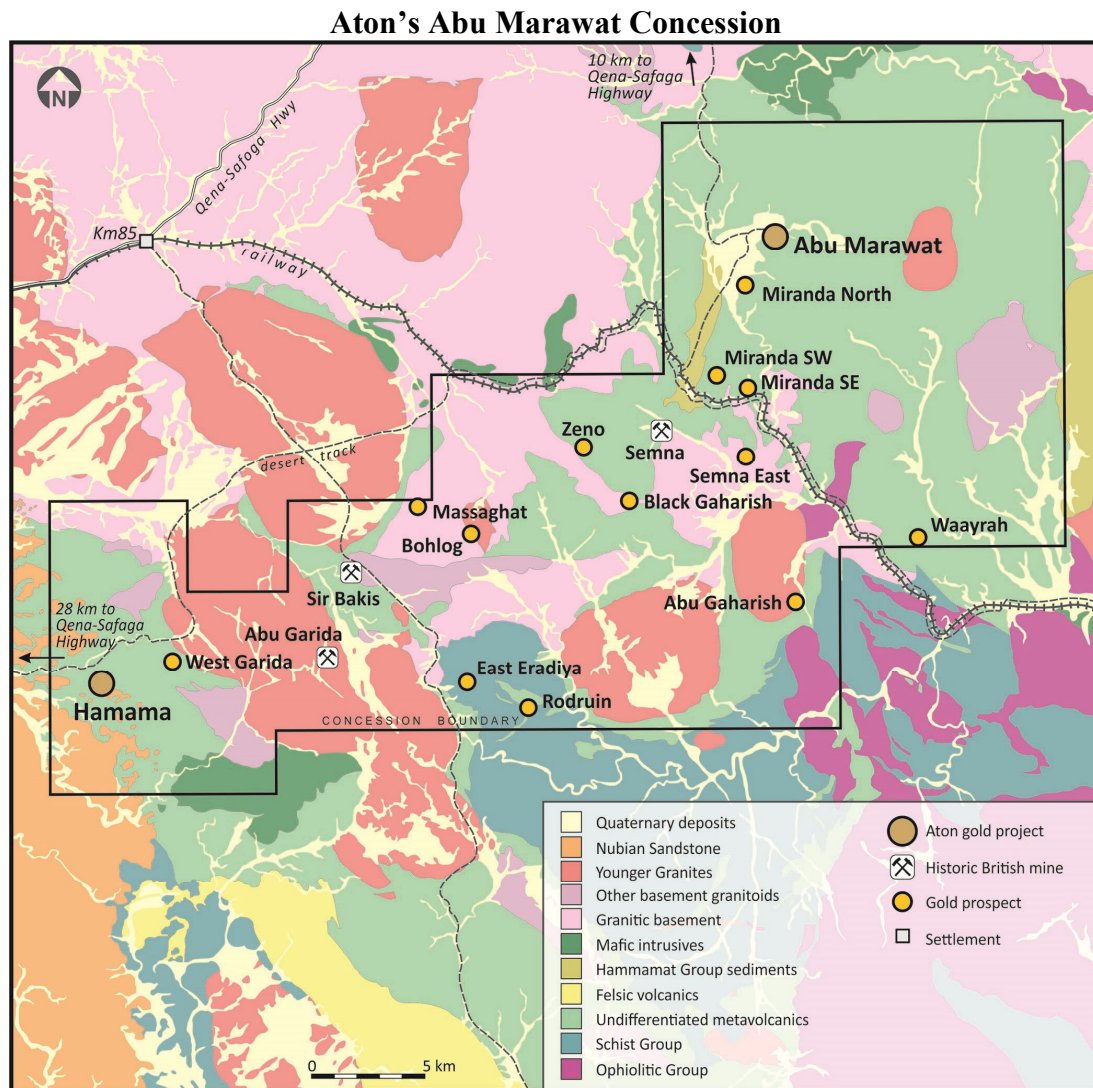
- We believe Aton Resources Inc.'s ("company", "Aton") 50 hole Reverse Circulation ("RC") drilling in 2018 at Rodruin (the company's primary exploration focus since its discovery in late 2017) **indicates a high probability of delineating a bulk minable, near-surface, oxide gold resource**. The program also indicated the presence of pockets of high grade zones within the near - surface oxide, as well as higher grade deeper sulphide mineralization.
- We believe Aton's work to date has identified mineralization over an area of 700 m x 300 m (over a depth of approximately 200 m), implying a **potential resource of 0.66 Moz (at an average grade of 1.25 gpt)**, if only 15% of the entire area is mineralized.
- Rodruin is 18 km east of Aton's Hamama project, which has a 341 Koz inferred, and 137 Koz indicated, gold equivalent resource estimate.
- Major positive mining reforms in Egypt are expected. The new changes are likely to scrap the existing production sharing agreement (PSA) - a key reason why Egypt has had very little foreign investment in the exploration and development of gold resources. **The Organization for Economic Co-operation and Development ("OECD") recently lowered Egypt's risk rating.**
- Since our previous report, the total **shares held by management, board members and institutions increased from 61.7% to 66.2%** of the total outstanding, which we believe is a strong vote of confidence on Aton's management and its project portfolio.
- We estimate that Aton's shares are trading at an enterprise value ("EV") to resource of just \$10 per oz versus the comparable average of \$36 per oz.

Key Financial Data (FYE - Dec 31)

(C\$)	2017	2018 (9M)
Cash	\$34,113	\$346,495
Working Capital	-\$1,250,383	-\$149,640
Mineral Assets	\$163,392	\$163,392
Total Assets	\$367,593	\$940,648
Net Income (Loss)	-\$4,457,125	-\$2,299,822
EPS	-\$0.02	-\$0.01

Promising Phase I RC Drilling at Rodruin

In December 2019, the company completed a 50 hole RC drill program, totaling 4,125 m (approximately 80 m per hole, with a maximum depth of 200 m), at its Rodruin prospect. **Rodruin has been the company's primary focus since a gold discovery in late 2017.** Rodruin is part of Aton's Abu Marawat concession, located 400 km to the south-southeast of Cairo, and 200 km north of Centamin plc's (LSE: CEY) Sukari gold mine – Egypt's only commercial gold mine. The Abu Marawat concession includes two identified deposits with resource estimates, three historic mines, and approximately 17 regional targets, including Rodruin.



Rodruin is located approximately 18 km east of Aton's Hamama project, which has a 341 Koz inferred, and 137 Koz indicated, gold equivalent resource estimate. As at Hamama, the mineralization at Rodruin occurs primarily within carbonate rocks. **However, the outcrop of mineralized carbonates at Rodruin, and associated ancient mine workings, covers a significantly larger area than at Hamama.** Rodruin is also considered to be of relatively

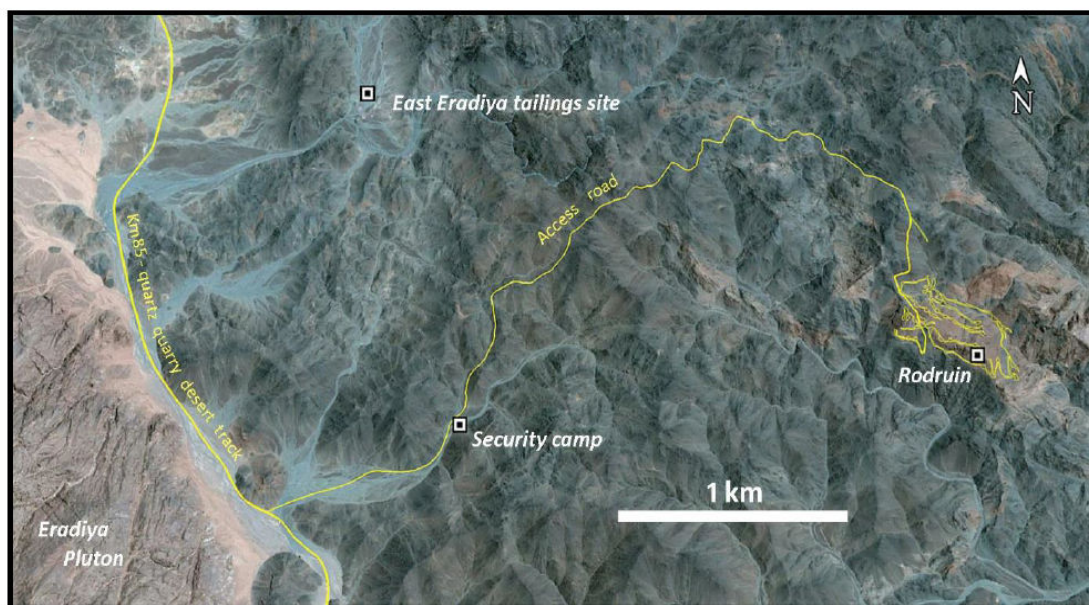
higher grade.

The 2018 drill program followed extensive surface and channel sampling (which gave key results such as 65.3m @ 2.84 g/t Au and 5.26% Zn), as well as construction of a 4.5 km access road through rugged mountains to Rodruin.

Rugged / Mountainous Terrain at Rodruin



Access Road to Rodruin



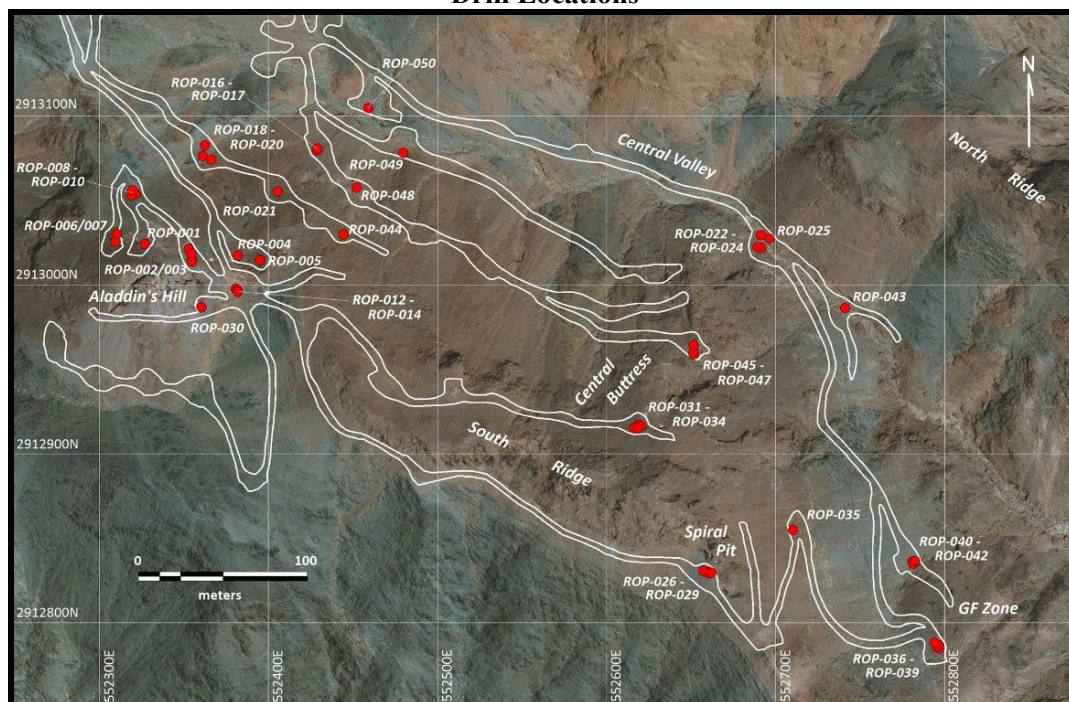
Source: Company

Key results of the 50 holes are shown below, with what we believe were the best results highlighted in bold.

Phase 1 RC Drilling at Rodruin

Hole	Length (m)	From (m)	To (m)	Interval (m)	Au (g/t)	Ag (g/t)	Zn (%)
RP-002	150	0	59	59	0.90	8.60	0.85
RP-003	120	5	41	36	12.47	9.30	0.19
RP-004	50	0	38	38	1.84	14.60	0.86
ROP-012	200	15	41	26	1.82	14.00	1.80
ROP-013	200	14	39	25	1.30	16.00	0.81
ROP-014	110	17	51	34	1.28	8.90	0.88
ROP-017	190	0	163	163	0.90	7.40	2.54
ROP-020	140	46	70	24	0.68	5.70	0.24
ROP-023	125	22	41	19	0.49	1.70	0.09
ROP-024	70	11	43	32	0.92	7.00	0.21
ROP-026	105	0	23	23	2.49	24.20	0.03
ROP-029	50	0	20	20	5.36	15.90	0.70
ROP-030	75	0	47	47	1.72	4.00	0.42
ROP-031	51	11	51	40	0.64	3.60	0.07
ROP-032	70	0	40	40	1.30	13.50	0.19
		59	70	11	5.2	23.00	0.29
ROP-033	80	10	44	34	2.00	8.50	0.13
ROP-034	95	2	33	31	2.45	12.50	0.10
ROP-037	45	0	29	29	1.59	4.40	0.13
ROP-038	56	0	35	35	0.65	2.40	0.12
ROP-039	65	0	40	40	0.74	2.60	0.15
ROP-040	45	0	29	29	0.74	3.70	0.25
ROP-042	50	0	35	35	0.83	4.40	0.27
ROP-043	120	3	28	25	0.73	6.80	0.07
ROP-045	80	17	35	18	1.74	9.20	1.08
ROP-046	95	32	65	33	0.92	7.10	0.33
ROP-047	81	11	81	70	1.16	8.30	0.29
ROP-048	65	0	17	17	2.21	6.80	5.98
ROP-049	55	0	25	25	0.47	4.00	0.66
ROP-050	200	111	172	61	1.55	8.90	0.86
Weighted Avg (FRC est)					1.68		

Drill Locations



Source: Company / FRC

*FRC's
Speculative
Resource
Estimate on
Rodruin*

Overall, we believe the results indicate a high probability of delineating a bulk minable, near-surface oxide gold resource (open pit / heap leachable) with an average grade of 1.0 – 1.5 gpt. The program identified widespread gold mineralization at the major areas of interest (namely Aladdin's Hill, Spiral Pit, Central Buttress Zone / CBZ, and the GF zones), and almost all holes intersected gold mineralization (see above image for locations).

We believe two other key takeaways from the program were the presence of **pockets of high grade zones** within the near - surface oxide, as well as **higher grade deeper sulphide** mineralization, as shown by the holes 17 and 50. Hole 17 returned 0.63 gpt over 163 m (from surface to 163 m), and hole 50 returned 1.55 gpt over 61 gpt (111 m to 172 m). Although **some of the holes were abandoned due to underground workings**, we consider this as a positive as underground workings typically indicate potential for higher grade zones.

We believe Aton's work to date has identified mineralization over an area of 700 m x 300 m (over a vertical elevation of approximately 200 m, from the top of the South Ridge to the base of the sulphide mineralization in hole 17). We estimate that this could imply a potential resource of 16 Mt, if only 15% of the entire area is mineralized. Based on an average grade of 1.25 gpt, our preliminary estimate on Rodruin is 655 Koz gold, which is significantly larger than the already existing NI 43-101 compliant inferred resource of 341 Koz, and an indicated resource of 137 Koz at Hamama West (shown below).

Current Resource Estimates

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	-	-

Source: Company

The company is **planning a phase II RC drill program (4,000 m) at Rodruin**, as well as a drill program on a number of the other exploration targets on the property, for a total 2019 budget of \$7 million (subject to financing).

In May 2018, the company submitted a Preliminary Technical and Economic Study to the Egyptian Mineral Resources Authority (EMRA). The study evaluated the viability of an open pit heap leach mining operation to mine the oxide and transitional resource delineated at Hamama West. The study was a requisite for Aton to extend the exploration license on the entire project, and to receive a 20-year mining license at Hamama.

In August 2018, Aton received an official notice from the EMRA accepting the study. As a result, the EMRA agreed to extend the exploration license on the entire Abu Marawat concession by six months, until January 2019. In January 2019, the company announced it

*Extends
Exploration
License*

*Expecting
Major Positive
Mining
Reforms*

had been notified that it will receive another year extension to the existing exploration license, to January 31, 2020.

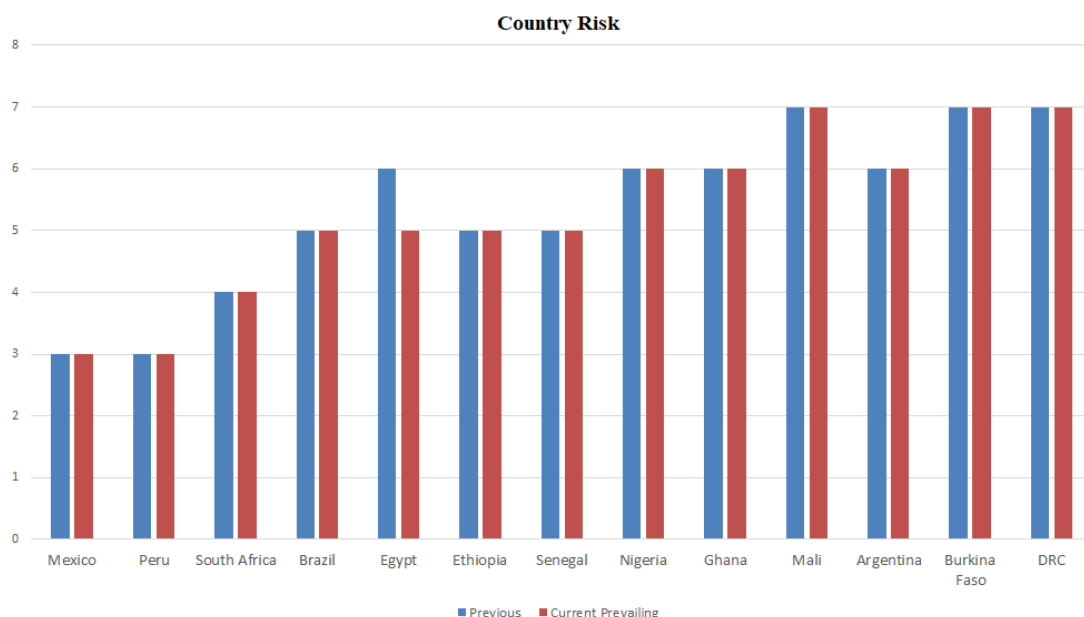
In March 2018, the Egyptian government announced it had retained Wood Mackenzie (a global consultancy firm) to review the Egyptian Mining Law and regime, and provide recommendations, to potentially reform the existing framework. In November 2018, the Egyptian government announced that its Cabinet had approved changes to the Mineral Resources Act. **The new changes are likely to scrap the existing production sharing agreement (PSA), and the requirement for a 50:50 joint venture with the EMRA.** We consider this to be a major development as the PSA is a key reason why Egypt has had very little foreign investment in the exploration and development of gold resources. Aton will benefit significantly as we estimate that it is one of only two publicly traded companies active in the Egyptian gold sector. A change in Egypt's mining laws will also result in a significant increase in foreign investments into the Arabian Nubian Shield ("ANS"), which is one of the **most under-explored prospective gold regions in the world.**

The Arabian Nubian Shield



Source: Company

The OECD recently lowered Egypt's risk rating from 6 to 5. The following chart shows Egypt's rating versus other well known African and South / Latin American mining nations. Egypt has a lower risk rating than Africa's second (Ghana), third (Mali) and fourth (Burkina Faso) largest gold producers.



Source: OECD

Financials

At the end of Q3-2018 (ended September 30, 2018), the company had cash and working capital of \$0.35 million and -\$0.15 million, respectively. We estimate the company had a burn rate (G&A) of just \$32 k per month, and spent \$0.22 million per month in exploration. The low G&A expense indicates management's prudent spending. The following table summarizes the company's liquidity position:

(in C\$)	2017	2018 (9M)
Cash	\$34,113	\$346,495
Working Capital	-\$1,250,383	-\$149,640
Current Ratio	0.07	0.82
LT Debt / Assets	-	-
Monthly Burn Rate (exploration)	\$253,204	\$217,738
Monthly Burn Rate (G&A)	\$88,904	\$31,656
Cash from Financing Activities	\$500,000	\$3,045,295

Source: FRC / Data Source: Financial Statements

The company currently has approximately \$0.31 million in cash, and **intends to pursue a \$5 million financing** at \$0.05 per unit. Each unit will consist of a common share and half warrant (exercise price of \$0.10 per share for three years).

Stock Options and Warrants

We estimate Aton has 26.78 million options (weighted average exercise price of \$0.06 per share) and 152.85 million warrants (weighted average exercise price of \$0.07 per share) outstanding. At this time, none of the options / warrants are in-the-money.

Institutions Increasing Ownership

Since our previous report, the total shares held by management, board members and institutions increased from 61.7% to 66.2% of the total outstanding.

Share Ownership

Management	Shares	% of Total
Mark Campbell, President, CEO & Director	688,852	0.3%
Giles Baynham, Director	798,627	0.3%
Bill Koutsouras, Chairman (Independent)	8,286,664	3.1%
David Lang, Director (Independent)	603,666	0.2%
Anthony Clements, Director (Independent)	-	0.0%
Tonno Vahk, Director (Independent)	43,173,077	16.1%
Total	53,550,886	20.0%

Key Investors	Shares	% of Total
OU Moonrider	69,634,154	26.0%
New Pacific	14,000,000	5.2%
Sandstorm	40,000,000	14.9%
Total	123,634,154	46.2%

Total	177,185,040	66.2%
--------------	--------------------	--------------

Source: Company

Valuation and Rating

We are valuing Aton based on 100% of the resource at Hamama West (478 Koz), 50% of the inferred resource at Abu Marawat (182 Koz), and 100% of our preliminary estimate at Rodruin (655 Koz), for a total of 1.31 Moz. The table below shows comparable African gold junior mining companies. **As shown in the table, we estimate that Aton's shares are trading at an EV of just \$10 per oz versus the comparable average of \$36 per oz.**

Company	EV / Resource
African Gold Group	\$3.94
Castle Minerals	\$6.58
KEFI Minerals	\$7.62
Aton Resources	\$10.42
Asante Gold	\$19.62
East Africa Metals	\$25.89
Pinecrest Resources Ltd.	\$26.49
Asanko Gold	\$31.35
Pelangio Exploration Inc.	\$32.47
Orca Gold	\$37.06
Xtra-Gold Resources Corp.	\$43.45
Thor Explorations	\$64.50
Golden Star Resources	\$68.55
Average (excl outliers)	\$35.98

Source: FRC / S&P Capital IQ

Based on an average EV of \$36 per oz, we estimate Aton's current fair value at \$0.16 per share, up from our previous estimate of \$0.13 per share. Our previous fair value was based on an average EV of \$32 per oz, and Aton's resource of 0.88 Moz.

Valuation Summary

Aton's Resources (Au Eq.) - FRC Est	1,314,973
Average EV/ Resource Ratio	\$35.98
Fair Value of Assets	\$47,312,731
Working Capital	\$2,067,079
Fair Value of AAN Shares	\$49,379,810
No. of Shares (calculated based on the treasury stock method)	317,783,223
Fair Value per Share	\$0.16

- Includes cash raised and potential share dilution, assuming the company raises \$2.5 million of the recently announced \$5 million financing.

Source: FRC

We are maintaining our BUY rating, and raising our fair value estimate from \$0.13 to \$0.16 per share. Upcoming catalysts include:

- Phase II drilling at Rodruin
- Regional exploration drilling
- An initial resource estimate on Rodruin in 2020
- Updated resource estimate at Hamama West

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.

Disclaimers and Disclosure

The opinions expressed in this report are the true opinions of the analyst about this company and industry. Any "forward looking statements" are our best estimates and opinions based upon information that is publicly available and that we believe to be correct, but we have not independently verified with respect to truth or correctness. There is no guarantee that our forecasts will materialize. Actual results will likely vary. The analyst and Fundamental Research Corp. "FRC" do not own any shares of the subject company, do not make a market or offer shares for sale of the subject company, and do not have any investment banking business with the subject company. Fees were paid by AAN to FRC. The purpose of the fee is to subsidize the high costs of research and monitoring. FRC takes steps to ensure independence including setting fees in advance and utilizing analysts who must abide by CFA Institute Code of Ethics and Standards of Professional Conduct. Additionally, analysts may not trade in any security under coverage. Our full editorial control of all research, timing of release of the reports, and release of liability for negative reports are protected contractually. To further ensure independence, AAN has agreed to a minimum coverage term including an initial report and three updates. Coverage cannot be unilaterally terminated. Distribution procedure: our reports are distributed first to our web-based subscribers on the date shown on this report then made available to delayed access users through various other channels for a limited time.

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

To subscribe for real-time access to research, visit <http://www.researchfrc.com/subscribe.php> for subscription options.

This report contains "forward looking" statements. Forward-looking statements regarding the Company and/or stock's performance inherently involve risks and uncertainties that could cause actual results to differ from such forward-looking statements. Factors that would cause or contribute to such differences include, but are not limited to, continued acceptance of the Company's products/services in the marketplace; acceptance in the marketplace of the Company's new product lines/services; competitive factors; new product/service introductions by others; technological changes; dependence on suppliers; systematic market risks and other risks discussed in the Company's periodic report filings, including interim reports, annual reports, and annual information forms filed with the various securities regulators. By making these forward looking statements, Fundamental Research Corp. and the analyst/author of this report undertakes no obligation to update these statements for revisions or changes after the date of this report. A report initiating coverage will most often be updated quarterly while a report issuing a rating may have no further or less frequent updates because the subject company is likely to be in earlier stages where nothing material may occur quarter to quarter.

Fundamental Research Corp DOES NOT MAKE ANY WARRANTIES, EXPRESSED OR IMPLIED, AS TO RESULTS TO BE OBTAINED FROM USING THIS INFORMATION AND MAKES NO EXPRESS OR IMPLIED WARRANTIES OR FITNESS FOR A PARTICULAR USE. ANYONE USING THIS REPORT ASSUMES FULL RESPONSIBILITY FOR WHATEVER RESULTS THEY OBTAIN FROM WHATEVER USE THE INFORMATION WAS PUT TO. ALWAYS TALK TO YOUR FINANCIAL ADVISOR BEFORE YOU INVEST. WHETHER A STOCK SHOULD BE INCLUDED IN A PORTFOLIO DEPENDS ON ONE'S RISK TOLERANCE, OBJECTIVES, SITUATION, RETURN ON OTHER ASSETS, ETC. ONLY YOUR INVESTMENT ADVISOR WHO KNOWS YOUR UNIQUE CIRCUMSTANCES CAN MAKE A PROPER RECOMMENDATION AS TO THE MERIT OF ANY PARTICULAR SECURITY FOR INCLUSION IN YOUR PORTFOLIO. This REPORT is solely for informative purposes and is not a solicitation or an offer to buy or sell any security. It is not intended as being a complete description of the company, industry, securities or developments referred to in the material. Any forecasts contained in this report were independently prepared unless otherwise stated, and HAVE NOT BEEN endorsed by the Management of the company which is the subject of this report. Additional information is available upon request. THIS REPORT IS COPYRIGHT. YOU MAY NOT REDISTRIBUTE THIS REPORT WITHOUT OUR PERMISSION. Please give proper credit, including citing Fundamental Research Corp and/or the analyst, when quoting information from this report.

The information contained in this report is intended to be viewed only in jurisdictions where it may be legally viewed and is not intended for use by any person or entity in any jurisdiction where such use would be contrary to local regulations or which would require any registration requirement within such jurisdiction.