



(Formerly Alexander Nubia International Inc.)

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**PERIOD ENDED JUNE 30, 2016**

## **Aton Resources Inc. (Formerly Alexander Nubia International Inc.)**

Management's Discussion and Analysis

Period Ended June 30, 2016

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### **INTRODUCTION**

This Management's Discussion and Analysis ("MD&A") of financial condition and results of operations of Aton Resources Inc. and its subsidiaries (the "Company") provides an analysis of the Company's results of operations and financial condition for the six months ended June 30, 2016. This MD&A supplements but does not form part of the condensed consolidated interim financial statements for the period ended June 30, 2016, which were prepared in accordance with International Financial Reporting Standards ("IFRS"). Consequently, the following discussion of performance and financial condition should be read in conjunction with the unaudited condensed consolidated interim financial statements for the period ended June 30, 2016, the annual audited consolidated financial statements for the year ended December 31, 2015 and the notes thereto.

All amounts presented in this MD&A are in Canadian dollars unless otherwise indicated. Additional information related to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.alexandernubia.com](http://www.alexandernubia.com). This MD&A contains information up to and including August 29, 2016.

### **FORWARD-LOOKING STATEMENTS**

Certain statements contained in this MD&A constitute "forward-looking statements". All statements other than statements of historical fact contained in this MD&A, including, without limitation, those regarding the Company's future financial position and results of operations, strategy, proposed acquisitions, plans, objectives, goals and targets, and any statements preceded by, followed by or that include the words "believe", "expect", "aim", "intend", "plan", "continue", "will", "may", "would", "anticipate", "estimate", "forecast", "predict", "project", "seek", "should" or similar expressions or the negative thereof, are forward-looking statements. These statements are not historical facts but instead represent only the Company's expectations, estimates and projections regarding future events. These statements are not guarantees of future performance and involve assumptions, risks and uncertainties that are difficult to predict. Therefore, actual results may differ materially from what is expressed, implied or forecasted in such forward-looking statements.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed herein under the heading "Risks and Uncertainties" and "Risk Factors". Management provides forward-looking statements because it believes they provide useful information to readers when considering their investment objectives and cautions readers that the information may not be appropriate for other purposes. Consequently, all of the forward-looking statements made in this MD&A are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company. These forward-looking statements are made as of the date of this MD&A and the Company assumes no obligation to update or revise them to reflect subsequent information, events or circumstances or otherwise, except as required by law.

The forward-looking statements in this MD&A are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future, including assumptions regarding gold prices, business and operating strategies, and the Company's ability to operate on a profitable basis.

### **NOTE TO U.S. INVESTORS CONCERNING ESTIMATES INFERRED RESOURCES**

The term "Inferred" Resources is used herein. United States investors are advised that while such a term is recognized and required by Canadian regulations, the United States Securities and Exchange Commission do not recognize them. "Inferred Mineral Resources" have a great amount of uncertainty as to their existence, and as to their economic and legal feasibility. It cannot be assumed that all or any part of an Inferred Mineral Resource will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of feasibility or other economic studies. United States investors are cautioned not to assume that all or any part of Indicated Mineral Resources will ever be converted into Mineral Reserves. United States investors are also cautioned not to assume that all or any part of a Mineral Resource is economically or legally mineable.

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#### **HIGHLIGHTS FOR THE QUARTER ENDED JUNE 30, 2016**

- Commenced a 3,500m drill program at the Company's Hamama Project (located within the Abu Marawat concession).
- Completed a non-brokered private placement by issuing 200,000 units for \$0.05 per unit for gross proceeds of \$10,000. Each unit consisted of one common share and one share purchase warrant with each share purchase warrant exercisable at \$0.05 until April 8, 2019.
- Completed the first tranche of a non-brokered private placement by issuing 6,600,000 common shares for \$0.05 per share for gross proceeds of \$330,000.
- Appointed two new directors Mr. Anthony Clements and Mr. David Laing to the Board of Directors.
- Appointed Thomas Maher to the Board of Advisors
- Began reinterpretation of geophysical survey data acquired in 2008 at Hamama, Abu Marawat and Miranda Gossan
- Began a Remotes Sensing and Spectral Imaging survey at Hamama and regionally over the Abu Marawat Concession area

#### **HIGHLIGHTS SUBSEQUENT TO JUNE 30, 2016**

- Secured two year extensions to the terms of its two exploration licenses at Abu Marwat and Fatiri from the Government of Egypt until July 2018.
- Issued 6,209,693 common shares at a deemed price of \$0.05 per common share to settle outstanding debt in the amount of \$310,455. The Company chose to settle this outstanding indebtedness with shares in order to preserve its working capital for operations and exploration activities on its Abu Marawat and Fatiri concessions.
- Granted 6,200,000 stock options to directors, officers, and consultants to the Company exercisable at \$0.07 per stock option and expiring July 5, 2021. The stock options vest 25% every six months beginning on the date of grant.
- Completed the second and final tranche of a non-brokered private placement by issuing 33,400,000 shares for \$0.05 per share for gross proceeds of \$1,670,000.
- Redeemed with cash all unsecured convertible debentures due May 29, 2016, in the aggregate principal amount and interest of \$215,000 and \$57,669, respectively.

#### **CORPORATE OVERVIEW**

The Company is a Canadian mineral exploration company committed to identifying and advancing gold and base-metal projects in the Eastern Desert of Egypt. Since October 5, 2010, the common shares have been listed for trading on the TSX Venture Exchange (the "TSX-V") under the symbol "AAN". Through the Company's wholly owned subsidiaries, Alexander Nubia Resources Inc. and Alexander Nubia Mining Inc, the Company holds two exploration concessions in Egypt, Abu Marawat and Fatiri, which cover areas of 1,027 km<sup>2</sup> and 1,745 km<sup>2</sup>, respectively.

The Company is actively exploring both concessions, with emphasis on the Abu Marawat Concession, which contains the Company's two main deposits that are the Company's material projects: the Abu Marawat orogenic shear-zone-hosted gold-copper vein deposit, with an inferred gold-copper-rich resource prepared in accordance with National Instrument 43-101 – *Standards for Disclosure for Mineral Projects* ("NI 43-101"), and the Hamama gold-silver-copper-zinc project, which has a 3-kilometre strike length and is the current focus of drilling. The historical gold and copper mining district in which the Company operates contains numerous small workings, including historical small-scale mining at the Abu Marawat deposit, and three past-producing gold mines (Semna, Sir Bakis and Abu Zawal). The two main properties are located near excellent regional infrastructure. They are 35 kilometres apart, are within 30

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kilometres of a four-lane highway, railway right-of-way, and high-capacity electricity grid, and are near the major cities of Qena, on the Nile River, and Safaga, on the Red Sea. The Company has not yet determined whether these properties and geological targets contain ore reserves.

## **MINERAL PROPERTIES**

### ***Hamama VMS Deposit in the Abu Marawat Concession***

The Abu Marawat Concession Agreement is defined by multiple phases of exploration with a required minimum exploration obligation for each phase of exploration. Phase I is a duration of one year, Phase II-A, is for a duration of two (2) years and the Phase II-B, is for a duration of two years. An additional six months may be applied with the approval of EMRA at the end of the last phase of exploration.

For the Abu Marawat Concession, the Company has met the minimum financial obligation for all three phases. The Company is required to provide a 2% training fee on the total exploration expenditure for the fiscal year.

The Company was granted an extension by the Ministry of Petroleum with the ability to extend for an additional two years' subject to the Company meeting certain technical and financial obligations. Phase II-A of the Abu Marawat Concession ends as of July 31, 2018.

In 2007, the Company negotiated an exploration and mining agreement, the "Concession Agreement – Abu Marawat" ("CAAM"), with the Egyptian Mineral Resources Authority ("EMRA") and the Egyptian Government, to have the sole right to explore and exploit gold and associated minerals in the Abu Marawat Exploration Concession. The CAAM was declared into Law 96 of 2007 and the Effective Date is September 27, 2008.

In June 2016, the Company continued the exploration program on the Abu Marawat Concession. Assay results are pending. The summary of this program includes:

### **Hamama Gold-Silver-Copper-Zinc Project**

- a) Hamama is interpreted as a structurally and stratigraphically-controlled gold-silver-copper-zinc-bearing, volcanogenic semi-massive sulphide deposit with quartz-stringer mineralization.
- b) Mineralization is found primarily at and stratigraphically below the overturned contact between: stratigraphic footwall meta-lalite and meta-andesitic volcanic rocks and stratigraphic hanging wall meta-sedimentary rocks (bedded tuffs and Banded Iron Formation-[BIF]).
- c) The Main Horizon of Hamama is 3,000 metres in strike length and is subdivided geographically into Hamama West, Hamama Central and Hamama East zones.
- d) Hamama West is capped by a 900-metre-long Gold-Oxide Cap, which extends to an average of 35-40 meters depth and 50m-100m in width. The Gold-Oxide Cap has a surface area of 59,000 m<sup>2</sup> and has been thoroughly trenched at ~50-metre spacing.
- e) Hamama Central is 640 metres long and contains copper and zinc mineralization, as indicated in part by channel sampling of the Main Horizon, which returned 6 metres at 0.80 g/t gold, 49 g/t silver, 0.95% copper and 1.6% zinc. Drilling and surface trenching intersected a continuous semi-massive sulphide zone, which, on the only vertical cross-section tested so far, is 11-14 m thick and, in the deepest hole (AHA-20) intersected 11.3 metres of 1.2 g/t gold, 71 g/t silver, 0.2% copper and 5.1% zinc. Grab samples from copper-zinc oxide zones in ancient workings from Hamama Central and Hamama East, respectively, average 0.46 g/t Au, 8.7 g/t Ag, 0.85 % Cu, and 33.3 % Zn and 0.58 g/t Au, 32.8 g/t Ag, 1.06% Cu and 12.59% Zn.
- f) Hamama East has a 500-metre-long oxide horizon with extensive man-made excavations, which were the focus of ancient mining for copper-rich oxide material and likely represent a wider source of mineralization at depth.
- g) Hamama's Main Horizon was drilled by the Company in 2011-2012 for a total of 26 diamond drill holes (2,577.2 metres). Mineralization has been intersected to true depths of up to 130 metres below surface.

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Mineralization at Hamama is open along strike and at depth. In 2014-2015, the Company drilled 32 additional diamond drill holes (3667.5 m). So far in 2016 the company has drilled 37 drill holes for (3426.8 m) with mineralization being intersected to a true depth of up to 296 m. Mineralization remains open along strike at depth.

- h) Hamama shares a number of key geological features with major VMS deposits elsewhere in the Arabian Nubian Shield, in particular Bisha Main and Harena, Hassai and Hadal Awatib and Jabal Sayid, These are:
1. Semi-massive gold-silver-copper-zinc mineralization at a metavolcanic-metasedimentary contact
  2. Gold-Oxide Cap at surface of mineralization
  3. Strong quartz stringer mineralization in the stratigraphic footwall
  4. BIF (a cherty sedimentary rock bearing magnetite and/or hematite) in the stratigraphic hanging wall.
  5. A commonly finely banded Silica-Carbonate-Barite Rock (SCBR), which is widespread at or near the stratigraphic level of the Main Horizon along much of the strike length of the deposit
  6. Ore-body geometries of stratabound, tabular sheets that extend from surface down-dip, and which widen and commonly increase in grade with depth

#### **Recent Hamama Project Highlights**

- Drilling to test the down-dip and on-strike extension of Hamama West began 31<sup>st</sup> March, for a planned total of 3500 m of oriented diamond core. This program ended on August, 29<sup>th</sup> having completed 3426.8m of drilling in 37 holes, bring the number of holes drilled at Hamama to 96.
- Drilling has been concentrated towards the western extent of Hamama West, proximal to last years' stand out holes, AHA-31 and AHA-58.
- Mineralization has been encountered in the majority of holes, with significant primary sulphide intervals observed in holes AHA-60, AHA-61, AHA-62, AHA-66 and AHA-67. Assay results for hole AHA-60 shows 28 meters of 2.23 Au (g/t) and 42.2 Ag (g/t). Assays are currently pending for others.
- Significant progress has been made in refining the genetic model for Hamama, which will aid future exploration on the property.
- In addition to extending the on-strike and down-dip mineralization, this drill program also aims to provide infill drilling as the company works towards its planned maiden resource for Hamama West later this year.

The potential quantity and grade of the mineral occurrence at the Hamama deposit is uncertain. Insufficient exploration has been done to date to define a mineral resource and it is uncertain if future exploration will result in the target being delineated as a mineral resource. For additional disclosure regarding the Hamama deposit, see the Company's press releases dated April 30, 2012, May 9, 2012, May 24, 2012, June 19, 2012, August 15, 2012, September 5, 2012, October 2, 2012, October 19, 2012, October 30, 2012, and November 20, 2012, November 29, 2012, December 11, 2012, January 10, 2013, February 5, 2013, February 27, 2013, March 23, 2014, July 9, 2014, September 23, 2014, October 21, 2014 and November 12, 2014, January 6, 2015, January 13, 2015, February 3, 2015, 31 March, 2015, 14 April, 2015, May 26, 2015, June 9, 2015, October 20, 2015, November 2, 2015, April 4, 2016, and July 15, 2016 filed under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

#### **Fatiri Concession**

The Fatiri Concession Agreement is defined by multiple phases of exploration with a required minimum exploration obligation for each phase of exploration. Phase I is a duration of one year, Phase II-A, is for a duration of two (2) years and the Phase II-B, is for a duration of two years. An additional six months may be applied with the approval of EMRA at the end of the last phase of exploration.

For the Fatiri Concession, the Company has met the minimum financial obligation for Phase I and is currently in Phase II-A. The Company is required to provide a 2% training fee on the total exploration expenditure for the fiscal year.

The Company was granted an extension by the Ministry of Petroleum with the ability to extend for an additional two years' subject to the Company meeting certain technical and financial obligations. Not considering the possibility of a two-year extension, currently, Phase II-A of the Fatiri Concession ends as of July 31, 2018.

In the Fatiri Concession, the Abu Zawal historic gold mine is 4.5 km southeast from the Sohag-Safaga highway. Gold-bearing quartz veins are usually hosted beneath felsic sills that cut granodiorite to the east and metasedimentary

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rocks to the west. The veins in the sills strike north-northeast with shallow dips parallel to the contacts of the sills, and a few veins strike north-northwest at steeper dips. During 1902-1905, the Fatiri Exploration Company mined the deposit in shallow workings and milled the product on site. Gold was extracted using cyanide leach, as is evident by the basins at the modern processing plant. Aton has accurately located all the ancient workings, pits, trenches and underground workings on site. The tailings below the historic mine were channel-sampled and returned assay results averaging 1.19 g/t gold. Gold mineralization at Abu Zawal can be separated into three target areas: East Zone, West Zone and Northeast Zone.

Aton mapped the veins in the East Zone, West Zone and Northeast Zones. The **East Zone** of Abu Zawal has north-south and northwest trending veins, including one quartz vein with width of 0.15 to 1.2 metres that extends for 300 metres. Ancient and modern extraction activities have concentrated on the central part of this deposit. Underground workings descend to average depths of 8 to 12 metres, although only few are accessible today. The Company sampled some of the underground workings in the East Zone and returned an average gold grade of 8.34 g/t gold, with a high value of 16.9 g/t gold based on eight channel samples.

In the **Fatiri Concession**, gold-silver-copper-lead-zinc mineralization at **Rouh Al Hadid** occurs in a shallowly dipping felsic sill at or near the base of a thick section of Dohkan andesite flows that unconformably overlie a granodiorite intrusion. Mineralized quartz veins within the sill are as much as 0.5 metres thick and are mainly parallel to the contacts of the sill. Some veins show strongly brecciation textures. In 2008, two-metre channel sampling of veins and wallrock along the strike length of the sill returned assays including 26.2 g/t gold and 97.3 g/t silver (27.6 g/t AuEq.<sup>1</sup>), and 14.2 g/t gold and 170 g/t silver (16.6 g/t AuEq.<sup>1</sup>). A few samples of black oxide material (one from outcrop within the sill, six from dumps) average 10.1 g/t Au, 391 g/t Ag, (15.7 g/t AuEq.<sup>1</sup>), >20% Pb, 0.16% Cu, and 0.32% Zn, along with highly anomalous values in Bi (120 ppm), Sb (262 ppm), and Sr (367 ppm). Additional infill grab sampling in 2015 was successful in identifying high grade gold-silver-copper-rich sections of the main contact zone, returning assays of 55.8 g/t gold, 61 g/t silver (56.7 g/t AuEq.<sup>1</sup>) and 1.60% copper, and 17.85 g/t gold, 209 g/t silver (20.9 g/t AuEq.<sup>1</sup>) and 3.53% copper.

## **RESULTS OF OPERATIONS**

### ***Results of operations for the six months ended June 30, 2016 as compared with 2015***

The net loss for the period increased by \$876,108 to \$1,867,871 (2015 – \$991,763). Individual items explaining this increase in net loss are as follows:

- Exploration and evaluation expenditures increased by \$451,425 to \$1,255,049 (2015 - \$803,624) as the Company continued its drill program at the Abu Marawat concession.
- Professional and consulting fees increased by \$364,921 to \$543,703 (2015 – \$178,782) primarily as a result of legal fees relating to the lawsuit with the former CEO and two former employees of the Company in Egypt.
- Travel expenses increased to \$56,402 (2015 - \$Nil) as the management team attended various meetings in order to raise financing.
- Share-based payments decreased by \$12,458 to \$3,669 (2015 - \$16,127) as the Company incurred share-based payments through vesting of stock options.
- Gain on settlement on accounts payable and accrued liabilities of \$Nil (2015 - \$93,292) relates to certain vendors agreeing to settle on outstanding payables in prior period.

### ***Cash Flows for the period ended June 30, 2016 compared to 2015***

Cash outflows from operating activities increased by \$190,705 to \$1,131,406 (2015 – \$940,701) as the Company spent more funds on exploration and evaluation expenditures.

Net cash inflow from financing activities decreased by \$631,679 to \$332,989 (2015 – inflow of \$964,668) as the Company raised \$340,000 through private placements compared to \$1,050,000 in prior period.

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**SUMMARY OF QUARTERLY RESULTS**

|   | 2016      |         | 2015    |         |         |         | 2014    |         |
|---|-----------|---------|---------|---------|---------|---------|---------|---------|
|   | Q2        | Q1      | Q4      | Q3      | Q2      | Q1      | Q4      | Q3      |
| <b>Net sales</b>                            | Nil       | Nil     | Nil     | Nil     | Nil     | Nil     | Nil     | Nil     |
| <b>Net loss</b>                             | 1,052,383 | 815,488 | 428,406 | 331,146 | 639,122 | 352,641 | 499,009 | 410,130 |
| <b>Basic and diluted net loss per share</b> | 0.02      | 0.01    | 0.01    | 0.01    | 0.02    | 0.01    | 0.02    | 0.02    |

**Results of operations for the three months ended June 30, 2016 as compared with 2015**

The net loss for the period increased by \$413,261 to \$1,052,383 (2015 – \$639,122). Individual items explaining this increase in net loss are as follows:

- Exploration and evaluation expenditures increased by \$326,900 to \$874,973 (2015 - \$548,073) as the Company continued its drill program at the Abu Marawat concession.
- Professional and consulting fees increased by \$49,804 to \$184,666 (2015 – \$134,862) primarily as a result of legal fees relating to the lawsuit with the former CEO and two former employees of the Company in Egypt.
- Share-based payments decreased by \$7,016 to \$1,295 (2015 - \$8,311) as the Company incurred share-based payments through vesting of stock options
- Gain on settlement on accounts payable and accrued liabilities of \$Nil (2015 - \$22,668) relates to certain vendors agreeing to settle on outstanding payables in prior period.

**LIQUIDITY AND CAPITAL RESOURCES**

The Company, an exploration-stage company, has sustained operating losses during recent fiscal years and currently has negative cash flow. The Company had a working capital deficiency of \$2,079,557 as at June 30, 2016 (December 31, 2015 - \$563,349).

The Company's operations to date have been financed by issuing common shares and convertible debentures. The continuing operations of the Company are dependent upon its ability to raise adequate financing and to commence profitable operations in the future. The current working capital deficiency position casts significant doubt as to its ability to continue as a going concern. The Company has limited financial resources, limited sources of operating cash flow and no assurance that additional financing will be available for further development of its projects. The Company has been successful in the past in obtaining financing through equity; however, there is no assurance that the Company will succeed in arranging all necessary financing in the future or on terms satisfactory to the Company.

Based on the cash position on hand as at the date of this MD&A and expected cash flow requirements of the Company for the next twelve months, management believes that the Company will require additional funds to meet its present operational commitments and working capital needs.

**SUBSEQUENT EVENTS**

Subsequent to the period ended June 30, 2016, the Company:

- issued 6,209,693 common shares at a deemed price of \$0.05 per common share to settle outstanding debt in the amount of \$310,455.
- Granted 6,200,000 stock options to directors, officers, and consultants to the Company exercisable at \$0.07 per stock option and expiring July 5, 2021. The stock options vest 25% every six months beginning on the date of grant.

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- Completed the second and final tranche of a non-brokered private placement by issuing 33,400,000 shares for \$0.05 per share for gross proceeds of \$1,670,000.

**PROPOSED TRANSACTIONS**

There are no unannounced proposed transactions at the date of this report.

**OUTSTANDING SHARE DATA**

At the date of this report the Company has 112,912,742 issued and outstanding common shares, 6,952,000 outstanding stock options, and 29,100,000 outstanding warrants.

**TRANSACTIONS WITH RELATED PARTY AND BALANCES**

The following entities are classified as related parties due to the following:

| <b>Related party</b>     | <b>Relationship</b>                                       |
|--------------------------|---|
| A. Alexander Massoud     | Former Director and CEO                                   |
| Bill Koutsouras          | Director  |
| Giles Baynham            | Director and consultant                                   |
| Justin Blanchet          | CFO   |
| Mark Campbell            | Director and CEO  |
| Mounir Massoud           | Close family member of former CEO                         |
| Kouts Capital            | Consulting company for Bill Koutsouras                    |
| Red Fern Consulting Ltd. | Consulting company for Justin Blanchet                    |
| Rikyu Sung Kapital Inc.  | Consulting company of a close family member of former CEO |

**a) Key management personnel compensation**

The remuneration of directors and other members of management were as follows:

|  | For the period ended June 30 |                   |
|--|------------------------------|-------------------|
|  | 2016                         | 2015              |
| Short-term employee benefits – management compensation | \$ 145,457                   | \$ 245,033        |
| Short-term employee benefits – directors' fees         | 15,785                       | 35,500            |
| Share-based payments – management compensation         | -                            | 5,161             |
| Share-based payments – directors' fees                 | 2,535                        | 7,625             |
|  | <b>\$ 163,777</b>            | <b>\$ 293,319</b> |

**b) Related party balances and transactions**

The balances due to the Company's directors and officer included in accounts payables and accrued liabilities were \$385,938 as at June 30, 2016 (December 31, 2015 – \$433,115). These amounts are unsecured, non-interest bearing and payable on demand.

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#### **COMMITMENTS**

As at the date of this MD&A, the Company has no undisclosed commitments or contingencies.

As discussed in Note 6 of the Company's condensed consolidated interim financial statements for the period ended June 30, 2016, the Company issued \$215,000 2-year 12% compounded semi-annually convertible debentures on May 29, 2014. The principal amount and the interest are payable on May 29, 2016. Subsequent to period end on August 8, 2016, the Company redeemed with cash all of the convertible debentures and interest in the aggregate amount of \$272,669 of which the principal and interest were \$215,000 and \$57,669, respectively.

A former director and CEO of the Company commenced litigation against the Company alleging wrongful dismissal and claiming damages of US\$500,000 for severance and unpaid wages of \$239,862 plus interest and costs related. The Company is defending the cases and believes they are without merit. No liability other than unpaid fees for services amounting to \$260,845 has been recorded in relation to these legal proceedings.

Two former employees of the Company commenced litigation against the Company in Egypt alleging wrongful dismissal and claiming damages of 1,555,000 Egyptian Pounds (\$227,500). The Company is defending the cases and believes they are without merit. No contingent liability has been recorded in relation to these legal proceedings.

In the ordinary course of business, the Company is from time to time involved in legal proceedings and litigation. Presently, there are no legal proceedings and litigations that recently have had, or to the Company's knowledge, are reasonably possible to have, a material impact on the Company's financial positions, results of operations or cash flows. The Company did not accrue any loss contingencies in this respect as of December 31, 2015 and 2014, as the Company did not consider an unfavorable outcome in any material respects in these legal proceedings and litigations to be probable.

#### **FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash, other receivables, accounts payable and accrued liabilities and convertible debentures. The fair value of the Company's other receivables, accounts payable and accrued liabilities, and convertible debentures approximate their carrying value, which is the amount disclosed on the balance sheet dates due to their short-term maturities or ability of prompt liquidation. The Company's other financial instrument, cash, under the fair-value hierarchy, is based on level-one quoted prices in active markets for identical assets or liabilities.

Strategic and operational risks are risks that arise if the Company fails to identify opportunities and/or threats arising from changes in the markets in which the Company operates. These strategic opportunities or threats arise from a range of factors that might include changing economic and political circumstances and regulatory developments and competitor actions. These risk factors are discussed in the "Risks and Uncertainties" section of this MD&A.

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to discharge an obligation. The Company is subject to normal industry credit risks. The Company's current other receivable balance consists of amounts outstanding on Input Tax Credits from Canada Revenue Agency. The Company's exposure to credit risk is minimal.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2016, the Company had a cash balance of \$32,056 (December 31, 2015 - \$830,473) to settle current liabilities of \$2,141,799 (December 31, 2015 - \$1,411,239). All accounts payable and accrued liabilities fall due within the next 12 months.

The Company does not have sufficient working capital to meet its short-term business requirements. See "Liquidity and Capital Resources" section for a further commentary on the Company's liquidity risks. Interest risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in market risk. The Company's sensitivity to interest rates is currently immaterial.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's operations are in Canada and Egypt. The international nature of the Company's operations results in foreign exchange risk as transactions are denominated in foreign currencies,

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including Egyptian Pounds, and US Dollars. The operating results and the financial position of the Company are reported in Canadian dollars. The fluctuations of the operating currencies in relation to the Canadian dollar will, consequently, have an impact upon the reported results of the Company and may also affect the value of the Company's assets and liabilities.

Market risk is the risk that the fair values or future cash flows of the Company will fluctuate because of changes in market commodity rates. The Company's efforts are focused on the exploration and, if warranted, development of mineral resources. As such, the Company's future cash flows and valuation of its future mineral assets will be exposed to market risk on the price fluctuations of the commodity rates of these minerals.

#### **OUTLOOK**

The Company believes that exploration potential exists in their large and highly prospective Egyptian land package. The Company has managed to publish an initial inferred-mineral-resource estimate at the Abu Marawat deposit and has had positive drilling and trenching results at the Hamama deposit, positive sampling results at the Bohlog and Sir Bakis Prospect and identified a 40km gold-copper mineralized trend within the Abu Marawat Concession. The Company remains cautious about the overall market conditions for mineral exploration as it relates to the Company's ability to raise funds to advance key projects in Egypt during the fiscal year.

#### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company does not have any off-balance sheets arrangements.

#### **APPROVAL**

The Board of Directors of the Company has approved the disclosure contained in this MD&A.

#### **ADDITIONAL INFORMATION**

Additional information relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com)