



MKANGO RESOURCES LTD.
706 27 Avenue N.W.
Calgary, AB T2M 2J3

MANAGEMENT PROXY CIRCULAR

Dated December 8, 2017

This Information Circular is furnished by the management of Mkango Resources Ltd. (“**Mkango**” or the “**Corporation**”) to the holders (the “**Shareholders**”) of common shares (“**Common Shares**”) of the Corporation in connection with the solicitation of proxies to be voted at the annual and special meeting of the Shareholders (the “**Meeting**”) to be held at the Toronto offices of Fasken Martineau DuMoulin LLP, Bay Adelaide Centre, 333 Bay Street, Suite 2400, Toronto, Ontario, M5H 2T6 at the hour of 10:00 a.m. (Toronto time) on January 18, 2018 and at any adjournment thereof, for the purposes set forth in the notice of meeting enclosed with this Information Circular (the “**Notice of Meeting**”).

GENERAL PROXY INFORMATION

Solicitation of Proxies

The enclosed form of proxy (the “**Proxy Form**”) is solicited by management of the Corporation. The persons named in the Proxy Form are directors and/or senior officers of the Corporation (the “**management designees**”). A Shareholder has the right to appoint a person (who need not be a Shareholder) other than the management designees in the Proxy Form to represent the Shareholder at the Meeting and may exercise that right either by inserting the name of the other person in the blank space provided in the Proxy Form or by completing another form of proxy.

Proxy Voting

A proxy will not be valid unless it is deposited with our transfer agent Computershare Investor Services Inc. (“**Computershare**”), (i) by mail using the enclosed return envelope or (ii) by hand delivery to Computershare Investor Services Inc., 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1. Alternatively, you may vote by telephone 1-866-732-8683 (toll free within North America) or 1-312-588-4290 (outside North America), by facsimile to 1-866-249-7775 or 1-416-263-9524 (outside North America), by facsimile to 1-866-249-7775 or 1-416-263-9524 (outside North America), or by internet using the 15 digit control number located at the bottom of your proxy at www.investorvote.com. All instructions are listed in the enclosed form of proxy. Your proxy or voting instructions must be received in each case no later than 10:00 a.m. (Toronto time) on January 16, 2017 or, if the Meeting is adjourned, 48 hours (excluding Saturdays and holidays) before the beginning of any adjournment of the Meeting.

The website may be used to appoint a proxy holder to attend and vote on a Shareholder's behalf at the Meeting and to convey a Shareholder's voting instructions. Please note that if a Shareholder appoints a proxy holder and submits their voting instructions and subsequently wishes to change their appointment, a Shareholder may resubmit their proxy and/or voting direction, prior to the deadline noted above. When resubmitting a proxy, the most recently submitted proxy will be recognized as the only valid one, and all previous proxies submitted will

be disregarded and considered as revoked, provided that the last proxy is submitted by the deadline noted above.

REVOCABILITY OF PROXIES

In addition to revocation in any other manner permitted by law, a registered Shareholder who has given a proxy may revoke it by:

- (a) executing a proxy bearing a later date or by executing a valid notice of revocation, either of the foregoing to be executed by the registered Shareholder or the registered Shareholder's authorized attorney in writing, or, if the registered Shareholder is a corporation, under its corporate seal by an officer or attorney duly authorized, and by delivering the proxy bearing a later date to Computershare, at least 48 hours (excluding Saturdays, Sundays and holidays) before the Meeting or the adjournment thereof at which the proxy is to be used, or to the chairman of the Meeting on the day of the Meeting or any reconvening thereof, or in any other manner provided by law, or
- (b) personally attending the Meeting and voting the registered Shareholder's Common Shares.

A revocation of a proxy will not affect a matter on which a vote is taken before the revocation.

EXERCISE OF DISCRETION BY PROXIES

The persons named in the Proxy Form will vote or withhold from voting the Common Shares represented thereby in accordance with your instructions on any ballot that may be called for. If you specify a choice with respect to any matter to be acted upon, your Common Shares will be voted accordingly. The Proxy Form confers discretionary authority on persons named therein with respect to:

- (a) each matter or group of matters identified therein for which a choice is not specified, other than the appointment of an auditor and the election of directors;
- (b) any amendment to or variation of any matter identified therein; and
- (c) any other matter that properly comes before the Meeting.

In respect of a matter for which a choice is not specified in the Proxy Form, the persons named in the Proxy Form will vote the Common Shares represented by the Proxy Form for the approval of such matter.

At the time of printing of this Information Circular, management of the Corporation knows of no such amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice of Meeting. If any other matter properly comes before the Meeting, it is the intention of the persons named in the enclosed Proxy Form to vote the Common Shares represented thereby in accordance with their best judgment on such matters.

Registered Shareholders may wish to vote by proxy whether or not they are able to attend the Meeting in person. Registered Shareholders who choose to submit a proxy may do so by completing, dating and signing the enclosed Proxy Form and returning it to the Corporation's transfer agent, by mail using the enclosed return envelope or (ii) by hand delivery to Computershare Investor Services Inc., 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1. Alternatively, you may vote by telephone 1-866-732-8683 (toll free within North America) or 1-312-588-4290 (outside North America), by facsimile to 1-866-249-7775 or 1-416-263-9524 (outside North America), or by internet using the 15 digit control number located at the bottom of you proxy at www.investorvote.com.

The Proxy Form, voting instructions or internet appointment of a proxy holder must be received at least 48 hours (excluding Saturdays, Sundays and holidays) before the Meeting or any adjournment thereof at

which the Proxy Form is to be used. Failure to complete or deposit a Proxy Form properly may result in its invalidation. The time limit for the deposit of Proxy Forms may be waived by the board of directors of the Corporation at its discretion without notice.

ADVICE TO BENEFICIAL HOLDERS OF SECURITIES

The information set forth in this section is of significant importance to many Shareholders of the Corporation as some Shareholders do not hold their Common Shares in their own names (“Beneficial Shareholders”). Beneficial Shareholders should note that only proxies deposited by Shareholders whose names appear on the records of the Corporation as the registered holders of Common Shares can be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a Beneficial Shareholder by a broker, then in almost all cases those Common Shares will not be registered in the Beneficial Shareholder’s name on the records of the Corporation. Such Common Shares will more likely be registered under the name of the Beneficial Shareholder’s broker or an agent of that broker. In Canada, the majority of such shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms). Common Shares held by brokers or their nominees can only be voted for or against resolutions, or voted or withheld from voting for the election of directors and appointment of auditors, upon the instructions of the Beneficial Shareholder. Without specific instructions, the broker/nominees are prohibited from voting shares for their clients. The Corporation does not know for whose benefit the Common Shares registered in the name of CDS & Co. are held. Therefore, Beneficial Shareholders cannot be recognized at the Meeting for the purposes of voting the Common Shares in person or by way of proxy except as set forth below. Beneficial Shareholders should ensure that instructions respecting the voting of their Common Shares are communicated to the appropriate persons.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of meetings of shareholders. Every intermediary/broker has its own mailing procedures and provides its own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. The form of proxy supplied to a Beneficial Shareholder by its broker often is identical to the Proxy Form provided to registered Shareholders. However, its purpose is limited to instructing the registered Shareholder (the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial solutions, Inc. (“**Broadridge**”). Broadridge typically provides a scannable voting request form or applies a special sticker to the proxy forms, mails those forms to the Beneficial Shareholders and asks Beneficial Shareholders to return the voting request forms or proxy forms to Broadridge. Alternatively, Beneficial Shareholders sometimes are provided with a toll-free telephone number to vote their shares. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at a meeting of shareholders. A Beneficial Shareholder receiving a voting instruction or proxy from Broadridge or another agent cannot use that proxy to vote Common Shares directly at the Meeting as the completed instruction or proxy must be returned as directed by Broadridge or another agent well in advance of the Meeting in order to have the Common Shares voted.

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of the Beneficial Shareholder’s broker (or agent of the broker), a Beneficial Shareholder may attend at the Meeting as proxyholder for the registered Shareholder and vote Common Shares in that capacity. Beneficial Shareholders who wish to attend the Meeting and indirectly vote their Common Shares as proxyholder for the registered Shareholder should enter their own names in the blank spaces on the form of proxy provided to them and return the same to their broker (or the broker’s agent) in accordance with the instructions provided by such broker (or agent) well in advance of the Meeting.

If you are a Beneficial Shareholder and wish to vote in person at the Meeting, please contact your broker or agent well in advance of the Meeting to determine how you can do so.

VOTING DIRECTIONS FOR DEPOSITARY INTERESTS IN CREST

The following instructions are for non-registered beneficial holders who hold their Common Shares through the Depositary, Computershare Investor Services PLC, as at the Record Date. Holders of Depositary Interests can direct the Depositary how to vote their shares or abstain from voting by completing, signing and returning the enclosed Form of Instruction. To be valid, the Form of Instruction must be filled out, correctly signed (exactly as your name appears on the Form of Instruction, and returned to The office of the Depositary, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY in the enclosed envelope or by courier or hand delivery to The office of the Depositary, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY by 10:00 a.m. (GMT) on January 15, 2018 (or 72 hours prior to any reconvened Meeting in the event of an adjournment of the Meeting). The Depositary will then vote or abstain from voting on your behalf at the Meeting, as instructed in the Form of Instruction.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The authorized capital of the Corporation consists of an unlimited number of Common Shares without nominal or par value and an unlimited number of preferred shares. The preferred shares are issuable in one or more series. Only holders of the Common Shares are entitled to vote such Common Shares at the Meeting, on the basis of one vote for each Common Share. As of December 8, 2017, 107,727,709 Common Shares were issued and outstanding. The board of directors has fixed December 11, 2017 as the record date (the “**Record Date**”) for the determination of Shareholders entitled to receive notice of and to vote at the Meeting and at any adjournment thereof, except to the extent that such holder transfers ownership of the Common Shares after the Record Date, in which case the transferee shall be entitled to vote such Common Shares upon establishing ownership and requesting not later than 10 days before the Meeting, to be included in the list of Shareholders entitled to vote at the Meeting.

To the knowledge of the directors or executive officers of the Corporation, no person beneficially owns, directly or indirectly, controls or directs, directly or indirectly, voting shares carrying 10% or more of the voting rights attached to any class of voting securities of the Corporation, as at the date hereof, except as follows:

Name	Type of Ownership	Approximate Number of Common Shares Owned, Controlled or Directed	Approximate Percentage of Common Shares Owned
Talaxis Ltd.	Registered holder	14,285,715	13.9%
Resources Early Stage Opportunity Company Ltd.	Registered holder	11,158,140	10.9%

VOTES NECESSARY TO PASS RESOLUTIONS AT THE MEETING

A simple majority of affirmative votes cast at the Meeting by the Shareholders is required to pass the resolutions electing the directors, reappointing the incumbent auditors, and approving the Corporation’s stock option plan as required by the policies of the TSX Venture Exchange (“**TSXV**”). The resolution approving the Transaction (as defined below) requires that a simple majority of the votes cast at the Meeting by the Shareholders be cast in favour of such resolution after excluding any votes attached to Common Shares held by Talaxis. If there are more nominees for election as directors or appointment of the Corporation’s auditors than there are vacancies to fill, those nominees receiving the greatest number of votes will be elected or appointed, as the case may be, until all such vacancies have been filled. If the number of nominees for election or appointment is equal to the number of vacancies to be filled, all such nominees will be declared elected or appointed by acclamation.

QUORUM

Under the Corporation’s by-laws, a quorum for the transaction of business at any meeting of shareholders shall be at least two persons present in person or represented by proxy, holding or representing not less than 5% of the Common Shares entitled to be voted at the Meeting. Under the Corporation’s by-laws and the *Business Corporations Act* (Alberta) (“**ABCA**”), if a quorum is present at the opening of the Meeting, the Shareholders

present may proceed with the business of the Meeting notwithstanding that a quorum is not present throughout the Meeting. If a quorum is not present at the opening of the Meeting, the Shareholders present may adjourn the Meeting to a fixed time and place but may not transact any other business.

PARTICULARS OF THE MATTERS TO BE ACTED ON AT THE MEETING

Business of the Meeting

The Shareholders will be asked at the Meeting to consider and, if deemed appropriate:

1. to receive the audited financial statements of the Corporation for the year ended December 31, 2016, including the auditors' reports thereon;
2. to elect the directors of the Corporation who will serve until the end of the next annual general meeting or until their successors are appointed;
3. to appoint the auditors of the Corporation and to authorize the directors to fix their remuneration;
4. to consider and, if deemed advisable, to pass an ordinary resolution, approving the stock option plan of the Corporation;
5. to consider and, if deemed advisable, to pass an ordinary resolution, excluding any votes attached to Common Shares held by Talaxis, approving the Transaction (as defined, and more particularly described, herein); and
6. to transact such other business as may properly be brought before the Meeting or any adjournment thereof.

Financial Statements

The Corporation's audited financial statements for the year ended December 31, 2016 (the "**Financial Statements**") will be placed before the meeting and have been forwarded to those shareholders who have requested paper copies of such financial statements. No formal action will be taken at the Meeting to approve the Financial Statements, with the requirements of the ABCA having been met with the advance circulation of such Financial Statements. If Shareholders have questions respecting the Financial Statements, the questions will be addressed during the "**Other Business**" portion of the Meeting. The Financial Statements are also available on the SEDAR website at www.sedar.com.

Election of Directors

It is the intention of the persons designated in the enclosed Proxy Form, unless otherwise instructed, to vote to elect Derek Linfield, William Dawes, Alexander Lemon, David Berg, Eugene Chen and Adrian Reynolds to hold office subject to the articles and by-laws of the Corporation, as directors of the Corporation.

The foregoing persons are the nominees of the management of the Corporation for election as directors of the Corporation. The directors of the Corporation are elected to hold office until the next annual general meeting of the Corporation or until their successors are appointed, unless a director ceases to hold office pursuant to the ABCA or the office is vacated pursuant to the by-laws of the Corporation.

In the absence of instructions to the contrary, the enclosed Proxy Form will be voted for the nominees herein listed. **Management does not contemplate that any of such nominees will be unable to serve as a director; however, if for any reason any of the proposed nominees does not stand for election or are unable to serve as such, proxies in favour of management designees will be voted for another nominee in their discretion unless the Shareholder has specified in the Shareholder proxy that the Shareholder's Common Shares are to be withheld from voting in the election of directors of the Corporation.**

The following table sets out the name of each of the persons proposed to be nominated for election as a director and the name of each of the persons whose term of office, if elected, shall continue after the Meeting; all positions and offices in the Corporation presently held by them; their principal occupations at present and during the preceding five years; the periods during which they have served as directors; and the number of Common Shares, stock options and common share purchase warrants (“**Warrants**”) that they have advised the Corporation are beneficially owned by them, directly or indirectly, or over which control or direction is exercised, as of the date hereof:

Director Information

Name, Municipality of Residence, Office and Date became a Director	Present and Principal Occupation During the Last Five Years	Common Shares Beneficially Owned Directly or Indirectly or Controlled or Directed	Stock Options or Common Share Purchase Warrants Beneficially Owned Directly or Indirectly or Controlled or Directed
David Berg ^(1a) Calgary, Alberta, Canada Director November 13, 2007	Mr. Berg is currently the President of KPI Business Management, a private consulting corporation based in Calgary, Alberta specializing in the provision of management services, development of business models and structuring, financing and managing of public and private projects.	113,333	810,000 Stock Options
Eugene Chen ^(1a) Calgary, Alberta, Canada Director November 13, 2007	Mr. Chen is currently a Partner in the securities, corporate finance and mergers and acquisitions group with Shea Nerland LLP (law firm), President of Eugene Chen Professional Corporation, Managing Director of Optimal Capital Advisors Ltd. and a Trustee of Optimus U.S. Real Estate Fund. From February 2014 to May 2016, Mr. Chen was Counsel with McMillan LLP (law firm) and a Partner with Heenan Blaikie LLP (law firm) from September 2013 to February 2014.	53,333	810,000 Stock Options
William Dawes London, United Kingdom, Chief Executive Officer and Director December 20, 2010	Mr. Dawes is the Chief Executive Officer of the Corporation. He has been an executive director of Leo Mining & Exploration Limited and of Lancaster since September 2007.	8,546,205 ⁽²⁾ 175,238 ⁽³⁾	2,455,000 Stock Options
Alexander Lemon London, United Kingdom, President and Director December 20, 2010	Mr. Lemon is the President of the Corporation. He has been an executive director of Leo Mining & Exploration Limited and of Lancaster since September 2007.	8,546,205 ⁽²⁾ 4,000	2,455,000 Stock Options
Adrian Reynolds ^(1a) Cape Town, South Africa, Director June 29, 2011	Mr. Reynolds is currently an independent consultant. He is currently a non-executive director of Geodrill Ltd; he was a non-executive director of Aureus Mining Inc.(now Avesoro Resources Inc.) from 2011 to 2016 and Chairman of Digby Wells Environmental Limited from 2012 to 2016.	64,304	810,000 Stock Options
Derek Linfield ^(1b) London, United Kingdom, Director January 31, 2014	Mr. Linfield is a legal consultant to Fasken and non-executive director of a number of private corporations. He is also Chairman of Cornish Lithium Limited. During 2017, he was a non-executive director of Eco (Atlantic) Oil and Gas Limited. He was the managing partner of the law firm Stikeman Elliott (London) LLP, which is the UK office of the Canadian law firm Stikeman Elliott LLP, where he worked from 2003 until 2015.	1,354,319	1,730,000 Stock Options 851,909 Common Share Purchase Warrants

(1) a. Members of the Audit Committee.
b. Chairman of the Board.

(2) These Common Shares are held through Leo Mining and Exploration Limited, a company in which William Dawes and Alexander Lemon each own 17.3% of the issued and outstanding shares.

(3) These Common Shares are held through The JP Morgan 1998 Employee Trust, of which William Dawes is a beneficiary.

Corporate Cease Trade Orders or Bankruptcies

No director or proposed director of the Corporation is, or has been within the past ten years, a director, chief executive officer or chief financial officer of any company that, while such person was acting in that capacity:

- (a) was the subject of a cease trade order, an order similar to a cease trade order or an order that denied the company access to any exemptions under securities legislation, and that was in effect for a period of more than 30 consecutive days; or
- (b) was the subject of a cease trade order, an order similar to a cease trade order or an order that denied the company access to any exemptions under securities legislation, and that was in effect for a period of more than 30 consecutive days, that was issued after that individual ceased to be a director or chief executive officer or chief financial officer and which resulted from an event that occurred while such person was acting in a capacity as a director, chief executive officer or chief financial officer.

A director of the Corporation, Eugene Chen was a director of Poynt Corporation (“**Poynt**”), a publicly traded technology company involved in the mobile local advertising space. On July 5, 2012, Poynt announced it had filed a Notice of Intention to file a Proposal under the Bankruptcy and Insolvency Act (Canada) (the “**BIA**”). On October 31, 2012, the Court of Queen’s Bench of Alberta terminated the stay of proceedings against Poynt upon application by Hardie & Kelly, the trustee appointed under the BIA and Poynt was deemed to have made an assignment into bankruptcy. Mr. Chen resigned as a director of Poynt on October 31, 2012. As well, Eugene Chen was a director of CapGain Properties Inc. when the Alberta Securities Commission issued a cease trade order on May 5, 2015 for failure to file its financial statements within the time frame designated under applicable securities legislation. A similar order had been issued by the British Columbia Securities Commission on February 3, 2015. Both of these cease trade orders are currently outstanding.

No other director or proposed director of the Corporation is, or has been within the past ten years, a director or executive officer of any company that, while such person was acting in that capacity or within a year of that individual ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Individual Bankruptcies

No director or proposed director of the Corporation is or has, within the ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

Appointment of Auditors

At the Meeting, Shareholders will be asked to vote in favour of the re-appointment of Meyers Norris Penny LLP, Suite 1500, 640 - 5th Avenue S.W., Calgary, Alberta T2P 3G4, as auditors of the Corporation, to hold office until the next annual general meeting of Shareholders, or until its successors are elected or appointed, and to authorize the directors to fix their remuneration as such. Meyers Norris Penny LLP has been the auditor of the Corporation since February 18, 2008.

The foregoing resolution must be approved by a simple majority of the votes cast at the Meeting by the Shareholders voting in person or by proxy. **Unless otherwise directed, the management designees named in the accompanying Proxy Form intend to vote in favour of the appointment of Meyers Norris Penny LLP, Chartered Accountants, as auditor of the Corporation, to hold office until the next annual general meeting of the Shareholders, at a remuneration to be determined by the directors of the Corporation.**

Approval of Stock Option Plan of the Corporation

The Shareholders will be asked to consider, and if deemed advisable, to re-approve the stock option plan of the Corporation (the “**Option Plan**”) attached as Appendix “A” to this Information Circular. Approval of the Option Plan is being sought in accordance with the policies of the TSXV, whereby issuers whose stock option plans are “rolling plans” (plans which reserve shares for issuance upon the exercise of options based upon a percentage of the issuer’s issued and outstanding shares rather than a fixed number), must have such plans approved by shareholders at each annual meeting of such shareholders. The Shareholders will therefore be asked at the Meeting to vote on a resolution approving the Option Plan.

The Option Plan, approved by the board of directors of the Corporation on September 27, 2010, is a “rolling plan”. The Option Plan is identical to the stock option plan that was approved by the Shareholders at the meeting held on February 16, 2016.

The Option Plan is intended to provide the board of directors of the Corporation with the ability to issue options to provide the employees, officers, directors and consultants of the Corporation with long-term equity-based performance incentives, which are a key component of the Corporation’s compensation strategy. The Corporation believes it is important to align the interests of management, employees and consultants with shareholder interests and to link performance compensation to enhancement of shareholder value. This is accomplished through the use of stock options whose value over time is dependent on market value.

The aggregate number of Common Shares issuable upon the exercise of all options granted under the Option Plan cannot exceed 10% of the issued and outstanding Common Shares. As at the date hereof, options to acquire 9,840,000 Common Shares have been issued and are outstanding, representing approximately 9.6% of the issued and outstanding Common Shares. The Shareholders will be asked to consider and, if deemed advisable, to pass the following ordinary resolution approving the Option Plan:

“BE IT RESOLVED THAT:

1. the stock option plan of the Corporation, substantially in the form attached as Appendix “A” to the management information circular of the Corporation dated December 8, 2017, be and is hereby re-approved and adopted as the stock option plan of the Corporation;
2. the form of the stock option plan may be amended in order to satisfy the requirements or requests of any regulatory authorities without requiring further approval of the Shareholders of the Corporation;
3. the number of common shares of the Corporation issuable under the stock option plan be set at 10% of the aggregate number of Common Shares issued and outstanding from time to time subject to any limitations imposed by applicable laws, rules, regulation and policies;
4. the continuation of the 9,840,000 options currently outstanding under the stock option plan of the Corporation, without amendment to their terms except as required to comply with the stock option plan be authorized and approved; and
5. any one director or officer of the Corporation be and is hereby authorized and directed for and on behalf of the Corporation to execute, deliver and file any and all declarations, agreements, documents and other instruments and do all such other acts and things that may be necessary or desirable to give effect to the foregoing.”

The foregoing resolution must be approved by a simple majority of the votes cast at the Meeting by the Shareholders voting in person or by proxy. **The management designees, unless instructed otherwise, intend to vote to approve the Option Plan in substantially the form as attached as Appendix “A” to this Information Circular.**

Approval of Talaxis Investment Transaction

On November 16, 2017, the Corporation announced it had entered into an investment agreement (the “**Investment Agreement**”) with Talaxis Limited (“**Talaxis**”). A copy of the Investment Agreement was filed on SEDAR on November 23, 2017. The summary of the Investment Agreement contained in this Information Circular is qualified in its entirety by the Investment Agreement.

Under the Investment Agreement, Talaxis has agreed to fully fund a bankable feasibility study (a “**BFS**”) for the Corporation’s Songwe Hill rare earths project (“**Songwe**” or the “**Project**”) in return for a 49% interest in the Project. The Investment Agreement calls for an investment of £12 million (approximately C\$20.7 million) by Talaxis in the Project for the BFS in three tranches, with the first tranche of £2 million (approximately C\$3.4 million) to be invested within four business days following receipt of regulatory approval of the investment, to the satisfaction of Talaxis. Talaxis will also have the option (“**Option**”) to acquire a further 26% interest in the Project by arranging funding for development of the Project. See “TSXV Approval and Payment of Songwe First Tranche, Songwe Second Tranche and Newco First Tranche” below.

Further, Talaxis may also acquire up to a 49% interest in a new venture to be established by the Corporation focused on neodymium alloy powders, magnet and other technologies, including the Corporation’s collaboration with Metalysis Limited (“**Metalysis**”), by investing an additional £2 million (approximately C\$3.4 million) in two tranches. The investment in the Corporation for the BFS, the Option, and the option to invest in the new venture are referred to herein as the “**Transaction**”.

Upon completion of the investments contemplated in the Transaction, Mkango will retain a 25% interest in Songwe, free carried to production, and a 51% interest in the new venture. Talaxis and Mkango have also agreed to co-operate as preferred partners on rare earths projects worldwide and on other projects in Malawi.

The Investment Agreement

Under the Investment Agreement, Talaxis is entitled to receive a 49% interest in Mkango’s subsidiary, Lancaster Exploration Limited (“**Lancaster**”), the licence holder for the Project, by investing an aggregate of £12 million (approximately C\$20.7 million) in Lancaster in three tranches to complete the BFS (“**Songwe Investment**”). Upon payment of the first £2,000,000 (approximately C\$3.4 million) Phase 1 investment commitment for the Project (“**Songwe First Tranche**”), to be completed within four business days of Mkango obtaining approval from TSXV for the Transaction to the satisfaction of Talaxis, Talaxis will receive an 8% interest in Lancaster. Upon payment of the £3,000,000 (approximately C\$5.2 million) Phase 2 investment commitment for the Project (“**Songwe Second Tranche**”), to be completed 45 days after Mkango obtains TSXV approval to the satisfaction of Talaxis, Talaxis will receive an additional 12% interest in Lancaster. The final tranche of £7 million (approximately C\$12.1 million) is subject to the completion of a definitive joint venture agreement (the “**Songwe Joint Venture Agreement**”) between Mkango and Talaxis and on Mkango publishing an updated mineral resource estimate for the Project pursuant to National Instrument 43-101 - *Standards of Disclosure for Mineral Projects*. Subject to completion of the definitive Songwe Joint Venture Agreement and the BFS, Talaxis will be granted the Option to acquire a further 26% interest in Lancaster by arranging funding for development of the Project, which, based on the pre-feasibility study prepared by the MSA Group (Pty) Ltd dated December 1, 2015, would total US\$216 million. In addition, as consideration for Talaxis arranging funding for 100% of remaining Project development costs, including funding the equity component thereof, Talaxis shall be granted the offtake rights for 100% of production from the Project (subject to Newco (as defined below) having the option to retain such amount of production as required for Newco’s downstream manufacturing activities). If the Option is exercised in full, Mkango will hold a 25% interest in Lancaster, free carried until the Project commences production. The Investment Agreement also includes provisions relating to the governance of Lancaster, as well as the attributes of the Class A shares and Class B shares of Lancaster to be held by Talaxis and Mkango, respectively, including relating to transfers thereof.

Talaxis Investment in New Venture

In addition to the Songwe Investment, upon investing a further £2 million (approximately C\$3.4 million) in two tranches, Talaxis will also receive a 49% interest in a new entity (“**Newco**”) to be established by Mkango to

further develop, commercialise and market production in relation to new rare earth alloy powder, magnet and other technologies geared to accelerating growth in the electric vehicle market. The use of proceeds of the investment will include research and development (“**R&D**”) expenditure under the previously announced agreement between Mkango and Metalysis focused on advanced alloys using neodymium or praseodymium with other elements for magnet development and potential 3D printing applications. Upon completion of both tranches of the investment in Newco by Talaxis, Mkango will hold a 51% interest in Newco.

The Investment Agreement provides that the first tranche of the investment in Newco by Talaxis, in the amount of £1,000,000 (approximately C\$1.7 million) (“**Newco First Tranche**”), will be paid within 45 days of receipt of TSXV approval for the Transaction, upon which Talaxis will receive a 24.5% interest in Newco. See “TSXV Approval and Payment of Songwe First Tranche, Songwe Second Tranche and Newco First Tranche” below.

The use of proceeds of the first tranche will be to fund, among other expenditures, the Corporation’s ongoing Phase II R&D programme with Metalysis. Payment of the second tranche, in the amount of £1,000,000 (approximately C\$ 1.7 million) is conditional on completion of a definitive investment agreement in respect of Newco (“**Newco Investment Agreement**”) and successful completion of the Phase II R&D programme and will result in Talaxis receiving a further 24.5% interest in Newco. The use of proceeds of the second tranche will be to fund the ongoing R&D programme with Metalysis and other expenditures.

The Investment Agreement also includes provisions relating to the governance of Newco, as well as the attributes of the Class A shares and Class B shares of Newco to be held by Talaxis and Mkango, respectively, including relating to transfers thereof. In relation to Lancaster, these provisions are intended to be substantially similar to the corresponding provisions set out in the Songwe Joint Venture Agreement.

Under the terms of the Investment Agreement, Talaxis will be Mkango’s preferred partner for all rare earths projects worldwide and for all activities of any sort in Malawi. Talaxis will be granted a right of first offer to finance any such activities of Mkango (including in respect of any of the current assets of Lancaster other than Songwe). All such opportunities will be offered to Mkango on a 50/50 shared economics basis, with Mkango being entitled to participate to any level that it chooses.

The Investment Agreement requires that the Songwe Joint Venture Agreement and the Newco Investment Agreement be entered into prior to 180 days from the Investment Agreement, being approximately May 16, 2018. On December 8, 2017, Mkango and Talaxis agreed that should minority shareholder approval (as discussed below under “Related Party Transaction”) not be obtained on or by February 15, 2018, the Investment Agreement would terminate.

TSXV Approval and Payment of Songwe First Tranche, Songwe Second Tranche and Newco First Tranche

The TSXV granted conditional acceptance of the Transaction on November 27, 2017 and confirmed on December 4, 2017 that the only condition to it granting its final acceptance was receipt of minority shareholder approval pursuant to MI 61-101 (defined and discussed in more detail below).

Following such approval, Talaxis confirmed to Mkango its satisfaction with the terms of the TSXV approval and, accordingly, on December 11, 2017, paid £2 million (approximately C\$3.4 million), representing the Songwe First Tranche, into an escrow account, to be released to Lancaster within a period of two business days of final approval by the TSXV following receipt of minority shareholder approval of the Transaction. Within a period of two business days of final approval by the TSXV following receipt of minority shareholder approval, the Songwe Second Tranche and Newco First Tranche shall also become payable by Talaxis to Lancaster and Newco, respectively. Should such shareholder approval not be obtained by February 15, 2018, the Songwe First Tranche is to be released back to Talaxis and the Investment Agreement shall terminate.

Related Party Transaction

Talaxis is the holder of 13.9% of the issued and outstanding shares of Mkango. As such, Talaxis is a Non-Arm’s Length Party pursuant to applicable rules of the TSXV. In addition, Talaxis holds 12 million warrants of

Mkango, which, upon exercise, could result in Talaxis holding 23.9% of the then-issued and outstanding shares of Mkango. Talaxis has agreed with Mkango that it will not exercise any warrants which would increase the holding of Talaxis in Mkango to 20% or more. Talaxis is also considered to be a “related party” of Mkango as defined under the AIM Rules and under Multilateral Interment 61-101 - *Protection of Minority Security Holders in Special Transactions* (“**MI 61-101**”) and accordingly, Talaxis’ investments in both Lancaster and Newco constitute a “related party transaction” for the purposes of Rule 13 of the AIM Rules and MI 61-101. The directors of the Corporation that are independent with respect to the Transaction, being the Board as a whole, consider, having consulted with SP Angel Corporate Finance LLP, the Corporation’s nominated adviser, that the terms of the agreement are fair and reasonable insofar as the Corporation’s shareholders are concerned.

Required Approvals

The Transaction requires approval from disinterested shareholders of the Corporation (excluding the 14,285,715 Common Shares held by Talaxis) pursuant to Section 5.6 of MI 61-101.

The Corporation is exempt from the formal valuation requirement of MI 61-101 in respect of the Transaction pursuant to section 5.5(b) of MI 61-101 - *Issuer not Listed on Specified Markets*, as no securities of the Corporation are listed or quoted on the Toronto Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the NASDAQ Stock Market, or a stock exchange outside of Canada and the United States other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc.

The Corporation has determined there is no exemption available in respect of the Transaction from the minority shareholder approval requirements of Section 5.6 of MI 61-101. The 14,285,715 Common Shares currently owned by Talaxis will be excluded from the determination of minority approval for the Transaction under MI 61-101.

Subject to receipt of the requisite TSXV and shareholder approvals, the Songwe First Tranche, the Songwe Second Tranche and Newco First Tranche are expected to be received by Mkango by the end of January, 2018, following which the Songwe Joint Venture Agreement and the Newco Investment Agreement are expected to be entered into prior to May 16, 2018.

Background to the Transaction

In line with the Mkango’s strategy to bring in financial or strategic partners to fund further development of its projects (the “**Strategy**”), a number of discussions took place with Noble Group Limited (“**Noble Group**” or “**Noble**”) in the months following the Corporation’s June 2016 listing on the AIM market of the London Stock Exchange, which, in December 2016, culminated in Mkango entering into a collaboration agreement with Noble Resources International Pte Ltd (“**Noble Resources**”), wholly owned by Noble Group. Under the key terms of the collaboration agreement, Noble Resources provides a number of services to Mkango including identifying the optimal markets and counterparties for Mkango’s future rare earths production, the best strategy for the Project’s product mix and the optimal logistics route, in addition to introductions to potential strategic partners to finance development of the Project and assistance in market-related discussions with key stakeholders. Pursuant to the collaboration agreement, Noble Resources was issued 12 million warrants to acquire up to a 12.5% interest in Mkango. Following entering into the collaboration agreement and consistent with its objectives, there were additional discussions and meetings with Noble Resources and other parties to further advance the Corporation’s Strategy, including meetings in China and Hong Kong in March, June and September 2017.

On September 29, 2017, Mkango announced an agreement with Talaxis, a wholly owned subsidiary of Noble Group, whereby Talaxis invested £500,000 in Mkango completed by way of a private placement of 14,285,715 common shares of Mkango at 3.5 UK pence per Common Share (the “**Placing**”). The principal use of proceeds from the Placing was to commence Phase II of the research and development programme with Metalysis Limited, continued optimisation of the Project, and ongoing evaluation of additional opportunities in addition to other expenditures. Also in connection with the Placing, Talaxis was issued share purchase warrants to acquire up to 12 million Common Shares (the “**Talaxis Warrants**”). Each Talaxis Warrant is exercisable at a price of

6.6 UK pence until December 31, 2020. The 12 million warrants previously issued to Noble Resources in December 2016 were cancelled. Talaxis agreed not to exercise that proportion of its Talaxis Warrants which would result in it holding 20% or more of the outstanding Common Shares.

In late October 2017, Mkango hosted a visit by representatives of Talaxis to Malawi, which included a visit to the Project and various other meetings. Discussions continued into November 2017, coupled with meetings in Singapore and Hong Kong coincident with a non-deal roadshow and international rare earths conference, respectively, which culminated in Talaxis and Mkango entering into the Investment Agreement on November 16, 2017.

Review and Approval Process

On December 14, 2016, the Board considered a proposed collaboration agreement with Noble Group. The Board considered the agreement in the context of the work previously done by management to attract private equity and other sources of funding to the Corporation and the Songwe project. The Board discussed Noble's position as a leading trader in the Asian markets and its apparent deep knowledge of the Chinese market, the world's largest rare earth's market (through Noble's presence and network of relationships throughout the region).

The Board also considered that it was a great benefit to the Corporation to not have to expend its limited cash resources to obtain this expertise, but to issue two-year warrants with an exercise price that was double the then current trading price of the stock. A key aspect of the Board's decision making in respect of this agreement was the fact that it was hoped that the relationship with Noble could be deepened going forward.

On August 29, 2017, the Board met to consider ongoing options with respect to fundraising for the Corporation, with consideration being given to various potential funding options. The ongoing relationship with Noble was discussed and the Board encouraged Management to continue exploring funding options with Noble.

On September 28, 2017, the Board considered a proposal from management to issue shares to Noble at a premium to the prevailing market price to raise £500,000. A key use of proceeds of the fund raising was to enable commencement of a Phase II R&D programme with Metalysis, following successful completion of Phase I, and signing of a binding joint venture principles and exclusivity agreement with Metalysis for advanced alloys using neodymium or praseodymium with other elements for magnet manufacturing.

After considering the cash position of the Corporation, the strategic importance of the agreement with Metalysis, and the challenges of raising additional funds within a short timeframe on terms that would not be prohibitively dilutive, the Board considered that this would not only provide the Corporation with funds to advance the work programme with Metalysis and additional working capital, but would also enable further development of the relationship with Noble in line with the objectives of the collaboration agreement, including exploring further financing deals in respect of the assets. The Board considered that the transaction would be effected through Talaxis and that Talaxis had been formed as a special purpose vehicle through which Noble would focus its rare earths activities, with the investment in the Corporation being Talaxis' initial transaction. All Noble shares and warrants would be held via Talaxis. The Board considered that the transaction was in the best interest of the Corporation.

On November 9, 2017, the Board met to consider a potential financing deal with Talaxis that would provide that the Corporation would be fully funded to feasibility with respect to Songwe and also receive funding for a new venture to further develop, commercialise and market production in relation to new rare earth alloy powder, magnet and other technologies geared to accelerating growth in the electric vehicle market, including the research and development programme with Metalysis. There being no representative of Talaxis on the Board, the Board did not form a special committee. Management reported on their trip to Asia and whether there might be other financing options in light of previous meetings with other potential investors, after which the Board's agreement for Noble's investment in Songwe and the new venture was procured. While there had been significant interest in the Corporation's assets from potential investors, management considered that if it was to pursue such opportunities it would take considerable time and there was no certainty they would proceed. It was the view of management and was unanimously accepted by the Board that it was unlikely that a transaction of

similar value to the Corporation would be forthcoming in a reasonable timeframe. The Board also considered the aspects of the transaction relating to the funding of the project development at Songwe and the potential to obtain full project development funding with a 25% free carried interest to production. The Board also considered the aspects of the transaction relating to the future collaboration with Talaxis on rare earths worldwide and other projects in Malawi, both of which were seen as key aspects of the transaction that would make the transaction superior to any transaction that was financially equivalent (if one could even be sourced). Given the market capitalization of the Corporation at the time and the fact that the proposal offered committed funding for over three and a half times that market capitalization for less than 50% of the Corporation, the Board unanimously felt that the transaction was the best strategic alternative for the Corporation and was in the best interest of the minority shareholders.

Additional Information Pursuant to MI 61-101

The application of MI 61-101 to the Transaction mandates certain enhanced disclosure with respect to related party transactions be provided to shareholders in certain circumstances, including information typically required in an issuer bid circular, to the extent applicable and with necessary modifications. The Corporation is therefore providing the additional disclosure below further to MI 61-101.

Trading in Securities of the Corporation

The Common Shares are traded on the TSXV and AIM under the symbol “MKA”. The closing price of the Common Shares on the TSXV on November 15, 2017, being the date prior to the announcement of the Transaction, was C\$0.06, and the closing price of the Common Shares on AIM on November 15, 2017 was 3.875 UK pence. There is no change in the principal markets for the Common Shares planned following the Transaction. The tables below set forth the price range and trading volumes for the Common Shares on the TSXV, as reported by the TSXV, and on AIM, as reported by Bloomberg for the periods indicated.

TSXV			
2017	High Price (C\$)	Low Price (C\$)	Volume Traded
December 1-8	0.120	0.095	39,000
November	0.190	0.055	2,047,555
October	0.070	0.050	1,057,601
September	0.060	0.045	275,500
August	0.055	0.045	231,599
July	0.055	0.045	111,000
June	0.070	0.040	800,109

AIM			
2017	High Price (p)	Low Price (p)	Volume Traded
December 1-8	6.750	5.250	6,279,445
November	12.750	3.875	120,110,000
October	4.375	3.125	24,140,000
September	3.625	2.750	3,890,000
August	3.250	2.625	2,290,000
July	3.125	2.750	2,200,000
June	3.500	2.250	7,490,000

Ownership of Securities of Mkango

The following table sets out information in respect of the Common Shares owned or controlled and directed by each of the officers, directors and insiders of the Corporation and their affiliates and associates, and is based on information received by the Corporation from such persons.

Officer, Director, Insider or Affiliate or Associate thereof	Number of Common Shares Owned Directly or Indirectly	Percentage of Common Shares Owned Directly or Indirectly ⁽¹⁾
Derek Linfield	1,354,319	1.3%
William Dawes	8,721,443	8.5%
Alexander Lemon	8,550,205	8.3%

Officer, Director, Insider or Affiliate or Associate thereof	Number of Common Shares Owned Directly or Indirectly	Percentage of Common Shares Owned Directly or Indirectly ⁽¹⁾
Sandra Evans	16,667	0.0%
Adrian Reynolds	64,304	0.1%
Eugene Chen	53,333	0.1%
David Berg	113,333	0.1%

(1) Rounded to one decimal place.

Commitments to Acquire Securities of the Corporation

Other than the Transaction, the Corporation has no knowledge of any agreements, commitments or understandings made by the Corporation or any person named under “Ownership of Securities of Mkango” above to acquire securities of the Corporation.

Benefits of the Transaction

Other than Talaxis, who will benefit from the Transaction through their direct participation therein, no director, officer or insider of the Corporation will benefit directly or indirectly from the Transaction other than in the same manner as all holders of Common Shares described above.

Material Changes in the Affairs of the Corporation

The Corporation has no plans or proposals for any material changes in its affairs other than as a result of the Transaction.

Previous Purchases and Sales

The table below sets forth the issuances of Common Shares and securities convertible into Common Shares by the Corporation in the 12-month period prior to the date of this Circular.

Date of Issue	Security Issued	Number of Securities Issued	Issue/Exercise Price
December 19, 2016	Common Shares	12,857,124 ⁽¹⁾	£0.035
December 30, 2016	Common Share Purchase Warrants	12,000,000 ⁽²⁾	£0.066
December 30, 2016	Common Share Purchase Warrants	1,200,000 ⁽³⁾	£0.066
December 30, 2016	Common Share Purchase Warrants	567,856 ⁽⁴⁾	£0.035
October 26, 2017	Common Shares	14,285,715 ⁽⁵⁾	£0.035
October 26, 2017	Common Share Purchase Warrants	714,285 ⁽⁶⁾	£0.035
October 26, 2017	Common Share Purchase Warrants	12,000,000 ⁽²⁾	£0.066
October 26, 2017	Common Share Purchase Warrants	1,200,000 ⁽³⁾	£0.066
November 1, 2017	Options	2,840,000	C\$0.07
November 6, 2017	Common Shares	666,666 ⁽⁷⁾	Non-Cash Consideration
November 24, 2017	Common Shares	3,445,000 ⁽⁸⁾	£0.066
November 24, 2017	Common Shares	417,856 ⁽⁸⁾	£0.035

- (1) Private placement from existing shareholders and new institutional investors.
- (2) Originally issued to Noble. Exercisable until December 30, 2018 upon issue and subsequently cancelled on October 26, 2017 and re-issued to Talaxis as of that date with an expiry date of December 30, 2020.
- (3) Issued to Zenith Advisory Services Pty Ltd. (“Zenith”) in connection with collaboration agreement with Noble and in respect of ongoing advice in the Asian and Australian markets. Exercisable until December 30, 2018 upon issue and subsequently cancelled on October 26, 2017 and re-issued as of that date with an expiry date of December 30, 2020.
- (4) Finders’ warrants issued in connection with December 30, 2016 private placement. Exercisable until December 30, 2017.
- (5) Private placement to Talaxis.
- (6) Finders’ warrants issued to Zenith in connection with Talaxis private placement announced September 29, 2016. Exercisable until September 29, 2018.
- (7) Corporate advisory fee payable to Jub Capital Limited on the first anniversary of the Corporation’s admission to AIM.
- (8) Exercise of warrants.

Financial Statements

A copy of the Corporation's most recent interim financial statements for the three and six month periods ended September 30, 2017 and 2016 are available on the SEDAR website at www.sedar.com. Shareholders who wish to obtain a copy of these financial statements may do so, without charge, upon request to the Corporation by email at stewart@mkango.

Valuations

Neither the Corporation nor any director or senior officer thereof know, after reasonable inquiry, of any prior valuations in the prior 24 months prior to the date of this Information Circular, or of any bona fide prior offer that relates to the subject matter of or is otherwise relevant to the Transaction.

Dividend Policy

The Corporation has not declared or paid any dividends on any Common Shares within the last two years. The Corporation does not intend to pay any dividends or alter its dividend policy for the foreseeable future. Any decision to pay dividends on the Common Shares will be made by the Board on the basis of the Corporation's earnings, financial requirements and other conditions existing at such future time.

Tax Consequences

There are no income tax consequences to holders of Common Shares resulting from approval or the implementation of the Transaction.

Expenses

Talaxis has agreed to pay the legal fees of the Corporation reasonably incurred with respect to the negotiation and entering into of the Investment Agreement, the Songwe Joint Venture Agreement and the Newco Investment Agreement ("**Definitive Agreements**"), as well as ancillary documentation, subject to a cap of £190,000 for all fees incurred for a period of 75 days from the date of the Investment Agreement. If the Transaction does not proceed to Definitive Agreements, the fees to be paid by Talaxis will be capped at £100,000 plus any amount incurred above £190,000 after the date which is 75 days from the date of the Investment Agreement. Talaxis has also agreed to pay the reasonable fees of BVI and Malawi counsel. Mkango proposes to pay a cash finder's fee of 2% of the amount of each investment to Zenith Advisory Services Pty Ltd. in connection with the transactions contemplated in the Investment Agreement. The estimated expenses of the Transaction are expected to be £500,000 (or approximately US\$670,000).

Board Approval

This Information Circular and its delivery to holders of Common Shares has been approved and authorized by the Board.

The Shareholders, excluding Common Shares held by Talaxis, will be asked to consider and, if deemed advisable, to pass the following ordinary resolution approving the Transaction:

"BE IT RESOLVED THAT:

1. the entering into and completion of the Transaction, as defined in, and substantially in the form described in, the management information circular of the Corporation dated December 8, 2017, be and is hereby approved; and
2. any one director or officer of the Corporation be and is hereby authorized and directed for and on behalf of the Corporation to execute, deliver and file any and all declarations, agreements,

documents and other instruments and do all such other acts and things that may be necessary or desirable to give effect to the foregoing.”

The foregoing resolution must be approved by a simple majority of the votes cast at the Meeting by the Shareholders voting in person or by proxy, excluding 14,285,715 votes attached to Common Shares held by Talaxis. **The management designees, unless instructed otherwise, intend to vote to approve the Transaction.**

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This compensation discussion and analysis describes and explains the Corporation’s policies and practices with respect to compensation.

Objectives of Compensation Program

The Corporation’s compensation philosophy is to provide competitive compensation with a view to attract, motivate and retain highly qualified executive officers capable of achieving the Corporation’s strategic and performance objectives and ultimately creating and preserving shareholder value. Consistent with this philosophy, the Corporation’s compensation program is designed to achieve the following key objectives:

- recruit, inspire and retain highly skilled executives;
- reward those who meet and exceed both short-term operational and long-term strategic goals; and
- align the interests of executives with corporate performance, and therefore Shareholders’ interests.

The board of directors has not formally considered the implications of risks associated with the Corporation’s compensation policies and practices as, in their view, the current structure of the Corporation’s executive compensation arrangements is focused on long-term value and is designed to correlate to the long-term performance of the Corporation, which includes but is not limited to performance of its share price.

The NEOs and directors of the Corporation are not formally prohibited from purchasing financial instruments designed to hedge or offset a decrease in the market value of shares, including shares granted as or underlying share-based compensation or otherwise held directly or indirectly by an NEO or a director. In the view of the Board, the structure and nature of directors and executive compensation is designed to reduce the need to hedge or offset any potential decrease in the price of our shares and is adequate to ensure that the interests of the directors and NEOs are adequately aligned with those of the Corporation generally.

Elements of Compensation Program

As discussed in further detail below, the Corporation’s compensation program is comprised of two main elements: (1) base salaries; and (2) long-term incentives in the form of security-based awards. These components are combined to provide a compensation package that has attracted highly qualified individuals and motivates these individuals to meet operating targets without sacrificing long-term growth by providing constant income in the form of base salary, as well as long-term incentives which reward performance that creates and preserves shareholder value.

Base Salary

The primary element of the Corporation’s compensation program is base salary. The Corporation’s view is that a competitive base salary is a necessary element for attracting and retaining qualified executive officers. The amount payable to a named executive officer (“**Named Executive Officer**” or “**NEO**”) as base salary is

determined primarily by the number of years of experience of the NEO, as well as past performance, anticipated future contribution and internal value of the NEOs.

Stock Options

The portion of overall NEO compensation attributable to the Option Plan is outlined in the “Summary Compensation Table”. The Option Plan is intended to align NEOs’ long-term incentives with the interests of Shareholders. Under the Option Plan, options are awarded to senior executives for present and potential contribution to the performance of the Corporation. Options issued by the Corporation vest over time and have a maximum 10-year term, providing incentives to executives to support long-term corporate goals and Shareholder interests, further encouraging the long-term retention of such individuals. The grant of option-based awards to NEOs is approved by the board of Directors.

Individual grants under the Option Plan are determined by an assessment of an NEO’s current and expected performance, contribution to the Corporation, level of responsibility, importance of position and taking into account the number of options already held by the individual.

Summary Compensation Table

The following table sets forth all direct and indirect compensation for, or in connection with, services provided to the Corporation and its subsidiaries for the financial year ended December 31, 2016 in respect of the Corporation’s NEOs. A Named Executive Officer is defined under Form 51-102F6 – *Statement of Executive Compensation* (“**Form 51-102F6**”) to include the following individuals:

- (a) each chief executive officer (“**CEO**”) of the Corporation or an individual who acted in a similar capacity during the most recently completed financial year;
- (b) each chief financial officer (“**CFO**”) of the Corporation or an individual who acted in a similar capacity during the most recently completed financial year;
- (c) each of the Corporation’s three most highly compensated executive officers or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, as at the end of the most recently completed financial year, and whose total compensation was, individually, more than \$150,000 per year; and
- (d) any additional individuals for whom disclosure would have been provided under (c) except that the individual was not serving as an officer of the Corporation at the end of the most recently completed financial year.

The Corporation’s Named Executive Officers for the year ended December 31, 2016 are William Dawes, Alexander Lemon and Sandra Evans. William Dawes was appointed as CEO of the Corporation effective December 20, 2010 and prior thereto, served as a director of the Corporation’s subsidiary, Lancaster Exploration Limited (“**Lancaster**”). Alexander Lemon was appointed as President of the Corporation effective December 20, 2010 and prior thereto, served as a director of Lancaster. Sandra Evans (formerly Beaulieu) was appointed as CFO on June 29, 2011. No other individuals were considered Named Executive Officers as such term is defined in Form 51-102F6 during the year ended December 31, 2016.

Name and Principal Position	Year	Salary ⁽²⁾ (US\$)	Option Based Awards (US\$) ⁽³⁾	Share Based Awards (US\$) ⁽⁴⁾	Non-Equity Incentive Plan Compensation (US\$) ⁽¹⁾		Pension Value (US\$)	All Other Compensation (US\$)	Total Compensation (US\$)
					Annual Incentive Plans	Long Term Incentive Plans			
William Dawes, CEO and Director	2016	113,406 ⁽⁵⁾	44,230	Nil	Nil	Nil	Nil	Nil	157,636
	2015	128,126 ⁽⁵⁾	22,269	Nil	Nil	Nil	Nil	Nil	150,395
	2014	168,303 ⁽⁵⁾	66,004	Nil	Nil	Nil	Nil	Nil	234,307
Alexander Lemon, President and Director	2016	113,406 ⁽⁵⁾	44,230	Nil	Nil	Nil	Nil	Nil	157,636
	2015	128,126 ⁽⁵⁾	22,269	Nil	Nil	Nil	Nil	Nil	150,395
	2014	171,341 ⁽⁵⁾	66,004	Nil	Nil	Nil	Nil	Nil	237,345
Sandra Evans, CFO	2016	31,499 ⁽⁶⁾	5,308	Nil	Nil	Nil	Nil	Nil	36,807
	2015	30,890 ⁽⁶⁾	Nil	Nil	Nil	Nil	Nil	Nil	30,890
	2014	45,591 ⁽⁶⁾	9,000	Nil	Nil	Nil	Nil	Nil	54,591

- (1) "Non-equity Incentive Plan Compensation" includes all compensation under an incentive plan or portion of an incentive plan that is not an equity incentive plan.
- (2) The value of perquisites including property or other personal benefits provided to an Named Executive Officer that are generally available to all employees, and that in the aggregate are worth less than \$50,000, or are worth less than 10% of an Named Executive Officer's total salary for the financial year are not reported herein.
- (3) "Option-based Awards" Please see note 3 to the Corporation's audited financial statements for the financial year ended December 31, 2016 for a description of the assumptions used to calculate the fair value (see "Additional Information").
- (4) "Share-based Awards" means an award under an equity incentive plan of equity-based instruments that do not have option-like features, including, for greater certainty, common shares, restricted shares, restricted share units, deferred share units, phantom shares, phantom share units, common share equivalent units, and stock.
- (5) These amounts were paid in British pounds ("£") and are stated in the table above in United States dollars. The amounts in United States dollars were arrived at using the relevant annual weighted average exchange rate. On May 12, 2016, the Corporation entered into arrangements with the CEO and President whereby a total of £145,618 (approximately \$210,435), comprising deferred salaries for Executive Directors accrued since March 2015 will only become payable on the earlier of, a change of control, termination of the applicable management contract, or May 12, 2018. In terms of salaries that are unpaid going forward, a total of £14,000 (approximately \$17,270), will continue to accrue monthly under the agreements, but shall not be payable until the earlier of (a) a Change of Control; (b) any termination of the agreement; (c) May 12, 2018; or (d) such time that funds are reasonably available for such purpose from funds raised from whatever source (whether by debt, equity or by grant) in excess of the £1,000,000 raised in connection with admission to AIM.
- (6) These amounts were paid in Canadian dollars and are stated in the table above in United States dollars. The amounts in United States dollars were arrived at using the relevant annual weighted average exchange rate.

Incentive Plan Awards

The Option Plan has been established to recognize contributions made by directors, officers, employees and consultants of the Corporation, to provide incentive to qualified parties to increase their proprietary interest in the Corporation and thereby encourage their continuing association with the Corporation. The Corporation's board of directors administers the Option Plan and it is their responsibility to ensure that the provisions of the Option Plan are adhered to. The following is a summary of some of the principal features of the Option Plan.

Eligible Optionees

Under the policies of the TSXV, to be eligible for the issuance of a stock option under the Option Plan, an optionee must either be a director, officer, employee, consultant or an employee of a company providing management or other services to the Corporation or a subsidiary at the time the option is granted.

Options may be granted only to an individual or to a non-individual that is wholly owned by individuals eligible for an option grant. If the option is granted to a non-individual, it must provide the TSXV with an undertaking that it will not permit any transfer of its securities, nor issue further securities, to any individual or other entity as long as the option remains in effect, without the consent of the TSXV.

Material Terms of the Plan

The following is a summary of the material terms of the Option Plan:

- (a) the number of Common Shares that may be issued under the Option Plan shall not exceed 10% of the issued and outstanding Common Shares at the time of the grant;
- (b) the total number of Common Shares reserved for issuance to any one individual under the Option Plan during any twelve month period shall not exceed 5% of the Common Shares issued and outstanding at the time of the grant (unless disinterested shareholder approval is obtained);
- (c) the maximum number of Common Shares reserved for issuance to any one consultant in any twelve month period shall be no more than 2% of the issued and outstanding Common Shares at the time of the grant;
- (d) the maximum number of Common Shares reserved for issuance to any one person conducting investor relations activities in any twelve month period shall be no more than 2% of the issued and outstanding Common Shares at the time of the grant;
- (e) the board of directors of the Corporation determines the purchase price for Common Shares under option but in no event shall the price be less than the market price (as defined in the policies of the TSXV or such other exchange that the Common Shares may be listed on) less any permitted discounts;
- (f) the Corporation is required to obtain disinterested shareholder approval prior to any of the following actions becoming effective: (i) the Option Plan, together with all of the Corporation's other share compensation arrangements, could result at any time in: (A) the aggregate number of Common Shares reserved for issuance under options granted to Insiders exceeding 10% of the outstanding Common Shares; (B) the number of shares issuable upon exercise of options issued to Insiders within a one-year period exceeding 10% of the outstanding Common Shares or; (C) the issuance to any one optionee, within a twelve-month period, of a number of Common Shares exceeding 5% of outstanding Common Shares; or (ii) any reduction in the exercise price of an option previously granted to an Insider;
- (g) the Corporation may grant options having a term of up to 10 years;
- (h) the vesting of options shall be at the discretion of the board of directors of the Corporation; provided that options granted to consultants conducting investor relations activities will vest over a period of not less than twelve months as to 25% on the date that is three months from the date of grant, and a further 25% on each successive date that is three months from the date of the previous vesting (or such longer vesting period as the board of directors may determine);
- (i) in the case of the death of an optionee, any vested option held by him at the date of death will become exercisable by the optionee's lawful personal representatives, heirs or executors until the earlier of one year after the date of death of such optionee and the date of expiration of the term otherwise applicable to such option;
- (j) an option granted to any optionee will expire 90 days after the date the optionee ceases to be employed by or provide services to the Corporation, but only to the extent that such option has vested at the date the optionee ceased to be so employed by or to provide services to the Corporation; and
- (k) all unexercised options granted to any optionee will terminate immediately upon dismissal of the optionee for cause.

During the financial year ended December 31, 2016, the Corporation granted a total of 6,650,000 new stock options to directors and officers of the Corporation and accepted for cancellation 1,969,999 existing options, as adjusted for the previously announced consolidation, held by directors and officers of the Corporation.

Outstanding Share-based Awards and Option-based Awards

The table below shows the issued and outstanding Options of the Corporation held by the NEOs as of December 31, 2016.

Name	Option-based Awards				Share-based Awards	
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options	Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested
				(US\$)		
William Dawes	1,750,000	0.06	15-Jun-2026	Nil	NA	NA
Alexander Lemon	1,750,000	0.06	15-Jun-2026	Nil	NA	NA
Sandra Evans	210,000	0.06	15-Jun-2026	Nil	NA	NA

Value Vested or Earned During the Year

The following table sets out details of the value vested or earned by each NEO during the financial year ended December 31, 2016 for each incentive plan award:

Name	Option-based awards - Value vested during the year (\$) ⁽¹⁾	Share-based awards - Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
(a)	(b)	(c)	(d)
William Dawes	Nil	Nil	Nil
Alexander Lemon	Nil	Nil	Nil
Sandra Evans	Nil	Nil	Nil

(1) The “value vested” is based on the difference between the market price of the underlying security on the date it vested during the 2016 fiscal year and the exercise price of the option, multiplied by the number of options that vested.

Other Compensation

Other than as set forth herein, the Corporation did not pay any other compensation to Named Executive Officers of the directors of the Corporation (including personal benefits and securities or properties paid or distributed which compensation was not offered on the same terms to all full time employees) during the last completed financial year.

Termination and Change of Control Benefits

There is no employment contract, compensatory plan, or other arrangement in place with the Named Executive Officers, nor are there any agreements between the Corporation and the Named Executive Officers that provide for payment to the Named Executive Officers of the Corporation in connection with any termination, resignation, retirement or change in responsibilities of the Named Executive Officers, except as discussed under the section entitled Executive Compensation – “Incentive Plan Awards” other than pursuant to consulting agreements (each a “**Consulting Agreement**”) with William Dawes and Alexander Lemon which provide that:

- upon termination without cause, the consultant will be entitled to an amount equal to one year’s consulting fee and the consultant options will vest and their expiry date will be extended by one year; and

- upon a Change of Control (as defined below), the consultant will be entitled to an amount equal to eighteen months' consulting fee and the consultant options will vest and their expiry date will be extended by one year.

Under the respective Consulting Agreements a “**Change of Control**” shall occur if:

- a person, or persons acting jointly or in concert, beneficially holds more than 50% of the voting securities of the Corporation and, as a result, can exercise the right to elect a majority of the members of the board of directors of the Corporation;
- any merger or consolidation of the Corporation with, or sale of all or substantially all of the Corporation' assets or business to, another person (other than an affiliate of the Corporation);
- there is a sale of ownership of 50% or more of the voting securities of the Corporation to another person (other than to an affiliate or subsidiary of the Corporation); or
- any similar transaction or combination of the foregoing which would have substantially the same effect as any of the foregoing.

COMPENSATION OF DIRECTORS

Director Compensation Table - Non-Executive Directors

The following table sets forth the details of compensation provided to the directors, other than the NEOs, during the year ended December 31, 2016:

Name	Fees earned (US\$)	Share-based awards (US\$) ⁽¹⁾	Option-based awards (US\$)	Non-equity incentive plan compensation (US\$)	Pension value (US\$)	All other compensation (US\$)	Total (US\$)
Derek Linfield	Nil	Nil	6,535	Nil	Nil	Nil	6,535
Eugene Chen	Nil	Nil	1,730	Nil	Nil	Nil	1,730
David Berg	Nil	Nil	1,730	Nil	Nil	Nil	1,730
Adrian Reynolds	Nil	Nil	1,730	Nil	Nil	Nil	1,730

(1) “Option-based Awards” Please see note 3 to the Corporation’s audited financial statements for the financial year ended December 31, 2016 for a description of the assumptions used to calculate the fair value (see “**Additional Information**”).

Outstanding Share-Based Awards and Option-Based Awards – Non-Executive Directors

The following chart illustrates the outstanding share-based awards and option-based awards granted to non-executive directors as at December 31, 2016, including any awards granted in previous financial years.

Name	Option-based Awards				Share-based Awards	
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (US\$)
				(US\$)		
Eugene Chen	630,000	0.06	15-Jun-26	Nil	NA	NA
David Berg	630,000	0.06	15-Jun-26	Nil	NA	NA
Adrian Reynolds	630,000	0.06	15-Jun-26	Nil	NA	NA

Name	Option-based Awards				Share-based Awards	
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options	Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested
				(US\$)		
Derek Linfield	1,050,000	0.06	15-Jun-26	Nil	NA	NA

Value Vested or Earned During the Year – Non-Executive Directors

The following table sets out value vested or earned by each non-executive director during the year ended December 31, 2016 under each incentive plan.

Name	Option-based awards - Value vested during the year (US\$) ⁽¹⁾	Share-based awards - Value vested during the year (US\$)	Non-equity incentive plan compensation – Value earned during the year (US\$)
Eugene Chen	Nil	Nil	Nil
David Berg	Nil	Nil	Nil
Derek Linfield	Nil	Nil	Nil
Adrian Reynolds	Nil	Nil	Nil

(1) The “value vested” is based on the difference between the market price of the underlying security on the date it vested during the 2017 fiscal year and the exercise price of the option, multiplied by the number of options that vested.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets out equity compensation plan information as at the end of the financial year ended December 31, 2016:

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights (C\$)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	7,000,000	\$0.06	Nil
Equity compensation plans not approved by security holders	Nil	N/A	Nil
Total	7,000,000	\$0.06	Nil

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No director or officer, or former director or officer of the Corporation nor any of their associates or affiliates, is, or has been at any time since the beginning of the last completed financial year, indebted to the Corporation nor has any such person been indebted to any other entity where such indebtedness is the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding, provided by the Corporation.

INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as set forth herein and below, or as previously disclosed, the Corporation is not aware of any material interests, direct or indirect, by way of beneficial ownership of securities or otherwise, of any director or officer, proposed nominee for election as a director or any Shareholder holding more than 10% of the voting rights attached to the Common Shares or any associate or affiliate of any of the foregoing in any transaction in

the preceding financial year or any proposed or ongoing transaction of the Corporation which has or will materially affect the Corporation.

INTERESTS OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

No director or executive officer of the Corporation, nor any person who has held such a position since the beginning of the last completed financial year end of the Corporation, nor any proposed nominee for election as a director of the Corporation, nor any associate or affiliate of the foregoing persons, has any substantial or material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting other than the election of directors and the grant of options which may be granted to such persons upon re-approval of the Option Plan, and as may be set out herein.

MANAGEMENT CONTRACTS

Since Lancaster's incorporation in 2007, Leominex has been providing management and other services to Lancaster. This arrangement was formalized by the entering into of a service provision agreement between Leominex and Lancaster on September 20, 2010 (the "**Services Agreement**"). Pursuant to the terms of the Services Agreement, Leominex provides Lancaster with a variety of services, including administrative, financial and accounting, office equipment, title maintenance, human resource planning and advice, geological and other services (the "**Services**"). Leominex's registered address is Jayla Place, Wickhams Cay 1, P.O. Box 3190, Road Town, Tortola, British Virgin Islands, VG1110. In addition to being directors of the Corporation, William Dawes and Alexander Lemon are also directors and insiders, as that term is defined in applicable securities laws, of Leominex.

Under the Services Agreement, Leominex is entitled to recover its costs attributable to the provision of the Services, including general and overhead costs, human resources fees, salaries and expenses and disbursements, plus a handling fee of 15%. In respect of the services of an employee of Leominex, Leominex may alternatively charge Lancaster at the per diem prevailing market rate.

In connection with the Services, Leominex has from time to time advanced to Lancaster certain loans as evidenced by way of a promissory note dated June 30, 2010 in the amount of US\$138,269 (the "**Promissory Note**"). The loans evidenced by the Promissory Note bear interest at the LIBOR rate for a 12 month deposit in United States dollars on the last business day of the previous month plus 2%. The first interest payment under the Promissory Note became due on January 1, 2011. The loans made under the Promissory Note are repayable upon demand. As at December 31, 2016, \$26,959 was owed to Leominex under the terms of the Promissory Note.

The Services Agreement also provides that Leominex may, at any time and from time to time, provide interest-bearing demand loans to Lancaster at the LIBOR rate for a 12 month deposit in United States dollars on the last business day of the previous month plus 2%.

Either party is entitled to terminate the Services Agreement on 90 days written notice to the other party. Lancaster is further entitled to terminate the Services Agreement on 30 days written notice in the event that (i) Leominex refuses to perform any additionally requested services or to implement changes to the Services requested by Lancaster; or (ii) Lancaster's board of directors is not satisfied that Leominex is capable of performing its plans and budgets for the due performance of the Services.

Other than pursuant to the Services Agreement, there are no management functions of the Corporation which are to any substantial degree performed by a person or company other than the directors or executive officers of the Corporation.

CORPORATE GOVERNANCE

Corporate governance relates to the activities of the board of directors of the Corporation, the members of which are elected by and are accountable to the Shareholders, and takes into account the role of the individual

members of management who are appointed by the board of directors and who are charged with the day to day management of the Corporation. The board of directors of the Corporation is committed to sound corporate governance practices, which are both in the interest of its Shareholders and contribute to effective and efficient decision making.

Pursuant to National Instrument 58-101 *Disclosure of Corporate Governance Practices* (“**NI 58-101**”), the Corporation is required to disclose its corporate governance practices as summarized below.

Board of Directors

The board of directors of the Corporation facilitates its exercise of independent supervision over the Corporation’s management through frequent meetings. The board of directors is currently composed of six directors, four of whom are considered to be independent for purposes of NI 58-101. The independent members of the board of directors of the Corporation are Derek Linfield, David Berg, Eugene Chen and Adrian Reynolds. Alexander Lemon is not considered an independent director as he is the President of the Corporation and William Dawes is not considered independent as he is the CEO of the Corporation.

The board of directors may meet independently of management as needed. Although they are permitted to do so, the independent directors do not hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. To facilitate independent judgment among the board of directors, the board of directors encourages open and transparent discussions in carrying out its various functions. Furthermore, the Board is in regular formal and informal contact and independent directors are continually provided with the opportunity to be fully apprised of the Corporation’s plans and to question management as required.

Directorships

The following directors are also directors of the reporting issuers (or equivalents) shown in the table below:

Name	Other Directorship of Reporting Issuer	Name of Trading Market
David Berg	Harvest One Capital Inc.	TSXV
	Essex Angel Capital Inc.	TSXV
Eugene Chen	CapGain Properties Inc.	TSXV
	Blacksteel Energy Inc.	TSXV
	Firesteel Resources Inc.	TSXV
Adrian Reynolds	Geodrill Limited	TSX

Attendance

The following table sets forth the attendance by directors of formal board meetings held during the year ended December 31, 2016.

Name	Board Meetings Attended (in person or by telephone)
David Berg	All
Eugene Chen	All
Adrian Reynolds	All
Derek Linfield	All
William Dawes	All
Alexander Lemon	All

Position Descriptions

While the board of directors has not codified written descriptions of the Chair of the board of directors and each committee, the Chief Executive Officer or the Chief Financial Officer, the Corporation and the board of directors delineate the roles and responsibilities of each position through frequent and transparent communication with each other regarding such roles and responsibilities.

Orientation and Continuing Education

The Corporation takes appropriate steps to assist new directors of the Corporation develop an understanding of (i) the role of the board of directors and its committees; (ii) the contribution that directors are expected to make to the board of directors; and (iii) the nature and operation of the Corporation's business. The Corporation also provides all directors appropriate opportunities when required to maintain or enhance their skills and abilities as directors and ensure that their knowledge and understanding of the Corporation's business remains current.

In order to orient new directors regarding the role of the board of directors, its committees and directors, including the business and operations of the Corporation, all potential new directors are given the opportunity to meet with the Chief Executive Officer and other directors to ask questions and become familiar with the Corporation prior to being elected as a director.

Management also keeps the board of directors apprised of new developments in the Corporation's industry and regularly makes presentations on the Corporation's industry generally, and provides reports on the Corporation's business and affairs.

Ethical Business Conduct

The board of directors has not adopted a written code for the directors, officers and employees. The board of directors has found that the fiduciary duties placed on individual directors by the Corporation's governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual director's participation in decisions of the board of directors in which the director has an interest have been sufficient to ensure that the board of directors operates independently of management and in the best interests of the Corporation.

Under corporate legislation, a director is required to act honestly and in good faith with a view to the best interests of the Corporation and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In addition, as some of the directors of the Corporation also serve as directors and officers of other companies engaged in similar business activities, directors must comply with the conflict of interest provisions of the ABCA, as well as the relevant securities regulatory instruments, in order to ensure that directors exercise independent judgment in considering transactions and agreements in respect of which a director or officer has a material interest. Any interested director would be required to declare the nature and extent of his interest and would not be entitled to vote at meetings of directors, which evoke such a conflict.

Nomination of Directors

The board of directors has not appointed a nominating committee. The board of directors determines new nominees to the board of directors although no formal process has been adopted. The nominees are generally the result of recruitment efforts by the board of directors including both formal and informal discussions among the directors and officers.

Compensation

A copy of the charter of the Remuneration Committee is attached as Appendix "B" hereto.

The table below lists the members of the Remuneration Committee and their independence:

Remuneration Committee Members	Independent
Derek Linfield	Yes
Eugene Chen	Yes
Adrian Reynolds	Yes
David Berg	Yes

Relevant Education and Experience

All the members of the Remuneration Committee have been involved in providing legal advice to or the financing, administration and operation of managing public companies or significant operations of private companies, which provides relevant experience to serve on the Remuneration Committee.

Other Board of Directors Committees

The Corporation has no standing committees at this time, other than the Audit Committee as discussed below.

Assessments

The board of directors monitors the adequacy of information given to directors, communication between the board and management and the strategic direction and processes of the board of directors. The board of directors through the careful selection of its members and from fostering a culture of openness has established an environment where its members are given ongoing feedback on their performance.

AUDIT COMMITTEE

National Instrument 52-110 *Audit Committees* (“**NI 52-110**”) requires the Corporation, as a venture issuer, to disclose annually in its information circular certain information concerning the constitution of its audit committee and its relationship with its independent auditor, as set forth in the following:

Audit Committee Charter

A copy of the charter of the Audit Committee is attached as Appendix “C” hereto.

Composition of the Audit Committee

The table below lists the members of the audit committee and their independence and financial literacy:

Audit Committee Members	Independent	Financially Literate
David Berg	Yes	Yes
Eugene Chen	Yes	Yes
Adrian Reynolds	Yes	Yes

Relevant Education and Experience

All the members of the Audit Committee have been involved in the financing, administration and operation of managing public companies or significant operations of private companies. All members have the ability to read, analyze, and understand the complexities surrounding the issuance of financial statements.

Audit Committee Oversight

Since the commencement of the Corporation’s most recently completed financial year, the Corporation’s board of directors has not failed to adopt a recommendation of the Audit Committee to nominate or compensate an external auditor.

Pre-Approval Policies and Procedures

The Audit Committee has adopted policies and procedures for the engagement of non-audit services. The Audit Committee has delegated to its members the authority to pre-approve non-audit services, provided, however, that such pre-approval of non-audit services shall be presented to the Audit Committee at its first scheduled meeting following any such pre-approval.

External Auditor Service Fees (by Category)

Nature of Services	Fees Paid to Auditor in Year Ended December 31, 2016	Fees Paid to Auditor in Year Ended December 31, 2015
Audit Fees ⁽¹⁾	37,940	\$23,823
Audit-Related Fees ⁽²⁾	Nil	Nil
Tax Fees ⁽³⁾	Nil	Nil
All Other Fees ⁽⁴⁾	Nil	Nil
Total	37,940	\$23,823

- (1) "Audit Fees" include fees necessary to perform the annual audit and quarterly reviews of the Corporation's financial statements. Audit Fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.
- (2) "Audit-Related Fees" include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.
- (3) "Tax Fees" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions and requests for rulings or technical advice from tax authorities.
- (4) "All Other Fees" include all other non-audit services.

Exemption

The Corporation is relying upon the exemption in section 6.1 of NI 52-110 in respect of its reporting obligations under NI 52-110 for the year ended December 31, 2016. This exempts a "venture issuer" from the requirement to comply with Part 3 "*Composition of the Audit Committee*" and Part 5 "*Reporting Obligations*" of NI 52-110.

OTHER MATTERS

Management of the Corporation is not aware of any other matters to come before the meeting other than as set forth in the Notice of Meeting. If any other matter comes before the Meeting properly it is the intention of the persons named in the enclosed Proxy Form to vote the Common Shares represented thereby in accordance with their best judgement on such matters.

ADDITIONAL INFORMATION

Additional information relating to the Corporation is available on SEDAR at www.sedar.com. Shareholders may contact the Corporation to request copies of the Corporation's financial statements and management's discussion and analysis ("MD&A") by sending a request to the office of the Corporation. Financial information is provided in the Corporation's annual financial statements and MD&A for the financial year ended December 31, 2016.

**APPENDIX “A”
MKANGO RESOURCES LTD.**

STOCK OPTION PLAN (THE “PLAN”)

1. PURPOSE OF THE PLAN

The purpose of the Plan is to assist Mkango Resources Ltd. (the “**Corporation**”) in attracting, retaining and motivating directors, key officers, employees and consultants of the Corporation and of its subsidiaries and to closely align the personal interests of such directors, officers, employees and consultants with those of the shareholders by providing them with the opportunity, through options, to acquire common shares of the Corporation.

2. IMPLEMENTATION

The grant and exercise of any options under the Plan are subject to compliance with the applicable requirements of each stock exchange on which the shares of the Corporation are or become listed and of any governmental authority or regulatory body to which the Corporation is subject.

3. ADMINISTRATION

The Plan shall be administered by the board of directors of the Corporation which shall, without limitation, have full and final authority in its discretion, but subject to the express provisions of the Plan, to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it and to make all other determinations deemed necessary or advisable for the administration of the Plan. The board of directors may delegate any or all of its authority with respect to the administration of the Plan and any or all of the rights, powers and discretions with respect to the Plan granted to it under this Plan to the Executive Committee or such other committee of directors of the Corporation as the board of directors may designate. Upon any such delegation the Executive Committee or other committee of directors, as the case may be, as well as the board of directors, shall be entitled to exercise any or all of such authority, rights, powers and discretions with respect to the Plan. When used in the context of this Plan “board of directors” shall be deemed to include the Executive Committee or other committee of directors acting on behalf of the board of directors.

4. NUMBER OF SHARES UNDER PLAN

A maximum number of common shares equal to 10 percent (10%) of the issued and outstanding common shares of the Corporation, from time to time, (the “**Optioned Shares**”) shall be reserved, set aside and made available for issuance in accordance with the Plan. In no event shall options be granted, without regulatory and/or disinterested shareholder approval;

- (a) entitling any single individual to purchase in excess of five percent (5%) of the then outstanding shares in the Corporation in any 12 month period;
- (b) entitling any one consultant to acquire more than two percent (2%) of the then outstanding shares in any 12 month period;
- (c) entitling any Participant (as defined herein), who is an employee conducting investor relations activities, to acquire more than two percent (2%) of the then outstanding shares in the Corporation in any 12 month period;
- (d) any participant performing investor relations activities must vest in stages over twelve months with no more than one-quarter of the options vesting in any three month period. If option rights granted to an individual under the Plan shall expire or terminate for any reason without having been exercised in respect of certain Optioned Shares, such Optioned Shares may be made available for other options to be granted under the Plan.

Other than in connection with a Qualifying Transaction, during the time that the Corporation is a CPC, the aggregate number of Common Shares issuable upon exercise of all options granted shall not exceed 10% of the Common Shares issued and outstanding at the closing of the Corporation's initial public offering (“**Qualifying Transaction**” and “**CPC**” shall have the meanings set forth in the TSX Venture Exchange Corporate Finance Manual).

5. ELIGIBILITY

Options may be granted under the Plan to any person who is a director, officer, employee or consultant of the Corporation, or of its subsidiaries, as the board of directors may from time to time designate as a participant under the Plan (a “**Participant**”). The Corporation represents and confirms that any Participant under the Plan will be a bona fide director, officer, employees or consultant of the Corporation. Subject to the provisions of this Plan, the total number of Optioned Shares to be made available under the Plan and to each Participant, the time or times and price or prices at which options shall be granted, the time or times at which such options are exercisable, and any conditions or restrictions on the exercise of options, shall be in the full and final discretion of the board of directors.

6. SHAREHOLDER APPROVAL

The Corporation will be required to obtain disinterested shareholder approval for the reduction in the exercise price of Optioned Shares where the Optionee is an insider.

The Corporation must obtain disinterested Shareholder approval of the Plan if the Plan, together with all of the Corporation's previously established and outstanding stock option plans or grants, could result at any time in:

- (a) the number of shares reserved for issuance under stock options granted to Insiders exceeding 10% of the issued shares;
- (b) the grant to Insiders, within a 12 month period, of a number of options exceeding 10% of the issued shares;
- (c) issuance to any one Participant, within a 12 month period, of a number of shares exceeding 5% of the issued shares.

(“**Insider**” shall have the meanings set forth in the TSX Venture Exchange Corporate Finance Manual).

7. TERMS AND CONDITIONS

- (a) Exercise Price

The exercise price to each Participant for each Optioned Share shall be as determined by the board of directors, but shall in no event be less than the market price of the common shares of the Corporation on the TSX Venture Exchange, or such other exchange on which the common shares are listed at the time of the grant of the option, less the maximum discount permitted under the policies of the TSX Venture Exchange or such other exchange on which the common shares are listed, or such other price as may be agreed to by the Corporation and approved by the TSX Venture Exchange or such other exchange on which the common shares are listed.

- (b) Option Agreement

All options shall be granted under the Plan by means of an agreement between the Corporation and each Participant (the “**Option Agreement**”) in the form as may be approved

by the board of directors, such approval to be conclusively evidenced by the execution of the Option Agreement by any one director or officer of the Corporation.

(c) Length of Grant

All options granted under the Plan shall expire not later than the tenth anniversary of the date such Options were granted or such other length of time as may be permitted under the policies of the stock exchange on which the common shares are listed.

(d) Non-Assignability of Options

An option granted under the Plan shall not be transferable or assignable (whether absolutely or by way of mortgage, pledge or other charge) by a Participant other than by will or other testamentary instrument or the laws of succession and may be exercisable during the lifetime of the Participant and only by the Participant.

(e) Right to Postpone Exercise

Each Participant, upon becoming entitled to exercise the option in respect of any Optioned Shares in accordance with the Option Agreement, shall be entitled to exercise the option to purchase such Optioned Shares at any time prior to the expiration or other termination of the Option Agreement.

(f) Exercise and Payment

Any option granted under the Plan may be exercised by a Participant or the legal representative of a Participant giving notice to the Corporation specifying the number of shares in respect of which such option is being exercised, accompanied by payment (by cash or certified cheque payable to the Corporation) of the entire exercise price (determined in accordance with the Option Agreement) for the number of shares specified in the notice. Upon any such exercise of an option by a Participant the Corporation shall cause the transfer agent and registrar of the common shares of the Corporation to promptly deliver to such Participant or the legal representative of such Participant, as the case may be, a share certificate in the name of such Participant or the legal representative of such Participant, as the case may be, representing the number of shares specified in the notice.

(g) Rights of Participants

The Participants shall have no rights as shareholders in respect of any of the Optioned Shares (including, without limitation, any right to receive dividends or other distributions, voting rights, warrants or rights under any rights offering) other than Optioned Shares in respect of which Participants have exercised their option to purchase and which have been issued by the Corporation.

(h) Third Party Offer

If, at any time when an option granted under the Plan remains unexercised with respect to any Optioned Shares, an Offer to purchase all of the common shares of the Corporation is made by a third party, the Corporation shall use its best efforts to bring such offer to the attention of the Participants as soon as practicable and the Corporation may, at its option, require the acceleration of the time for the exercise of the option rights granted under the Plan and of the time for the fulfillment of any conditions or restrictions on such exercise.

(i) Alterations in Shares

In the event of a share dividend, share split, issuance of shares or instruments convertible into common shares (other than pursuant to the Plan) for less than market value, share consolidation, share reclassification, exchange of shares, recapitalization, amalgamation, merger, consolidation, corporate arrangement, reorganization, liquidation or the like of or by the Corporation, the board of directors may make such adjustment, if any, of the number of Optioned Shares, or of the exercise price, or both, as it shall deem appropriate to give proper effect to such event, including to prevent, to the extent possible, substantial dilution or enlargement of rights granted to Participants under the Plan. In any such event, the maximum number of shares available under the Plan may be appropriately adjusted by the board of directors. If because of a proposed merger, amalgamation or other corporate arrangement or reorganization, the exchange or replacement of shares in the Corporation of those in another company is imminent, the board of directors may, in a fair and equitable manner, determine the manner in which all unexercised option rights granted under the Plan shall be treated including, for example, requiring the acceleration of the time for the exercise of such rights by the Participants and of the time for the fulfillment of any conditions or restrictions on such exercise. All determinations of the board of directors under this paragraph 6(i) shall be full and final.

(j) Termination

Subject to paragraph 6(k), if a Participant is dismissed as an officer, employee or consultant by the Corporation or by one of its subsidiaries for cause, all unexercised option rights of that Participant under the Plan shall terminate immediately upon such dismissal, notwithstanding the original term of the option granted to such Participant under the Plan.

(k) Disability or Retirement

Notwithstanding paragraph 6(j), if a Participant ceases to be an officer, employee or consultant of the Corporation or of one of its subsidiaries as a result of:

- (i) disability or illness preventing the Participant from performing the duties routinely performed by such Participant;
- (ii) retirement at the normal retirement age prescribed by the Corporation pension plan;
- (iii) resignation; or
- (iv) such other circumstances as may be approved by the board of directors;

such Participant shall have the right for a period not exceeding 90 days from the date of ceasing to be an officer, employee, consultant or director (or, if earlier, until the expiry date of the option rights of the Participant pursuant to the terms of the Option Agreement) to exercise the option under the Plan with respect to all Optioned Shares of such Participant to the extent they were exercisable on the date of ceasing to be an officer, employee, consultant or director. Upon the expiration of 90 days period (or such earlier expiry date as provided for in the Option Agreement) all unexercised option rights of that Participant shall immediately terminate and shall lapse notwithstanding the original term of the option granted to such Participant under the Plan. In the event that the Participant is engaged in investor relations activities, the 90 day period is abbreviated to 30 days.

(l) Deceased Participant

In the event of the death of any Participant, the legal representatives of the deceased Participant shall have the right for a period not exceeding one year from the date of death of the deceased Participant (or such shorter period being, until the expiry date of the option rights of the Participant pursuant to the terms of the Option Agreement) to exercise the deceased Participant's option with respect to all of the Optioned Shares of the deceased Participant to the extent they were exercisable on the date of death. Upon the expiration of such period all unexercised option rights of the deceased Participant shall immediately terminate, notwithstanding the original term of the option granted to the deceased Participant under the Plan.

8. AMENDMENT AND DISCONTINUANCE OF PLAN

The board of directors may from time to time amend or revise the terms of the Plan or may discontinue the Plan at any time, provided that no such action may in any manner adversely affect the rights under any options earlier granted to a Participant under the Plan without the consent of that Participant.

The board of directors may amend the terms of the Plan only where prior TSX Venture Exchange acceptance is obtained and where the following requirements are met:

- (a) if the Participant is an Insider of the Corporation at the time of the amendment, the Corporation obtains disinterested Shareholder approval (as described in section 6 above);
- (b) (if the option exercise price is amended, at least six months have elapsed since the later of the date of commencement of the term, the date the Corporation's shares commenced trading, or the date the option exercise price was last amended);
- (c) if the option price is amended to the Discounted Market Price, the Exchange Hold Period is applied from the date of the amendment (and for more certainty where the option price is amended to the Market Price, the Exchange Hold Period will not apply); and
- (d) if the length of the stock option term is amended, any extension of the length of the term of the stock option is treated as a grant of a new option, and therefore also complies with pricing and other requirements of TSX Venture exchange Policy 4.4 *Incentive Stock Options*. The term of an option cannot be extended so that the effective term of the option exceeds 10 years in total. An option must be outstanding for at least one year before the Corporation can extend its term.

(“Discounted Market Price”, “Market Price” and “Exchange Hold Period” shall have the meanings set forth in the TSX Venture Exchange Corporate Finance Manual).

9. NO FURTHER RIGHTS

Nothing contained in the Plan nor in any option granted under this Plan shall give any participant or any other person, any interest or title in or to any common shares of the Corporation or any rights as a shareholder of the Corporation or any other legal or equitable right against the Corporation other than as set out in the Plan and pursuant to the exercise of any option, nor shall it confer upon the Participants any right to continue as an employee, officer, consultant or director of the Corporation or of its subsidiaries.

10. COMPLIANCE WITH LAWS

The obligations of the Corporation to sell common shares and deliver share certificates under the Plan are subject to such compliance by the Corporation and the Participants as the Corporation deems necessary or advisable with all applicable corporate and securities laws, rules and regulations.

11. GENDER

The use of the masculine gender in this Plan shall be deemed to include or be replaced by the feminine gender where appropriate to the particular Participant.

APPENDIX “B”

MKANGO RESOURCES LTD.

REMUNERATION COMMITTEE CHARTER

MANDATE AND TERMS OF REFERENCE

(approved by the board of directors of the Corporation)

1. CONSTITUTION

The Remuneration Committee (the “Committee”) was constituted at a full meeting of the board of directors (the “Board”) held on 12 May 2016 in accordance with the articles of association of the Company (the “Articles”).

2. DUTIES AND TERMS OF REFERENCE

- 2.1 The Committee shall determine and agree with the Board the framework or broad policy for the remuneration of the Company’s Chairman and the executive directors including pension rights and compensation payments and such other matters as set out in these terms of reference. The remuneration of non-executive directors shall be a matter for the Board or the shareholders of the Company (the “Shareholders”) (within the limits set in the Articles). No director or senior manager shall be involved in any decisions as to their own remuneration. The Committee shall recommend and monitor the level and structure of remuneration for senior management.
- 2.2 In determining such policy, the Committee shall take into account all factors which it deems necessary including relevant legal and regulatory requirements and the provisions and recommendations of relevant guidance. The objective of such policy shall be to attract, retain and motivate the executive management of the company without paying more than necessary. The remuneration policy should be aligned to the Company's appetite for risk and long term strategic goals. A significant proportion of remuneration should be structured so as to link rewards to corporate and individual performance and be designed to promote the long term success of the Company.
- 2.3 When setting remuneration policy for directors, the Committee shall review and have regard to the pay and employment conditions across the Company and its subsidiaries, especially when determining salary increases.
- 2.4 The Committee shall review the ongoing appropriateness and relevance of the remuneration policy.
- 2.5 The Committee shall approve the design of, and determine targets for, any performance related pay schemes operated by the company and approve the total annual payments made under such schemes.
- 2.6 The Committee shall review the Company’s arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.
- 2.7 The Committee shall review the design of all share incentive plans for approval by the Board and the Shareholders. For any such plans, the Committee shall determine each year whether awards will be made, and if so, the overall amount of such awards, the amount of individual awards to executive directors, Company Secretary and other senior executives and the performance targets to be used.
- 2.8 The Committee shall determine the policy for, and scope of, pension arrangements for each executive director and other senior executives.

- 2.9 Within the terms of the agreed policy and in consultation with the Chairman and/or Chief Executive as appropriate, the Committee shall determine the total individual remuneration package of the chairman, each executive director, the Company Secretary and other senior executives including bonuses, incentive payments and share options or other share awards.
- 2.10 The Committee shall:
- 2.10.1 ensure that contractual terms on termination and any payments made are fair to the individual and the Company; that failure is not rewarded; and that the duty to mitigate loss is fully recognised;
 - 2.10.2 oversee any major changes in employee benefits structures throughout the company or group; and
 - 2.10.3 agree the policy for authorising claims for expenses from the directors.
- 2.11 The Committee shall be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee.
- 2.12 The Committee shall obtain reliable, up-to-date information about remuneration in other companies of comparable scale. The Committee shall have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary to help it fulfil its obligations within any budgetary restraints imposed by the board.
- 2.13 The Committee shall consider such other matters as may be requested by the Board.

3. MEMBERSHIP

- 3.1 The Board shall appoint a chairman of the Committee (the “Committee Chairman”) who shall be an independent non-executive director. In the absence of the Committee chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting who would qualify under these terms of reference to be appointed to that position by the Board. The chairman of the board shall not be chairman of the Committee.
- 3.2 The members of the Committee shall be appointed by the Board on the recommendation of the nomination committee and in consultation with the Chairman of the remuneration committee. All of the members of the Committee should be independent non-executive directors. Appointments to the Committee shall be for periods of up to three years, which may be extended for no more than two additional three-year periods provided the members continue to be independent.
- 3.3 The Committee shall have at least two members. The chairman of the Board may also serve on the Committee as an additional member, but not the chair the Committee, if he or she was considered independent on appointment as chairman.
- 3.4 At the date of formation of the Committee, it has been agreed that the members of the Committee will be David Berg, Adrian Reynolds and Derek Linfield and the Committee shall be chaired by Eugene Chen. A quorum shall be any two members of the Committee. The members of the Committee can be varied at any time by a majority resolution of the existing members of the Committee save that any additional appointment must still be an independent non-executive director.
- 3.5 A duly convened meeting of the Committee in which a quorum is participating shall be competent to exercise all or any of the authorities, powers, or discretions vested in or exercisable by the Committee.

4. VOTING ARRANGEMENTS

- 4.1 Each member of the Committee shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a meeting of the Committee.
- 4.2 Each member of the Committee must, at or prior to the commencement of each meeting of the Committee, disclose to the Committee any interest that he or she has in any matter or proposal to be considered at the meeting. If a matter that is considered by the Committee is one where a member of the Committee, either directly or indirectly has a personal interest, that member shall not be permitted to vote at the meeting.
- 4.3 Save where he has a personal interest, the Chairman will have a casting vote.

5. ATTENDANCE AT MEETINGS

- 5.1 The Committee will meet at least twice a year. The Committee may meet at other times during the year as requested by the Chairman of the Committee.
- 5.2 Only members of the Committee have the right to attend Committee meeting but other directors and external advisers may be invited to attend all or part of any meeting as and when appropriate.
- 5.3 The Company Secretary or his or her nominee shall be the secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

6. NOTICE OF MEETINGS

- 6.1 Meetings of the Committee shall be summoned by the secretary of the Committee at the request of any of the Chairman.
- 6.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of the matters to be discussed at the meeting shall be forwarded to each member of the Committee and any other person required to attend no later than five working days before the date of the meeting. Any supporting papers shall be sent to each member of the Committee and to other attendees (as appropriate) at the same time.

7. AUTHORITY

The Committee is authorised by the Board to examine any activity within these terms of reference and is authorised to obtain, at the Company's expense, legal or professional advice on any matter within its terms of reference. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee. The Committee is authorised to seek any information it requires from any employee or director, and all such employees or directors will be directed to co-operate with any request made by the Committee.

8. REPORTING

The proceedings and resolutions of the Committee meetings, including the names of those present and in attendance shall be minuted by the secretary of the Committee. Draft minutes of each meeting will be circulated promptly to all members of the Committee. Once approved, the minutes of each meeting will be circulated to all other members of the Board unless, in the opinion of the Committee Chairman, it

would be inappropriate to do so. The Committee Chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

9. GENERAL MATTERS

- 9.1 The Committee Chairman should make him or herself available at each Annual General Meeting of the company to answer questions concerning the Committee's work.
- 9.2 The Committee shall arrange for periodic reviews of its own performance and, at least once a year, review its constitution and terms of reference to ensure it is operating at maximum effectiveness, and recommend any changes it considers necessary to the Board for approval.
- 9.3 The Committee shall have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required, and be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members
- 9.4 The Committee shall give due consideration to laws, regulations and any published guidelines or recommendations regarding the remuneration of directors of listed/non listed companies and formation and operation of share schemes as appropriate.
- 9.5 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 9.6 The Committee shall ensure that provisions regarding disclosure of information, including pensions, as set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the UK Corporate Governance Code, are fulfilled and produce a report of the Company's remuneration policy and practices to be included in the Company's annual report, ensuring that each year that it is put to shareholders for approval at the annual general meeting of the Company. If the Committee has appointed remuneration consultants, the annual report of the Company's remuneration policy should identify such consultants and state whether they have any other connection with the Company.
- 9.7 The Committee shall, through the Chairman of the Board, ensure that the Company maintains contact as required with its principal shareholders about remuneration.

10. AVAILABILITY OF TERMS OF REFERENCE

- 10.1 These terms of reference shall be made available on the Company's website.

These terms of reference were adopted by a resolution of the Board passed on May 12, 2016

**APPENDIX “C”
MKANGO RESOURCES LTD.**

AUDIT COMMITTEE CHARTER

**MANDATE AND TERMS OF REFERENCE
(approved by the board of directors of the Corporation)**

Role and Objective

The Audit Committee (the “**Committee**”) is a committee of the board of directors (the “**Board**”) of Mkango Resources Ltd. (“**Mkango**” or the “**Corporation**”) to which the Board has delegated its responsibility for the oversight of the nature and scope of the annual audit, the oversight of management’s reporting on internal accounting standards and practices, the review (and challenge, where necessary) of financial information, accounting systems and procedures, financial reporting and financial statements and has charged the Committee with the responsibility of recommending, for approval of the Board, the audited financial statements, interim financial statements and other mandatory disclosure releases containing financial information.

The primary objectives of the Committee are as follows:

1. To assist directors in meeting their responsibilities (especially for accountability) in respect of the preparation and disclosure of the financial statements of Mkango, including its annual and half year reports, interim management statements and preliminary result’s announcements and any other formal announcements relating to its financial performance, reviewing significant financial reporting issues and judgements and any other related matters;
2. To provide better communication between directors and external auditors;
3. To communicate directly with the external auditors;
4. To enhance the external auditor’s independence;
5. To increase the credibility and objectivity of financial reports; and
6. To strengthen the role of the outside directors by facilitating in depth discussions between directors on the Committee, management and external auditors.

Membership of Committee

1. The Committee will be comprised of at least three (3) directors of Mkango or such greater number as the Board may determine from time to time and all members of the Committee shall be “independent” (and “financially literate” and each member of the Committee shall satisfy the applicable independence and experience requirements of the laws governing the Corporation, and applicable securities regulatory authorities (in particular, as the terms independent and financially literate are used in Multilateral Instrument 52-110 *Audit Committees* (“**MI 52-110**”) unless the Board determines that the exemption contained in MI 52-110 is available and determines to rely thereon.)
2. The board of directors may from time to time designate one of the members of the Committee to be the Chair of the Committee. Each member of the Committee shall be financially literate as such qualification is interpreted by the Board in its business judgment. The Board shall determine whether and how many members of the Committee qualify as a financial expert as defined by applicable law.

3. Appointments to the Committee shall be for a period of up to three years, which may be extended by no more than two additional periods of up to three years, provided the members continue to remain independent.
4. If a matter that is considered by the Committee is one where a member of the Committee, either directly or indirectly has a personal interest, that member shall not be permitted to vote at the meeting.

Mandate and Responsibilities of Committee

It is the responsibility of the Committee to:

1. To review and update the charter at least annually.
2. Oversee the work of the external auditors, including the resolution of any disagreements between management and the external auditors regarding financial reporting.
3. Satisfy itself on behalf of the Board with respect to the adequacy of Mkango's internal control systems.
4. Review the annual and interim financial statements of Mkango and related management's discussion and analysis ("MD&A") prior to their submission to the Board for approval. The process should include but not be limited to:
 - reviewing changes in accounting principles and policies, or in their application, which may have a material impact on the current or future years' financial statements;
 - reviewing significant accruals, reserves or other estimates such as the ceiling test calculation;
 - reviewing accounting treatment of unusual or non-recurring transactions;
 - ascertaining compliance with covenants under loan agreements;
 - reviewing disclosure requirements for commitments and contingencies;
 - reviewing adjustments raised by the external auditors, whether or not included in the financial statements;
 - reviewing unresolved differences between management and the external auditors; and
 - obtaining explanations of significant variances with comparative reporting periods.
5. Review the financial statements, prospectuses, MD&A, annual information forms ("AIF") (as applicable) and all public disclosure containing audited or unaudited financial information (including, without limitation, annual and interim press releases and any other press releases disclosing earnings or financial results) before release and prior to Board approval. The Committee must be satisfied that adequate procedures are in place for the review of Mkango's disclosure of all other financial information and will periodically assess the accuracy of those procedures.
6. With respect to the appointment of external auditors by the Board:

- recommend to the Board the external auditors to be nominated
 - recommend to the Board the terms of engagement of the external auditor, including the compensation of the auditors and a confirmation that the external auditors will report directly to the Committee;
 - on an annual basis, review and discuss with the external auditors all significant relationships such auditors have with the Corporation to determine the auditors' independence;
 - when there is to be a change in auditors, review the issues related to the change and the information to be included in the required notice to securities regulators of such change;
 - review and pre-approve any non-audit services to be provided to Mkango or its subsidiaries by the external auditors and consider the impact on the independence of such auditors. The Committee may delegate to one or more independent members the authority to pre-approve non-audit services, provided that the member(s) report to the Committee at the next scheduled meeting such pre-approval and the member(s) comply with such other procedures as may be established by the Committee from time to time;
 - review the performance of the external auditors annually or more frequently as required; and
 - ensure that at least once every ten years the audit services contract is put out to tender to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms and oversee the selection process and further ensure that all tendering firms have such access as is necessary to information and individuals during the tendering process.
7. Review with external auditors (and internal auditor if one is appointed by Mkango) their assessment of the internal controls of Mkango, their written reports containing recommendations for improvement, and management's response and follow-up to any identified weaknesses. The Committee will also review annually with the external auditors their plan for their audit and, upon completion of the audit, their reports upon the financial statements of Mkango and its subsidiaries.
8. Give due consideration to applicable laws and regulations, the provisions of the UK Corporate Governance Code, the QCA Corporate Governance Guidelines for Small and Mid Sized Quoted Companies, NAPF Corporate Governance Policy & Voting Guidelines for Smaller Companies and the requirements of the London Stock Exchange's rules for AIM companies as appropriate.
9. Review risk management policies and procedures of Mkango (i.e. hedging, litigation and insurance).
10. Establish a procedure for:
- the receipt, retention and treatment of complaints received by Mkango regarding accounting, internal accounting controls or auditing matters; and
 - the confidential, anonymous submission by employees of Mkango of concerns regarding questionable accounting or auditing matters and keep the said procedures under review, ensuring that that it allows proportionate and independent investigation of such matters and appropriate follow up action.

11. Review and approve Mkango's hiring policies regarding partners and employees and former partners and employees of the present and former external auditors of Mkango.
12. Review Mkango's procedures for detecting fraud.
13. Review Mkango's systems and controls for the prevention of bribery and receive reports on non-compliance.

Not only has the Committee the authority to communicate directly with the external auditors of the Corporation, but the Corporation requires the external auditors to report directly to the Committee. The Committee will also have the authority to investigate any financial activity of Mkango. All employees of Mkango are to cooperate as requested by the Committee.

The Committee may also retain persons having special expertise and/or obtain independent professional advice to assist in filling their responsibilities at such compensation as established by the Committee and at the expense of Mkango without any further approval of the Board.

Meetings and Administrative Matters

1. At all meetings of the Committee every resolution shall be decided by a majority of the votes cast. In case of an equality of votes, the Chair of the meeting shall not be entitled to a second or casting vote.
2. The Chair will preside at all meetings of the Committee, unless the Chair is not present, in which case the members of the Committee that are present will designate from among such members the Chair for purposes of the meeting.
3. A quorum for meetings of the Committee will be a majority of its members, and the rules for calling, holding, conducting and adjourning meetings of the Committee will be the same as those governing the Board unless otherwise determined by the Committee or the Board.
4. Meetings of the Committee should be scheduled to take place at least four times per year (quarterly). Minutes of all meetings of the Committee will be taken. The President and Chief Executive Officer, Chief Operating Officer and Chief Financial Officer will if invited to do so by the Committee attend meetings of the Committee, unless otherwise excused from all or part of any such meeting by the Chair.
5. The Committee will meet with the external auditors at least once per year (in connection with the preparation of the year-end financial statements) and at such other times as the external auditors and the Committee consider appropriate. At least once per year, the Committee should meet with the external auditors in the absence of management to determine, inter alia, that no management restrictions have been placed on the scope and extent of the audit examinations by the external auditors or the reporting of their findings to the Committee.
6. Agendas, approved by the Chair, will be circulated to Committee members along with background information on a timely basis prior to the Committee meetings.
7. The Committee may invite such officers, directors and employees of the Corporation as it sees fit from time to time to attend at meetings of the Committee and assist in the discussion and consideration of the matters being considered by the Committee.

8. Minutes of the Committee will be recorded and maintained and circulated to directors who are not members of the Committee or otherwise made available at a subsequent meeting of the Board.
9. The Committee may retain persons having special expertise and may obtain independent professional advice to assist in fulfilling its responsibilities at the expense of the Corporation.
10. Any members of the Committee may be removed or replaced at any time by the Board and will cease to be a member of the Committee as soon as such member ceases to be a director. The Board may fill vacancies on the Committee by appointment from among its members. If and whenever a vacancy exists on the Committee, the remaining members may exercise all its powers so long as a quorum remains. Subject to the foregoing, following appointment as a member of the Committee, each member will hold such office until the Committee is reconstituted.
- 11.** Any issues arising from these meetings that bear on the relationship between the Board and management should be communicated to the chairman of the Board by the Chair.

This Charter was approved by the Board on May 12, 2016.