



**MKANGO RESOURCES
LTD.**

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**51-102F6V - STATEMENT OF
EXECUTIVE COMPENSATION**

Compensation Discussion and Analysis

This compensation discussion and analysis describes and explains the Company's policies and practices with respect to compensation.

Director and named executive officer compensation excluding compensation securities

The following table sets forth all direct and indirect compensation for, or in connection with, services provided to the Company and its subsidiaries for the financial year ended December 31, 2019 in respect of the Company's NEOs and Directors. A Named Executive Officer is defined under Form 51-102F6V - *Statement of Executive Compensation* ("**Form 51-102F6V**") to include the following individuals:

- (a) each chief executive officer ("CEO" or "Chief Executive Officer") of the Company or an individual who acted in a similar capacity during the most recently completed financial year;
- (b) each chief financial officer ("CFO" or "Chief Financial Officer") of the Company or an individual who acted in a similar capacity during the most recently completed financial year;
- (c) the Company's most highly compensated executive officer or most highly compensated individual 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 CAD\$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 Company at the end of the most recently completed financial year.

The Company's Named Executive Officers for the year ended December 31, 2019 are William Dawes, Alexander Lemon and Sandra Evans. William Dawes was appointed as CEO of the Company effective December 20, 2010 and prior thereto, served as a director of the Company's subsidiary, Lancaster. Alexander Lemon was appointed as President of the Company effective December 20, 2010 and prior thereto, served as a director of the Company's subsidiary, Lancaster. Sandra Evans was appointed as CFO on June 29, 2011. No other individuals were considered Named Executive Officers, as such term is defined in Form 51-102F6V, during the year ended December 31, 2019.

Table of compensation excluding compensation securities				
Name and position	Year	Salary, consulting fee, retainer or commission (US\$)	All other compensation (US\$)	Total compensation (US\$)
William Dawes, CEO and director ⁽¹⁾	2019	191,606	Nil	191,606
	2018	199,691	Nil	199,691
Alexander Lemon, President and Director ⁽¹⁾	2019	191,606	Nil	191,606
	2018	199,691	Nil	199,691
Sandra Evans, CFO ⁽²⁾	2019	61,877	Nil	61,877
	2018	53,044	Nil	53,044
Derek Linfield, Director	2019	40,000	Nil	40,000
	2018	37,434	Nil	37,434
Adrian Reynolds, Director	2019	16,000	Nil	16,000
	2018	14,974	Nil	14,974
Sandra du Toit, Director	2019	16,000	Nil	16,000
	2018	5,332	Nil	5,332
Susan Muir, Director	2019	16,000	Nil	16,000
	2018	5,332	Nil	5,332
Shaun Treacy, Director	2019	16,000	182,801 ⁽³⁾	198,801
	2018	5,332	168,823 ⁽³⁾	178,268

Notes:

- (1) These amounts were paid in Pound Sterling and are stated in United States dollars ("US\$). The amounts in US\$ were determined using the relevant annual weighted average exchange rate.
- (2) These amounts were paid in Canadian dollars and are stated in US\$. The amounts in US\$ were determined using the relevant annual weighted average exchange rate.
- (3) In connection with the engagement of Zenith Advisory Services Ptd Ltd. in respect of the Talaxis transaction in 2018 and 2019, Mr. Treacy (through Zenith Advisory Services Pty) received in 2019 a cash fee of £140,000 (US\$182,801) and in 2018 a cash fee of £120,000 (US\$168,283).

Stock options and other compensation securities

The following table sets forth the compensation securities that were granted or issued to each director and named executive officer by the Company during the year ended December 31, 2019 for services provided or to be provided, directly or indirectly, to the company or any of its subsidiaries.

Compensation Securities							
Name and position	Type of compensation security	Number of compensation securities, number of underlying securities, and percentage of class	Date of issue of grant	Issue, conversion or exercise price (C\$)	Closing price of security or underlying security at date of grant (C\$)	Closing price of security or underlying security at year end (C\$)	Expiry date
William Dawes, CEO and director	Stock options	180,000 325,000	Mar 11, 2019 Aug 29, 2019	0.14 0.11	0.14 0.11	0.13 0.13	Mar 10, 2029 Aug 28, 2029
Alexander Lemon, President and director	Stock options	180,000 325,000	Mar 11, 2019 Aug 29, 2019	0.14 0.11	0.14 0.11	0.13 0.13	Mar 10, 2029 Aug 28, 2029
Derek Linfield, director	Stock options	180,000 250,000	Mar 11, 2019 Aug 29, 2019	0.14 0.11	0.14 0.11	0.13 0.13	Mar 10, 2029 Aug 28, 2029
Adrian Reynolds, director	Stock options	180,000 250,000	Mar 11, 2019 Aug 29, 2019	0.14 0.11	0.14 0.11	0.13 0.13	Mar 10, 2029 Aug 28, 2029
Sandra du Toit, director	Stock options	360,000 250,000	Mar 11, 2019 Aug 29, 2019	0.14 0.11	0.14 0.11	0.13 0.13	Mar 10, 2029 Aug 28, 2029
Susan Muir, director	Stock options	360,000 250,000	Mar 11, 2019 Aug 29, 2019	0.14 0.11	0.14 0.11	0.13 0.13	Mar 10, 2029 Aug 28, 2029
Shaun Treacy, director	Stock options	360,000 250,000	Mar 11, 2019 Aug 29, 2019	0.14 0.11	0.14 0.11	0.13 0.13	Mar 10, 2029 Aug 28, 2029

- (1) The stock options issued during the year ended December 31, 2019 vest in four equal instalments at six monthly intervals commencing six months after the date of grant.
- (2) The number of stock options outstanding at December 31, 2019 were as follows:

Name	Stock options
William Dawes	2,960,000
Alexander Lemon	2,960,000
Sandra Evans	260,000
Derek Linfield	2,160,000
Adrian Reynolds	1,240,000
Sandra du Toit	945,000
Susan Muir	945,000
Shaun Treacy	945,000

- (3) No compensation securities were exercised by a director or named executive office during the year ended December 31, 2019.
- (4) There are 1,200,000 outstanding warrants held through Zenith Advisory Services Pty Ltd., a company of which Mr. Treacy is a director and controlling shareholder.

Stock Option Plan

The Option Plan has been established to recognize contributions made by directors, officers, employees and consultants of the Company, to provide incentive to qualified parties to increase their proprietary interest in the Company and thereby encourage their continuing association with the Company. The Board 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 Company 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 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 Company 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 Company'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 (as defined in the Stock Option Plan) 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 Company may grant options having a term of up to ten years;
- (h) the vesting of options shall be at the discretion of the Board; 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 may determine);
- (i) in the case of the death of an optionee, any vested option held by them 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 Company, 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 Company; and
- (k) all unexercised options granted to any optionee will terminate immediately upon dismissal of the optionee for cause.

There were no options re-priced under the Option Plan during the Company's financial year ended December 31, 2019.

Employment, consulting and management agreements

Consulting agreements

William Dawes and Alexander Lemon each have a consulting agreement with the Company under which they provide services to the Company.

MATERIAL TERMS OF CONSULTING AGREEMENTS

The non-executive directors' compensation is agreed by the Board.

Other Compensation

Other than as set forth herein, the Company did not pay any other compensation to Named Executive Officers of the Company (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 Company and the Named Executive Officers that provide for payment to the Named Executive Officers of the Company 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:

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

Management agreements

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 Company, William Dawes, Alexander Lemon and Shaun Treacy are also directors 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.

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 services⁶ 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 Company which are to any substantial degree performed by a person or company other than the directors or executive officers of the Company.

Oversight and description of director and named executive officer compensation

The Company's compensation philosophy is to provide competitive compensation with a view to attract, motivate and retain highly qualified executive officers capable of achieving the Company's strategic and performance objectives and ultimately creating and preserving shareholder value. Consistent with this philosophy, the Company'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 has not formally considered the implications of risks associated with the Company's compensation policies and practices as, in their view, the current structure of the Company's executive compensation arrangements is focused on long-term value and is designed to correlate to the long-term performance of the Company, which includes but is not limited to performance of its share price.

The NEOs (as defined below) and directors of the Company 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 shares of the Company and is adequate to ensure that the interests of the directors and NEOs are adequately aligned with those of the Company generally.

Elements of Compensation Program

As discussed in further detail below, the Company's compensation program is comprised of two main elements:

- (1) base salaries;
- (2) long-term incentives in the form of security-based awards.

These components are combined to provide a compensation package that is designed to attract, retain and motivate the executive management of the Company with competitive remuneration packages. The remuneration policy is aligned to the Company's appetite for risk and long-term strategic goals. A proportion of remuneration is structured so as to link rewards to corporate and individual performance and designed to promote the long-term success of the Company. In determining such policy, the remuneration committee takes into account all factors which it deems necessary, including relevant legal and regulatory requirements and the provisions and recommendations of relevant regulator guidance.

Base Salary

The primary element of the Company's compensation program is base salary. The Company'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 past performance, anticipated future contribution and internal value of the NEOs.

Stock Options

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 Company. Options issued by the Company vest over time and have a maximum ten-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.

Individual grants under the Option Plan are determined by an assessment by the Board (who will receive recommendations from the Remuneration Committee) of a NEO's current and expected performance, contribution to the Company, level of responsibility, importance of position and taking into account the number of options already held by the individual.