

This document is important and requires your immediate attention. If you have any questions or require assistance, you should consult your investment dealer, broker, bank manager, lawyer or other professional advisor. No securities regulatory authority in Canada has expressed an opinion about, or passed upon the fairness or merits of, the transaction described in this document, the securities offered pursuant to such transaction or the adequacy of the information contained in this document and it is an offense to claim otherwise.



NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING

AND

MANAGEMENT INFORMATION CIRCULAR

WITH RESPECT TO THE SHAREHOLDERS OF

ANCONIA RESOURCES CORP.

TO BE HELD ON

SEPTEMBER 30, 2020

IN RESPECT OF

**THE REVERSE TAKEOVER OF
AVALON INVESTMENT HOLDINGS LTD.**

Neither the TSX Venture Exchange Inc. (the “Exchange”) nor any securities regulatory authority has in any way passed upon the merits of the Reverse Takeover described in this information circular.



August 28, 2020

Dear Fellow Anconia Shareholder:

On behalf of the board of directors, we are pleased to present an attractive opportunity to shareholders of Anconia Resources Corp. (“**Anconia**” or the “**Corporation**”), which we believe will provide our shareholders with benefits not available to Anconia on a stand-alone basis. You are invited to attend the annual general and special meeting (the “**Meeting**”) of the holders (the “**Anconia Shareholders**”) of common shares of Anconia to be held at the offices of the Corporation, as well as online at <https://web.lumiagm.com/267027698> September 30, at 10:00 a.m. (Toronto time). At the Meeting, among other things, the Anconia Shareholders will be asked to consider the Amalgamation (as defined below), the Consolidation (as defined below) and the Name Change (as defined below), as more particularly described in the accompanying information circular (the “**Circular**”).

On October 9, 2019, Anconia and Avalon Investment Holdings Ltd. (“**Avalon**”) entered into a definitive acquisition agreement (the “**Definitive Agreement**”) whereby, Anconia and Avalon agreed, among other things, to consolidate all of the issued and outstanding Anconia Shares (as defined in the Circular) (the “**Consolidation**”) on the basis of one post-Consolidation Anconia Share for every fifteen (15) pre-Consolidation Anconia Shares. Following the Consolidation, there will be 7,839,294 Anconia Shares issued and outstanding. Anconia would subsequently amalgamate with Avalon pursuant to the laws of Barbados (the “**Amalgamation**”) through a wholly-owned subsidiary of Anconia which would result in Avalon shareholders owning approximately 94% of the issued and outstanding shares of Anconia following completion of the Amalgamation.

Pursuant to the Definitive Agreement, Anconia also agreed to change its name to “Omai Gold Mines Corp.” (the “**Name Change**”). Furthermore, if the Amalgamation is passed by the Anconia Shareholders, the Anconia Shareholders will be asked at the Meeting to consider and, if thought appropriate, to pass with or without variation an ordinary resolution to approve the election of certain directors of Avalon to be appointed to the board of Anconia (the “**Board**” or “**Anconia Board**”) post-Amalgamation.

Under corporate and securities laws, the resolutions approving the Consolidation and the Name Change must be approved by a special resolution of the votes cast by the Anconia Shareholders voting in person or by proxy at the Meeting. A special resolution is defined under the *Business Corporation Act* (Ontario) as requiring the approval of not less than two thirds of the votes cast in person or by proxy at the Meeting. Consequently, the Consolidation and the Name Change will be approved when the special resolutions have been passed, with or without variation, by at least two thirds of the votes cast in respect of each by the holders of Anconia Shares, present in

person or voting by proxy, at the Meeting. Further, the resolution approving the Amalgamation must be approved by an ordinary resolution of the votes cast by the Anconia Shareholders.

The Amalgamation, the Consolidation and the Name Change, together with all transactions ancillary thereto, are collectively referred to as the proposed “**Transaction**”. The Anconia Board has: (i) determined that the Transaction is in the best interests of Anconia and the Anconia Shareholders; and (ii) approved the Transaction and the transactions contemplated thereby.

The Anconia Board recommends that the Shareholders vote in favour of the Transaction.

In arriving to its conclusion, the Anconia Board considered, among other things, the benefits of the Amalgamation as further described below and in the Circular under the heading “*Benefits of the Amalgamation*”.

Please give this material your careful consideration, and, if you require assistance, consult your financial, income tax or other professional advisors.

The reverse takeover transaction brings together Anconia’s promising mining assets, with a new Guyana focused company that is well-funded with a promising advanced stage gold project. Together, the new company (the “**Resulting Issuer**”), to be called Omai Gold Mines Corp., will be well-funded and plans to further explore and develop the Omai gold project in Guyana. We believe that the Resulting Issuer will afford multiple opportunities to create sustained, long-term value for all Anconia shareholders.

Compelling Advantages for Shareholders of Anconia Resources Corp.

Anconia’s liabilities severely hindered management’s ability to raise capital at an attractive cost in order to move projects forward, especially the Atlas-1 Project. On June 30, 2019, the Board of Directors and Management of the Corporation decided in light of the recent announcement with regards to the new direction that the Corporation was pursuing, the Corporation would no longer seek financing to develop the Nunavut/Atlas project in that the project was no longer considered viable. As a result, the Corporation has written off the Atlas-1 project. Thus, the proposed Transaction adds value for current Anconia Shareholders, as it provides for a well-financed company that is capable of growing quickly in the gold mining and exploration space.

Following completion of the proposed Transaction, existing Anconia Shareholders and Avalon Shareholders, will own approximately 6 % and 94% of the Resulting Issuer, respectively, on a post-consolidation basis and a fully-diluted in-the-money basis, with significant benefits to each that would not be available if each company remained as a standalone entity.

What You Need to Do

The Amalgamation and certain other matters related to the Transaction, including the approval of the incoming board of directors, will require the approval of a majority of Anconia Shareholders who vote at the meeting. The Name Change and the Consolidation will require the special majority of the Anconia Shareholders who vote at the meeting.

This means every vote will count no matter how many shares you own. You must vote your proxy before 10:00 a.m. (Toronto time) on September 28, 2020 for it to count.

To be represented at the Meeting, you must either attend the Meeting in person, complete and sign the enclosed form or online form of proxy and forward it so as to reach or be deposited with **Computershare Investor Services Inc. at 100 University Avenue, 8th Floor, Toronto, Ontario M5J 2Y1, Fax: 1-866-249- 7775 or 416-263-9524, Phone: 1-416-263-9410**, not later than 48 hours (excluding Saturdays, Sundays and holidays) prior to the time fixed for the Meeting or any adjournment(s) thereof. An envelope addressed to Computershare Investor Services Inc. is enclosed for your convenience. Instructions for attending the meeting online are located in the attached Circular under the heading *“Part I – Proxy Related information – Online Meeting Instructions”*

If you are a non-registered holder of Anconia Shares and have received these materials from your broker or another intermediary, please complete and return the proxy or other authorization form provided to you by your broker or other intermediary in accordance with the instructions provided with it. Failure to do so may result in your Anconia Shares not being eligible to be voted at the Meeting.

On behalf of the Anconia Board, I would like to express our gratitude for the support our shareholders have demonstrated with respect to our decision to take the Transaction forward.

Yours very truly,

“Jason Brewster”

Jason Brewster

Chief Executive Officer and Director



ANCONIA RESOURCES CORP.
NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an annual general and special meeting (the “**Anconia Meeting**”) of holders (“**Anconia Shareholders**” or “**Shareholders**”) of common shares (“**Anconia Shares**”) of Anconia Resources Corp. (“**Anconia**”) will be held at the offices of Anconia, 82 Richmond Street East, Toronto, Ontario, M5C 1P1 on September 30, 2020 at 10:00 a.m. (Toronto time) in the Red Lake boardroom, as well as online at: <https://web.lumiagm.com/267027698> for the following purposes:

1. To consider and, if thought appropriate, to pass, with or without variation, an ordinary resolution (the “**Amalgamation Resolution**”), the full text of which is set forth in Schedule “A” to the Circular under the heading “Amalgamation Resolution” and incorporated herein by reference, approving the amalgamation between Avalon and Anconia Resources Barbados Corp. (“**Subco**”), a wholly-owned subsidiary of Anconia (the “**Amalgamation**”) whereby, among other things, holders of Avalon common shares (“**Avalon Shares**”) will be entitled to receive one (1) post-Consolidation common share of Anconia for each one (1) Avalon Share held prior to the Amalgamation;
2. If the Amalgamation Resolution is passed, to consider, and if thought appropriate, to pass, with or without variation, a special resolution (the “**Share Consolidation Resolution**”), the full text of which is set forth in Schedule “A” to the Circular under the heading “Share Consolidation Resolution” and incorporated herein by reference, approving the consolidation of the common shares of Anconia (the “**Anconia Shares**”) on a one (1) new common share for every fifteen (15) old common shares (1:15) basis (the “**Consolidation**”), such Consolidation to occur prior to the effective date of the Amalgamation;
3. If the Amalgamation Resolution is passed, to consider and, if thought appropriate, to pass, with or without variation, a special resolution (the “**Name Change Resolution**”), the full text of which is set forth in Schedule “A” to the Circular under the heading “Name Change Resolution” and incorporated herein by reference, approving the change of the name of Anconia to “Omai Gold Mines Corp.” or such other name as selected by Avalon, approved by the board of directors of Avalon and acceptable to the TSX Venture Exchange (the “**Exchange**”);
4. To consider and, and if thought appropriate, to pass, with or without variation, an ordinary resolution (the “**Election of Directors Resolution**”), the full text of which is set forth in Schedule “A” to the Circular under the heading “Election of Directors Resolution” and incorporated herein by reference, (a) if the Amalgamation Resolution is passed, to set the board of directors of Anconia (“**Anconia Board**”) at five (5) members,

to individually elect a total of five (5) directors and not as a slate to the Anconia Board and to permit the directors of Anconia, in between annual general meetings, to set the number of directors and to appoint one or more additional directors of Anconia; or (b) if the Amalgamation Resolution is not passed, to individually elect a total of five (5) directors and not as a slate to the Anconia Board, and to permit the directors of Anconia, in between annual general meetings, to set the number of directors and appoint one or more additional directors of Anconia;

5. to consider and, if deemed appropriate, to pass, with or without variation, a resolution approving the appointment of auditors of the Resulting Issuer (as defined in the Circular);
6. to consider and, if deemed appropriate, to pass, with or without variation, a resolution confirming and approving Anconia's existing Stock Option Plan, appended hereto as Schedule "B";
7. and to transact such further and other business as may properly be brought before the Anconia Meeting or any postponement or adjournment thereof.

Specific details of the matters proposed to be put before the Anconia Meeting are set forth in the Circular that accompanies this Notice of Annual General and Special Meeting of Anconia Shareholders.

The Anconia Board recommends that Anconia Shareholders vote **FOR** of the Transaction Resolutions (as defined in the Circular). It is a condition to the completion of the Transaction that the Transaction Resolutions be approved at the Anconia Meeting.

The record date for determining the Anconia Shareholders entitled to receive notice of and to vote at the Anconia Meeting is the close of business on August 10, 2020 (the "**Record Date**"). Only Anconia Shareholders whose names have been entered in the register of Anconia Shareholders as of the close of business on the Record Date are entitled to receive notice of and to vote at the Anconia Meeting.

Please review the Circular carefully and in full prior to voting in relation to the Transaction Resolutions as the Circular has been prepared to help you make an informed decision on the Amalgamation. The Circular is also available on Anconia's website at www.anconia.ca.

Your vote is important regardless of the number of Anconia Shares you own. Anconia Shareholders are invited to attend the Anconia Meeting. Registered Anconia Shareholders who are unable to attend the Anconia Meeting or any postponement or adjournment thereof in person are requested to complete, date, sign and return the enclosed form of proxy or, alternatively, to vote by telephone, or over the internet, in each case in accordance with the enclosed instructions. To be used at the Anconia Meeting, the completed proxy form must be deposited at the office of Computershare Trust Company of Canada ("**Computershare**"), 100 University Ave, 8th Floor, Toronto ON, M5J 2Y1, or the proxy vote is otherwise registered in accordance with the instructions thereon. Non-registered Anconia Shareholders who receive these materials through

their broker or other intermediary should complete and send the form of proxy or voting instruction form in accordance with the instructions provided by their broker or intermediary. To be effective, a proxy must be received by Computershare not later than 10:00 a.m. (Toronto time) on September 28, 2020, or in the case of any postponement or adjournment of the Anconia Meeting, not less than 48 hours (excluding Saturdays, Sundays and holidays) prior to the time of the postponed or adjourned meeting. **Late proxies may be accepted or rejected by the Chair of the Anconia Meeting in his or her discretion. The Chair is under no obligation to accept or reject any particular late proxy. The time limit for deposit of proxies may be waived or extended by the Chair of the Anconia Meeting at his or her discretion, without notice.**

Pursuant to the Definitive Agreement and the *Business Corporations Act* (Ontario) (the “OBCA”), Shareholders are entitled to exercise rights of dissent in respect of the proposed Amalgamation and to be paid fair value for Anconia Shares. Holders of Anconia Shares wishing to dissent with respect to the Amalgamation must send a written objection to Anconia at its head office, 82 Richmond Street East Toronto, Ontario, M5C 1P1, Attention: Harvey McKenzie, prior to the time of the Meeting, such that the written objection is received no later than 10:00 a.m. (Toronto time) on September 28, 2020. **Failure to strictly comply with these requirements may result in the loss of any right of dissent.**

If you have any questions or require assistance, please contact Harvey McKenzie at hbmckenzie@outlook.com or 416-400-8003:

DATED this 28th day of August, 2020.

BY ORDER OF THE BOARD OF DIRECTORS OF ANCONIA RESOURCES CORP.

“Jason Brewster”

Jason Brewster

Chief Executive Officer and Director

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INTRODUCTION

Information Contained in this Circular

This Circular is delivered in connection with the solicitation of proxies by and on behalf of management of Anconia for use at the Anconia Meeting and any adjournment or postponement thereof. No person is authorized to give any information or make any representation not contained or incorporated by reference in this Circular and, if given or made, such information or representation should not be relied upon as having been authorized or as being accurate. You should rely on the information provided in this Circular. The information concerning Anconia contained in this Circular has been provided by Anconia and should be read together with, and is qualified by, the documents of Anconia incorporated by reference herein.

The information concerning Avalon contained in this Circular has been provided by Avalon and should be read together with, and is qualified by, the documents of Avalon. Although Anconia has no knowledge that would indicate that any of the information provided by Avalon is untrue or incomplete, neither Anconia nor any of its officers and directors assumes any responsibility for the accuracy or completeness of such information or the failure by Avalon to disclose events that may have occurred or may affect the completeness or accuracy of such information but which are unknown to Anconia.

All summaries of and references to the Definitive Agreement in this Circular are qualified in their entirety by the complete text of those documents. The Definitive Agreement is available on the Corporation's SEDAR at www.sedar.com. You are urged to read carefully the full text of the Definitive Agreement.

Information in this Circular is given as at August 28, 2020 unless otherwise indicated. Information contained in the documents incorporated herein by reference is given as at the respective dates stated therein.

This Circular does not constitute an offer to sell or a solicitation of an offer to purchase any securities, or the solicitation of a proxy, by any person in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such an offer or solicitation of an offer or proxy solicitation. Neither delivery of this Circular nor any distribution of the securities referred to in this Circular will, under any circumstances, create an implication that there has been no change in the information set forth herein since the date of this Circular.

Anconia Shareholders should not construe the contents of this Circular as legal, tax or financial advice and should consult with their own legal, tax, financial or other professional advisors in considering the relevant legal, tax, financial or other matters contained in this Circular.

DEFINED TERMS

This Circular contains defined terms. For a list of the defined terms used herein, see the “Glossary of Defined Terms” in this Circular.

FORWARD LOOKING INFORMATION

Certain statements and information contained herein and in the documents incorporated herein by reference are not based on historical facts and constitute forward-looking information and forward looking statements, within the meaning of Canadian and United States securities laws, that are based on expectations, estimates and projections as at the date of this Circular or the dates of the documents incorporated herein by reference, as applicable. Forward-looking information is often identified by the words “may”, “would”, “could”, “should”, “will”, “intend”, “plan”, “anticipate”, “believe”, “estimate”, “expect” or similar expressions and includes, among others, information regarding: expectations regarding whether the Transaction will be completed, including whether conditions, including shareholder, regulatory and court approvals, to the Transaction will be satisfied, or the timing for completing the Transaction; expectations for the effects of the Transaction or the ability of the Resulting Issuer to successfully achieve business objectives, including integrating the companies or the effects of unexpected costs, liabilities or delays; the potential benefits and synergies of the Transaction; statements relating to the business and future activities of, and developments related, to Anconia and Avalon after the date of this Circular and prior to the Effective Time and of and to Avalon after the Effective Time; statements based on the audited financial statements of Anconia or Avalon; mine life of mineral projects, the timing and amount of estimated capital expenditure; success of exploration activities; expectations for other economic, business, environmental, regulatory and/or competitive factors related to Anconia, Avalon, the Resulting Issuer or the mining industry generally; anticipated future production and exploration and the costs related thereto; and other events or conditions that may occur in the future.

Investors are cautioned that forward-looking information is not based on historical facts but instead reflect Anconia’s management’s expectations, estimates or projections concerning future results or events based on the opinions, assumptions and estimates of management considered reasonable at the date the statements are made. Although Anconia believes that the expectations reflected in such forward-looking information are reasonable, such information involves risks and uncertainties, and undue reliance should not be placed on such information, as unknown or unpredictable factors could have material adverse effects on future results, performance or achievements of the Resulting Issuer. Among the key factors that could cause actual results to differ materially from those projected in the forward-looking information are the following: the ability to complete the Transaction; the ability to obtain requisite shareholder, regulatory and court approvals and the satisfaction of other conditions to the Transaction on the proposed terms and schedule; the Definitive Agreement may be terminated in certain circumstances; the ability of Anconia and Avalon to successfully integrate their respective operations and employees and realize synergies and cost savings at the times, and to the extent, anticipated; the potential impact on exploration activities; the potential impact of the Transaction on relationships, including with regulatory bodies, employees, suppliers, customers and competitors; the re-rating potential following the Transaction; changes in general economic, business and political conditions,

including changes in the financial, foreign exchange and commodity markets; fluctuations in the price of silver and gold; changes in applicable Laws; compliance with extensive government regulation, including obtaining government approvals; the diversion of management time on the Transaction; uncertainty related to mineral exploration properties, including discrepancies between actual and estimated mineral resources; the ability to finance the continued exploration of mineral properties; competition; loss of key personnel or labour disputes; and natural disasters or other unanticipated problems.

This forward-looking information may be affected by risks and uncertainties in the business of Anconia and market conditions. Some of the important risks and uncertainties that could affect forward-looking statements are described further under the heading “*Risk Factors – Risks Related to the Transaction*” in this Circular and included in Anconia’s financial statements and related management discussion and analysis for the financial year ended September 30, 2019 and its interim financial reports and related management discussion and analysis for the period ended June 30, 2020 filed with the securities regulatory authorities in certain provinces of Canada and available at www.sedar.com.

Although Anconia has attempted to identify important risks, uncertainties and factors which could cause actual results to differ materially, there may be others that cause results not to be as anticipated, estimated or intended. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking information prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated or expected. Accordingly, readers should not place undue reliance on forward-looking information. This forward-looking information is made as of the date of this Circular and Anconia does not intend, and does not assume any obligation, to update this forward-looking information except as otherwise required by applicable law.

ADDITIONAL INFORMATION

This Circular incorporates important business and financial information about Anconia and Avalon from documents that may not be included in or delivered with this Circular. This information is available to you without charge upon your request. You can obtain the documents free of charge from Anconia’s website or by requesting them in writing or by telephone from Anconia at the following addresses and telephone number:

Anconia Resources Corp.

82 Richmond Street East
Toronto, ON, M5C 1P1

tel 416 815 9777

e-mail info@anconia.ca

www.anconia.ca

INFORMATION FOR BENEFICIAL SHAREHOLDERS

The information set out in this section is of significant importance to many Shareholders as a substantial number of Shareholders do not hold Shares in their own name. This Circular and the accompanying materials are being sent to Registered Shareholders and Beneficial Shareholders, who are Shareholders who hold their Shares through a broker, bank, trust company, investment dealer or other financial institution (each, an “**Intermediary**”).

Beneficial Shareholders should note that only proxies deposited by Registered Shareholders can be recognized and acted upon at the Anconia Meeting. If Shares are listed in an account statement provided to a Shareholder by an Intermediary, then in almost all cases those Shares will not be registered in the Shareholder’s name on the records of Anconia. Such Shares will more likely be registered under the name of the Shareholder’s Intermediary. In Canada, the vast majority of such Shares are registered under the name of CDS & Co. (the registration name for CDS, which acts as nominee for many Canadian Intermediaries).

If you are a Beneficial Shareholder, your Intermediary will send you a VIF or proxy form with this Circular. This form will instruct the Intermediary as to how to vote your Shares at the Anconia Meeting on your behalf. **You must follow the instructions from your Intermediary to vote.** The majority of Intermediaries now delegate responsibility for obtaining instructions from Beneficial Shareholders to Broadridge. Broadridge typically mails a VIF to Beneficial Shareholders and asks Beneficial Shareholders to return the VIF to Broadridge (in some cases the completion of the VIF may be by telephone or the internet). Broadridge then tabulates the results of all instructions received and provides the appropriate instructions respecting the voting of Shares to be represented at the Anconia Meeting. **Additionally, there are two kinds of Beneficial Shareholders: (i) those who object to their name being made known to the issuers of securities which they own, known as objecting beneficial owners or “OBOs”; and (ii) those who do not object to their name being made known to the issuers of securities which they own, known as non-objecting beneficial owners or “NOBOs”.** Anconia may utilize the Broadridge QuickVote™ service to assist Beneficial Shareholders that are NOBOs with voting their Shares.

For greater certainty, Beneficial Shareholders should note that they are not entitled to use a VIF or proxy form received from Broadridge or their Intermediary to vote Shares directly at the Anconia Meeting. Instead, the Beneficial Shareholder must complete the VIF or proxy form and return it as instructed on the applicable form. The Beneficial Shareholder must complete these steps well in advance of the Anconia Meeting in order to ensure such Shares are voted.

In the alternative, if you wish to vote in person at the Anconia Meeting, or have another person attend and vote in person on your behalf, insert your name or such other person’s name in the space provided for the proxyholder appointment in the VIF or proxy form, and return it as instructed by your Intermediary. Your Intermediary may have also provided you with the option of appointing yourself or someone else to attend and vote on your behalf at the Anconia Meeting through the internet. When you arrive at the Anconia Meeting, please register with the scrutineer. **Beneficial Shareholders cannot use the VIF or proxy form to vote directly at the Anconia**

Meeting. If you appoint a non-management proxyholder, please make sure they are aware and ensure they will attend the Anconia Meeting in order for your vote to count.

Beneficial Shareholders who have questions or concerns regarding any of these procedures may also contact their Intermediary. It is recommended that inquiries of this kind be made well in advance of the Anconia Meeting.

Management of Anconia will pay for Intermediaries to forward this Circular, the proxy form or a VIF to OBOs in accordance with National Instrument 54-101 – *Communication with Beneficial Owners of a Reporting Issuer* of the Canadian Securities Administrators.

Information regarding online attendance and voting at the meeting is contained in the section “*Part I – Proxy Related information – Online Meeting Instructions*” of this Circular.

ONLINE MEETING INSTRUCTIONS

Shareholders and duly appointed proxyholders can attend the Anconia Meeting online by going to **<https://web.lumiagm.com/267027698>**.

- Registered Shareholders and duly appointed proxyholders can participate in the Anconia Meeting by clicking “**I have a login**” and entering a Username and Password before the start of the Anconia Meeting.
 - Registered Shareholders - The 15-digit control number located on the form of proxy or in the email notification you received is the Username and the Password is “**anconia2020**”.
 - Duly appointed proxyholders – Computershare will provide the proxyholder with a Username after the voting deadline has passed. The Password to the Anconia Meeting is “**anconia2020**”.
- Voting at the meeting will only be available for Registered Shareholders and duly appointed proxyholders. Non-Registered Shareholders who have not appointed themselves may attend the Anconia Meeting by clicking “**I am a guest**” and completing the online form.

Shareholders who wish to appoint a third party proxyholder to represent them at the online Anconia Meeting **must submit their proxy or voting instruction form (as applicable) prior to registering their proxyholder. Registering the proxyholder is an additional step once a shareholder has submitted their proxy/voting instruction form. Failure to register a duly appointed proxyholder will result in the proxyholder not receiving a Username to participate in the Anconia Meeting.** To register a proxyholder, shareholders MUST visit **<https://www.computershare.com/anconia>** by • A.M. on September 28, 2020 and provide Computershare with their proxyholder’s contact information, so that Computershare may provide the proxyholder with a Username via email.

It is important that you are connected to the internet at all times during the Anconia Meeting in order to vote when balloting commences.

In order to participate online, shareholders must have a valid 15-digit control number and proxyholders must have received an email from Computershare containing a Username.

Participating at the Anconia Meeting

The Anconia Meeting will be hosted online by way of a live webcast as well as in person. A summary of the information shareholders will need to attend the online Anconia Meeting is provided below. The meeting will begin at 10:00A.M. on September 30, 2020.

- Registered Shareholders (as defined in this Circular under the heading “Voting at the Meeting”) that have a 15-digit control number, along with duly appointed proxyholders who were assigned a Username by Computershare Trust Company of Canada / Computershare Investor Services Inc. (“Computershare”) (see details under the heading “Appointment of Proxies”), will be able to vote and submit questions during the Anconia Meeting. To do so, please go to <https://web.lumiagm.com/267027698> prior to the start of the meeting to login. Click on “I have a login” and enter your 15-digit control number or Username along with the password “anconia2020”. Non-Registered Shareholders (as defined in this Circular under the heading “Non-Registered Shareholders”) who have not appointed themselves to vote at the Anconia Meeting, may login as a guest, by clicking on “I am a Guest” and complete the online form.
- United States Beneficial holders: To attend and vote at the virtual Anconia Meeting, you must first obtain a valid legal proxy from your broker, bank or other agent and then register in advance to attend the Anconia Meeting. Follow the instructions from your broker or bank included with these proxy materials, or contact your broker or bank to request a legal proxy form. After first obtaining a valid legal proxy from your broker, bank or other agent, to then register to attend the Anconia Meeting, you must submit a copy of your legal proxy to Computershare. Requests for registration should be directed to:

Computershare
100 University Avenue
8th Floor
Toronto, Ontario
M5J 2Y1

OR

Email at uslegalproxy@computershare.com

Requests for registration must be labeled as “Legal Proxy” and be received no later than 28/09/2020 by 10:00AM. You will receive a confirmation of your registration by email after we receive your registration materials. You may attend the Anconia Meeting and vote your shares at <https://web.lumiagm.com/267027698> during the meeting. Please note that you are required to register your appointment at **www.computershare.com/anconia**

- Non-Registered Shareholders who do not have a 15-digit control number or Username will only be able to attend as a guest which allows them listen to the

Anconia Meeting however will not be able to vote or submit questions. Please see the information under the heading “Non-Registered Shareholders” for an explanation of why certain shareholders may not receive a form of proxy.

- If you are using a 15-digit control number to login to the online Anconia Meeting and you accept the terms and conditions, you will be revoking any and all previously submitted proxies. However, in such a case, you will be provided the opportunity to vote by ballot on the matters put forth at the meeting. If you DO NOT wish to revoke all previously submitted proxies, do not accept the terms and conditions, in which case you can only enter the meeting as a guest.
- If you are eligible to vote at the Anconia Meeting, it is important that you are connected to the internet at all times during the meeting in order to vote when balloting commences. It is your responsibility to ensure connectivity for the duration of the meeting.

Voting at the Anconia Meeting

A Registered Shareholder, or a Beneficial Shareholder who has appointed themselves or a third party proxyholder to represent them at the Anconia Meeting, will appear on a list of shareholders prepared by Computershare, the transfer agent and registrar for the Anconia Meeting. To have their Shares voted at the meeting, each Registered Shareholder or proxyholder will be required to enter their control number or Username provided by Computershare at <https://web.lumiagm.com/267027698> prior to the start of the Anconia Meeting. In order to vote, Non-Registered Shareholders who appoint themselves as a proxyholder **MUST** register with Computershare at <https://www.computershare.com/anconia> **after** submitting their voting instruction form in order to receive a Username (please see the information under the headings “Appointment of Proxies” below for details).

Appointment of Proxies

Shareholders who wish to appoint a third party proxyholder to represent them at the online Anconia Meeting **must submit their proxy or voting instruction form (if applicable) prior to registering your proxyholder. Registering your proxyholder is an additional step once you have submitted your proxy or voting instruction form. Failure to register the proxyholder will result in the proxyholder not receiving a Username to participate in the meeting.** To register a proxyholder, shareholders **MUST** visit <https://www.computershare.com/anconia> by (10:00AM on September 28, 2020) and provide Computershare with their proxyholder’s contact information, so that Computershare may provide the proxyholder with a Username via email.

A proxy can be submitted to Computershare either in person, or by mail or courier, to 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1, or via the internet at www.investorvote.com. The proxy must be deposited with Computershare by no later than **10:00AM on September 28, 2020**, or if the meeting is adjourned or postponed, not less than 48 hours, excluding Saturdays, Sundays and statutory holidays, before the commencement of such

adjourned or postponed meeting. If a shareholder who has submitted a proxy attends the Anconia Meeting via the webcast and has accepted the terms and conditions when entering the meeting online, any votes cast by such shareholder on a ballot will be counted and the submitted proxy will be disregarded.

Without a Username, proxyholders will not be able to vote at the Anconia Meeting.

INFORMATION FOR US SECURITYHOLDERS

The Anconia Shares to be received by Avalon Shareholders as consideration for their Avalon Shares pursuant to the Transaction, have not been and will not be registered under the *U.S. Securities Act* or any state securities laws, and such securities will be issued in reliance upon the exemption from the registration requirements of the *U.S. Securities Act* set forth in Section 3(a)(10) thereof on the basis of the approval of the court. See “United States Securities Law Matters.”

Anconia and Avalon do not have a class of securities registered under the *U.S. Exchange Act*, and the solicitation of proxies for the Anconia Meeting are not subject to the requirements of Section 14(a) of the *U.S. Exchange Act*. Accordingly, this Circular has been prepared in accordance with disclosure requirements applicable in Canada, and the solicitations and transactions contemplated in this Circular are made in the United States for securities of a Canadian issuer in accordance with Canadian corporate and Securities Laws. Anconia Shareholders in the United States should be aware that such requirements are different from those applicable to registration statements under the *U.S. Securities Act* and proxy statements under the *U.S. Exchange Act*. The unaudited historical interim financial statements and audited historical financial statements of Anconia and other financial information included or incorporated by reference in this Circular have been prepared in Canadian dollars. In addition, such financial statements and other financial information included or incorporated by reference in this Circular have been prepared in accordance with IFRS as issued by the IASB, which differs from U.S. GAAP in certain material respects, and are subject to Canadian auditing and auditor independence standards and thus are not directly comparable to financial statements prepared in accordance with U.S. GAAP and U.S. auditing and auditor independence standards.

Likewise, information in this Circular concerning the properties and operations of Anconia has been prepared in accordance with Canadian standards under applicable Canadian Securities Laws, which differ from the requirements of U.S. Securities laws. The terms “mineral resource”, “measured mineral resource”, “indicated mineral resource” and “inferred mineral resource” used in this Circular or in the technical report incorporated by reference herein are Canadian mining terms as defined in accordance with NI 43-101 under guidelines set out in the Definition Standards for Mineral Resources and Mineral Reserves adopted by the Canadian Institute of Mining, Metallurgy and Petroleum Council. While the terms “mineral resource”, “measured mineral resource”, “indicated mineral resource” and “inferred mineral resource” are recognized and required by Canadian Securities Laws, they are not recognized by the SEC. Under U.S. standards, mineralization may not be classified as a “reserve” unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. “Inferred mineral resource” has a great amount of uncertainty

as to its existence, as to whether they can be mined and as to its economic and legal feasibility, except in rare cases. It cannot be assumed that all or any part of an “inferred mineral resource” will ever be upgraded to a higher category. Under Canadian Securities Laws, estimates of inferred mineral resources may not form the basis of feasibility or other economic studies, except in rare cases. Readers are cautioned not to assume that all or any part of measured or indicated resources will ever be converted into mineral reserves. Readers are also cautioned not to assume that all or any part of an “inferred mineral resource” exists, or is economically or legally mineable. Disclosure of contained ounces is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report resources as in place tonnage and grade without reference to unit measures. As such, certain information contained in this Circular concerning descriptions of mineralization and mineral resources under Canadian standards may not be comparable to similar information made public by U.S. companies subject to reporting and disclosure requirements of the SEC.

Anconia Shareholders should be aware that the Transaction described in this Circular may have tax consequences in both the United States and Canada. Shareholders who are resident in, or citizens of, the United States are advised to review the summaries contained in this Circular under the headings “Certain Canadian Federal Income Tax Considerations – Holders Not Resident in Canada” and “Certain United States Federal Income Tax Considerations” and to consult their own tax advisors to determine the particular United States tax consequences to them of the Transaction in light of their particular situation, as well as any tax consequences that may arise under the laws of any other relevant foreign, state, local, or other taxing jurisdiction.

Information concerning operations of Anconia has been prepared in accordance with the requirements of Canadian securities laws, which differ from the requirements of United States securities laws.

The enforcement by investors of civil liabilities under the United States federal and state securities laws may be affected adversely by the fact that Anconia and Avalon are incorporated or organized under the laws of a jurisdiction other than the United States, that some or all of their officers and directors are and will be residents of countries other than the United States, that some or all of the experts named in this Circular may be residents of countries other than the United States, and that all or a substantial portion of the assets of Anconia, Avalon and such persons are and will be located outside the United States. As a result, it may be difficult or impossible for Anconia Shareholders resident in the United States to effect service of process within the United States upon Anconia, their respective officers or directors or the experts named herein, or to realize, against them, upon judgments of courts of the United States predicated upon civil liabilities under the federal securities laws of the United States or “blue sky” laws of any state within the United States. In addition, Anconia Shareholders resident in the United States should not assume that the courts of Canada: (a) would enforce judgments of United States courts obtained in actions against such persons predicated upon civil liabilities under the federal securities laws of the United States or “blue sky” laws of any state within the United States; or (b) would enforce, in original actions, liabilities against such persons predicated upon civil liabilities under the federal securities laws of the United States or “blue sky” laws of any state within the United States.

THE TRANSACTION AND THE SECURITIES TO BE ISSUED IN CONNECTION WITH THE TRANSACTION HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR THE SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES, NOR HAS THE SEC OR ANY SUCH STATE SECURITIES REGULATORY AUTHORITY PASSED UPON THE FAIRNESS OR MERITS OF THE TRANSACTION OR UPON THE ACCURACY OR ADEQUACY OF THIS CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

CURRENCY AND EXCHANGE RATES

Unless otherwise indicated, all references to “\$”, “CDN\$”, “C\$” or “Canadian dollars” are to Canadian dollars and references to “US\$”, “USD” or “U.S. dollars” are to United States dollars. As of June 30 2020, the noon rates of exchange as reported by the Bank of Canada were US\$1.00 = \$1.3628 and \$1.00 = US\$0.7338.

SUMMARY

The following is a summary of information relating to Anconia, Avalon,, Subco and Amalco (assuming completion of the Amalgamation). This summary is qualified in its entirety by and should be read together with the more detailed information and financial data and statements contained elsewhere in this Circular, including the Schedules, which are incorporated herein and form part of this Circular, and the documents incorporated by reference herein. Certain capitalized words and terms used in this Summary are defined in the Glossary.

Parties

Anconia

The Corporation was incorporated on March 22, 1962 under the laws of the Province of Ontario under the name Citadel Gold Mines Inc. On June 13, 2011, The Corporation changed its name to Anconia Resources Corp. The head office of Anconia, and its principal place of business is located at 82 Richmond Street West, Toronto, Ontario M5C 1P1.

Avalon

Avalon is a private company incorporated under the laws of Barbados on February 22, 2018 and maintains its principal and head office at Venture Two, Dayrells Road, Christ Church, Barbados. Avalon is a private junior mining company focused on the acquisition, exploration and development of gold. For additional information concerning Avalon, please see “*Information Concerning Avalon*” and “*Information Concerning The Resulting Issuer*”.

Subco

Subco is a private company, federally incorporated under the laws of Barbados on December 14, 2019 for the sole purpose of completing the Amalgamation with Avalon. All of the issued and outstanding Subco Shares will be held by Anconia.

Amalco

Amalco is the company that will be formed upon the completion of the Amalgamation on the Effective Date, pursuant to the terms of the Amalgamation and will accordingly become a wholly-owned subsidiary of Anconia. All of the issued and outstanding securities of Amalco will be held by Anconia.

The parties have agreed to combine their respective businesses, assets and operations through the implementation of the Amalgamation. Following completion of the Amalgamation, it is anticipated that (and assuming that there are no changes to the outstanding common shares or convertible securities of either company), an aggregate of approximately 197,709,093 Anconia Post-Consolidation Shares will be issued and outstanding, of which it is anticipated that 189,869,799 Anconia Post-Consolidation Shares will be held by former Avalon Shareholders and 7,839,294 Anconia Post-Consolidation Shares will be held by existing Shareholders, thus resulting in a reverse take-over by Avalon of Anconia. Following the completion of the Amalgamation, Amalco will be a wholly-owned subsidiary of Anconia (Anconia would then be called Omai Gold Mines Corp and accordingly controlled by the former Avalon shareholders),

and will continue its business as a mineral resources exploration issuer. Please see “*Information Concerning Anconia*”, “*Information Concerning Avalon*”, and “*Information Concerning The Resulting Issuer*” for further information.

The Meeting

The Anconia Meeting will be held on September 30, 2020 at the offices of Anconia and online at <https://web.lumiagm.com/267027698>. The Anconia Meeting has been called for the purposes set forth in the Notice of Meeting, including, among other matters, to consider and, if thought appropriate, to pass, with or without variation, the Amalgamation Resolution and all related matters, giving effect to the transactions contemplated by the Definitive Agreement.

The transaction is scheduled to close on or about October 2, 2020. Certain of the resolutions sought to be passed by the Shareholders at the Anconia Meeting are conditions to the completion of the Transaction. Failure to pass these resolutions could impede or prevent the completion of the Transaction. See “*Part II – Risk Factors*”.

The record date for determining the Anconia Shareholders entitled to receive notice of and to vote at the Anconia Meeting is August 10, 2020. Only Anconia Shareholders of record as of the close of business on the Record Date are entitled to receive notice of and to vote at the Anconia Meeting.

The Transaction

On October 9, 2019, Anconia and Avalon entered into the Definitive Agreement to combine their respective businesses. Pursuant the Definitive Agreement, the Avalon Shareholders will receive one (1) Anconia Share for every one (1) Avalon Share held. Under the Definitive Agreement, Anconia has agreed to, among other things, call the Anconia Meeting to seek approval of Anconia Shareholders for the Transaction Resolution.

The proposed Transaction is described in the press releases of Anconia filed May 24, 2019 and October 10, 2019 and the Definitive Agreement, copies of which are available under the Corporation’s profile on SEDAR at www.sedar.com.

The proposed Transaction is subject to regulatory approval, including the approval of the Exchange, and certain closing conditions in favour of the parties as described in the press release, including the completion of the Consolidation (as defined herein), Name Change (as defined herein), and the Election of the Resulting Issuer Directors (as defined herein). The proposed Transaction will also be described in greater detail in a filing statement of Anconia (the “Filing Statement”) to be filed under Anconia’s profile on SEDAR at www.sedar.com in advance of closing the Transaction.

The Amalgamation

The Amalgamation provides for the acquisition by Anconia of the securities of Avalon such that Avalon will amalgamate with Subco to form Amalco which will become a wholly-owned

subsidiary of Anconia. Further, upon completion of the Amalgamation former Avalon shareholders will own a majority of the Anconia Post-Consolidation Shares and as such the transaction will constitute a reverse take-over of Anconia by Avalon.

Dissenting Shareholders will cease to have any rights as Shareholders other than the right to be paid fair value for their Anconia Shares in accordance with the Dissent Rights. Avalon and Subco will amalgamate as one corporation, being “**Amalco**”, under such name as Avalon may determine, and under the Amalgamation, among other things:

1. the Anconia Shares will be consolidated prior to the Effective Date on basis of one (1) “new” Anconia Post-Consolidation Share for every fifteen (15) “old” Anconia Shares;
2. each issued and outstanding Avalon Share, other than those held by dissenting Avalon Shareholders, will be exchanged for Anconia Post-Consolidation Shares on the basis of one (1) Anconia Post-Consolidation Share for every one (1) Avalon Share held; and
3. each outstanding Subco Share will be exchanged for an Amalco Share;
4. each one (1) outstanding Avalon Option shall be deemed to represent one (1) Anconia Option and shall represent a right to acquire Anconia Post-Consolidation Shares in lieu of Avalon Shares on the same terms and conditions (subject to compliance with the rules of the Exchange) and at their economic equivalent;
5. each one (1) outstanding Avalon Warrant shall be deemed to represent one (1) Anconia Warrant and shall represent a right to acquire Anconia Post-Consolidation Shares in lieu of Avalon Shares on the same terms and conditions (subject to compliance with the rules of the Exchange) and at their economic equivalent;
6. as consideration for the issuance of the Anconia Post-Consolidation Shares to effect the Amalgamation, Amalco shall issue to Anconia one Amalco Share for each Anconia Post-Consolidation Share so issued;
7. the Anconia Board shall be reconstituted to consist of five (5) directors comprised of two (2) nominees of Anconia and three (3) nominees of Avalon (in each case subject to the receipt of applicable regulatory approvals); and
8. each of the existing officers of Anconia shall resign other than Jason Brewster as Vice-President of Operations and Harvey McKenzie as Chief Financial Officer and Corporate Secretary, and such resigning officers shall be replaced by nominees of Avalon including the appointment of Mario Stifano as President and CEO (in each case subject to the receipt of applicable regulatory approvals).

As a result of the Amalgamation:

1. Anconia will acquire all of the outstanding securities of Avalon;

2. Amalco will become a wholly-owned subsidiary of Anconia; and
3. the Avalon Shareholders will effectively control Anconia by virtue of holding approximately 94% of the issued and outstanding Anconia Post-Consolidation Shares (on an undiluted basis and approximately 95% on a diluted basis) post-Amalgamation.

No fractional securities will be issued. Any fractions resulting will be rounded down to the next whole number.

As a consequence of the Amalgamation, Anconia will issue approximately 197,709,093 Anconia Post-Consolidation Shares in exchange for all of the issued and outstanding Avalon Shares and reserve a further 45,669,441 Anconia Post-Consolidation Shares for issuance on exercise of the Avalon Options and Avalon Warrants. Assuming completion of the Amalgamation, Avalon Shareholders will own approximately 189,869,799 Anconia Post-Consolidation Shares and further own Anconia Options and Anconia Warrants which shall thereafter entitle them to purchase 45,669,441 Anconia Post-Consolidation Shares. Anconia Post-Consolidation Shares held by the former holders of the Avalon Shares will represent approximately 94% of the issued and outstanding Anconia Post-Consolidation Shares.

For more detailed information, see “Amalgamation – The Definitive Agreement” or a copy of the Definitive Agreement available on Avalon’s profile on SEDAR at www.sedar.com.

Background to the Amalgamation

On May 24, 2019, Anconia and Avalon entered into a letter of intent to complete the proposed Transaction, and the parties determined that it would be in the best interests of all parties to enter into a reverse-takeover transaction.

On October 9, 2019 Anconia and Avalon entered into the Definitive Agreement.

Benefits of the Amalgamation

The Anconia Board and senior management of Anconia believe that the Amalgamation is in the best interests of its Securityholders and that the Amalgamation provides a number of benefits for the Securityholders including the following:

1. Anconia, as the combined entity, will be a stronger company than either Anconia alone and will have a larger asset base and anticipated greater access to services to develop Anconia’s and Avalon’s assets;
2. Securityholders will maintain an interest in Avalon’s properties through the amalgamated entity as well as participation in the mineral properties and other assets of Avalon;
3. Avalon is better funded to proceed with further exploration of its properties, and as a larger company, may have greater access to capital markets; and
4. Shareholders will have improved trading liquidity in a larger entity.

Conditions to the Amalgamation

The obligations of Anconia and Avalon to complete the Amalgamation under the Definitive Agreement are subject to the satisfaction or waiver of certain mutual conditions, including, among others:

1. the Transaction Resolutions being approved by the Shareholders at the Meeting;
2. the approval of the Exchange for, among other things, the listing thereon of Anconia Post-Consolidation Shares to be issued and reserved for issuance in connection with the Amalgamation; and
3. holders of no greater than 5% of the total outstanding Avalon Shares exercising their dissent rights at the Meeting of Avalon to approve the Amalgamation.

Please see “*Amalgamation – The Definitive Agreement*” for further information.

Non-Solicitation and Termination of the Definitive Agreement

Pursuant to the Definitive Agreement, none of the Parties shall solicit any offers to purchase its shares or assets and none of Anconia, Subco or Avalon will initiate or encourage any discussions or negotiations with any third party with respect to such a transaction or amalgamation, merger, take-over, plan of arrangement or similar transaction during the period commencing on the date hereof and ending on the earlier of, the Effective Date and the termination of the Definitive Agreement. The parties shall immediately cease and cause to be terminated any existing discussions or negotiations with any third party related to any of the foregoing. In the event any of the parties is approached in respect of any such transaction, it shall immediately notify the other.

The Definitive Agreement may be terminated in accordance with the following at any time prior to the Effective Time: (i) by mutual written consent; (ii) at any time after December 31, 2020, by either Anconia or Avalon, if any of the conditions precedent in favour of a party required to be satisfied pursuant to the Definitive Merger Agreement have not been satisfied except where such failure is the result of a breach of this Agreement by such party; (iii) by either party if the other party is in default under any of its material obligations under the Definitive Agreement; (iv) by any party if any permanent order, decree, ruling or other action of a court or other competent authority restraining, enjoining or otherwise preventing the consummation of the Amalgamation shall have become final and non-appealable; (v) by Anconia, if Avalon or the board of directors of Avalon, or any committee thereof, withdraws or modifies in a manner adverse to Anconia, its approval of the Definitive Agreement or its recommendation to vote in favour of the Amalgamation or the Amalgamation is not approved by the Avalon Shareholders; (vi) by Anconia or Avalon if the Amalgamation is not completed by the Outside Date provided that the party then seeking to terminate the Definitive Agreement is not then in default of any of its obligations thereunder; or (vii) Anconia or Avalon if the other party has breached the non-solicitation provisions of the Definitive Agreement in any material manner.

For additional information please see, “*Amalgamation – The Definitive Agreement*”.

Recommendations of the Board of Directors

The Anconia Board has considered the proposed Amalgamation with Avalon on the terms and conditions as provided in the Definitive Agreement and has determined that the Amalgamation is in the best interests of Anconia and is fair to the Securityholders. The Anconia Board recommends that Shareholders vote in favour of the Amalgamation.

Please see “*Amalgamation – Recommendation of the Board of Directors*” for further information.

Procedures for Amalgamation Becoming Effective

The Amalgamation shall be carried out pursuant to the *Companies Act of Barbados* (the “**Barbados Act**”). Under the Barbados Act, the following procedural steps must be taken in order for the Amalgamation to become effective:

1. the Amalgamation must be approved by the sole shareholder of Subco and seventy five percent (75%) of the Avalon Shareholders at a duly convened meeting;
2. assuming all conditions precedent to the Amalgamation and the requisite shareholder approval, as set forth in the Definitive Agreement, are satisfied or waived by the appropriate party, an amalgamation application must be filed with the Registrar of Corporate Affairs & Intellectual Property, Ground Floor, Baobab Towers, Warrens St Michael, Barbados.

Please see “*Amalgamation – Procedures for Amalgamation to Become Effective*” for additional information.

Approval of the Exchange

The Exchange has conditionally accepted the listing of the Resulting Issuer on the Exchange. The Corporation expects to receive final approval of the listing of the Anconia Post-Consolidation Shares to be issued in exchange for the Avalon Shares (including any Anconia Post-Consolidation Shares to be issued upon exercise of the Avalon Options and Avalon Warrants) and the listing of the Resulting Issuer on the Exchange. It is a condition of the Amalgamation that the Anconia Post-Consolidation Shares to be issued pursuant to the Amalgamation be accepted for listing on the Exchange and that the Exchange approves the listing of the Resulting Issuer on the Exchange. Please see “*Amalgamation – Approval of the Exchange*”.

Securities Laws Information for Canadian Shareholders

The issuance of the Anconia Post-Consolidation Shares to be issued pursuant to the Amalgamation will be issued in reliance on exemptions from the prospectus requirements of

Canadian securities legislation. The Anconia Post-Consolidation Shares, including the Anconia Post-Consolidation Shares issuable upon exercise of the Avalon Options and Avalon Warrants may be resold in each of the provinces and territories of Canada, without significant restriction, provided the trade is not by a control person, no unusual effort is made to prepare the market or create a demand for those securities and no extraordinary commission or consideration is paid in respect of that sale. For further information, see “*Amalgamation – Resale of Anconia Securities in Canada.*”

Securities Law Information for United States Securityholders

The Anconia Post-Consolidation Shares to be issued pursuant to the Amalgamation have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of United States and will be issued in reliance on an exemption or exclusion from the registration requirements of the U.S. Securities Act and applicable state securities laws.

For further information, see “*Information Concerning the Amalgamation – U.S. Securities Law Considerations.*”

Right to Dissent

Shareholders are entitled as a consequence of the Amalgamation to dissent and be paid the fair value of their Anconia Shares, in respect of which such Dissenting Shareholders dissent, in accordance with Section 185 of the OBCA, if such shareholders give notice that they object to the Amalgamation and Anconia proceeds to make the Amalgamation effective. See Schedule “C” attached hereto for the full text of Section 185 of the OBCA.

U.S. Federal Income Tax Advisory

This Circular does not contain any discussion as to the application of the United States federal income tax, or the tax law of any state or other jurisdiction in the United States, in relation to the distribution of Anconia Post-Consolidation Shares under the Amalgamation. In particular, and without limiting the generality of the foregoing, no determination has been made whether Anconia is a “passive foreign investment company” within the meaning of Section 1297 of the United States Internal Revenue Code of 1986, as amended. Accordingly, holders of Anconia Securities resident in, or citizens of, the United States should consult their own tax advisers for advice with respect to the application of U.S. tax law to the distribution of the Anconia Post-Consolidation Shares.

Interest of Insiders, Promoters or Control Persons

Other than Denis Clement, who currently exercises control over 3,157,500, or 2.685% of the issued and outstanding Avalon Shares, Jason Brewster, who holds options to acquire 1,000,000 Avalon Shares, and Harvey McKenzie who holds options to acquire 500,000 Avalon Shares, no Insider, promoter or control person of Anconia or its associates and affiliates (before giving effect to the Amalgamation) has any interest in Avalon.

None of the Insiders, promoters or control persons of Anconia will receive any consideration in the event the Amalgamation is completed.

Upon completion of the proposed Transaction:

1. All existing directors and officers of Anconia other than Denis Clement, Jason Brewster and Harvey McKenzie will resign from their offices and will not hold any position with the Resulting Issuer;
2. Denis Clement, Adam Spencer, Mario Stifano, Nadine Miller, and Paul Fornazzari and one director to be appointed by the board of directors before the next meeting of the shareholders of the Resulting Issuer will be the directors of the Resulting Issuer;
3. Harvey McKenzie, Mario Stifano, Denis Lapoint and Jason Brewster will become officers of the Resulting Issuer and will have the following titles as described in the table below; and
4. The shareholdings of each Insider, promoter and Control Person of Anconia are, and of the Resulting Issuer will be, as follows (on a fully diluted basis);

Insider, Promoter or Control Person of Issuer of Resulting Issuer	Issuer Shares Owned Before the Transaction		Resulting Issuer Shares Owned After Giving Effect to the Transaction	
	Number	Percentage	Number	Percentage
Mario Stifano – President, Chief Operating Officer and Director of the Resulting Issuer	NIL	NIL	700,000	0.35%
Harvey McKenzie – Chief Financial Officer and Secretary of the Resulting Issuer	4,521,000	3.84%	301,400	0.15%
Jason Brewster - Current President and CEO and – Vice-President of Operations of the Resulting Issuer	4,996,750	4.25%	333,117	0.17%
Denis Lapoint – Vice-President of Exploration of the Resulting Issuer	NIL	NIL	850,000	0.43%
Nadine Miller – Director of the Resulting Issuer	NIL	NIL	50,000	0.03%
Denis Clement – Director of the Resulting Issuer	3,157,500	2.69%	4,560,500	2.31%
Adam Spencer – Director of the Resulting Issuer	NIL	NIL	NIL	NIL
Paul Fornazzari – Director of the Resulting Issuer	NIL	NIL	300,000	0.15%

Related Party Transaction

The Amalgamation is not considered a “related party transaction” as defined in MI 61-101. The Transaction was negotiated by the parties dealing at an arm’s length with each other and

therefore, in accordance with the policies of the Exchange, the Transaction is not a Non-Arm's Length Reverse Takeover.

Shareholder Approval of Transaction

At the Meeting, the Shareholders will be asked to consider, and if thought appropriate, to pass, with or without variation, the Amalgamation Resolution. In order to be effective, the Amalgamation Resolution must be approved by a majority of the Anconia Shares represented by the Shareholders present at the Meeting in person or by proxy. Notwithstanding the foregoing, the Amalgamation Resolution authorizes the Anconia Board, without further notice to or approval of the Shareholders, subject to the terms of the Amalgamation, to decide not to proceed with the Amalgamation and to revoke such Amalgamation Resolution at any time prior to the Amalgamation becoming effective pursuant to the provisions of the Barbados Act. If more than 5% of the Avalon Shares become the subject of dissent rights, the Amalgamation may be terminated.

Shareholders are not required to approve the Transaction. However, the Transaction is very important to the Corporation. Further, the Shareholder approval for the Consolidation, Name Change and the Election of the Resulting Issuer Directors which are to be considered at the Meeting is necessary in order to complete the Transaction and failure to pass these resolutions could impede or prevent the completion of the Transaction. Full details regarding Avalon and the Transaction will be disclosed by Anconia in the Filing Statement to be prepared and filed under Policy 5.2 "Changes of Business and Reverse Takeovers" of the Exchange. The Filing Statement will be posted under Anconia's profile on SEDAR at www.sedar.com at least seven (7) days prior to completion of the Transaction. Management of Anconia will endeavour to post the Filing Statement on SEDAR as quickly as possible, but the posting thereof may not occur until on or about the date of the Meeting or thereafter.

The Exchange has advised that three persons considered insiders of Anconia must not vote on the Transaction Resolutions in order to obtain Exchange approval of the Transaction as they are both insiders of Anconia and act as consultants to Avalon. These three persons are Denis Clement, Jason Brewster, and Harvey McKenzie. Messrs. Clement, Brewster, and McKenzie will therefore abstain from voting on the Amalgamation Resolution, Consolidation Resolution, Name Change Resolution, and Election of the Resulting Issuer Directors.

Market Price of the Shares of Anconia

The market price of the Anconia Shares on May 24, 2019, the last trading date before announcement of the proposed Amalgamation, was \$0.01 being the last trading price of the Anconia Shares on that date. Trading in the Anconia Shares has remained halted since May 24, 2019. See "*Information Concerning Anconia – Stock Exchange Price*".

Selected Pro Forma Condensed Consolidated Financial Information

The following information should be read in conjunction with the (a) pro forma condensed consolidated financial statements of the Corporation and Avalon following completion of the Amalgamation, which are attached as Schedule "D" hereto; (b) the audited financial

statements of the Corporation for the years ended September 30, 2017, September 30, 2018, and September 2019 and the interim period ended June 30, 2020 available on the Corporation's profile on SEDAR at www.sedar.com and in Schedule "H" attached hereto; (c) the MD&A of the Corporation filed in connection with the years ended September 30, 2017, September 30, 2018, and September 2019 and the interim period ended June 30, 2020 available on the Corporation's profile on SEDAR at www.sedar.com and in Schedule "I" attached hereto; (d) the audited consolidated financial statements of Avalon for the years ended December 31, 2019, and December 31, 2018 and the interim period ended June 30, 2020 which are attached as Schedule "E" hereto; and (e) the MD&A of Avalon for the years ended December 31, 2019 and December 31, 2018 and the interim period ended June 30, 2020 included in Schedule "F" hereto.

The following table sets out certain financial information for Anconia and Avalon as at their last completed financial year, on a consolidated basis for Avalon, and pro forma financial information for Anconia after giving effect to the Amalgamation and certain other adjustments.

Selected Financial Information (All amounts in US Dollars)

Financial Statement Data	Anconia at June 30, 2020	Avalon at June 30, 2020	Avalon Pro Forma at June 30, 2020⁽¹⁾⁽²⁾
Assets:			
Current Assets	\$5,414	\$2,220,327	\$7,264,960
Other Assets	\$515,788	\$6,975,851	\$8,091,639
Total Assets	\$521,202	\$9,196,178	\$15,356,599
Liabilities:			
Current Liabilities	\$805,613	\$635,665	\$1,362,497
Other Liabilities	-	\$827,684	\$827,684
Total Liabilities	\$805,613	\$1,463,349	\$2,190,181
Shareholder's Equity:			
Share Capital	\$4,433,229	\$11,071,740	\$17,500,669
Reserves	\$2,944,630	1,493,000	\$1,566,000
Deficit	(\$7,662,270)	(\$4,831,911)	(\$5,900,251)
Total Equity	(\$284,411)	\$7,732,829	\$13,166,418
Income (Loss)	(\$172,856)	(\$2,405,276)	(\$3,646,472)
Number of Shares Issued and Outstanding	117,589,409	147,689,799	197,709,093(3)

Notes:

(1) After giving effect to the Amalgamation.

- (2) After giving effect to the Consolidation.
- (3) Included in number of shares outstanding on an Avalon proforma basis are the post consolidation shares of Anconia in the amount of 7,839,294; Avalon shares as at June 30, 2020 of 147,689,799 and Avalon shares issued subsequent to June 30, 2020 of 42,180,000.

Summary of Funds Available to Resulting Issuer

*Anconia's available cash as at July 31, 2020 was **US\$2,772**. Avalon's available cash as at July 31, 2020 was **US\$1,855,820**. After giving effect to the proposed Amalgamation, and as per the pro forma condensed consolidated financial statements of Anconia and Avalon as attached to this Circular, Anconia is expected to have approximately **US\$5,902,463** of working capital available to it (before deduction of the expenses relating to the Amalgamation) to achieve its business objectives. Anconia intends to use the funds available to it to achieve the objectives set out under "Information Concerning The Resulting Issuer – Available Funds and Principal Purposes" once the Amalgamation has been completed, and is summarized as follows:*

Item	Budgeted Expenditures in US\$
Exploration and Evaluation Expenses:	
(per project area)	
Omai Gold Project completion of phase 1	\$159,950
Kaburi South	-
Grenfell Property	-
Funds used to keep properties in good standing and option payments	\$2,000,000
Estimated Costs to Complete the Amalgamation	\$125,000
General and Administrative Expenses	\$815,000
Unallocated	\$2,802,513
Total	\$5,902,463

Market for Securities

Anconia is a reporting issuer in British Columbia, Alberta, Ontario, and Quebec and the Anconia Shares are listed on the Exchange under the symbol "OMG". The Avalon Shares are privately held and not listed for trading. Anconia has received conditional acceptance from the Exchange for the listing of the Anconia Post-Consolidation Shares to be issued pursuant to the Amalgamation and the listing of the Resulting Issuer on the Exchange. Closing will be subject to the fulfillment of all of the requirements of the Exchange. It is a condition precedent to the completion of the Amalgamation that the Anconia Post-Consolidation Shares to be issued pursuant to the Amalgamation be accepted for listing on the Exchange and that the Exchange approves the listing of the Resulting Issuer on the Exchange. Please see "*Amalgamation – Approval of the Exchange*" for further information.

Sponsor

No sponsor or promoter has been involved in the Transaction and none are anticipated to take part in the transaction until it has closed.

Conflicts of Interest

The directors and officers of Anconia and Avalon are involved in other projects, including projects in the mining industry, and may have a conflict of interest in allocating their time between the business of Anconia or Avalon and other businesses or projects in which they are or will become involved. *Please see “Information Concerning Resulting Issuer – Conflicts of Interest”, “Information Concerning The Resulting Issuer – Other Reporting Issuer Experience”.*

Interests of Experts

To the best of Anconia’s and Avalon’s knowledge, no direct or indirect interest in Anconia or Avalon is held or will be received by any experts, except as described at “General Information – Experts”.

Timing

It is anticipated that the Amalgamation will become effective after the requisite approval of the Anconia and Avalon Shareholders, and regulatory approvals have been obtained and all other conditions to the Amalgamation have been satisfied or waived. It is anticipated that the Amalgamation will become effective on or before October 2, 2020.

Risk Factors

Following completion of the Amalgamation, the Resulting Issuer will be subject to certain risk factors which should be carefully considered in connection with your review of the Amalgamation.

In considering whether to vote for the approval of the Amalgamation, Shareholders should carefully consider the risk factors contained in the Circular, together with other information included in this Circular, before deciding whether to approve the Amalgamation. **For a description of material risk factors affecting Anconia upon completion of the Amalgamation, see “Part II - Risk Factors”.**

Information Concerning Avalon

All information provided in this Circular relating to Avalon and directors and officers of Avalon, including documents incorporated by reference, if applicable, has been provided to Anconia by Avalon, its directors or officers. Although Anconia does not have any knowledge that would indicate that any statements contained or incorporated by reference herein relating to Avalon or the directors and officers of Avalon taken from, based upon or comprised of such documents and

records or provided by Avalon or its directors and officers are inaccurate or incomplete, neither Anconia nor any of its officers or directors assumes any responsibility for the accuracy or completeness of the information relating to Avalon or the directors and officers of Avalon taken from, based upon or comprised of such documents and records or provided by Avalon, or for any failure by Avalon to disclose events which may have occurred or may affect the significance or accuracy of any such information but which are unknown to Anconia.

Accompanying Documents

This Circular is accompanied by several Schedules which are incorporated by reference into, form an integral part of, and should be read in conjunction with this Circular. It is recommended that Shareholders read this Circular and the attached Schedules in their entirety.

PART I - Proxy Related Information

Solicitation of Proxies

This Circular is furnished in connection with the solicitation of proxies by the management of Anconia Resources Corp. for use at the Anconia Meeting and any postponement or adjournment thereof for the purposes set forth in the accompanying Anconia Notice of Meeting. It is expected that the solicitation of proxies will be made primarily by mail, but proxies may also be solicited personally, by advertisement or by telephone by directors, officers or employees of Anconia to whom no additional compensation will be paid. All costs of solicitation by management will be borne by Anconia.

Voting by Proxy

The form of proxy accompanying this Circular confers discretionary authority upon the proxy nominee with respect to any amendments or variations to matters identified in the Anconia Notice of Meeting and any other matters that may properly come before the Anconia Meeting or any postponement or adjournment thereof. As at the date of this Circular, Anconia's management is not aware of any such amendments or variations, or of other matters to be presented for action at the Anconia Meeting. However, if any amendments to matters identified in the accompanying Anconia Notice of Meeting or any other matters which are not now known to management should properly come before the Anconia Meeting or any postponement or adjournment thereof, the Anconia Shares represented by properly executed proxies given in favour of the person(s) designated by management of Anconia in the enclosed form of proxy will be voted on such matters pursuant to such discretionary authority. If the instructions in a proxy given to Anconia's management are specified, the Anconia Shares represented by such proxy will be voted FOR or AGAINST in accordance with your instructions on any poll that may be called for. If a choice is not specified, the Anconia Shares represented by a proxy given to Anconia's management will be voted **FOR** the approval of the Resolution to approve the Transaction as described in this Circular. **An Anconia Shareholder has the right to appoint a person (who need not be a Anconia Shareholder) to attend and act for him, her or it and on his, her or its behalf at the Anconia Meeting other than the persons designated in the form of proxy and may exercise such right by inserting the name in full of the desired person in the blank space provided in the form of proxy and striking out the names now designated.**

Anconia Shareholders are invited to attend the Anconia Meeting. Registered Anconia Shareholders who are unable to attend the Anconia Meeting or any postponement or adjournment thereof in person are requested to complete, date, sign and return the enclosed form of proxy or, alternatively, to vote over the internet in accordance with the enclosed instructions. To vote over the internet, Registered Anconia Shareholders should go to www.voteproxyonline.com. Anconia Shareholders will need to enter the 12-digit control number provided on the form of proxy to identify themselves as shareholders on the voting website.

To be used at the Anconia Meeting, the completed proxy form must be deposited at the office of Computershare, 100 University Ave, 8th Floor, Toronto ON, M5J 2Y1 by mail or by fax 1 888 453 0330 or the proxy vote is otherwise registered in accordance with the instructions thereon.

Beneficial Anconia Shareholders who receive these materials through their Intermediary should complete and send the form of proxy or VIF in accordance with the instructions provided by their Intermediary. To be effective, a proxy must be received by Computershare not later than **10:00 a.m.** (Toronto time) on September 28, 2020, or in the case of any postponement or adjournment of the Anconia Meeting, not less than 48 hours (excluding Saturdays, Sundays and holidays) prior to the time of the postponed or adjourned meeting. **Late proxies may be accepted or rejected by the Chair of the Anconia Meeting in his or her discretion, and the Chair is under no obligation to accept or reject any particular late proxy. The time limit for deposit of proxies may be waived or extended by the Chair of the Anconia Meeting at his or her discretion, without notice.**

If your Anconia Shares are registered in more than one name, all registered persons must sign the form of proxy. If your Anconia Shares are registered in a company's name or any name other than your own, you may be required to provide documents proving your authorization to sign the form of proxy for that company or name. For any questions about the proper supporting documents, contact Computershare before submitting your form of proxy.

Revocability of Proxies

In addition to revocation in any other manner permitted by Law, a Anconia Shareholder executing the enclosed form of proxy has the power to revoke it by depositing an instrument in writing executed by the Anconia Shareholder or his or her legal representative authorized in writing or, where the Anconia Shareholder is a corporation, such instrument must be executed under its corporate seal or signed by a duly authorized officer or attorney for the corporation. To be valid, an instrument of revocation must be delivered to Computershare, 100 University Ave, 8th Floor, Toronto ON, M5J 2Y1 any time up to and including the close of business on the last business day preceding the day of the Anconia Meeting, or any postponement or adjournment thereof, or deposited with the Chair of the Anconia Meeting prior to the commencement of the Anconia Meeting.

A Beneficial Anconia Shareholder who has submitted a proxy may revoke it by contacting the Intermediary through which the Beneficial Anconia Shareholder's shares are held and following the instructions of the Intermediary respecting the revocation of proxies.

Voting of Anconia Shares Owned by Beneficial Anconia Shareholders

Many shareholders are "Beneficial Shareholders" because the shares of the company they own are not registered in their names but are instead registered in the name of the Intermediary through which they purchased the shares. If you are a Beneficial Anconia Shareholder, you should read the information under the heading "Management Information Circular - Information for Beneficial Shareholders" for information on how to vote your Anconia Shares at the Anconia Meeting.

There are two kinds of Beneficial Shareholders – those who object to their name being made known to the issuers of securities which they own (called "OBOs" for Objecting Beneficial

Owners) and those who do not object to the issuers of the securities they own knowing who they are (called “NOBOs” for Non-Objecting Beneficial Owners).

Intermediaries are required to forward the Meeting Materials to Beneficial Anconia Shareholders unless in the case of certain proxy-related materials the Beneficial Anconia Shareholder has waived the right to receive them. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge. Broadridge typically mails a scannable VIF instead of the form of proxy. The Beneficial Anconia Shareholder is asked to complete the VIF and return it by mail or facsimile.

Alternatively, the Beneficial Anconia Shareholder may call a toll-free number or go online to vote. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Anconia Shares to be represented at the applicable meeting. Anconia may utilize the Broadridge QuickVote™ service to assist shareholders with voting their shares.

Should a Beneficial Anconia Shareholder wish to attend and vote at the Anconia Meeting in person, they must insert his or her name (or the name of such other person as the Beneficial Anconia Shareholder wishes to attend and vote on his or her behalf) in the blank space provided for that purpose on the VIF and return the completed VIF in accordance with the instructions provided well in advance of the Anconia Meeting. **For greater certainty, Beneficial Anconia Shareholders should note that they are not entitled to use a VIF or proxy form received from Broadridge or their Intermediary to vote Anconia Shares directly at the Anconia Meeting.**

Quorum

A quorum at meetings of Anconia Shareholders is present if two persons holding not less than 10% of the Anconia Shares entitled to vote at the meeting are present in person or represented by proxy.

Online Meeting Instructions

In addition to attending the Meeting in person, Shareholders and duly appointed proxyholders can attend the Meeting online by going to: [//web.lumiagm.com/267027698](http://web.lumiagm.com/267027698).

- Registered Shareholders and duly appointed proxyholders can participate in the Meeting by clicking “**I have a login**” and entering a Username and Password before the start of the meeting.
 - Registered Shareholders - The 15-digit control number located on the form of proxy or in the email notification you received is the Username and the Password is “**anconia2020**”.
 - Duly appointed proxyholders – Computershare will provide the proxyholder with a Username after the voting deadline has passed. The Password to the meeting is “**anconia2020**”.

- Voting at the meeting will only be available for Registered Shareholders and duly appointed proxyholders. Non-Registered Shareholders who have not appointed themselves may attend the meeting by clicking “**I am a guest**” and completing the online form.

Shareholders who wish to appoint a third party proxyholder to represent them at the online meeting **must submit their proxy or voting instruction form (as applicable) prior to registering their proxyholder. Registering the proxyholder is an additional step once a shareholder has submitted their proxy/voting instruction form. Failure to register a duly appointed proxyholder will result in the proxyholder not receiving a Username to participate in the meeting.** To register a proxyholder, shareholders MUST visit <https://www.computershare.com/anconia> by 10:00 A.M. on September 28, 2020 and provide Computershare with their proxyholder’s contact information, so that Computershare may provide the proxyholder with a Username via email.

It is important that you are connected to the internet at all times during the meeting in order to vote when balloting commences.

In order to participate online, shareholders must have a valid 15-digit control number and proxyholders must have received an email from Computershare containing a Username.

Participating at the Meeting

The meeting will be hosted online by way of a live webcast as well as in person. A summary of the information shareholders will need to attend the online meeting is provided below. The meeting will begin at 10:00A.M. on September 30, 2020.

- Registered Shareholders (as defined in this Circular under the heading “Voting at the Meeting”) that have a 15-digit control number, along with duly appointed proxyholders who were assigned a Username by Computershare Trust Company of Canada / Computershare Investor Services Inc. (“Computershare”) (see details under the heading “Appointment of Proxies”), will be able to vote and submit questions during the meeting. To do so, please go to <https://web.lumiagm.com/267027698> prior to the start of the meeting to login. Click on “I have a login” and enter your 15-digit control number or Username along with the password “anconia2020”. Non-Registered Shareholders (as defined in this Circular under the heading “Non-Registered Shareholders”) who have not appointed themselves to vote at the meeting, may login as a guest, by clicking on “I am a Guest” and complete the online form.
- United States Beneficial holders: To attend and vote at the virtual Meeting, you must first obtain a valid legal proxy from your broker, bank or other agent and then register in advance to attend the Annual General and Special Shareholder Meeting. Follow the instructions from your broker or bank included with these proxy materials, or contact your broker or bank to request a legal proxy form. After first obtaining a valid legal proxy from your broker, bank or other agent, to then register to attend the Annual General and Special Shareholder Meeting, you must submit a copy of your legal proxy to Computershare. Requests for registration should be directed to:

Computershare
100 University Avenue
8th Floor
Toronto, Ontario
M5J 2Y1

OR

Email at uslegalproxy@computershare.com

Requests for registration must be labeled as “Legal Proxy” and be received no later than 28/09/2020 by 10:00AM. You will receive a confirmation of your registration by email after we receive your registration materials. You may attend the Annual General and Special Shareholder Meeting and vote your shares at <https://web.lumiagm.com/267027698> during the meeting.

Please note that you are required to register your appointment at:

www.computershare.com/anconia

- Non-Registered Shareholders who do not have a 15-digit control number or Username will only be able to attend as a guest which allows them listen to the meeting however will not be able to vote or submit questions. Please see the information under the heading “Non-Registered Shareholders” for an explanation of why certain shareholders may not receive a form of proxy.
- If you are using a 15-digit control number to login to the online meeting and you accept the terms and conditions, you will be revoking any and all previously submitted proxies. However, in such a case, you will be provided the opportunity to vote by ballot on the matters put forth at the meeting. If you DO NOT wish to revoke all previously submitted proxies, do not accept the terms and conditions, in which case you can only enter the meeting as a guest.
- If you are eligible to vote at the meeting, it is important that you are connected to the internet at all times during the meeting in order to vote when balloting commences. It is your responsibility to ensure connectivity for the duration of the meeting.

Principal Anconia Shareholders

The authorized share capital of Anconia consists of an unlimited number of Anconia Shares. As at the Record Date, 117,589,409 Anconia Shares were issued and outstanding. Each Anconia Share is entitled to one vote at a meeting of Anconia Shareholders. To the knowledge of the directors and executive officers of Anconia, as of the date of this Circular, no persons beneficially own, directly or indirectly, or exercise control or direction over, 10% or more of the issued and outstanding common shares of Anconia except for the estate of the late Dr. Bernard Sherman which holds 26,202,045 Anconia Shares. The Estate of Dr. Sherman owns 1,158,914 Anconia Shares indirectly through Apotex Inc. and 911,679 Anconia Shares owned indirectly through Sherfam Inc., both of which entities are controlled by the estate of Dr. Sherman.

Interest of Certain Persons in Matters to Be Acted On

No informed person, none of the directors or senior officers of the Corporation, none of the persons who have been directors or senior officers of the Corporation since the commencement of the Corporation's last completed financial year and no associate or affiliate of any of the foregoing persons has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting, other than those persons disclosed in the section "*The Amalgamation - Interest of Insiders, Promoters or Control Persons*".

Requisite Shareholder Approvals

Each Shareholder of record at the close of business on the Record Date will be entitled to receive notice of and vote at the Meeting. As of the Record Date, Anconia had 117,589,409 Anconia Shares issued and outstanding. The Shareholders are entitled to one vote for each Anconia Share held in respect of the Meeting Resolutions.

Except as otherwise disclosed in this Circular, all resolutions which the Shareholders will be asked to pass must be approved by a majority of the votes cast by Shareholders present in person or represented by proxy at the Meeting.

At the Meeting, the Shareholders will be asked to consider, and if thought appropriate, to pass, with or without variation, the Amalgamation Resolution. In order to be effective, the Amalgamation Resolution must be approved by a majority of the Anconia Shares represented by the Shareholders present at the Meeting in person or by proxy.

Indebtedness of Directors, Executive Officers and Senior Officers

No person who is or at any time during the most recently completed financial year was a director, executive officer or senior officer of Anconia or Subco, and no associate of any of the foregoing persons has been indebted to Anconia or Subco at any time since the commencement of Anconia's last completed financial year. No guarantee, support agreement, letter of credit or other similar arrangement or understanding has been provided by Anconia or any of its subsidiaries at any time since the beginning of the most recently completed financial year with respect to any indebtedness of any such person.

Record Date

Only Shareholders of record on the close of business on the Record Date, who either personally attend the Meeting, who complete and deliver an instrument of proxy in the manner and subject to the provisions set out under the heading "*Appointment of Proxy*" and "*Revocation of Proxies*" will be entitled to have their Anconia Shares voted at the Meeting, or any adjournment thereof.

Voting Securities

The authorized capital of the Corporation consists of an unlimited number of Anconia Shares without par value. As at the Record Date, there are 117,589,409 Anconia Shares issued and outstanding. The Shareholders are entitled to vote at all meetings of shareholders of Anconia Shares, to receive dividends if, as and when declared by the directors and to participate rateably in any distribution of property or assets upon the liquidation, winding-up or other dissolution of Anconia. The Anconia Shares carry no pre-emptive rights, conversion or exchange rights, redemption, retraction, repurchase, sinking fund or purchase fund provisions. There are no provisions requiring the holder of Anconia Shares to contribute additional capital and no restrictions on the issuance of additional securities by Anconia. There are no restrictions on the repurchase or redemption of Anconia Shares by Anconia except to the extent that any such repurchase or redemption would render Anconia insolvent pursuant to the OBCA. Each Anconia Share carries the right to one vote. At a general meeting of Anconia, each Shareholder present shall have one vote, and on a poll, each Shareholder will have one vote for each share of which he is the holder.

Interest of Management and Others in Material Transaction

Other than as disclosed in this Circular or in Anconia's financial statements and MD&A for the year ended September 30, 2019 and interim period ended June 30, 2020 attached hereto as Schedule "H", or otherwise set forth herein, none of the directors, executive officers and principal shareholders of Anconia or any associate or affiliate of the foregoing have had any material interest, direct or indirect, in any transactions in which Anconia has participated since the commencement of Anconia's last completed financial year, which has materially affected or will materially affect Anconia.

Management Contracts

No management functions of Anconia are performed to any substantial degree by a person or persons other than the directors or executive officers of Anconia.

MATTERS TO BE ACTED UPON

Financial Statements

Shareholders will be asked to review and consider at the Meeting the audited financial statements of the Corporation for the financial years ended September 30, 2019 and 2018, together with the auditor's report thereon, as well as the auditor-reviewed interim financial statements of the Corporation as of June 30, 2020.

Appointment of Auditor

Shareholders of the Corporation will be asked to approve the appointment of Clearhouse LLP, Chartered Accountants, as the auditor of the Corporation to hold office until the close of the next annual general meeting of the Corporation at remuneration to be fixed by the Anconia Board. Clearhouse, LLP, Chartered Accountants has been the auditor of the Corporation since October 17, 2018, when they were appointed by the Anconia Board following the requested resignation

of the Corporation's previous auditor, Abraham Chan LLP. The change of auditor of the Corporation was approved by the Audit Committee.

Unless instructions are given to vote against the appointment of the auditor, the persons named in the enclosed form of proxy intend to vote FOR the appointment of Clearhouse LLP, as auditor of the Corporation at remuneration to be fixed by the Anconia Board.

Incentive Stock Option Plan

The stock option plan of the Corporation (the "**Option Plan**") is a 10% "rolling" stock option plan. Pursuant to TSX Venture Exchange Policy 4.4, rolling stock option plans, such as the Option Plan, must receive shareholder approval on an annual basis. The Option Plan was last approved on September 22, 2017. Accordingly, Shareholders will be asked to consider and, if deemed advisable, to re-approve the Option Plan by ordinary resolution. A copy of the Option Plan is attached hereto as Schedule "B" and is incorporated by reference into this Circular.

The principal purposes of the Option Plan are (i) to retain and attract the qualified directors, officers, employees and service providers that the Corporation and its subsidiaries require; (ii) to promote a proprietary interest in the Corporation and its subsidiaries; (iii) to provide an incentive element in compensation; and (iv) to promote the profitability of the Corporation and its subsidiaries.

The salient features of the Option Plan are as follows:

1. options may be granted by the Board to directors, officers and employees of the Corporation, a subsidiary of the Corporation and persons or corporations who provide consulting services to the Corporation or a subsidiary of the Corporation on an on-going basis;
2. the maximum number of Anconia Shares reserved for issuance under the Option Plan shall not exceed 10% of the aggregate number of Shares issued and outstanding (calculated on a non-diluted basis) from time to time;
3. the exercise price of each option shall be determined in the discretion of the Board at the time of the granting of the option, provided that the exercise price shall not be lower than the Market Price. "Market Price" means the last closing price of the Anconia Shares on any stock exchange or stock exchanges, or other trading facilities on which the Anconia Shares are then listed or posted for trading, or where the policies of such exchange or trading facility require the Corporation to issue a news release in respect of such grant of option, the closing price of the Anconia Shares on the exchange or trading facility on the trading day immediately preceding the date on which the news release is issued; provided that in the event the Anconia Shares are listed on more than one stock exchange or trading facility, on such one exchange or trading facility as shall be designated by the Board, and to the extent that the Anconia Shares are not listed or posted for trading on any exchange or trading facility, the Market Price shall be such price as is determined by the Board in good faith;

4. (i) at no time shall the number of Anconia Shares reserved for issuance pursuant to options granted to any one Optionee in a 12-month period under the Option Plan or other security based compensation arrangements of the Corporation exceed 5% of the issued and outstanding Anconia Shares, (ii) no one Optionee may be granted, in any 12 month period, options to purchase a number of Anconia Shares equal to more than 5% of the issued and outstanding Anconia Shares, (iii) no one consultant may be granted, in any 12-month period, options to purchase a number of Anconia Shares equal to more than 2% of the issued and outstanding Anconia Shares and options issued to consultants performing investor relations activities shall vest and become exercisable over not less than a 12-month period with no more than one-quarter of the options vesting in any three month period, (iv) employees of the Corporation conducting investor relations activities may not be granted, in the aggregate in any 12-month period, options to purchase a number of Anconia Shares equal to more than 2% of the issued and outstanding Anconia Shares (v) at no time shall the number of Anconia Shares reserved for issuance pursuant to options granted to insiders of the Corporation under the Option Plan or other security based compensation arrangements of the Corporation exceed 10% of the outstanding Anconia Shares, and (vi) insiders of the Corporation may not be granted under the Option Plan or other security based compensation arrangements of the Corporation, within any 12-month period, in aggregate a number of options exceeding 10% of the issued and outstanding Anconia Shares;
5. all options shall be for a term determined in the discretion of the Board at the time of the granting of the options, provided that no option shall have a term exceeding five years and, unless the Board at any time makes a specific determination otherwise, an option and all rights to purchase Anconia Shares pursuant thereto shall expire and terminate immediately upon the optionee who holds such option ceasing to be at least one of a director, officer or employee of, or consultant to, the Corporation or a subsidiary of the Corporation, as the case may be; and
6. except in limited circumstances in the case of the death of an optionee, options shall not be assignable or transferable.

Securities Authorized for Issuance under Equity Compensation Plans

The following table sets out information pertaining to securities authorized for issuance by the Corporation under equity compensation plans at the end of the most recently completed financial year:

Plan Category	No. of securities to be issued upon exercise of outstanding options, warrants and rights ⁽¹⁾	Weighted-average exercise price of outstanding options, warrants and rights	No. of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the second column) ⁽¹⁾
Equity Compensation plans approved by security holders	11,758,940	Nil	Nil
Equity Compensation plans not approved by security holders	N/A	N/A	N/A
Total	11,758,940	Nil	Nil

Note:

- (1) Based on 11,758,940 Anconia Shares reserved for issuance upon the exercise of stock options under the Corporation's approved stock option plans as at the interim period ended June 30, 2020 (representing 10% of the Corporation's outstanding Shares at such date).

The Stock Option Plan Resolution must be approved by an ordinary resolution of the majority of the minority Shareholders, present in person or by proxy at the Meeting. Unless instructions are given to vote against the Stock Option Plan Resolution, the persons named in the enclosed form of proxy intend to vote FOR the Stock Option Plan Resolution.

Amalgamation

Anconia and Avalon entered into the Definitive Agreement providing for the completion of the Amalgamation. The Amalgamation is subject to certain other conditions set forth in the Definitive Agreement, a copy of which is available to be viewed on the Corporation's profile on SEDAR at www.sedar.com.

At the Meeting, the Shareholders will be asked to consider and, if deemed advisable, approve the Amalgamation Resolution set forth in Schedule "A" hereto to approve the Amalgamation.

The Anconia Board unanimously (with the exception of Denis Clement and Jason Brewster, who abstained from voting) has approved the Amalgamation, is of the view that it is fair to the Shareholders, and is in the best interests of the Corporation, authorized the submission of the Amalgamation to the Shareholders for approval and recommends the Shareholders vote FOR the Amalgamation Resolution.

The Amalgamation Resolution must be approved by an ordinary resolution of the majority of the Shareholders, present in person or by proxy at the Meeting. It is the intention of the persons named in the enclosed proxy, in the absence of instructions to the contrary, to vote the proxy IN FAVOUR of the Amalgamation Resolution.

Approval of Consolidation

Pursuant to the terms of the Amalgamation, if the Amalgamation is approved at the Meeting, the Corporation is required, prior to the Effective Date, to effect the Consolidation pursuant to which the issued and outstanding Anconia Shares on the basis of one (1) new Anconia Post-Consolidation Share for each fifteen (15) old Anconia Shares with any resulting fraction being rounded down to the nearest number of whole Anconia Post-Consolidation Shares. Accordingly, the Shareholders will be asked at the Meeting to pass a special resolution authorizing the Consolidation.

At the Meeting, the Shareholders will be asked to consider and, if deemed advisable, approve the Consolidation Resolution set forth in Schedule “A” hereto to approve the Consolidation.

The Anconia Board has unanimously (with the exception of Denis Clement and Jason Brewster, who abstained from voting) approved the Consolidation and recommends that the Shareholders vote FOR the Consolidation Resolution.

The Consolidation Resolution must be approved by at least 2/3 of the votes cast in person or by proxy at the Meeting. It is the intention of the persons named in the enclosed proxy, in the absence of instructions to the contrary, to vote the proxy IN FAVOUR of the Consolidation Resolution.

Notwithstanding the approval of the Shareholders as herein provided, in the event that the Amalgamation does not proceed, the Anconia Board may, in its sole discretion and without further notice to, or approval of, the Shareholders, determine not to proceed with the Consolidation.

Approval of Name Change

Pursuant to the terms of the Amalgamation, if the Amalgamation is approved at the Meeting, the Shareholders will be asked to consider and, if deemed appropriate, approve and adopt a special resolution authorizing the Anconia Board to amend the articles of incorporation of the Corporation to effect the change of name of the Corporation to “Omai Gold Mines Corp.” or any such other name as the Anconia Board, Avalon, the regulatory authority under the OBCA and the Exchange may approve.

The text of the special resolution which management intends to place before the Meeting for approval is attached hereto as Schedule “A”.

The Anconia Board has unanimously (with the exception of Denis Clement and Jason Brewster, who abstained from voting) approved the Name Change and recommends that the Shareholders vote FOR the Name Change Resolution.

The Name Change Resolution must be approved by at least 2/3 of the votes cast in person or by proxy at the Meeting. It is the intention of the persons named in the enclosed proxy, in the absence of instructions to the contrary, to vote the proxy IN FAVOUR of the Name Change Resolution.

Notwithstanding the approval of the Shareholders as herein provided, in the event that the Amalgamation does not proceed, the Anconia Board may, in its sole discretion and without further notice to, or approval of, the Shareholders, determine not to proceed with the Name Change.

Election of Directors

The articles of the Corporation require a minimum of five (5) directors and a maximum of fifteen (15) directors. The Anconia Board currently consists of five (5) directors.

If the Amalgamation Resolution is passed by the Shareholders, the Shareholders will be asked at the Meeting to consider and, if thought appropriate, to pass with or without variation an ordinary resolution to approve the Election of Directors Resolution, fixing the Anconia Board at five (5) members, electing five (5) Directors individually and not as a slate to the Anconia Board, and permitting the directors of the Corporation, in between annual general meetings, to appoint one or more additional directors to the Anconia Board, the full text of which is set forth in Schedule “A” to this Circular.

The Election of Directors Resolution must be approved by a majority of the votes cast in person or by proxy at the Meeting. It is the intention of the persons named in the enclosed proxy, in the absence of instructions to the contrary, to vote the proxy IN FAVOUR of the Election of Directors Resolution.

The Election of Directors Resolution, as set out above, is conditional upon the Amalgamation Resolution being approved. If the Amalgamation Resolution is not passed by the Shareholders, the Corporation proposes to nominate the current five (5) directors for election individually as directors of the Corporation for the ensuing year. The full text of such resolution is set forth in Schedule “A” to this Circular.

The following information relating to the nominees as directors is based on information received by the Corporation from said nominees and Avalon. Each of the directors of the Corporation will hold office until the next annual meeting of the Shareholders or until his successor is duly elected or appointed.

The following table sets out the names of management’s nominees for individual election as directors of the Corporation **if the Amalgamation Resolution is approved**, each nominee’s municipality of residence, all major offices and positions of the Corporation and any of its significant affiliates each now holds, each nominee’s principal occupation, business or employment for the five preceding years for new director nominees, the period of time during which each has been a director of the Corporation and the number of common shares of the Corporation beneficially owned by each, directly or indirectly, or over which each exercised control or direction, as at the date of this Circular.

Name and Municipality of Residence	Principal Occupation for Last Five Years	Proposed Position(s) with the Corporation	Director Since	Numbers of Anconia Shares Beneficially Owned or Controlled ⁽¹⁾
Denis Clement Oakville, Ontario	Business Executive	Executive Director and Founder	2011	3,157,500
Mario Stifano ⁽²⁾ , Brampton, Ontario	Business Executive	Director	Nominee	Nil
Paul Fornazzari ^{(2),(3)} Toronto, Ontario	Lawyer	Director	Nominee	Nil
Adam Spencer ^{(2),(3)} Toronto, Ontario	Senior Vice-President Corporate Development at Sandstorm Gold Ltd.	Director	Nominee	Nil
Nadine Miller ⁽³⁾ Toronto, Ontario	Strategic Advisor, Awz Ventures Inc.	Director	Nominee	Nil

Notes:

- (1) Voting securities of the Corporation beneficially owned, or controlled or directed, directly or indirectly as at the date of this Circular. Information regarding voting securities held does not include voting securities issuable upon the exercise of options, warrants or other convertible securities of the Corporation. Information furnished by the respective director nominees.
- (2) Proposed member of the Audit Committee.
- (3) Proposed member of the Corporate Governance Committee.

The following table sets out the names of management's nominees for individual election as directors of the Corporation **if the Amalgamation Resolution is not approved**, each nominee's municipality of residence, all major offices and positions with the Corporation and any of its significant affiliates each now holds, each nominee's principal occupation, business or employment for the five preceding years for new director nominees, the period of time during which each has been a director of the Corporation and the number of common shares of the Corporation beneficially owned by each, directly or indirectly, or over which each exercised control or direction, as at the date of this Circular.

Name and Municipality of Residence	Principal Occupation for Last Five Years	Proposed Position(s) with the Corporation	Director Since	Numbers of Anconia Shares Beneficially Owned or Controlled⁽³⁾
Jason Brewster Whitby, Ontario, Canada	President and Chief Executive Officer of Anconia	President, Chief Executive Officer and Director	June 2011	4,996,750
James M. Franklin Toronto, Ontario, Canada	Director to Ur-Energy Inc., director to Nuinsco Resources Ltd., and director and consultant to Aura Silver Resources Inc., Consulting Geologist / Adjunct Professor of Geology Queen's University, Laurentian University and University of Ottawa, President of Franklin Geosciences Ltd.	Director	June 2012	1,847,970
Michael Florence ⁽¹⁾⁽²⁾ Toronto, Ontario, Canada	Director, State of Israel Bonds, Canada, Director of Weizmann Institute, Canada	Director	March 1988	6,086,666
Denis Clement ⁽¹⁾⁽²⁾ Oakville, Ontario, Canada	Chairman of Anconia, Director of Gespeg Copper Resources Inc.	Chair and Director	June 2011	3,157,500
John Sadowski ⁽¹⁾⁽²⁾ Toronto, Ontario, Canada	Prospector	Director	January 2001	418,000

Notes:

- (1) Member of the Compensation Committee of the Corporation.
- (2) Member of the Audit Committee of the Corporation.
- (3) Without giving effect to the Consolidation.

The foregoing information has been furnished by the respective proposed director.

As of the date hereof, no director to be nominated for election at the Meeting:

- (a) is at the date of this Circular, or has been, within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company (including the Corporation) that:

- (i) was subject to an order that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or
 - (ii) was subject to an order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer,
- (b) is at the date of this Circular, or has been, within 10 years before the date hereof a director or executive officer of any company (including the Corporation) that, while such nominee was acting in that capacity, or within a year of such nominee 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 manager or trustee to hold its assets; or
- (c) has, within 10 years before 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 manager or trustee appointed to hold the assets of such nominee.

In addition, as of the date hereof, no director to be nominated for election at the Meeting has been subject to:

- (a) penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities authority; or
- (b) other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

THE CORPORATION'S MANAGEMENT DESIGNEES, IF NAMED AS PROXY, INTEND TO VOTE FOR THE ELECTION OF SAID PERSONS TO THE ANCONIA BOARD, MANAGEMENT DOES NOT CONTEMPLATE THAT ANY OF SUCH NOMINEES WILL BE UNABLE TO SERVE AS DIRECTORS; HOWEVER, IF, FOR ANY REASON, ANY OF THE PROPOSED NOMINEES DO NOT STAND FOR ELECTION OR ARE UNABLE TO SERVE AS SUCH, PROXIES IN FAVOUR OF MANAGEMENT DESIGNEES WILL BE VOTED FOR ANOTHER NOMINEE IN THE DISCRETION OF THE PROXYHOLDERS UNLESS THE SHAREHOLDER HAS SPECIFIED IN ITS PROXY THAT ITS COMMON SHARES ARE TO BE WITHHELD FROM VOTING FOR THE ELECTION OF DIRECTORS.

THE CURRENT BOARD UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE ELECTION OF DIRECTORS RESOLUTION, THE FULL TEXT OF WHICH IS SET FORTH IN SCHEDULE "A" TO THIS CIRCULAR, ELECTING THE SAID PERSONS.

THE AMALGAMATION

Purpose of the Amalgamation

The purpose of the Amalgamation is for Avalon to acquire the Corporation by way of a reverse take-over. Avalon is a junior exploration company operating in Guyana. Avalon's primary asset is the Omai Gold Project which is further described in *"Information Concerning Avalon"*.

Following completion of the Amalgamation, Shareholders will continue to have interests in the business of the Corporation, but will also hold an interest in the Omai Gold Project, through the Amalgamation.

The Amalgamation

The Amalgamation is being conducted pursuant to the provisions of the Barbados Act and in accordance with the terms of the Definitive Agreement, a copy of which is available on the Corporation's SEDAR profile at www.sedar.com. Shareholders are encouraged to read the Definitive Agreement in full.

Dissenting Shareholders will cease to have any rights as Shareholders other than the right to be paid fair value for their Anconia Shares in accordance with the terms of the Dissent Rights.

Avalon and Subco will amalgamate as one corporation, being Amalco, under such name as Avalon may determine and under the Amalgamation, among other things:

1. the Anconia Shares will be consolidated prior to the Effective Date on basis of one (1) "new" Anconia Post-Consolidation Share for every fifteen (15) "old" Anconia Shares;
2. each issued and outstanding Avalon Share, other than those held by dissenting Avalon shareholders, will be exchanged for Anconia Post-Consolidation Shares on the basis of one (1) Anconia Post-Consolidation Share for every one (1) Avalon Share held;
3. each outstanding Subco Share will be exchanged for an Amalco Share;
4. each one (1) outstanding Avalon Option shall be exchanged for one (1) Anconia Replacement Option and shall represent a right to acquire Anconia Post-Consolidation Shares in lieu of Avalon Shares on the same terms and conditions (subject to compliance with the rules of the Exchange) and at their economic equivalent;
5. each one (1) outstanding Avalon Warrant shall be deemed to represent one (1) Anconia Warrant and shall represent a right to acquire Anconia Post-Consolidation Shares in lieu of Avalon Shares on the same terms and conditions (subject to compliance with the rules of the Exchange) and at their economic equivalent;
6. as consideration for the issuance of the Anconia Post-Consolidation Shares to effect the Amalgamation, Amalco shall issue to Anconia one Amalco Share for each Anconia Post-Consolidation Share so issued;

7. the Anconia Board shall be reconstituted to consist of five (5) directors comprised of Adam Spencer, Mario Stifano, Denis Clement, Nadine Miller, and Paul Fornazzari; and
8. each of the existing officers of Anconia shall resign other than Harvey McKenzie as Chief Financial Officer and Jason Brewster who shall serve as Vice President of Operations, and such resigning officers shall be replaced by nominees of Avalon including the appointment of Mario Stifano as President and CEO (in each case subject to the receipt of applicable regulatory approvals);
9. Anconia will file articles of amendment to change its name to Omai Gold Mines Ltd.

As a result of the Amalgamation:

1. Anconia will acquire all of the outstanding securities of Avalon;
2. Amalco will become a wholly-owned subsidiary of Anconia; and
3. the Avalon Shareholders will effectively control Anconia by virtue of holding approximately 94.0% of the issued and outstanding Anconia Post-Consolidation Shares (on an undiluted basis and approximately 96.8% on a diluted basis) post-Amalgamation.

No fractional securities will be issued. Any fractions resulting will be rounded down to the next whole number.

As a consequence of the Amalgamation, Anconia will issue approximately 7,839,294 Anconia Post-Consolidation Shares in exchange for all of the issued and outstanding Avalon Shares. Anconia Post-Consolidation Shares held by the former holders of the Avalon Shares will represent approximately 96% of the issued and outstanding Anconia Post-Consolidation Shares.

Treatment of Options and Warrants

In connection with the Amalgamation, each Avalon Option shall represent a right to acquire Anconia Post-Consolidation Shares in lieu of Avalon Shares on the same terms and conditions (subject to compliance with the rules of the Exchange) and at their economic equivalent. Each Avalon Warrant shall continue to remain outstanding and following the Effective Date will become an Amalco Warrant exercisable for Anconia Post-Consolidation Shares in lieu of Avalon Shares on the same terms and conditions (subject to compliance with the rules of the Exchange) and at their economic equivalent.

The certificates, agreements or other instruments representing the former Avalon Options and Avalon Warrants will be deemed to represent Anconia Options and Anconia Warrants, and the holders of such certificates, agreements or other instruments need not return the certificates, agreements or other instruments to Anconia until such time as the holder wishes to exercise any or all of their Avalon Options and/or Avalon Warrants, but will be entitled to receive, on request, a written confirmation from Anconia indicating the number of Anconia Post-Consolidation Shares such Avalon Options and Avalon Warrants may be exercised into and the applicable exercise price in accordance with the terms of the Amalgamation.

Based on the Avalon Options and Avalon Warrants outstanding on Record Date, upon completion of the Amalgamation, holders of Avalon Options and Avalon Warrants will be entitled to purchase Anconia Post-Consolidation Shares as further described in the table below:

Avalon Options and Avalon Warrants⁽¹⁾						
	Before Giving Effect to the Amalgamation			After Giving Effect to the Amalgamation		
Type of Security	Number of Avalon Shares Issuable Upon Exercise	Exercise Price per Avalon Share	Expiry Date	Number of Post-Consolidation Shares Issuable Upon Exercise	Exercise Price per Post-Consolidation Share	Expiry Date
Options	1,050,008	US\$0.10	April 29, 2025	1,050,008	US\$0.10	April 29, 2025
Options	5,500,000	US\$0.10	March 12, 2015	5,500,000	US\$0.10	March 12, 2015
Options	204,169	US\$0.10	April 29, 2021	204,169	US\$0.10	April 29, 2021
Options	1,987,499	US\$0.10	June 1, 2025	1,987,499	US\$0.10	June 1, 2025
Total options	8,741,676	US\$0.10		8,741,676	US\$0.10	

Warrants	34,584,899	US\$0.35	June 3, 2022	34,584,899	US\$0.35	June 3, 2022
Broker warrants	2,342,866	US\$0.35	June 4, 2022	2,342,866	US\$0.35	June 4, 2022
Total Warrants	36,927,765	US\$0.35	--	36,927,765	US\$0.35	--

Notes:

- (1) All figures have been rounded to the nearest whole number or cent, as the case may be, for ease of reference.

Background to the Amalgamation

Anconia and Avalon entered into a letter of intent after negotiating a potential transaction on May 24, 2019.

Anconia and Avalon entered into the Definitive Agreement on October 9, 2019.

Benefits of the Amalgamation

The Anconia Board and senior management of Anconia believe that the Amalgamation is in the best interests of its Securityholders and that the Amalgamation provides a number of benefits for the Securityholders including the following:

1. Anconia, as the combined entity, will be a stronger company than either Anconia alone and will have a larger asset base and anticipated greater access to services to develop Anconia's and Avalon's assets;
2. Securityholders will maintain an interest in Avalon's properties and participation in all other assets of Avalon through the amalgamated entity;
3. Avalon is better funded to proceed with further exploration of its properties, and as a larger company, may have greater access to capital markets; and
4. Shareholders will have improved trading liquidity in a larger entity.

The Anconia Board has considered all information provided, including the advantages and disadvantages of the Amalgamation and the transactions contemplated thereunder discussed below under "*Amalgamation – Recommendation of the Board of Directors*". See also the financial statements of Anconia and Avalon, which have been filed on the Corporation's profile on SEDAR at www.sedar.com and which are incorporated by reference or attached herein, or which have been provided as a schedule attached, as applicable.

The Definitive Agreement

The Amalgamation will be effected in accordance with the Definitive Agreement dated October 9, 2019, a copy of which has been filed on the Corporation's profile on SEDAR at www.sedar.com as a material document. The Definitive Agreement contains certain representations and warranties made by each of the Corporation and Avalon in respect of their assets, liabilities, capital, financial position and operations. In addition, each of the Corporation and Avalon provide covenants which govern the conduct of their operations and affairs prior to the completion of the Amalgamation. The Definitive Agreement contains a number of conditions precedent to the obligations of the Corporation and Avalon thereunder. Unless all of such conditions are satisfied or waived by the party or parties for whose benefit such conditions exist, to the extent they may be capable of waiver, the Amalgamation will not proceed. There is no assurance that the conditions will be satisfied or waived on a timely basis, or at all. The conditions to the Amalgamation becoming effective are set out in the Definitive Agreement. Upon the conditions being fulfilled or waived, documents, records and information will be filed with the Director as required pursuant to the OBCA in order for the Director to give effect to the Amalgamation as of the Effective Date.

Representations and Warranties

The Definitive Agreement contains representations and warranties made by each of the Corporation and Avalon. The assertions embodied in those representations and warranties are solely for the purposes of the Definitive Agreement. Certain representations and warranties may not be accurate or complete as of any specified date because they are qualified by certain disclosure provided by the Parties or are subject to a standard of materiality or are qualified by a reference to the concept of a "Material Adverse Effect" or "Material Adverse Change" (which concept is defined in the Definitive Agreement and in some respects are different from the materiality standards generally applicable under securities laws). Therefore, Shareholders should not rely on the representations and warranties as statements of factual information.

The Definitive Agreement contains representations and warranties of the Parties relating to certain matters including, among other things: incorporation and qualification; ownership of subsidiaries; absence of conflict with or violation of constating documents, agreements or applicable laws; authority to execute and deliver the Definitive Agreement and perform its obligations under the Definitive Agreement; due authorization and enforceability of the Definitive Agreement; composition of share capital; options or other rights for the purchase of securities; indebtedness and undisclosed liabilities; financial statements and public filings; employment matters; ownership of assets and conduct of operations; interests in mineral rights; absence of litigation, judgment, order or investigation proceedings; taxation matters; material agreements; reporting issuer and listing status; and matters related to the Amalgamation.

Covenants

The Corporation and Avalon have each given to the other usual and customary covenants in respect of the Amalgamation, including to provide reasonable access to materials to allow a party to conduct reasonable reviews; to take all necessary actions in order to enable it to participate in and effect the Amalgamation and to use all commercially reasonable efforts to satisfy (or cause the satisfaction of) the conditions precedent to the obligations of the other party.

Each Party covenanted and agreed with the other that, except as otherwise contemplated in the Definitive Agreement, until the Effective Date or the day upon which the Definitive Agreement is terminated, whichever is earlier, it shall conduct its business only as contemplated by the Definitive Agreement and use all commercially reasonable efforts to preserve its corporate existence, and maintain and preserve its assets and advantageous business relationships. Each Party, among other things shall not: (i) except as may be necessary to consummate the transactions contemplated by the Definitive Agreement, amend its constituent documents; (ii) declare, set aside or pay any dividend or make any other distribution or payment (whether in cash, shares or property) in respect of its outstanding securities; (iii) redeem, purchase or otherwise acquire any of its outstanding shares or other securities; (iv) split, combine or reclassify any of its shares; (v) adopt a plan of liquidation or resolutions providing for its liquidation, dissolution, merger, consolidation or reorganization; (vi) enter into or modify any contract, agreement, commitment or arrangement with respect to any of the foregoing; or (vii) issue or agree to issue any Avalon Shares or Anconia Shares, or securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire, Avalon Shares or Anconia Shares other than the aggregate number of Avalon Shares or Anconia Shares issuable upon exercise of convertible securities disclosed in the Definitive Agreement (whether or not currently subject to any vesting restrictions).

Each Party shall use its commercially reasonable efforts to obtain all required consents and approvals as may be required to complete the Amalgamation.

Additionally, the Corporation covenanted and agreed to (i) ensure all of its property and assets continue to be insured in substantially the same manner as they were insured at the date of the Definitive Agreement; (ii) to use best efforts to obtain all requisite approvals of the Exchange, for the listing of the Anconia Post-Consolidation Shares issuable thereunder, as applicable; and to cause Subco to approve the Amalgamation as Subco's sole shareholder.

Conditions to the Amalgamation

The respective obligations of the Parties to complete the transactions contemplated by the Definitive Agreement are subject to a number of conditions which must be satisfied or waived in order for the Amalgamation to become effective. There is no assurance that these conditions will be satisfied or waived on a timely basis. Notwithstanding the foregoing, the Amalgamation Resolution authorizes the Anconia Board, without further notice to or approval of the Shareholders, to amend the Definitive Agreement or to decide not to proceed with the Amalgamation and to revoke the Amalgamation Resolution at any time prior to the Amalgamation becoming effective pursuant to the provisions of the OBCA. Unless all of the conditions are satisfied or waived, the Amalgamation will not proceed. The following significant conditions, in addition to other conditions, are contained in the Definitive Agreement:

- (a) the Delisting shall be approved by the requisite majority of the Shareholders, all in accordance with the applicable provisions of the Exchange;
- (b) the Amalgamation shall be approved by (i) the sole shareholder of Subco by way of written resolution executed by such sole shareholder; and (ii) the requisite majority of the Shareholders, all in accordance with the applicable provisions of the Exchange, if required, and the OBCA;
- (c) the Amalgamation shall be approved by Avalon Shareholders holding in the aggregate, at least 66 2/3% of the voting rights attaching to all issued and outstanding Avalon Shares at the Avalon Meeting all in accordance with the applicable provisions of the OBCA;
- (d) there shall not be in force any order or decree restraining or enjoining the consummation of the transactions contemplated by the Definitive Agreement, including, without limitation, the Amalgamation;
- (e) all necessary regulatory approvals to effect the transactions contemplated by the Definitive Agreement shall have been obtained, and the approval of the Exchange for, among other things, the listing thereon of Anconia Post-Consolidation Shares to be issued and reserved for issuance in connection with the Amalgamation;
- (f) all applicable securityholders shall have entered into the requisite escrow agreements required by the Exchange; and
- (g) the Definitive Agreement shall not be terminated as per the termination provision set forth in the Definitive Agreement.

The obligation of Avalon to complete the transactions contemplated by the Definitive Agreement is subject to the fulfillment or waiver of certain conditions, as set forth in the Definitive Agreement, at or before the Effective Date, including, but not limited to:

- (a) each of the Name Change, Consolidation and Election of Directors of the Resulting Issuer shall be approved by the requisite majority approval at the Meeting, and all applicable regulatory approvals shall have been received in

connection therewith, all in accordance with the applicable provisions of the OBCA and the Exchange;

- (b) the Corporation shall have filed articles of amendment to give effect to the Consolidation;
- (c) each of the acts of the Corporation and Subco to be performed on or before the Effective Date pursuant to the terms of the Definitive Agreement shall have been duly performed by them and there shall have been no Anconia Material Adverse Effect from and after the date of the Definitive Agreement to the Effective Date;
- (d) Avalon shall have received a certificate from a senior officer of each of the Corporation and Subco confirming that certain conditions precedents set forth in the Definitive Agreement have been satisfied;
- (e) the representations, warranties, covenants and agreements of the Corporation set forth in the Definitive Agreement shall be true and correct in all material respects as of the date of the Definitive Agreement and Avalon shall have received a certificate from a senior officer of the Corporation and Subco confirming that the representations, warranties, covenants and agreements of each of the Corporation and Subco set forth in the Definitive Agreement shall be true and correct as of the Effective Date as if made by the Corporation immediately preceding the Amalgamation on the Effective Date;
- (f) each of the officers and directors of the Corporation shall have each delivered irrevocable resignations to the Corporation effective upon the completion of the Amalgamation; and
- (g) the Anconia Board and Subco shall have adopted all necessary resolutions to permit the consummation of the Amalgamation, Consolidation, Name Change, and all related matters contemplated in connection therewith as set forth in the Disclosure Document.

The obligation of the Corporation and Subco to complete the transactions contemplated by the Definitive Agreement is subject to the fulfillment or waiver of certain conditions, as set forth in the Definitive Agreement, at or before the Effective Date, including, but not limited to:

- (a) each of the acts of Avalon to be performed on or before the Effective Date pursuant to the terms of the Definitive Agreement shall have been duly performed by it and there shall have been no Avalon Material Adverse Effect from and after the date of the Definitive Agreement to the Effective Date;
- (b) the Corporation and Subco shall have received a certificate from a senior officer of Avalon confirming that certain conditions precedent set forth in the Definitive Agreement have been satisfied;
- (c) the representations, warranties, covenants and agreements of Avalon set forth in the Definitive Agreement shall be true and correct in all material respects as of the

date of the Definitive Agreement and the Corporation and Subco shall have received a certificate from a senior officer of Avalon confirming that the representations, warranties, covenants and agreements of Avalon set forth in the Definitive Agreement shall be true and correct as of the Effective Date as if made by Avalon immediately preceding the Amalgamation on the Effective Date;

- (d) the number of Avalon Shares in respect of which Avalon Shareholders have dissented in connection with the resolutions authorizing the Amalgamation shall not exceed 10% of the aggregate number of issued and outstanding Avalon Shares; and
- (e) the board of directors of Avalon shall have adopted all necessary resolutions to permit the consummation of the Amalgamation and all related matters contemplated in connection therewith as set forth in the Disclosure Document.

Non-Solicitation and Termination of the Definitive Agreement

Pursuant to the Definitive Agreement, none of the Parties shall solicit any offers to purchase its shares or assets and none of Anconia, Subco or Avalon will initiate or encourage any discussions or negotiations with any third party with respect to such a transaction or amalgamation, merger, take-over, plan of arrangement or similar transaction during the period commencing on the date hereof and ending on the earlier of, the Effective Date and the termination of the Definitive Agreement. The parties shall immediately cease and cause to be terminated any existing discussions or negotiations with any third party related to any of the foregoing. In the event any of the parties is approached in respect of any such transaction, it shall immediately notify the other.

The Definitive Agreement may be terminated in accordance with the following at any time prior to the Effective Time: (i) by mutual written consent; (ii) at any time after January 31, 2021, by either Anconia or Avalon, if any of the conditions precedent in favour of a party required to be satisfied pursuant to the Definitive Merger Agreement have not been satisfied except where such failure is the result of a breach of this Agreement by such party; (iii) by either party if the other party is in default under any of its material obligations under the Definitive Agreement; (iv) by any party if any permanent order, decree, ruling or other action of a court or other competent authority restraining, enjoining or otherwise preventing the consummation of the Amalgamation shall have become final and non-appealable; (v) by Anconia, if Avalon or the board of directors of Avalon, or any committee thereof, withdraws or modifies in a manner adverse to Anconia, its approval of the Definitive Agreement or its recommendation to vote in favour of the Amalgamation or the Amalgamation is not approved by the Avalon Shareholders; (vi) by Anconia or Avalon if the Amalgamation is not completed by the Outside Date provided that the party then seeking to terminate the Definitive Agreement is not then in default of any of its obligations thereunder; or (vii) Anconia or Avalon if the other party has breached the non-solicitation provisions of the Definitive Agreement in any material manner.

Expenses

The Definitive Agreement provides that whether or not the transactions contemplated hereby are completed, all costs and expenses relating to the transactions contemplated by the Definitive Agreement will be paid by the party incurring same.

Recommendation of the Board of Directors

The Anconia Board has considered the proposed Amalgamation with Avalon on the terms and conditions as provided in the Definitive Agreement and has recommended to the Corporation to execute the Definitive Agreement and has recommended to its Shareholders that they approve the Amalgamation and that the Shareholders vote in favour of the Amalgamation Resolution and in favour of all other actions of the Corporation necessary to complete the Amalgamation. **The Anconia Board has determined that the Amalgamation is in the best interests of the Corporation and is fair to the Shareholders. The Anconia Board recommends that the Shareholders vote IN FAVOUR of the Amalgamation Resolution.**

In arriving at its conclusion, the Anconia Board considered the following, among other matters:

- (a) information with respect to the financial condition, business and operations, on both a historical and prospective basis, of both the Corporation and Avalon, including information in respect of the Corporation and Avalon on a pro forma consolidated basis;
- (b) the terms of the Amalgamation will result in Shareholders continuing to own an interest in all of the assets currently held by the Corporation, as well as the assets of Avalon;
- (c) information provided by Avalon with respect to its mineral properties;
- (d) current industry, economic and market conditions and trends;
- (e) under the terms of the Amalgamation, all Shareholders (other than Dissenting Shareholders, if any) will be treated equally as to participation in the Amalgamation;
- (f) the procedures by which the Amalgamation is to be approved, including the requirement for majority of the minority approval, as applicable, of the Shareholders at the Meeting;
- (g) the availability of rights of dissent to Shareholders with respect to the Amalgamation;
- (h) the management group and technical team of the Resulting Issuer; and
- (i) the benefits of the Amalgamation set forth under “*Benefits of the Amalgamation*” herein.

The Anconia Board also identified and considered disadvantages associated with the Amalgamation, including that the Shareholders after the Amalgamation will be subject to:

- (a) significant dilution of their interest in the Corporation's mineral properties through their diluted percentage holding in the Resulting Issuer following completion of the Amalgamation;
- (b) the risk factors applicable to the Corporation and Avalon; and
- (c) the possibility that there may be adverse tax consequences to certain holders of securities of the Corporation.

In view of the variety of factors considered in connection with its evaluation of the Amalgamation, the Anconia Board did not find it practicable to quantify or otherwise assign relative weights to the specific factors in reaching its determination as to the fairness of the Amalgamation.

Procedures for the Amalgamation to Become Effective

The Amalgamation shall be carried out pursuant to the Barbados Act. Under the Barbados Act, the following procedural steps must be taken in order for the Amalgamation to become effective:

1. the Amalgamation must be approved by the sole shareholder of Subco and seventy five percent (75%) of the Avalon Shareholders at a duly convened meeting;
2. assuming all conditions precedent to the Amalgamation and the requisite shareholder approval, as set forth in the Definitive Agreement, are satisfied or waived by the appropriate party, an amalgamation application must be filed with the Registrar of Corporate Affairs & Intellectual Property, Ground Floor, Baobab Towers, Warrens St Michael, Barbados.

Shareholder Approvals

Pursuant to corporate securities laws, the Amalgamation Resolution approving the Amalgamation and the Definitive Agreement must be passed, with or without variation, by ordinary resolution of votes cast at the Meeting by the Shareholders, present in person or by proxy at the Meeting.

Notwithstanding the foregoing, the Amalgamation Resolution authorizes the Anconia Board, without further notice to or approval of the Shareholders, subject to the terms of the Amalgamation, to amend the Definitive Agreement or to decide not to proceed with the Amalgamation and to revoke the Amalgamation Resolution at any time prior to the Amalgamation becoming effective pursuant to the provisions of the OBCA.

If more than 5% of the Avalon Shares become the subject of dissent rights, the Amalgamation may be terminated by the Corporation and should Shareholders fail to approve the Amalgamation Resolution pursuant to the requirements of the CBCA and the Exchange, the Amalgamation will be terminated.

As sole shareholder of Subco, the Corporation must also approve the Amalgamation.

Approval of the Exchange

The Definitive Agreement provides that receipt of all regulatory approvals, including without limitation, the approval of the Exchange for the listing of the Anconia Post-Consolidation Shares to be issued in exchange for the Avalon Shares (including any Anconia Post-Consolidation Shares to be issued upon the exercise of any Avalon Options or Avalon Warrants), which would result in the Resulting Issuer listing on the Exchange, is a condition precedent to the Amalgamation becoming effective. The Corporation received the Exchange's conditional acceptance for the listing of the Resulting Issuer on the Exchange prior to the date of this Circular. Final acceptance by the Exchange is conditional upon receipt of various documents and information, including evidence of the requisite shareholder approvals, all of which will be filed by the Corporation and Avalon in due course.

Resale of Anconia Securities in Canada

Securityholders, including securityholders residing elsewhere than in Canada, are urged to consult their legal advisors to determine the extent of all applicable resale provisions.

The Anconia Post-Consolidation Shares to be issued pursuant to the Amalgamation will be issued in reliance on exemptions from prospectus requirements of applicable securities laws of the various applicable provinces in Canada and will generally, be "freely tradable" (and not subject to any "restricted period" or "hold period") if the following conditions are met: (i) the trade is not a control distribution (as defined in applicable securities legislation); (ii) no unusual effort is made to prepare the market or to create a demand for the securities that are the subject of the trade; (iii) no extraordinary commission or consideration is paid to a person or company in respect of the trade; and (iv) if the selling securityholder is an Insider or an officer of the Resulting Issuer, the selling securityholder has no reasonable grounds to believe that the Resulting Issuer is in default of securities legislation.

U.S. Securities Law Considerations

THE SECURITIES ISSUABLE IN CONNECTION WITH THE AMALGAMATION HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR SECURITIES REGULATORY AUTHORITIES IN ANY STATE, NOR HAS THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES REGULATORY AUTHORITIES OF ANY STATE PASSED UPON THE FAIRNESS OR MERITS OF THE AMALGAMATION OR UPON THE ADEQUACY OR ACCURACY OF THE INFORMATION CONTAINED IN THIS CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

The following discussion is a general overview of certain U.S. federal and state securities laws matters applicable to the Amalgamation.

The Anconia Post-Consolidation Shares to be issued to holders of Avalon Shares under the Amalgamation (and the Anconia Post-Consolidation Shares to be issued upon the exercise of Avalon Options and Avalon Warrants) have not been and will not be registered under the U.S.

Securities Act or applicable state securities laws and are being issued (i) to shareholders in the United States in reliance on the exemption from registration under the U.S. Securities Act for offers and sales to persons who are “accredited investors,” as such term is defined in Rule 501(a) of Regulation D under the U.S. Securities Act, in compliance with Rule 506(b) of Regulation D under the U.S. Securities Act and Section 4(a)(2) of the U.S. Securities Act and similar exemptions under applicable state securities laws, and (ii) to shareholders outside the United States in reliance on the exclusion from registration under the U.S. Securities Act for “offshore transactions” (as such term is defined in Regulation S) in compliance with Regulation S under the U.S. Securities Act.

The Anconia Post-Consolidation Shares to be issued to holders of Avalon Shares in the United States under the Amalgamation will be “restricted securities,” as such term is defined in Rule 144 under the U.S. Securities Act, under applicable United States federal and state securities laws and will be subject to restrictions on resale under such laws. Such Anconia Post-Consolidation Shares may not be offered, sold, pledged or otherwise transferred, directly or indirectly, unless such transfer is (i) to the Corporation, (ii) made outside the United States in accordance with Rule 903 or Rule 904 of Regulation S and in compliance with applicable local laws and regulations, (iii) made in compliance with the exemption from registration under the U.S. Securities Act provided by (A) Rule 144 thereunder, if available, or (B) Rule 144A thereunder, if available, and, in both cases, in accordance with applicable state securities laws, or (iv) in another transaction that does not require registration under the U.S. Securities Act or any applicable state securities laws, and, in the case of (iii)(A) and (iv) above, after the holder has furnished to the Corporation and its transfer agent an opinion of counsel of recognized standing in form and substance reasonably satisfactory to the Corporation to such effect. Certificates representing the Anconia Post-Consolidation Shares to be issued to holders of Avalon Shares in the United States will bear a U.S. legend to the foregoing effect.

In general, pursuant to Regulation S under the U.S. Securities Act, at any time that the Corporation is a “foreign private issuer” (as defined in Rule 3b-4 under the U.S. Exchange Act), a holder of Avalon Shares in the United States that is not an affiliate of the Corporation may resell its Anconia Post-Consolidation Shares outside the United States in an “offshore transaction” if none of the seller, an affiliate or any person acting on any of their behalf engages in “directed selling efforts” in the United States. For purposes of Regulation S under the U.S. Securities Act, “directed selling efforts” means “any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for any of the securities being offered”. Also, for purposes of Regulation S under the U.S. Securities Act, an “offshore transaction” includes an offer that is not made to a person in the United States where either (a) at the time the buy order is originated, the buyer is outside the United States or the seller reasonably believes that the buyer is outside of the United States; or (b) the transaction is executed in, on or through the facilities of a “designated offshore securities market” (which would include a sale through the Exchange). Unless the Corporation or its transfer agent requires a legal opinion in form and substance reasonably satisfactory to the Corporation, the U.S. legend on the Anconia Post-Consolidation Shares to be issued to holders of Avalon Shares in the United States may be removed by providing a declaration to the Corporation and its transfer agent in the form prescribed by the Corporation from time to time. Certain additional restrictions and requirements apply for resales of Anconia Post-Consolidation Shares issued to holders of Avalon Shares in the United States when such holders are affiliates of

the Corporation. Persons who may be deemed to be “affiliates” of an issuer include individuals or entities that control, are controlled by, or are under common control with, the issuer, whether through the ownership of voting securities, by contract, or otherwise, and generally include executive officers and directors of the issuer as well as principal shareholders of the issuer.

Unless certain conditions are satisfied, Rule 144 under the U.S. Securities Act is not available for resales of securities of issuers that have ever had (i) no or nominal operations and (ii) no or nominal assets other than cash and cash equivalents (a “**Shell Company**”). Because the Corporation was formerly a “capital pool company”, the Corporation would be considered to have been a Shell Company, and consequently, Rule 144 under the U.S. Securities Act is not available for resales of the Anconia Post-Consolidation Shares issued to holders of Avalon Shares in the United States unless and until the Corporation has satisfied the applicable conditions set forth in (i) Rule 144 under the U.S. Securities Act or (ii) no-action letter guidance issued by the SEC. In general terms, the satisfaction of the conditions set forth in Rule 144 would require the Corporation to have been a registrant under the U.S. Exchange Act for at least 12 months, to be in compliance with its reporting obligations thereunder, and to have filed certain information with the SEC at least 12 months prior to the intended resale. In general terms, the satisfaction of the no-action letter guidance issued by the SEC would require the Corporation to be a reporting issuer in Canada, to have filed all required documents with the securities commissions in Canada on SEDAR for the 12 months preceding the resale, to have filed an Annual Information Form, prepared in accordance with Canadian securities laws, on SEDAR during the preceding 16 months, and to have filed certain disclosure documents, including an Annual Information Form, at least 12 months before the date of resale. As a result, Rule 144 under the U.S. Securities Act may never be available for resales of the Anconia Post-Consolidation Shares issued to holders of Avalon Shares in the United States.

The financial statements included in this Circular have been prepared in accordance with International Financial Reporting Standards and are subject to Canadian auditing and auditor independence standards, and thus are not comparable in all respects to financial statements of United States companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States and are subject to United States auditing and auditor independence standards.

The enforcement by shareholders of civil liabilities under United States federal securities laws may be affected adversely by the fact that the Corporation and Avalon are incorporated, and Amalco will be amalgamated, under the laws of a jurisdiction other than the United States, that some or all of their respective officers and directors and the experts named herein may be residents of a country other than the United States, and that all or a substantial portion of the assets of the Corporation, Avalon and Amalco and those persons may be located outside the United States. You may not be able to sue such persons or their respective officers or directors in a non-U.S. court for violations of U.S. securities laws. It may be difficult or impossible for shareholders in the United States to effect service of process within the United States upon the parties to the Amalgamation, their respective officers and directors or the experts named herein, or to realize, against them, upon judgments of courts of the United States predicated upon civil liabilities under the securities laws of the United States. In addition, shareholders in the United States should not assume that the courts of Canada: (a) would enforce judgments of United States courts obtained in actions against such persons predicated upon civil liabilities under the

securities laws of the United States; or (b) would enforce, in original actions, liabilities against such persons predicated upon civil liabilities under the securities laws of the United States.

The solicitation of proxies is not subject to the requirements of Section 14(a) of the U.S. Exchange Act. The Anconia Post-Consolidation Shares will not be listed for trading on any United States stock exchange. The solicitation of proxies and transactions contemplated herein are being made by a Canadian issuer in accordance with Canadian corporate and securities laws, and this Circular has been prepared in accordance with disclosure requirements applicable in Canada. Shareholders in the United States should be aware that such requirements are different from those of the United States applicable to registration statements under the U.S. Securities Act and proxy statements under the U.S. Exchange Act.

Exchange of Securities

Letter of Transmittal

The Letter of Transmittal is enclosed with this Circular for use by the Shareholders for the purpose of the surrender of share certificates following approval of the Amalgamation. The details for the surrender of share certificates to the Depositary and the address of the Depositary are set out in the Letter of Transmittal. Provided that a registered Shareholder has delivered and surrendered to the Depositary all share certificates, together with the Letter of Transmittal properly completed and executed in accordance with the instructions of such Letter of Transmittal, and any additional documents as the Depositary may reasonably require, the Shareholder will be entitled to receive, and the Corporation will cause the Depositary to deliver certificates representing the number of Anconia Post-Consolidation Shares issuable or deliverable pursuant to the Amalgamation in respect of the Consolidation.

Lost Certificates

A Shareholder who has lost or misplaced its share certificates should complete the Letter of Transmittal as fully as possible and forward it, together with a letter explaining the loss or misplacement to the Depositary. The Depositary will assist in making arrangements for the necessary affidavit (which may include a bonding requirement) for payment of the consideration in accordance with the Amalgamation and Consolidation.

Delivery Requirements

The method of delivery of share certificates, the Letter of Transmittal and all other required documents is at the option and risk of the Shareholder surrendering them. The Corporation recommends that such documents be delivered by hand to the Depositary, at the office noted in the Letter of Transmittal, and a receipt obtained therefor or, if mailed, that registered mail, with return receipt requested, be used and that proper insurance be obtained. **Shareholders holding Anconia Shares which are registered in the name of an Intermediary must contact that intermediary to arrange for the surrender of their share certificates.**

Fractional Shares

No fractional Anconia Post-Consolidation Shares will be issued pursuant to the Amalgamation. No cash will be paid in lieu of fractional shares. Any fractions resulting will be rounded down to the nearest whole number.

DISSENT RIGHTS

As indicated in the Notice of Meeting for the Corporation accompanying this Circular, and as provided in OBCA, any holder of Anconia Shares is entitled to be paid the fair value of such shares by the Corporation, as applicable, in accordance with the Dissent Rights if the Shareholder duly dissents to the Amalgamation Resolution and the Amalgamation becomes effective. A holder of Anconia Shares who dissents to the Amalgamation Resolution and is paid the fair value of such shares will not be entitled to receive any post-Amalgamation securities. The fair value of such holder's Anconia Shares will be determined as of the close of business on the Business Day prior to the adoption of the Amalgamation Resolution. The payment for such fair value of the Anconia Shares shall be made by Anconia.

The statutory provisions dealing with the right of dissent are technical and complex. Any shareholders who wish to exercise their Dissent Rights should seek independent legal advice, as failure to comply strictly with the provisions of Section 185 of the OBCA and the Definitive Agreement may result in the loss of Dissent Rights. The following is a summary only and is qualified in its entirety by reference to the full text of the Dissent Rights attached hereto as Schedule "C".

Shareholders registered as such on the Record Date of the Meeting may exercise Dissent Rights pursuant to and in the manner set forth in Section 185 of the OBCA and the Definitive Agreement. Dissenting Shareholders are ultimately entitled to be paid fair value for their Dissenting Shares and shall be deemed to have transferred their Dissenting Shares to the Corporation for cancellation immediately at the Effective Date and in no case shall the Corporation or Avalon, as the case may be, be required to recognize such Persons as holding Anconia Shares after the Effective Date.

A vote against the Amalgamation Resolution, an abstention from voting in respect of the Amalgamation Resolution, or the execution or exercise of a proxy to vote against the Amalgamation Resolution does not constitute a Dissent Notice, but a Shareholder need not vote against the Amalgamation Resolution in order to dissent. However, a Shareholder who consents to or votes in favour of the Amalgamation Resolution, other than as a proxy for a different Shareholder whose proxy required an affirmative vote, or otherwise acts inconsistently with the dissent, will cease to be entitled to exercise any Dissent Rights.

Shareholders who do not duly exercise their Dissent Rights are not entitled to be paid fair value for their Dissenting Shares, shall be deemed to have participated in the Amalgamation on the same basis as a Shareholder who is not a Dissenting Shareholder and shall be treated on the same basis as every other Shareholder.

Pursuant to the terms of the Definitive Agreement, the obligation of the Corporation to complete the Amalgamation is subject to Avalon not having received dissent notices in respect of more

than 5% of the number of Avalon Shares issued and outstanding as at the Effective Date which requirement may be waived by the Corporation. Should the Corporation not complete the Amalgamation, whether as a result of the failure of the Shareholders to approve the Amalgamation Resolution or Avalon receiving dissent notices in excess of 5% of the number of Avalon Shares which are issued as at the Effective Date or for any other reason, Dissenting Shareholders will not be entitled to receive fair value for their Anconia Shares.

Prior to the Amalgamation becoming effective, the Corporation will send a notice of intention to act to each Dissenting Shareholder stating that the Amalgamation Resolution has been passed and informing the Dissenting Shareholder of its intention to act on such Amalgamation Resolution. A notice of intention need not be sent to any Shareholder who voted in favour of the Amalgamation Resolution or who has withdrawn his Dissent Notice. Within one month of the date of the notice given by the Corporation of its intention to act, the Dissenting Shareholder is required to send written notice to the Corporation that he requires the Corporation to purchase all of his Anconia Shares and at the same time to deliver certificates representing those Anconia Shares to the Corporation. Upon such delivery, a Dissenting Shareholder will be bound to sell and the Corporation will be bound to purchase the Anconia Shares subject to the demand for a payment equal to their fair value as of the day before the day on which the Amalgamation Resolution was passed by the Shareholders, excluding any appreciation or depreciation in anticipation of the vote (unless such exclusion would be inequitable). Every Dissenting Shareholder who has delivered a demand for payment must be paid the same price as the other Dissenting Shareholders. Payment to a Dissenting Shareholder will be made by the Corporation.

A Dissenting Shareholder who has sent a demand for payment, or the Corporation or Avalon, may apply to the court which may: (a) require the Dissenting Shareholder to sell and the Corporation or Avalon, to purchase the shares in respect of which a Dissent Notice has been validly given; (b) set the price and terms of the purchase and sale, or order that the price and terms be established by arbitration, in either case having due regard for the rights of creditors; (c) join in the application of any other Dissenting Shareholder who has delivered a demand for payment; and (d) make consequential orders and give such directions as it considers appropriate. No Dissenting Shareholder who has delivered a demand for payment may vote or exercise or assert any rights of a shareholder in respect of the shares for which a demand for payment has been given, other than the rights to receive payment for those shares. Until a Dissenting Shareholder who has delivered a demand for payment is paid in full, that Dissenting Shareholder may exercise and assert all the rights of a creditor of the Corporation. No Dissenting Shareholder may withdraw his demand for payment unless the Corporation or Avalon consents.

Once the Amalgamation becomes effective, none of the resulting changes to the Corporation or Avalon will affect the rights of the Dissenting Shareholders or the Corporation or Avalon or the price to be paid for the Dissenting Shareholder's shares. If the court determines that a person is not a Dissenting Shareholder or is not otherwise entitled to dissent, the court, without prejudice to any acts or proceedings that the Corporation or Avalon or the shareholders may have taken during the intervening period, may make the order it considers appropriate to remove the restrictions on the Dissenting Shareholder from dealing with their shares.

Section 185 of the OBCA

The text of Section 185 of the OBCA is set out in Schedule “C” to this Circular.

Address for Dissent Notices

All Dissent Notices of a Shareholder, in accordance with the provisions of the Amalgamation, should be addressed to the Corporation at its head office, 82 Richmond Street East, Toronto, Ontario

Strict Compliance with Dissent Provisions Required

The foregoing summary does not purport to be a comprehensive statement of the procedures to be followed by a Dissenting Shareholder who seeks payment of the fair value of such holders Dissenting Shares, and is qualified in its entirety by reference to Sections 185 of the OBCA, the full text of which is attached to this Circular as Schedule “C”. The Dissent Rights in the provisions of sections 185 of the OBCA require strict adherence to the procedures established therein and failure to do so may result in the loss of Dissent Rights. Accordingly, each Shareholder who might desire to exercise Dissent Rights should carefully consider and comply with the provisions of those sections and should consult a legal advisor.

PART II - RISK FACTORS

An investment in Anconia Shares or Avalon Shares should be considered highly speculative, not only due to the nature of the Corporation's and Avalon's existing business and operations, but also because of the uncertainty related to completion of the Amalgamation and the business of Avalon upon completion of the Amalgamation. In addition to the other information in this Circular, an investor should carefully consider each of, and the cumulative effect of the following factors, which assume the completion of the Amalgamation.

Completion of the Amalgamation

There are risks associated with the Amalgamation including (i) market reaction to the Amalgamation and the future trading prices of the Anconia Shares cannot be predicted; (ii) the Amalgamation may give rise to significant adverse tax consequences to non-Canadian Securityholders and each such Securityholder is urged to consult his own tax advisor; (iii) uncertainty as to whether the Amalgamation will have a positive impact on the Corporation; and (iv) there is no assurance that required approvals will be received.

In addition, pursuant to the provisions of the Amalgamation, the exchange ratio of Anconia Post-Consolidation Shares to Avalon Shares is fixed and will not increase or decrease due to fluctuations in the market price of the Anconia Shares or the Avalon Shares. The market value of the consideration that Shareholders will receive in the Amalgamation will depend on the market price of the Anconia Shares and Avalon Shares on the Effective Date. The number of Anconia Shares being issued in connection with the Amalgamation will not change despite decreases or increases in the market price of Anconia Shares or the Avalon Shares. Many of the factors that affect the market price of the Anconia Shares and the Avalon Shares are beyond the control of the Corporation and Avalon, respectively. These factors include fluctuations in the price of gold and other materials, changes in the regulatory environment, adverse political developments, prevailing conditions in the capital markets and interest rate fluctuations.

Each of the Corporation and Avalon has the right to terminate the Definitive Agreement in certain circumstances. Accordingly, there is no certainty, nor can the Parties provide any assurances that the Definitive Agreement will not be terminated by either of the parties before the completion of the Amalgamation. Additionally, the completion of the Amalgamation is subject to several conditions under the Definitive Agreement. See "*Amalgamation – The Definitive Agreement*" and "*The Amalgamation*". If any of those conditions are not satisfied or waived, the Amalgamation may not be completed. There is no certainty, nor can the Parties provide any assurances that the conditions in the Definitive Agreement will be satisfied.

The Corporation may not realize the anticipated benefits of the Amalgamation. Achieving the benefits of the Amalgamation will depend in part on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as the Corporation's ability to realize the anticipated growth opportunities and synergies from combining the businesses of the Corporation and Avalon. The required efforts could divert

management's focus and resources from other strategic opportunities and from operation matters during the integration process.

Anconia will incur costs

Certain costs related to the Amalgamation, such as legal, accounting and certain financial advisor fees, must be paid by Anconia even if the Amalgamation is not completed. Anconia and Avalon are each liable for their own costs incurred in connection with the Amalgamation.

Risks Associated with the Consolidation

There can be no assurance that the market price of the Anconia Post-Consolidation Shares will increase as a result of the Consolidation. The marketability and trading liquidity of the Anconia Post-Consolidation Shares may not improve. The Consolidation may result in some Shareholders owning "odd lots" of less than 100 Anconia Post-Consolidation Shares which may be more difficult for such Shareholders to sell or which may require greater transaction costs per share to sell. The Consolidation must be approved by not less than two-thirds of the votes cast by Shareholders present in person or represented by proxy at the Meeting to be effective. There can be no certainty, nor can Anconia provide any assurance, that the requisite Shareholder approval of the Consolidation Resolution will be obtained. If such approval is not obtained and the Consolidation is not completed, the market price of the Anconia Shares may decline. Completion of the Consolidation may be subject to the acceptance of the Exchange and there is no guarantee that the Exchange will approve the Consolidation.

Exploration, Development and Production Risks

The exploration for and development of minerals involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. Few properties which are explored are ultimately developed into producing mines. There can be no guarantee that the estimates of quantities and qualities of minerals disclosed will be economically recoverable. With all mining operations, there is uncertainty and, therefore, risk associated with operating parameters and costs resulting from the scaling up of extraction methods tested in pilot conditions. Mineral exploration is speculative in nature and there can be no assurance that any minerals discovered will result in any establishment or increase in the Corporation's or Avalon's resource base.

The Corporation's and Avalon's operations are subject to all of the hazards and risks normally encountered in the exploration, development and production of minerals. These include unusual and unexpected geological formations, rock falls, seismic activities, flooding and other conditions involved in the extraction of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although precautions to minimize risk will be taken, operations are subject to hazards that may result in environmental pollution, and consequent liability that could have a material adverse impact on the business, operations and financial performance of the Corporation and Avalon.

Substantial expenditures are required to establish reserves through drilling, to develop metallurgical processes to extract the metal from the ore and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis. The economics of developing mineral properties is affected by many factors including the cost of operations, variations in the grade of ore mined, fluctuations in metal markets, costs of processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. The remoteness and restrictions on access of properties in which the Corporation and Avalon will have or has an interest will have an adverse effect on profitability as a result of higher infrastructure costs. There are also physical risks to the exploration personnel working in the terrain in which the Corporation's or Avalon's properties are located, often in poor climate conditions.

The long-term commercial success of the Corporation and Avalon depends on their ability to find, acquire, develop and commercially produce gold and other precious metals. No assurance can be given that the Corporation and Avalon will be able to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, the Corporation or Avalon may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic.

No History of Mineral Production

The Corporation and Avalon have no history of commercially producing metals from their mineral exploration properties and there can be no assurance that it will successfully establish mining operations or profitably produce gold or other precious metals. None of the Corporation's or Avalon's properties are currently under development or production. The future development of any properties found to be economically feasible will require the construction and operation of mines, processing plants and related infrastructure.

Title Risks

The acquisition of title to mineral properties is a very detailed and time-consuming process. Title to mineral properties, as well as the location of boundaries on the grounds may be disputed. Moreover, additional amounts may be required to be paid to surface right owners in connection with any mining development. At all of such properties where there are current or planned exploration activities, the Corporation and Avalon believe that they have either contractual, statutory, or common law rights to make such use of the surface as is reasonably necessary in connection with those activities.

Title insurance generally is not available for mining claims in Guyana, and the Corporation's and Avalon's ability to ensure that they have obtained secure claim to individual mineral properties or mining concessions may be severely constrained. Neither the Corporation nor Avalon have conducted surveys of all the claims in which it holds direct or indirect interests; therefore, the precise area and location of such claims may be in doubt. Accordingly, the properties may be

subject to prior unregistered liens, agreements, transfers or claims, including native land claims, and title may be affected by, among other things, undetected defects. In addition, the Corporation or Avalon may be unable to operate the properties as permitted or to enforce its rights with respect to its properties.

Under the laws of the jurisdictions where Avalon's operations and projects are located, mineral resources belong to the state and governmental concessions are required to explore for, and exploit, mineral reserves. Avalon holds exploration concessions in each of the jurisdictions where it is operating with respect to its projects and prospects. While Avalon has not been advised of any proposed termination of any of its concession, the concessions held by Avalon in respect of its operations and projects may be terminated under certain circumstances, including if certain fees are not paid, certain terms of the concessions or mining legislation governing such concessions are not complied with, or if environmental requirements are not met. Termination of any one or more of Avalon's exploration concessions could have a material adverse effect on the Avalon's financial condition or results of operations.

Substantial Capital Requirements

The management of the Corporation and Avalon anticipate that they may make substantial capital expenditures for the acquisition, exploration, development and production of its properties in the future. As the Corporation and Avalon will be in the exploration stage with no revenue being generated from the exploration activities on its mineral properties, they may have limited ability to raise the capital necessary to undertake or complete future exploration work, including drilling programs. There can be no assurance that debt or equity financing will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Corporation or Avalon. Moreover, future activities may require the Corporation to alter its capitalization significantly. The inability of the Corporation and Avalon to access sufficient capital for its operations could have a material adverse effect on its financial condition, results of operations or prospects. In particular, failure to obtain such financing on a timely basis could cause the Corporation and Avalon to forfeit their interest in certain properties, miss certain acquisition opportunities and reduce or terminate operations.

Competition

The mining industry is highly competitive. Many of the Corporation's and Avalon's competitors for the acquisition, exploration, production and development of coal, nickel, copper, gold and other precious and base metals, and for capital to finance such activities, will include companies that have greater financial and personnel resources available to them.

Volatility of Mineral Prices

Metal prices fluctuate considerably and are affected by numerous factors beyond the Corporation's and Avalon's control, such as industrial demand, inflation and expectations with respect to the rate of inflation, the strength of the U.S. dollar and of other currencies, interest rates, forward sales by producers, production and cost levels and changes in investment trends. Gold prices are sometimes subject to rapid short-term changes because of speculative activities.

If these prices were to decline significantly or for an extended period of time, the Corporation or Avalon might be unable to continue its operations, develop its properties or fulfill its obligations under its agreements with its partners or under its permits and licenses. As a result, the Corporation or Avalon might lose its interest in, or be forced to sell, some of its properties. In the event of a sustained, significant drop in gold prices, the Corporation or Avalon may be required to re-evaluate its assets, resulting in reduced estimates of reserves and resources and in material write-downs of the Corporation's or Avalon's investment in mining properties and increased amortization, reclamation and closure charges. Furthermore, since gold prices are established in US dollars, a significant increase in the value of the Canadian dollar relative to the US dollar coupled with stable or declining gold prices could adversely affect the Corporation's or Avalon's results with respect to development of and eventual sale of these metals.

Mineral Reserves / Mineral Resources

All of the properties in which the Corporation and Avalon hold an interest are considered to be in the early exploration stage only and do not contain a known body of commercial minerals. No mineral resources have been established at either Avalon's or the Corporation's properties and there is no assurance any such resources will be established in the future. Mineral reserves are, in the large part, estimates and no assurance can be given that any future anticipated tonnages and grades, if any, will be achieved or that any indicated level of recovery will be realized.

Any future figures will be determined based upon assumed metal prices and operating costs. Future production could differ dramatically from reserve estimates for, among other reasons:

- mineralization or formations could be different from those predicted by drilling, sampling and similar examinations;
- increases in operating mining costs and processing costs could adversely affect resources and reserves;
- the grade of the resources and reserves may vary significantly from time to time and there is no assurance that any particular level of metals may be recovered from the ore; and
- declines in the market price of the metals may render the mining of some or all of the reserves uneconomic.

Estimated mineral resources and reserves may require downward revisions based on changes in metal prices, further exploration or development activity, increased production costs or actual production experience. This could materially and adversely affect any future estimates of the tonnage or grade of mineralization, estimated recovery rates or other important factors that influence mineral resource and reserve of estimates.

Any reduction in estimated mineral reserves or estimated resources, if any, as a result could require material write downs in investment in the affected mining property and increased amortization, reclamation and closure charges, which could have a material and adverse effect on the Corporation's and Avalon's future cash flows, earnings, results of operations and financial condition.

Because the Corporation and Avalon have not commenced production at any of their properties, and have not defined or delineated any mineral resources or proven or probable reserves on any

of its properties, any future mineralization estimates for the Corporation's and Avalon's properties may require adjustments or downward revisions based upon further exploration or development work or actual production experience. In addition, the grade of ore ultimately mined, if any, may differ from that indicated by drilling results. There can be no assurance that minerals recovered in small-scale tests will be duplicated in large-scale tests under on-site conditions or in production scale.

Extended declines in market prices for gold or other metals may render portions of the Corporation's or Avalon's mineralization uneconomic and result in reduced reported mineralization. Any material reductions in estimates of mineralization, or of the Corporation's or Avalon's ability to extract this mineralization, could have a material adverse effect on the Corporation's or Avalon's results of operations or financial condition, as well as the market price of their respective securities.

Global Financial Conditions

Current global financial conditions have been subject to increased volatility and access to financial markets has been severely restricted. These factors may impact the ability of the Corporation and Avalon to obtain equity or debt financing in the future and, if obtained, on terms favourable to the Corporation or Avalon. If these increased levels of volatility and market turmoil continue, the Corporation's or Avalon's operations could be adversely impacted and the value and the price of the Anconia Shares and Avalon Shares could continue to be adversely affected. A weak or declining economy could strain our suppliers, possibly resulting in supply disruption, or cause delays in payments for our services by third-party payors. Any of the foregoing could harm our business and we cannot anticipate all of the ways in which the current our future economic climate and financial market conditions could adversely impact our business. For example, in December 2019, a novel strain of coronavirus named COVID-19 has been reported in many countries around the globe. The extent to which COVID-19 impacts our results will depend on future developments that are highly uncertain and cannot be accurately predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain COVID-19 or remedy its impact, among others.

Environmental Risks

All phases of the mining business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and state and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with mining operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Corporation or Avalon and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in the development of new mining properties.

Property Interests

The agreements pursuant to which the Corporation or Avalon hold its rights to certain of its properties, provide that the Corporation and Avalon must make certain cash payments and/or incur certain exploration expenditures over certain time periods. If the Corporation or Avalon fails to make such payments in a timely manner, the Corporation or Avalon may lose all or a portion of their respective interests in those projects.

Permits and Licenses

The activities of the Corporation and Avalon are subject to government approvals, various laws governing prospecting, development, land resumptions, production taxes, labour standards and occupational health, mine safety, toxic substances and other matters, including issues affecting local native populations. Although the Corporation and Avalon believe that their activities are currently, and the Corporation's and Avalon's will be, carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Amendments to current laws and regulations governing operations and activities of exploration and mining, or more stringent implementation thereof, could have a material adverse impact on the business, operations and financial performance of the Corporation and Avalon. Further, the mining licenses and permits issued in respect of their respective projects may be subject to conditions which, if not satisfied, may lead to the revocation of such licenses. In the event of revocation, the value of the Corporation's and Avalon's investments in such projects may decline.

Reliance on Key Employees

The success of the Corporation and Avalon will be largely dependent upon the performance of its management and key employees. In assessing the risk of an investment in Avalon, potential investors should realize that they are relying on the experience, judgment, discretion, integrity and good faith of the proposed management of the Resulting Issuer following the Amalgamation. The Corporation does not, nor does it foresee that it will, maintain life insurance policies in

respect of its key personnel. The Resulting Issuer could be adversely affected if such individuals do not remain with the Resulting Issuer.

Conflicts of Interest

Certain of the directors and officers of the Resulting Issuer will be engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies (including mineral resource companies) and, as a result of these and other activities, such directors and officers of the Resulting Issuer may become subject to conflicts of interest. The OBCA provides that if a director has a material interest in a contract or proposed contract or agreement that is material to the issuer, the director must disclose his interest in such contract or agreement and must refrain from voting on any matter in respect of such contract or agreement, subject to and in accordance with the OBCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the OBCA. To the knowledge of proposed management of the Resulting Issuer, as at the date hereof there are no existing or potential material conflicts of interest between the Resulting Issuer and a proposed director or officer of the Resulting Issuer except as otherwise disclosed herein. Please see *“Information Concerning the Resulting Issuer – Conflicts of Interest”* for more information.

Dividends

To date, neither the Corporation nor Avalon has paid any dividends on its outstanding shares. Any decision to pay dividends on the shares of the Corporation or Avalon will be made by its board of directors on the basis of its earnings, financial requirements and other conditions.

Market for Securities

There can be no assurance that an active trading market in the Corporation’s securities will be sustained. The market price for the Corporation’s securities could be subject to wide fluctuations. Factors such as precious metal commodity prices, government regulation, interest rates, share price movements of the Corporation’s peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of the securities of the Corporation. The stock market has from time to time experienced extreme price and volume fluctuations, particularly in the mining sector, which have often been unrelated to the operating performance of particular companies.

History of Losses

Neither the Corporation nor Avalon has received any revenue to date from the exploration activities on its properties. Each of the Corporation and Avalon incurred losses during their most recently completed financial year. Neither the Corporation nor Avalon has found that commercial mining activity is warranted on any of their properties. Even if the Corporation does undertake development activity on any of the Corporation’s or Avalon’s properties, there is no certainty that the Corporation or Avalon will produce revenue, operate profitably or provide a return on investment in the future.

The exploration of the Corporation’s properties depends on its ability to obtain additional required financing. There is no assurance that the Corporation will be successful in obtaining the

required financing, which could cause it to postpone its exploration plans or result in the loss or substantial dilution of its interest in its properties as disclosed in this Circular.

Uninsured Risks

The Corporation, as a participant in mining and exploration activities, may become subject to liability for hazards that cannot be insured against or against which it may elect not to be so insured because of high premium costs. Furthermore, the Corporation may incur a liability to third parties (in excess of any insurance coverage) arising from negative environmental impacts or any other damage or injury.

PART III – INFORMATION CONCERNING ANCONIA

The following information is presented prior to giving effect to the Transactions as at the date hereof or as otherwise specified herein. See “*Part V - Information Concerning the Resulting Issuer*” for pro forma business, financial and share capital information relating to the Resulting Issuer.

Corporate Structure

Name and Incorporation

The Corporation was incorporated on March 22, 1962 under the laws of the Province of Ontario under the name Citadel Gold Mines Inc. On June 13, 2011 the Corporation changed its name to Anconia Resources Corp. On June 15, 2011 the Corporation became a reporting issuer in the Provinces of British Columbia, Alberta, Ontario and Quebec and its common shares began trading on the TSX Venture Exchange under the symbol “ARA”.

The head office of the Corporation and its principal place of business is located at 82 Richmond Street West, Toronto, Ontario M5C 1P1.

General Development of the Business

History

Anconia Resources Corp. (formerly Citadel Gold Mines Inc.) was incorporated under the *Business Corporation Act* (Ontario) on March 22, 1962. The fiscal year end of the Corporation is September 30.

On June 15, 2011 the Corporation completed a reverse takeover transaction pursuant to which the Corporation (then Citadel) acquired all of the issued and outstanding common shares in the capital of 2215107 Ontario Inc. (“221”), a private Ontario company with an interest in a mineral property in Nunavut, from the shareholders of 2215107 Ontario Inc. and completed a private placement financing for gross proceeds of approximately \$3,510,100.

2215107 Ontario Inc. was incorporated under the *Business Corporation Act* (Ontario) on August 18, 2009 for the purpose of acquiring the aforementioned mineral property in Nunavut. The mineral property was 2215107 Ontario Inc.'s sole material asset.

Concurrently with the closing of the reverse takeover of 2215107 Ontario Inc., the Corporation: changed its name from Citadel Gold Mines Inc. to Anconia Resources Corp.; consolidated its common shares on the basis of one (1) post-consolidation common share for every five (5) pre-consolidation common shares; and completed a private placement of units and flow-through units for gross proceeds of approximately \$3,510,100.

On closing of the reverse takeover transaction: the shareholders of 2215107 Ontario Inc. were issued 12,276,000 Anconia Shares (on a post consolidation basis); MO-KAR Holdings Inc. received 613,800 Anconia shares (on a post-consolidation basis) as a finder's fee in connection with the acquisition of the property, and 1,650,000 Anconia shares (on a post-consolidation basis) were issued to Dr. Bernard Sherman and to a company controlled by Dr. Sherman pursuant to the conversion of \$625,000 aggregate principal amount of convertible debentures previously issued to them.

The Corporation is an exploration and development focused company. The Corporation previously had four exploration projects all of which are in Canada. Two of the projects were in Nunavut and are known as the Atlas project (which is the consolidation of two contiguous projects: The Marce and Zac property) and the RB project. In June 2019, Management and the Board of Anconia determined that these two projects were no longer viable and has written them off in June 2019. The third project is a recent acquisition known as the Grenfell property which is located in the Kirkland Lake area. The fourth project is the Sault Ste. Marie SSM 2016 property located in the Sault Ste Marie area which Anconia acquired during fiscal 2016, and in June 2019 this property was written off.

Exploration and Evaluation Assets

The Corporation completed a reverse takeover transaction to which Anconia acquired 2215107 Ontario Inc., a private Ontario company holding an option to acquire a 100% interest in certain mining claims – the Atlas properties (formerly known as the “ZAC property” and the “Marce property”) – located in the Territory of Nunavut. The Atlas properties are located approximately 170 kilometres south of Baker Lake.

During the last 30 months no work of a significant nature was carried out on the Marce and Zac properties.

In June 2019 the Management and Board of the Corporation determined that because of the Corporation's inability to raise sufficient funds this project was deemed to be not feasible and has been written off.

Grenfell Property

On September 2, 2014, the Corporation entered into an option agreement (the “Grenfell Agreement”) with Cadillac Ventures Inc. (“Cadillac”) whereby the Corporation will have the option to acquire up to 100% interest in Cadillac's Grenfell Property (in this section, the "Property") in the Kirkland Lake area.

Under the terms of the agreement, the Corporation can acquire a 60% interest (the "**Option**") upon: (i) incurring expenditures on the Property of at least \$275,000 by September 1, 2016, and (ii) issuing 2,000,000 common shares of the Corporation to Cadillac. As of September 30, 2015, the Corporation has completed these conditions and now has a 60% interest in the Grenfell property.

Upon acquisition of the 60% interest, the Corporation will have the option to acquire the remaining 40% interest in the Property for \$300,000 (\$200,000 of which shall be paid in cash and \$100,000 of which shall be paid by the issuance of common shares of the Corporation at a deemed price of the average of the 20 days closing price prior to the day upon which Cadillac is notified the interest is to be earned), in fiscal 2017 the Corporation renegotiated this part of the original agreement and acquired the additional 40% for the issuance of 5,000,000 common shares of the Corporation to Cadillac. This has been recorded in the books of the Corporation as at September 30, 2017.

Cadillac retains a 2% net smelter return royalty ("**NSR**") in the Property, 1% of the NSR can be purchased by the Corporation for a period of up to 2 years after achieving commercial production for the sum of \$1,000,000.

The Grenfell property consists of 16 patented claims and two staked claims for a total land position of approximately 4.3 square kilometers. The two staked claims are 67% owned by Cadillac, the remaining 33% being registered to a company that no longer exists. Cadillac will use its best efforts to obtain the remaining 33%, which upon completion will become part of the earn-in option agreement at no additional cost to the Corporation. The Property is located west of the Town of Kirkland Lake, Ontario, and approximately four kilometers west of the currently producing Macassa Mine.

A preliminary review of Ontario Assessment records and a technical report filed on SEDAR under the profile of Richview Resources (which was acquired by Cadillac), has led to the following initial conclusions:

- The Kirkland Lake Main Break (04) has been mapped to approximately 500m from the eastern boundary of the property.
- The Larder Lake Break is within 100 meters of the southern boundary of the property.
- The southern portion of the property is underlain by Timiskaming-Type Clastic Meta-sedimentary rocks, the same rock type which underlies many of the mines and deposits of the Kirkland Main Break.
- Previous work on the southern portion of the property included detailed mapping uncovered the contact between the Timiskaming and Huronian sediments, which is

interpreted to be a fault. This is located about 150m south of and parallel to Highway 568. This feature may relate to reactivation the Kirkland Main Break (04) to the east, with a similar strike.

- The property encompasses the historic Four Nations Shaft. The Four Nations area has undergone several exploration campaigns, which included the deepening of the shaft to 536 feet (163 m), with lateral development on several levels between 1926 and 1928, along with surface trenching.
- Since 1934, when the Four Nations Shaft closed, the property has had sporadic exploration with a total of only 34 drill holes totaling 6842m having been completed in 4 campaigns between 1934 and 2004.

The Corporation has completed a grab sample and a drill programme of 6 holes for a total of 663 meters drilled. The results of which are published on SEDAR.

During the year ended September 30, 2018 the Corporation was able to sell some of the lumber on the property. This resulted in a net generation of cash in the amount of \$40,474. Since the Corporation is in the exploration stage this cash was applied to reduce the exploration and evaluation asset.

Financing

Selected Consolidated Financial Information and Management's Discussion and Analysis

The following tables set out certain selected financial information of the Corporation for the years ended September 30, 2017, September 30, 2018 and September 30, 2019 and the interim period ended June 30, 2020. The selected financial information has been derived from the Corporation's audited financial statements for the years ended September 30, 2017, September 30, 2018, and September 30, 2019 and unaudited interim financial statements for the interim period ended June 30, 2020. The following information should be read in conjunction with the Corporation's financial statements and notes thereto, which may be found on the Corporation's SEDAR profile at www.sedar.com. The financial results are not indicative of the results that may be expected for any other period. The Corporation's audited and unaudited interim financial statements are presented in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards. These amounts are in CDN\$.

Statement of Loss/Income Data	Nine Months Ended June 30, 2020, (unaudited)	Year Ended September 30, 2019 (audited)	Year Ended September 30, 2018 (audited)	Year Ended September 30, 2017 (audited)
Total Expenses	\$233,356	\$358,419	\$354,361	\$393,673
Net Income (loss)	(\$233,356)	(\$4,981,629)	(\$355,016)	(\$393,646)

Balance Sheet Data	Nine Months Ended June 30, 2020, (unaudited)	Year Ended September 30, 2019 (audited)	Year Ended September 30, 2018 (audited)	Year Ended September 30, 2017 (audited)

Cash and Cash Equivalents	3,778	\$3,810	\$5,811	\$8,265
Total Assets	\$710,294	\$707,531	\$5,877,477	\$5,906,212
Total Liabilities	\$1,097,888	\$861,769	\$1,167,413	\$851,632
Shareholders' Equity	(\$387,594)	(\$154,238)	\$4,710,064	\$5,054,580

Management's Discussion and Analysis

The management's discussion and analysis ("MD&A") of the financial condition and results of operations of Anconia for the year ended September 30, 2019 and interim period ended June 30, 2020 may be found in Schedule "I" hereto as well as on the Corporation's SEDAR profile at www.sedar.com and should be read in conjunction with the audited financial statements for the year ended September 30, 2019 and interim period ended June 30, 2020. Such financial statements have been prepared in accordance with IFRS and all amounts included in the MD&A are in Canadian dollars, unless otherwise specified. For a discussion of risks and uncertainties facing Anconia, Avalon and the Resulting Issuer see "*Part II - Risk Factors*".

Total expenses for the years ended September 30, 2019, September 30, 2018 and September 30, 2017 were respectively \$358,418, \$354,381 and \$393,673. There were no deferred expenses in connection with the Amalgamation for 2019 and the expenses incurred in 2019 in connection with the Amalgamation were recorded in 2019. As of June 30, 2020 expenses related to the Amalgamation were estimated at \$200,000 for the Corporation.

Description of Securities

Authorized Shares

The authorized share capital of the Corporation consists of: (i) an unlimited number of Shares; and (ii) an unlimited number of First Preferred Shares, issuable in series ("First Preferred Shares"), of which two series have been designated as First Preferred Shares, Series I and Series II. As of the date of this Circular, there were 117,589,409 Shares issued and outstanding and there were no First Preferred Shares issued and outstanding.

The Shares are without par value and entitle the holders thereof to receive notice of, attend and vote at all meetings of the shareholders of Anconia. Each Share carries one vote at such meetings.

Anconia Warrants

As of the date of this Circular, Anconia has no warrants issued and outstanding.

Anconia Options

There are currently no Options issued and outstanding pursuant to the Anconia Option Plan.

Capitalization of Anconia

Designation of Security	Amount Authorized	Amount Outstanding as of June 30, 2020	Amount Outstanding as of the date of this Circular
Anconia Shares	Unlimited	117,589,409	117,589,409
Anconia Warrants	-	Nil	Nil
Anconia Options	10% of outstanding Anconia Shares	Nil	Nil

Stock Option Plan

The stock Option Plan is a 10% “rolling” stock option plan. Pursuant to TSX Venture Exchange Policy 4.4, rolling stock option plans, such as the Option Plan, must receive shareholder approval on an annual basis. The Option Plan was last approved on September 22, 2017. A copy of the Option Plan is attached hereto as Schedule “B” and is incorporated by reference into this Circular.

The principal purposes of the Option Plan are (i) to retain and attract the qualified directors, officers, employees and service providers that Anconia and its subsidiaries require; (ii) to promote a proprietary interest in Anconia and its subsidiaries; (iii) to provide an incentive element in compensation; and (iv) to promote the profitability of Anconia and its subsidiaries. The salient features of the Option Plan are as follows:

- (a) options may be granted by the Board to directors, officers and employees of Anconia, a subsidiary of Anconia and persons or corporations who provide consulting services to Anconia or a subsidiary of Anconia on an on-going basis;
- (b) the maximum number of Shares reserved for issuance under the Option Plan shall not exceed 10% of the aggregate number of Shares issued and outstanding (calculated on a non-diluted basis) from time to time;
- (c) the exercise price of each option shall be determined in the discretion of the Board at the time of the granting of the option, provided that the exercise price shall not be lower than the Market Price. “Market Price” means the last closing price of the Shares on any stock exchange or stock exchanges, or other trading facilities on which the Shares are then listed or posted for trading, or where the policies of such exchange or trading facility require Anconia to issue a news release in respect of such grant of option, the closing price of the Shares on the exchange or trading facility on the trading day immediately preceding the date on which the news release is issued; provided that in the event the Shares are listed on more than one stock exchange or trading facility, on such one exchange or trading facility as shall be designated by the Board, and to the extent that the Shares are not listed or posted for trading on any exchange or trading facility, the Market Price shall be such price as is determined by the Board in good faith;

- (d) (i) at no time shall the number of Shares reserved for issuance pursuant to options granted to any one Optionee in a 12-month period under the Option Plan or other security based compensation arrangements of Anconia exceed 5% of the issued and outstanding Shares, (ii) no one Optionee may be granted, in any 12 month period, options to purchase a number of Shares equal to more than 5% of the issued and outstanding Shares, (iii) no one consultant may be granted, in any 12-month period, options to purchase a number of Shares equal to more than 2% of the issued and outstanding Shares and options issued to consultants performing investor relations activities shall vest and become exercisable over not less than a 12-month period with no more than one-quarter of the options vesting in any three month period, (iv) employees of Anconia conducting investor relations activities may not be granted, in the aggregate in any 12-month period, options to purchase a number of Shares equal to more than 2% of the issued and outstanding Shares (v) at no time shall the number of Shares reserved for issuance pursuant to options granted to insiders of Anconia under the Option Plan or other security based compensation arrangements of Anconia exceed 10% of the outstanding Shares, and (vi) insiders of Anconia may not be granted under the Option Plan or other security based compensation arrangements of Anconia, within any 12-month period, in aggregate a number of options exceeding 10% of the issued and outstanding Shares;
- (e) all options shall be for a term determined in the discretion of the Board at the time of the granting of the options, provided that no option shall have a term exceeding five years and, unless the Board at any time makes a specific determination otherwise, an option and all rights to purchase Shares pursuant thereto shall expire and terminate immediately upon the optionee who holds such option ceasing to be at least one of a director, officer or employee of, or consultant to, Anconia or a subsidiary of Anconia, as the case may be; and
- (f) except in limited circumstances in the case of the death of an optionee, options shall not be assignable or transferable.

Securities Authorized for Issuance Under Option Plan

The following table sets out information pertaining to securities authorized for issuance by the Corporation under equity compensation plans at the end of the most recently completed financial year.

No. of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	No. of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the second column)
Nil	Nil	11,758,940 ⁽¹⁾

Note:

(1) This number represents 10% of the issued and outstanding common shares of Anconia as of the date of this Circular.

Prior Sales

Anconia has not issued securities within the 12 months preceding this Circular.

Stock Exchange Price

The Anconia Shares are listed on the Exchange under the trading symbol "ARA". The closing price of the Anconia Shares on May 23, 2019, being the last day the Anconia Shares traded on the Exchange before being halted on May 24, 2019 in connection with the Transaction, was \$0.015.

The following table sets for the high and low daily closing prices and the volumes of trading of Anconia Shares for the periods indicated:

Period	High	Low	Trading Volume
May 2019	\$0.015	\$0.01	2,858,330
April 2019	\$0.015	\$0.005	426,400
March 2019	\$0.015	\$0.01	224,780
February 2019	\$0.01	\$0.01	970,000
January 2019	\$0.01	\$0.005	803,800
December 2018	\$0.01	\$0.005	480,372
November 2018	\$0.01	\$0.01	816,800
October 2018	\$0.015	\$0.005	1,315,000
September 2018	\$0.015	\$0.01	4,089,000
August 2018	\$0.02	\$0.015	2,067,480
July 2018	\$0.03	\$0.01	6,596,403
June 2018	\$0.015	\$0.01	434,833
May 2018	\$0.015	\$0.01	595,750
April 2018	\$0.015	\$0.015	38,000
March 2018	\$0.015	\$0.015	1,192,650

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

National Instrument 58-101— Disclosure of Corporate Governance Practices ("NI 58-101") requires the Corporation to disclose its corporate governance practices by providing in the Circular the disclosure required by Form 58-101F2. National Policy 58-201 —Corporate Governance Guidelines ("NP 58-201 ") establishes corporate governance guidelines which apply to all public companies. The Corporation has reviewed its own corporate governance practices in light of these guidelines. In certain cases, the Corporation's practices comply with the guidelines, however, the Anconia Board considers that some of the guidelines are not suitable for Anconia at its current stage of development and therefore these guidelines have not been adopted. Anconia will continue to review and implement corporate governance guidelines as the business of Anconia progresses and becomes more active in operations.

Independence of Members of Board of Directors

Anconia's Board currently consists of five directors, four of whom (Messrs. Clement, Florence, Sadowski and Franklin) are independent of management within the criteria for independence set forth in National Instrument 52-110 –Audit Committees ("NI 52-110").

Mr. Brewster is not considered an independent director by virtue of his position as the President and Chief Executive Officer of Anconia.

Management Supervision by the Board

The size and current stage of development of Anconia is such that the Corporation's operations are conducted by a small management team, comprised of Mr. Brewster as President and Chief Executive Officer and Mr. McKenzie as Chief Financial Officer and Secretary. Mr. Brewster is also a director of the Company. The Anconia Board considers that management is effectively supervised by the directors on an informal basis, as the directors are actively and regularly involved in reviewing and supervising Anconia's activities and have regular and full access to management. The independent directors are encouraged to meet without members of management (including the non-independent directors) being present, at any time they consider such sessions to be necessary or advisable. Anconia's auditors and legal counsel may be invited to attend. Further supervision is performed through the audit committee, which is composed exclusively of independent directors (see "Audit Committee Disclosure" below). The independent directors exercise their responsibility for independent oversight of management through their majority control of the Anconia Board.

Directorships

Certain of the directors and officers of Anconia are also directors of other reporting issuers (or the equivalent) in a jurisdiction or a foreign jurisdiction as follows:

Name of Director or Officer	Name of Reporting Issuer	Name of Trading Market	Position	Period
Denis Clement	Gespeg Copper Resources Inc.	TSXV	Director	2012 - Current
James Franklin	Aura Silver Resources Inc.	TSXV	Director	2003 – Current
	Ur-Energy Inc.	TSX, NYSE	Director	2004 – Current
	Nuinsco Resources Limited	CSE	Director	2018 – Current

Orientation and Continuing Education

While the Board does not provide an official orientation or continuing education program for new directors, new directors have the opportunity to become familiar with the Company by

meeting with the other members of the Board and the Company's officers. In addition, Board members are encouraged to communicate with management and the Company's auditors, consultants and legal counsel to apprise themselves of industry trends and developments. Board members have full access to the Company's records

Ethical Business Conduct

The Board views good corporate governance as important to the Company's success and essential in order that the Company meet its responsibilities to its shareholders. The Board monitors the ethical conduct of the Company and its officers, and ensures that the Company complies with applicable legal and regulatory requirements, including those of relevant securities commissions and the Exchange. The Company abides by legal, accounting and technical reporting standards through the use of professionally-qualified and experienced consultants.

In addition, the Board requires that directors and executive officers who have an interest in a transaction or agreement under consideration by the Company to promptly disclose such interest at any meeting of the Board at which the transaction or agreement will be discussed, and to abstain from discussions and voting with respect to same, if the interest is material, or if required to do so by corporate or securities laws.

Nomination of Directors and Corporate Governance

The Board has considered the possibility of establishing a nominating committee. However, given the size and relative stability of the Company's Board in recent years, it was decided that the Board would retain this function for the time being. Members of the Board and contacts in the Canadian mineral exploration industry are consulted for potential candidates. To the extent required, the Board assesses potential board candidates for required skills, industry experience, financial literacy, independence of management, and other relevant factors and qualifications.

Compensation of Directors and Officers

The Company has a Compensation Committee currently comprised of Messrs. Clement, Sadowski and Florence.

The Compensation Committee has the responsibility of setting the level of compensation for directors. The Compensation Committee reviews directors' compensation as needed, taking into account time commitment, comparative fees, risks and responsibilities to ensure that the amount of compensation adequately reflects the responsibilities and risks of being a director and makes adjustments as deemed necessary.

The Compensation Committee is responsible for determining the compensation of the management and executive, including that of the Chief Executive Officer. The Compensation Committee determines the level of compensation the Chief Executive Officer is to receive on an annual basis and relies on the Company's economic performance and the responsibilities and risks involved in being an effective Chief Executive Officer of a junior resource company. The

Compensation Committee considers the Chief Executive Officer's current compensation to adequately cover such responsibilities and risks.

Other Board Committees

At present, the Board's only formal committees are the Audit Committee and the Compensation Committee. The Board has determined that additional committees are not necessary at this stage of the Company's development, but will periodically evaluate this decision as circumstances, and the Company's development, warrant.

Assessments

While the Board does not consider that formal assessments would be useful at this stage of the Company's development, the Board periodically conducts informal assessments of the effectiveness of the Board, the Audit Committee, and their respective members.

AUDIT COMMITTEE DISCLOSURE

The Corporation is relying on the exemption in Section 6.1 of NI 52-110.

The members of the Audit Committee of the Corporation are Michael Florence (Chairman), Denis Clement and John Sadowski. All audit committee members are independent and Messrs. Florence and Clement are financially literate within the meaning of NI 52-110.

Mr. Florence is a qualified accountant and Mr. Clement has acted as a director of a number of public issuers in the past and as such has obtained experience in performing his responsibilities as a member of the Company's Audit Committee. As well, Mr. Clement has founded his own businesses and, in such capacity, has experience in the evaluation of financial statements generally and an understanding of internal controls and procedures for financial reporting.

Given the scope and nature of the Corporation's business, its financial statements and the accounting issues arising therefrom are relatively uncomplicated. Based on the foregoing, it is the current Anconia Board's conclusion that each of the proposed members of the Audit Committee has an understanding of the accounting principles used by the Corporation to prepare its financial statements, the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves and experience in evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation's financial statements

Reliance on Certain Exemptions

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on any exemption described in Section 2.4 (De Minimis Non-Audit Services) or Part 8 (Exemptions) under NI 52-110.

Pre-Approval Policies and Procedures for Non-Audit Services

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as described in "Non-Audit Services" in the Audit Committee's Charter.

Audit Committee Oversight

Since the commencement of the Corporation's most recently completed financial year, there has not been a recommendation of the Audit Committee to nominate or compensate an external auditor which was not adopted by the current Anconia Board.

Audit Fees

The aggregate amounts paid or accrued by the Company with respect to fees, excluding expenses, payable to Clearhouse LLP, the Company's current auditors (since October 17, 2018) for audit, audit-related, tax and other services in the fiscal year ended September 30, 2019 and 2018 were as follows:

	Year Ended September 30, 2019	Year Ended September 30, 2018
Audit ⁽¹⁾	\$10,500	\$13,500
Audit-Related	NIL	NIL
Tax	\$1,350	\$1,500
All Other Fees ⁽²⁾	\$158	\$225
Totals	\$12,008	\$15,225

Notes:

- (1) This category is intended to capture all fees in respect of services performed in order to comply with GAAP. In some cases, these may include an appropriate allocation of fees for tax services or accounting consultations; to the extent such services were necessary to comply with GAAP.
- (2) This category represents all other fees charged by the auditors including the fees levied by the Canadian Public Accountability Board.

The full text of Anconia's Audit Committee Charter is included in Schedule "G".

STATEMENT OF EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Executive compensation is based upon the need to provide a compensation package that will allow Anconia to attract and retain qualified and experienced executives balanced with a pay-for-performance philosophy. Compensation by Anconia has included a negotiated salary for certain executive officers, and stock options and bonuses potentially being issued and paid as an

incentive for performance. The Compensation Committee has the responsibility to administer the compensation policies related to the executive management of Anconia, being the President and Chief Executive Officer and the Chief Financial Officer and Secretary. To date, the Compensation Committee has not adopted any formal policies to determine executive compensation. Executive compensation is currently based solely on Compensation Committee discussions without any formal objectives or criteria. Bonuses paid to senior executives are, for the most part, discretionary; however, in exercising such discretion, the Compensation Committee assesses Anconia's financial and operating performance and each senior executive's contribution thereto. The Board and the Compensation Committee will consider implementing formal compensation policies, objectives and criteria in the future should circumstances warrant.

Compensation Risk

The Board considers that Anconia's compensation philosophy is aligned with prudent risk management and does not encourage Named Executive Officers (defined below) to take inappropriate or excessive risks. Anconia does not prohibit Named Executive Officers or directors from purchasing financial instruments such as forward contracts, equity swaps or other financial instruments designed to hedge or offset a decrease in market value of securities granted as compensation or held, directly or indirectly, by a Named Executive Officer or director. However, neither the Board nor executive management is aware that any such individual has in the past bought or currently holds such instruments.

Share-Based and Option-Based Awards

The Compensation Committee has the responsibility to administer the compensation policies related to the executive management of Anconia, including share-based and option-based awards. The Corporation does not have any share-based compensation plans in place. Anconia's Option Plan is used to provide share purchase options which are granted in consideration of the level of responsibility of the executive as well as his or her impact and/or contribution to the longer-term operating performance of Anconia. In determining the number of options to be granted to the executive officers, the Board takes into account the number of options, if any, previously granted to each executive officer and the exercise price of any outstanding options to ensure that such grants are in accordance with the policies of the Exchange, and closely align the interests of the executive officers with the interests of Shareholders.

Named Executive Officers

For the purposes of this Circular, a named executive officer ("**Named Executive Officer**") of Anconia means each of the following individuals:

- (a) the chief executive officer of Anconia;
- (b) the chief financial officer of Anconia;
- (c) each of Anconia's three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the chief

executive officer and chief financial officer, at the end of Anconia's most recently completed financial year whose total compensation was, individually, more than \$150,000, as determined in accordance with subsection 1.3(6) of National Instrument 51-102F6 – Statement of Executive Compensation (“NI 51-102F6”), for that financial year; and

- (d) each individual who would be a Named Executive Officer under paragraph (c) above but for the fact that the individual was neither an executive officer of Anconia, nor acting in a similar capacity, at the end of that financial year.

For the financial year ended September 30, 2019, the Corporation had two (2) Named Executive Officers as follows: Jason Brewster, President and Chief Executive Officer; and Harvey McKenzie, Chief Financial Officer and Corporate Secretary.

Summary Compensation Table

The following table sets forth all annual and long-term compensation for services in all capacities to Anconia for the three most recently completed financial years of Anconia in respect of each Named Executive Officer as required by NI 51-102F6:

Name and Principal Position	Year Ended Sept. 30	Salary (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation		All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plans	Long-term Incentive Plans		
Jason Brewster, President and Chief Executive Officer	2019	96,000	Nil	Nil	Nil	Nil	Nil	96,000
	2018	96,000	Nil	Nil	Nil	Nil	Nil	96,000
	2017	96,000	Nil	Nil	Nil	Nil	Nil	96,000
Harvey McKenzie, Chief Financial Officer and Corporate Secretary	2019	57,600	Nil	Nil	Nil	Nil	Nil	57,600
	2018	57,600	Nil	Nil	Nil	Nil	Nil	57,600
	2017	57,600	Nil	Nil	Nil	Nil	Nil	57,600

Incentive Plan Awards – Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth information concerning all awards outstanding under option-based and share based incentive plans of Anconia at the end of the most recently completed financial year to each Named Executive Officer:

Name and Principal Position	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 (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
Jason Brewster, President and Chief Executive Officer	Nil	N/A	N/A	N/A	Nil	Nil	Nil
Harvey McKenzie, Chief Financial Officer and Corporate Secretary	Nil	N/A	N/A	N/A	Nil	Nil	Nil

Incentive Plan Awards – Value Vested or Earned During the Year

The value vested or earned during the most recently completed financial year of incentive plan awards granted to Named Executive Officers are as follows:

Name and principal position	Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Jason Brewster, President and Chief Executive Officer	Nil	Nil	Nil
Harvey McKenzie, Chief Financial Officer and Corporate Secretary	Nil	Nil	Nil

Anconia’s Option Plan is described above under “Stock Option Plan”

Pension Plan Benefits

Anconia does not have a pension plan that provides for payments or benefits to the Named Executive Officers at, following, or in connection with retirement.

Termination and Change of Control Benefits

Except as set out below, neither Anconia nor its subsidiaries have an employment contract with any of the Named Executive Officers and, except as set out below, no plan, contract or arrangement exists in respect of compensation received or that may be received by the Named Executive Officers to compensate such officers in the event of the termination of employment (for any reason, including resignation, retirement, change of control) or in the event of a change in responsibilities following a change in control.

Jason Brewster. Pursuant to an agreement with Anconia dated August 15, 2012 (and renewed subsequently), Mr. Brewster provides services to Anconia as an independent contractor in the role of President and Chief Executive Officer of the Corporation. Under the terms of the agreement, a holding company owned by Mr. Brewster, 20181038 Ontario Inc., should receive CDN\$10,000 per month plus reimbursement of reasonable business and travel expenses. However, during fiscal 2019 Mr. Brewster has voluntarily reduced his compensation by 20% to an annual amount of \$96,000. This voluntary reduction is in effect until Anconia is adequately funded. Mr. Brewster is also eligible, at the Board's discretion, for stock options and for performance bonuses up to 30% of his base salary. The agreement was for an initial term of one year ending April 1, 2017 and is automatically extended for a further year unless terminated. As of December 31, 2019, Mr. Brewster's agreement has been extended to April 20, 2020. If the agreement is not renewed, Mr. Brewster is entitled to his monthly compensation for a period of nine months.

Anconia may terminate the agreement at any time without cause on 12 months' prior written notice of termination or in lieu of such notice, by continuing Mr. Brewster's monthly compensation payments for a period of 12 months from the date of termination. Anconia may terminate the agreement for cause at any time without notice and without any payment in lieu of notice. For a period of six months following a change of control of Anconia, Mr. Brewster may terminate his agreement and such termination will be deemed termination without cause. If Mr. Brewster so elects, or if Anconia terminates the agreement without cause during the six-month period following a change of control of Anconia, Mr. Brewster will be entitled a lump sum severance payment of CDN\$150,000 in lieu of continuing monthly compensation. Mr. Brewster's engagement will be terminated automatically upon written notice from Anconia in the event Mr. Brewster is unable to render his services due to disability, illness, incapacity or otherwise for an aggregate of 180 days during any 12 month period of the term, provided such inability did not arise during Mr. Brewster's execution of Anconia's business and, in such event, Mr. Brewster shall be entitled to receive monthly compensation for the first 90 days of the absence or inability, where after, Mr. Brewster shall be entitled to receive such compensation, if any, as may be determined by the Board. Assuming the agreement between Mr. Brewster and Anconia was terminated by Anconia without cause on September 30, 2019, Mr. Brewster would have been entitled to receive CDN\$120,000.

Harvey McKenzie. Pursuant to an agreement with Anconia dated August 15, 2012 (and renewed subsequently), Mr. McKenzie provides services to Anconia as an independent contractor in the role of Chief Financial Officer of Anconia. Under the terms of the agreement, Mr. McKenzie should receive CDN\$6,000 per month plus reimbursement of reasonable business and travel

expenses. However, during fiscal 2019 Mr. McKenzie has voluntarily reduced his compensation by 20% to an annual amount of \$57,600. This voluntary reduction is in effect until Anconia is adequately funded. Mr. McKenzie is also eligible, at the Board's sole discretion, for stock options and for performance bonuses in accordance with Anconia's compensation policies. The agreement was for an initial term of one year ending June 15, 2015, and is automatically extended for a further year unless terminated. As of December 31, 2019, Mr. McKenzie's agreement has been renewed to June 15, 2020. If the agreement is not renewed, Mr. McKenzie is entitled to his monthly compensation for a period of nine months.

Anconia may terminate the agreement at any time without cause on nine months' prior written notice of termination or in lieu of such notice, by continuing Mr. McKenzie's monthly compensation payments for a period of nine months from the date of termination. Anconia may terminate the agreement for cause at any time without notice and without any payment in lieu of notice. For a period of six months following a change of control of Anconia, Mr. McKenzie may terminate his agreement and such termination will be deemed termination without cause. If Mr. McKenzie so elects, or if Anconia terminates the agreement without cause during the six-month period following a change of control of Anconia, Mr. McKenzie will be entitled a lump sum severance payment equal to CDN\$100,000 in lieu of continuing monthly compensation. Mr. McKenzie's engagement will be terminated automatically upon written notice from Anconia in the event Mr. McKenzie is unable to render his services due to disability, illness, incapacity or otherwise for an aggregate of 180 days during any 12 month period of the term, provided such inability did not arise during Mr. McKenzie's execution of Anconia's business and, in such event, Mr. McKenzie shall be entitled to receive monthly compensation for the first 90 days of the absence or inability, where after, Mr. McKenzie shall be entitled to receive such compensation, if any, as may be determined by the Board. Assuming the agreement between Mr. McKenzie and Anconia was terminated by Anconia without cause on September 30, 2019, Mr. McKenzie would have been entitled to receive CDN\$54,000.

Compensation of Directors

Each member of the Board (other than management directors) receives \$2,500 per financial quarter as compensation for acting as a director of Anconia. In addition, the audit committee chair receives \$2,500 per annum and all other committee chairs receive \$1,500 per annum. No other fees were paid to directors as compensation for acting as committee members or chairs of committees of the Board. Effective January 1, 2020 the Board changed the fee structure such that all independent directors were to be compensated at the rate of \$150.00 per meeting attended. One of the directors waived his fees and as such only 3 independent directors will be compensated for the new fee structure.

The following table sets forth all amounts of compensation provided to directors of Anconia who are not Named Executive Officers for Anconia's most recently completed financial year.

Name	Fees Earned (\$)	Option-Based Awards (\$)	All Other Compensation (\$)	Total (\$)
Denis Clement	\$10,000	Nil	Nil	\$10,000
Michael Florence	\$10,000	Nil	Nil	\$10,000
James Franklin	\$10,000	Nil	Nil	\$10,000

John Sadowski	\$10,000	Nil	Nil	\$10,000

Directors are compensated for acting in their capacity as directors, for committee participation and involvement in special assignments. Directors are eligible to be granted options under the Option Plan. The purpose of granting such options is to assist Anconia in compensating, attracting, retaining and motivating the directors of Anconia and to more closely align the personal interests of such persons to that of the Shareholders.

Incentive Plan Awards – Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth information concerning all awards outstanding under option-based and share-based plans of the Corporation at the end of the most recently completed financial year for each of the directors of the Corporation who were not Named Executive Officers during the Corporation's most recently completed financial year.

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 (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
John Saadowski	Nil	N/A	N/A	N/A	Nil	Nil	Nil
Denis Clement	Nil	N/A	N/A	N/A	Nil	Nil	Nil
James Franklin	Nil	N/A	N/A	N/A	Nil	Nil	Nil
Michael Florence	Nil	N/A	N/A	N/A	Nil	Nil	Nil

Incentive Plan Awards – Value Vested or Earned During the Year

The value vested or earned during the most recently completed financial year of incentive plan awards granted to directors of Anconia are as follows:

Name and principal position	Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
John Sadowski	Nil	Nil	Nil
Mike Florence	Nil	Nil	Nil
Denis Clement	Nil	Nil	Nil
James Franklin	Nil	Nil	Nil

NON-ARM'S LENGTH PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

The President and Chief Executive Officer, Mr. Jason Brewster, ("CEO") of the Company is the President of 2181038 Ontario Inc. ('218 Inc."), and 218 Inc. (and by extension the CEO and President) has a contract with the Company. The CEO and President has volunteered to take a reduction of 20% of his contract for the 2020 fiscal year and similarly for the 2019, 2018, 2017, 2016 and 2015 fiscal year until the Company has adequate funding. Fees and outstanding amounts due to 218 Inc. relating to consulting services as expensed and capitalized as exploration and evaluation assets are detailed in the table below. During the nine months period ended June 30, 2020, Mr. Brewster spent all of his time and effort on fund raising efforts and related items for Avalon and was compensated as such by Avalon. As a result, the Company recorded no expense for Mr. Brewster in this period.

One of the directors, Denis Clement, of the Company provides business advisory services from (time to time) and as such is compensated for these services when provided. For details of the fees and outstanding amounts due relating to business advisory services provided, re Mr. Clement, see table below. From the period dated April 1, 2019 to June 30, 2020 and for the future until the completion of the Transaction, Mr. Clement has decided to waive all of his director fees and his outstanding receivables from the Company.

The Chief Financial Officer, Mr. Harvey McKenzie, ("CFO") has a service contract and is entitled to fees based on this contract relating to consulting services in the normal course of business. Mr. McKenzie has volunteered to take a reduction of 20% of his contract for the fiscal years 2020, 2019, 2018, 2017, 2016 and 2015, this reduction in fees will continue until the Company has adequate funding. These fees are expensed as consulting fees in the general and administrative expenses. The table below details the fees and amounts due to Mr. McKenzie. During the three months ended March 2020, Mr. McKenzie has spent most of his time working on the Avalon deal and as such has been compensated by them. As a result, the Company recorded no expense for Mr. McKenzie in this period.

Related Party Fees	3 months ended June 30, 2020	3 months ended June 30, 2019	9 months ended June 30, 2020	9 months ended June 30, 2019
Fees for 218 Inc. (Jason Brewster)	\$ -	24,000	\$ -	\$ 72,000
CFO consulting fees - Harvey McKenzie	-	14,400	14,400	43,200
Directors fees	450	10,000	11,800	30,000
Total related party transactions	\$ 450	48,400	\$ 26,200	\$ 145,200
Related party payables by the Company			As at June 30, 2020	As at September 30, 2019
218 Inc. (Jason Brewster) all fees			\$ 289,900	\$ 289,900
CFO Harvey McKenzie			158,962	144,562
Directors			79,583	67,783
Total Related party payables			\$ 528,445	\$ 502,245

Directors are entitled to director fees and stock options for their services and officers are entitled to stock options and cash remuneration for their services as outlined in their service contracts with the Company. The table above details the directors' fees and the amounts due to them. At a recent board of directors meeting the board of directors decided that directors will only earn fees (on a go forward basis) based on \$150.00 per meeting attended, this change came into effect on January 1, 2020. In addition, all of the director's fees payables to December 31, 2019, will be part of a future debt settlement. From the period dated April 1, 2019 to June 30, 2020 and for the future until the completion of the Transaction, Mr. Clement has decided to waive all of his director fees and his outstanding receivables from the Company.

Similarly, all of the consulting fees payables, as at June 30, 2019, by the Company to 218 Inc (Jason Brewster); Harvey McKenzie and Denis Clement will be settled as part of a future debt settlement. In addition, Mr. Brewster agreed to waive all of his fees from April 30, 2019 to September 30, 2019.

To the knowledge of the directors and senior officers of the Company, as at June 30, 2020, no person or corporation beneficially owns or exercises control or direction over common shares of the Company carrying more than 10% of the voting rights to all common shares of the Company other than the Estate of Dr. Bernard C. Sherman, a major shareholder who owns 21% of all the issued and outstanding shares of the Company. The remaining 79% of the shares are widely held. These holdings can change at any time at the discretion of the owners.

On March 31, 2016, Dr. Bernard Sherman (deceased) loaned the Company \$25,000. This loan bears an annual interest rate of 15% and matures on June 30, 2017 and is subject to annual extensions. As of June 30, 2020, this loan has been extended and \$15,945 (September 30, 2019 - \$13,130) of interest expenses has been accrued on the loan.

On November 22, 2018 the Company entered into a loan arrangement with a company owned by a director of the Company, secured against the Grenfell property. The loan bears an annual interest rate of 15% and matures in April 2020. This loan has been extended by the director who owns this loan to after the completion of the Transaction. As at June 30, 2020, the principal amount loaned is \$35,00 and the amount due is \$43,947 (September 30, 2019 - \$40,005), which includes interest of \$8,947 (September 30, 2019 - \$5,005).

None of the Company's major shareholders have different voting rights other than holders of the Company's common shares.

The Company is not aware of any arrangements, except for the Transaction, the operation of which may at a subsequent date result in a change in control of the Company. To the knowledge of the Company, it is not directly or indirectly owned or controlled by another corporation, by any government or by any natural or legal person severally or jointly.

LEGAL PROCEEDINGS

There are no legal proceedings material to Anconia to which Anconia is a party of or which any of its property is the subject matter. Additionally, to the reasonable knowledge of the management of Anconia, there are no such proceedings contemplated.

AUDITOR, TRANSFER AGENTS AND REGISTRARS

The auditors of Anconia are Clearhouse LLP, Chartered Professional Accountants, Suite 527 - 2560 Matheson Blvd. E., Mississauga, ON, L4W 4Y1.

The transfer agent and registrar for the Anconia Shares is Computershare Investor Services Inc., located at 100 University Ave, 8th Floor, Toronto ON, M5J 2Y1.

MATERIAL CONTRACTS

Anconia has not entered into any material contracts, except in the ordinary course of business, other than the Definitive Agreement. A copy of the Definitive Agreement will be available for inspection at the registered offices of Anconia during ordinary business hours, until completion of the Transaction and for a period of thirty (30) days thereafter.

PART IV – INFORMATION CONCERNING AVALON

The following is a summary of Avalon, its business and operations, which should be read in conjunction with the information concerning Avalon appearing elsewhere in this Circular. The information contained in this “*Part IV – Information Concerning Avalon*” is given as at June 30, 2020 on a pre-Transaction basis (except where otherwise indicated), unless otherwise indicated.

CORPORATE STRUCTURE

Name, Address and Incorporation

Avalon was incorporated under the laws of Barbados on February 22, 2018 pursuant to the *Companies Act of Barbados* and is a private company with its registered and head office located at Venture Two, Dayrells Road, Christ Church, Barbados.

Intercompany Relationships

Avalon is the parent company of Avalon Gold Exploration Inc. (“**Avalon Gold**”), a company incorporated under the laws of Guyana on November 28, 2017 and owns 100% of the issued and outstanding common shares of Avalon Gold, such shares being the only outstanding securities of Avalon Gold.

DESCRIPTION OF THE BUSINESS OF AVALON

General

Summary

Avalon is an exploration and development focused company specializing in the highly prospective but under prospected Guiana Shield. Avalon is a privately held Barbados corporation, based in Christ Church, Barbados, with a wholly owned operating subsidiary, Avalon Gold, which is engaged in the acquisition, exploration and potential development of precious metal mineral properties in Guyana. Avalon was incorporated on February 22, 2018.

Avalon Gold holds a 100% interest in a newly issued prospecting license in Guyana, which covers 4,590 acres of licensed area, including the site of the past producing Omai gold mine (“**Omai Gold Mine**”), and provides for an exclusive right to use certain existing infrastructure at the Omai Gold Mine for any future mining operations, subject to entering into specific lease agreements therefor (the “**Omai Gold Project**”). In addition, Avalon holds an option to acquire a 100% interest in a prospecting license known as “Kaburi South”, covering approximately 5,235 acres, located adjacent to Troy Resources Limited’s Karouni mine in Guyana.

Specialized Skills and Knowledge

The nature of Avalon’s business requires specialized skills, knowledge and expertise in the areas of geology, engineering, mine planning and environmental compliance. In addition to the specialized skills listed above, Avalon also relies on staff members, local contractors and consultants with specialized knowledge of operations in the regions in which it operates. As of the date hereof, Avalon has been able to adequately meet its staffing requirements.

Competitive Conditions

Competition in the mineral exploration and production industry is intense. Avalon competes with a number of large and small, established mining companies with greater financial resources and technical facilities, for the acquisition and development of mineral concessions, claims, leases and other interests, as well as for the recruitment and retention of qualified employees and consultants and the equipment required to continue Avalon's exploration activities.

Business or Seasonal Cycles

Avalon's business is not substantially impacted by seasonal weather or business cycles.

Economic Dependence

Avalon's business is not substantially dependent on any contract upon which its business depends. It is not expected that Avalon's business will be affected in the current financial year by the re-negotiation or termination of any contracts or sub-contracts.

Changes to Contracts

There are no potential changes to material contracts known at this time in the current financial year and Avalon's current vendor agreements and contracts will not be affected by the Transaction.

Environmental Protection

Avalon has received a full indemnification from the Government of Guyana for any existing and historic environmental issues. Avalon is not aware of any existing or potential environmental issues. Avalon's vendor agreements require the vendors to implement their work programs in an environmentally sensitive manner.

Employees

As at the last financial year for Avalon, Avalon did not have any employees and had 8 consultants.

Foreign Operations

Avalon's business is dependent on operations in Guyana. The management of these operations have been outsourced to Excel Logistics & Management Services (Guyana), Inc. Avalon is committed to contracting and/or hiring Guyanese vendors / employees when suitable candidates can be identified.

Social or Environmental Policies

Avalon has implemented a Corporate Social Responsibility program that supports the rights of our employees, vendors and the larger community. Avalon exceeds the basic local legal and

regulatory requirements concerning environmental responsibility. Avalon contributes to the betterment of the community by providing international standards for health and safety and conducting business with integrity. Avalon has established a program of vector control to minimize insect borne disease in the area in which we operate.

Three Year History

Recent Developments (Current Financial Year)

On January 1, 2020, Avalon entered into engagement agreements with each of Jason Brewster and Harvey McKenzie (collectively, the “**Engagement Agreements**”), whereby Mr. Brewster and Mr. McKenzie both agreed to provide their services as independent consultants to Avalon until Avalon’s board of directors determines their services to be no longer required. In consideration of their performance, Mr. Brewster is entitled to receive compensation of US\$10,000 per month and 1,000,000 stock options in Avalon with an exercise price of US\$0.10 per common share, and Mr. McKenzie is entitled to receive compensation of US\$2,500 per month and 500,000 stock options in Avalon with an exercise price of US\$.10 per common share.

On January 10, 2020 Avalon entered into an investment agreement (the “**Sandstorm Investment Agreement**”) with Avalon Gold and Sandstorm Gold Ltd. (“**Sandstorm**”), whereby Sandstorm agreed to subscribe for 20,000,000 common shares in Avalon at a price of US\$0.10 per common share and Avalon Gold would grant Sandstorm a 1% net smelter returns royalty (the “**Royalty**”) with respect to the sale of all economic marketable material on the Omai Gold Project. In connection with the Sandstorm Investment Agreement, Avalon and Sandstorm entered into a net smelter returns royalty agreement on January 10, 2019 (the “**Royalty Agreement**”). In connection with the Royalty Agreement and as of the same date, Anconia granted a guarantee and indemnity in favour of Sandstorm whereby Anconia guaranteed all the obligations of Avalon pursuant to the Royalty Agreement. The Royalty is subject to a right of first refusal in favour of Sandstorm to purchase any future metal royalty or metal stream on production that results from an offer from an arm’s length person that Avalon or Anconia is willing to accept. Further, the Royalty is subject to a buy-back right in favour of Avalon within the first 30 months from the date of the Royalty Agreement whereby Avalon can reduce the Royalty to 0.5% upon the payment of US\$4,000,000.

On January 10, 2020 Sandstorm completed the initial subscription for 15,000,000 common shares for a subscription price of \$1,500,000 paid to Avalon.

During January 2020, in two separate tranches, Avalon completed a non-brokered private placement and issued 5,150,000 units at US\$0.10 per unit for aggregate gross proceeds of US\$515,000. Each unit was comprised of one common share and a one-half common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at an exercise price of US\$0.35 expiring May 1, 2022.

During February 2020, in two separate tranches, Avalon completed a non-brokered private placement and issued 1,740,000 units at US\$0.10 per unit for aggregate gross proceeds of US\$174,000. Each unit was comprised of one common share and a one-half common share

purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at an exercise price of US\$0.35 expiring two years from the date of closing. As part of the financing Avalon paid certain eligible finders a cash payment of US\$10,800 and issued 108,000 broker warrants exercisable for common shares at an exercise price of US\$0.35 and expiring two years from the date of closing.

On March 13, 2020, Sandstorm completed the final subscription of 5,000,000 common shares for gross proceeds of US\$500,000 to Avalon pursuant to the terms of the Sandstorm Investment Agreement (as defined below).

During March 2020, in three separate tranches, Avalon completed a non-brokered private placement and issued 11,586,400 units at US\$0.10 per unit for aggregate gross proceeds of US\$1,158,640. Each unit was comprised of one common share and a one-half common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at an exercise price of US\$0.35 expiring two years from the date of closing. As part of the financing Avalon paid certain eligible finders a cash payment of US\$12,184 and issued 121,840 broker warrants exercisable for common shares at an exercise price of US\$0.35 and expiring May 1, 2022.

On May 1, 2020 Avalon completed a non-brokered private placement and issued 1,285,000 units at US\$0.10 per unit for aggregate gross proceeds of US\$128,500. Each unit was comprised of one common share and a one-half common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at an exercise price of \$0.35 expiring two years from the date of closing. As part of the financing Avalon paid certain eligible finders a cash payment of US\$7,200 and issued 72,000 broker warrants exercisable for common shares at an exercise price of US\$0.35 and expiring May 1, 2022.

On July 21, 2020, Avalon entered into an investment agreement with Fortune Gold Mining Limited (“**Fortune**”) (the “**Fortune Investment Agreement**”), whereby Fortune agreed to subscribe for and purchase 30,000,000 common shares in Avalon at a price of US\$0.15 per purchased share, for an aggregate cash consideration of US\$4,500,000.

On July 13, 2020, Avalon entered into an exclusivity agreement with Guyana Sunrise Mining Inc., whereby Avalon retains the exclusive right to investigate the property located adjacent to the Omai gold mine with a view to potentially acquiring the property in the future (the “**Eastern Flats Exclusivity Agreement**”). The period to exclusively investigate the property pursuant to the Eastern Flats Exclusivity Agreement expires on December 31, 2020. There is currently no plan to purchase any property described in the Eastern Flats Exclusivity Agreement and any potential transaction in the future is subject to significant due diligence and negotiation.

Year Ended December 31, 2019

On January 10, 2020 Avalon entered into an investment agreement (the “**Investment Agreement**”) with Avalon Gold and Sandstorm Gold Ltd. (“**Sandstorm**”), whereby Sandstorm agreed to subscribe for 20,000,000 common shares in Avalon at a price of US\$0.10 per common share and Avalon Gold would grant Sandstorm a 1% net smelter returns royalty (the “**Royalty**”) with respect to the sale of all economic marketable material on the Omai Gold Project. In

connection with the Investment Agreement, Avalon and Sandstorm entered into a net smelter returns royalty agreement on January 10, 2019 (the “**Royalty Agreement**”). In connection with the Royalty Agreement and as of the same date, Anconia granted a guarantee and indemnity in favour of Sandstorm whereby Anconia guaranteed all the obligations of Avalon pursuant to the Royalty Agreement. The Royalty is subject to a right of first refusal in favour of Sandstorm to purchase any future metal royalty or metal stream on production that results from an offer from an arm’s length person that Avalon or Anconia is willing to accept. Further, the Royalty is subject to a buy-back right in favour of Avalon within the first 30 months from the date of the Royalty Agreement whereby Avalon can reduce the Royalty to 0.5% upon the payment of US\$4,000,000.

On January 10, 2020 Sandstorm completed the initial subscription for 15,000,000 common shares for a subscription price of \$1,500,000 paid to Avalon.

During January 2020, in two separate tranches, Avalon completed a non-brokered private placement and issued 5,621,000 units at US\$0.10 per unit for aggregate gross proceeds of US\$562,100. Each unit was comprised of one common share and a one-half common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at an exercise price of US\$0.35 expiring May 1, 2022.

During February 2020, in two separate tranches, Avalon completed a non-brokered private placement and issued 1,840,000 units at US\$0.10 per unit for aggregate gross proceeds of US\$184,000. Each unit was comprised of one common share and a one-half common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at an exercise price of US\$0.35 expiring two years from the date of closing. As part of the financing Avalon paid certain eligible finders a cash payment of US\$8,800 and issued 88,000 broker warrants exercisable for common shares at an exercise price of US\$0.35 and expiring two years from the date of closing.

On March 13, 2020, Sandstorm completed the final subscription of 5,000,000 common shares for gross proceeds of US\$500,000 to Avalon pursuant to the terms of the Investment Agreement (as defined below).

During March 2020, in three separate tranches, Avalon completed a non-brokered private placement and issued 11,766,400 units at US\$0.10 per unit for aggregate gross proceeds of US\$1,176,640. Each unit was comprised of one common share and a one-half common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at an exercise price of US\$0.35 expiring two years from the date of closing. AS part of the financing Avalon paid certain eligible finders a cash payment of US\$20,584 and issued 205,840 broker warrants exercisable for common shares at an exercise price of US\$0.35 and expiring May 1, 2022.

On May 1, 2020 Avalon completed a non-brokered private placement and issued 1,285,000 units at US\$0.10 per unit for aggregate gross proceeds of US\$128,500. Each unit was comprised of one common share and a one-half common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at an exercise price of \$0.35

expiring two years from the date of closing. As part of the financing Avalon paid certain eligible finders a cash payment of US\$7,200 and issued 72,000 broker warrants exercisable for common shares at an exercise price of US\$0.35 and expiring May 1, 2022.

On July 21, 2020, Avalon entered into an investment agreement with Fortune Gold Mining Limited (“**Fortune**”) (the “**Fortune Investment Agreement**”), a subsidiary of Silvercorp Metals Inc. whereby Fortune agreed to subscribe for and purchase 30,000,000 common shares in Avalon at a price of US\$0.15 per purchased share, for an aggregate cash consideration of US\$4,500,000.

Year Ended December 31, 2019

During February 2019, in three separate tranches, Avalon completed a non-brokered private placement and issued 450,000 units at US\$0.10 per unit for aggregate gross proceeds of US\$45,000. Each unit was comprised of one common share and a one-half common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at an exercise price of US\$0.35 expiring two years from the date of closing. As part of the financing Avalon paid certain eligible finders a cash payment of US\$3,200 and issued 16,000 broker warrants exercisable for common shares at an exercise price of US\$0.35 and expiring May 1, 2022.

During March 2019, in three separate tranches, Avalon completed a non-brokered private placement and issued 1,500,000 units at USD \$150,000. Each unit was comprised of one common share and a one-half common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at an exercise price of US\$0.35 expiring two years from the date of closing. As part of the financing Avalon paid certain eligible finders a cash payment of US\$12,000 and issued 120,000 broker warrants exercisable for common shares at an exercise price of US\$0.35 and expiring two years from the date of closing.

On April 4, 2019, Avalon completed a non-brokered private placement and issued 250,000 units at US\$0.10 per unit for aggregate gross proceeds of US\$25,000. Each unit was comprised of one common share and a one-half common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at an exercise price of US\$0.35 expiring two years from the date of closing. As part of the financing Avalon paid certain eligible finders a cash payment of US\$2,000 and issued 20,000 broker warrants exercisable for common shares at an exercise price of \$0.35 and expiring May 1, 2022.

On April 26th, 2019, the Guyana Geology & Mines Commission (“**GGMC**”) issued Prospecting License (PL #01/2019) to Avalon Gold, by way of a prospecting agreement (the “**Prospecting Agreement**”) for the exclusive right of occupation and exploration for gold, precious minerals and precious stones, on 4,590 acres of licensed area, including the site of the past producing Omai Gold Mine, Potaro Mining District, Guyana. Avalon has the sole right to prospect on the Prospecting Agreement which expires on April 25th, 2022 and may be renewed for a further two-year period. Avalon Gold has agreed to pay the GGMC a payment of US\$1M during the 1st year, US\$1M during the 2nd year and US\$2M on October 1st 2020 addition to the annual rental fees and the Prospecting Agreement provides for an exclusive right to use certain existing

infrastructure at the Omai Gold Mine for any future mining operations, subject to entering into specific lease agreements therefor.

During May 2019, in two separate tranches, Avalon completed a non-brokered private placement and issued 200,000 units at US\$0.10 per unit for aggregate gross proceeds of US\$20,000. Each unit was comprised of one common share and a one-half common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at an exercise price of US\$0.35 expiring two years from the date of closing. As part of the financing Avalon paid certain eligible finders a cash payment of US\$1,600 and issued 16,000 broker warrants exercisable for common shares at an exercise price of US\$0.35 and expiring two years from the date of closing.

On May 1, 2019 Avalon issued 700,000 options to a vendor, such options having an exercise price of US\$0.10 and expiring 2 years from the date of issuance. The agreement with the vendor subsequently terminated and the 700,000 unexercised options were terminated by Avalon.

On June 10, 2019, Avalon completed a non-brokered private placement and issued 500,000 units at US\$0.10 per unit for aggregate gross proceeds of US\$50,000. Each unit was comprised of one common share and a one-half common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at an exercise price of US\$0.35 expiring two years from the date of closing. As part of the financing Avalon paid certain eligible finders a cash payment of US\$4,000 and issued 40,000 broker warrants exercisable for common shares at an exercise price of US\$0.35 and expiring May 1, 2022.

On August 8, 2019, Avalon completed a non-brokered private placement and issued 500,000 units at US\$0.10 per unit for aggregate gross proceeds of US\$50,000. Each unit was comprised of one common share and a one-half common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at an exercise price of US\$0.35 expiring two years from the date of closing. As part of the financing Avalon paid certain eligible finders a cash payment of US\$4,000 and issued 40,000 broker warrants exercisable for common shares at an exercise price of US\$0.35 and expiring May 1, 2022.

On September 5, 2019 Avalon issued 50,000 options to a vendor, such options being having an exercise price of US\$0.10 and expiring 2 years from the date of issuance.

On October 1, 2019 Avalon entered into an exclusive Services Agreement with Excel Logistics & Management Services Ltd. (“**Excel**”). Excel provides Avalon with labour, administration, logistics & transportation, security and other services for the Omai Gold Project exploration program. Mr. Smith and Mr. Sammy are directors and principals of Excel.

On October 10, 2019 Avalon and Anconia announced the entering into of a definitive amalgamation agreement (the “**Amalgamation Agreement**”) whereby Anconia will, among other things, acquire all of the issued and outstanding shares of Avalon, by way of a three-cornered amalgamation under the Companies Act of Barbados (the “**Transaction**”). The resulting company following closing of the Transaction (“**Resulting Issuer**”) will continue the domestic activities and precious metals exploration and development on Avalon’s Omai Gold

Mine project in Guyana. The Transaction constitutes a “reverse takeover” of Anconia under the policies of the TSX Venture Exchange (the “**Exchange**”), and its completion is subject to the approval of the Exchange and certain other conditions as described in this Circular. Anconia intends to apply to the Exchange to have the common shares of the Resulting Issuer listed and posted for trading on the Exchange. The Transaction is an arm’s length transaction.

On October 22, 2019, Avalon entered into a non-binding letter of intent with Sandstorm providing, among other things, for Sandstorm to make an investment in Avalon pursuant to which Sandstorm would purchase an aggregate of 20,000,000 common shares of Avalon.

During December 2019, in three separate tranches, Avalon completed a non-brokered private placement and issued 8,168,570 units at US\$0.10 per unit for aggregate gross proceeds of US\$816,857. Each unit was comprised of one common share and a one-half common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at an exercise price of US\$0.35 expiring May 1, 2022.

During December 2019, Avalon issued 600,000 common shares to certain vendors as payment at a price of US\$0.10 per share.

Year Ended December 31, 2018

On June 1st 2018, Avalon issued 1,000,008 options to a consultant having an exercise price of US\$0.10 and expiring two years from the date of issuance as part of such consultant’s compensation package.

On June 2nd 2018, Avalon issued 30,924,900 common shares at a deemed price of US\$0.038 per common share as payment to settle US\$1,175,150 in services provided to Avalon from several vendors.

Between June 2nd and June 15th 2018, Avalon issued 1,000,000 shares at deemed price of US\$0.10 and 8,350,000 shares at deemed price of US\$0.038 to share to settle US\$935,000 in services provided to Avalon from certain vendors.

On August 24th 2018, Avalon issued 8,525,000 common shares at a deemed price of US\$0.10 per common share in settlement of debts to several creditors associated with the acquisition of Avalon Gold.

On August 31st 2018, Avalon Gold issued 465,000 common shares to Avalon as settlement for debts owed by Avalon Gold to Avalon.

On August 31st 2018, Avalon issued 4,100,000 common shares at a deemed price of US\$0.10 per common share to settle US\$410,000 in services provided to Avalon from certain vendors.

On August 31st, 2018, Avalon issued 10,500,000 common shares at a deemed price of US\$0.10 per common share to settle US\$1,050,000 in services provided to Avalon from a certain vendor.

In August 2018, Avalon purchased from various creditors, debts owed by the sole shareholder at the time of Avalon Gold, Mahdia Gold Corporation (Guyana) Inc. (“MGC”), associated with agreements the creditors had previously entered into with MGC to provide goods and services to MGC’s Guyana operations. As a result, Avalon entered into a loan agreement and general security agreement to secure the debt owed to Avalon by MGC. Pursuant to the terms of the loan agreement, MGC agreed to pay US\$2,139,072.10\$ to Avalon on or before October 30th 2018.

On September 13th 2018, Avalon completed a non-brokered private placement and issued 850,000 units at \$0.10 per unit for aggregate gross proceeds of US\$85,000. Each unit was comprised of one common share and a one-half common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at an exercise price of \$0.35 expiring two years from the date of closing. As part of the financing Avalon paid certain eligible finders a cash payment of US\$6,800 and issued 68,000 broker warrants exercisable for common shares at an exercise price of US\$0.35 and expiring two years from the date of closing.

On October 2nd 2018, Avalon completed a non-brokered private placement and issued 230,000 units at US\$0.10 per unit for aggregate gross proceeds of US\$23,000. Each unit was comprised of one common share and a one-half common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at an exercise price of US\$0.35 expiring two years from the date of closing. As part of the financing Avalon paid certain eligible finders a cash payment of US\$1,840 and issued 18,400 broker warrants exercisable for common shares at an exercise price of US\$0.35 and expiring two years from the date of closing.

On October 15th 2018, Avalon completed a non-brokered private placement and issued 250,000 units at US\$0.10 per unit for aggregate gross proceeds of US\$25,000. Each unit was comprised of one common share and a one-half common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at an exercise price of US\$0.35 expiring two years from the date of closing. As part of the financing Avalon paid certain eligible finders a cash payment of US\$2,000 and issued 20,000 broker warrants exercisable for common shares at an exercise price of US\$0.35 and expiring two years from the date of closing.

In November 2018, Avalon exercised its rights under the general security agreement granted by MGC in favour of Avalon and accordingly acquired 100% of MGC’s interest in Avalon Gold which resulted in Avalon becoming the sole shareholder of Avalon Gold.

On December 24th, 2018, Avalon entered into an option deed and prospecting agreement (the “**Option Agreement**”) with certain vendors for five (5) prospecting permits owned by the vendors in the Mazruni Mining District No. 3, Guyana. The licensed area is adjacent to Troy Resources’ Karouni mine in Guyana. The option period expires on December 23rd, 2028. Avalon issued an aggregate of 600,000 common shares to the vendors and agreed to pay a further US\$50,000 on execution of the Option Agreement. Avalon has the sole right to explore and prospect on the five prospecting permits. Avalon may exercise its rights to acquire one or more

of the five prospecting permits at any time during the option period by paying the consideration of US\$1.00 per prospecting permit.

Information Concerning Avalon Following Completion of the Transaction

As a result of the Transaction, Avalon will amalgamate with a wholly owned Barbados subsidiary of Anconia and the amalgamated entity will become a direct wholly-owned subsidiary of Anconia. The combined entity will focus on Avalon's Omai Gold Project.

On a pro forma basis, before transaction costs related to the Transaction, as at June 30, 2020, Avalon had, after giving effect to the completion of the Transaction, approximately \$1,855,920, less transaction costs, in cash. See "*Information Concerning Resulting Issuer - Consolidated Capitalization*" in this Circular, as well as the unaudited pro forma consolidated financial information and the accompanying notes thereto attached as Schedule "D" to the Circular.

Technical Report

Most of the information below on the Omai Gold Project was taken from a technical report dated March 31, 2020, entitled "*NI 43-101 Technical Report on the Omai Gold Project Cuyuni-Mazaruni Region, Guyana*" (the "**Avalon Technical Report**") prepared for Avalon in accordance with National Instrument 43-101 ("**NI 43-101**"). The Avalon Technical Report was written by Brian H. Newton, P. Geo., Mark P. Wellstead, MGeol, P. Geo and Francis R. Newton, BSc, P. Geo, of Minroc Management Limited ("**Minroc**") (collectively called the "**Authors**"). The Authors are Qualified Persons who are independent from Avalon within the meaning of NI-43-101.

Property Description, Location and Access

General Property Information

The Omai Gold Project is situated in Guyana, a Commonwealth country on the north coast of South America with strong links to the Caribbean region. It lies in Cuyuni-Mazaruni district, north-central Guyana, at the confluence of the Omai and Essequibo Rivers. The centre of the property lies at approximately 58°45'21"W; 5°25'35"N; or 307,000mE 601,000mN (UTM; PSAD56, zone 21N) (Figure 1).

The nearest settlements are Tumatumari-Mahdia, an Amerindian settlement and porkknocking (artisanal alluvial gold mining) centre of about 1,500 people, 45 km to the west; and Linden; a bauxite mining community of about 45,000 people, 80 km to the northeast. Both communities are accessible year-round by road from Georgetown, the national capital and regional hub, which is located 165 km to the north-northeast.

The Omai Gold Project consists of a Prospecting Licence ("**License**") covering 1,857.5 hectares (18.575 km²; 4,590 acres), as granted by the Guyana Geology and Mines Commission ("**GGMC**") to Avalon Gold. The deed to the property was signed 24th December, 2018 (GGMC et al 2018) and the Licence was granted on the 26th April, 2019 (GGMC 2019). The GGMC's Land Management Division refers to the License as Block A-1001/000/18. The Licence grants Avalon Gold the "exclusive right to occupy for the purpose of exploring for gold, precious

metals and precious stones” (GGMC 2019). The License is valid for three years from the date of grant and can be extended for a further two years.

The License was granted on condition of \$4,000,000 (US) payment to be made to the GGMC, in three annual installments (GGMC et al 2018). Annual rent rates, in US\$ per acre, are outlined in the granting document (GGMC 2019) each for gold, “precious minerals” and “precious stones”, all of which increase for each year. For years 1 to 3, these rates are \$0.50, \$0.60 & \$1.00 for gold; \$0.25, \$0.30 & \$0.50 for “precious minerals”; and \$0.17, \$0.20 & \$0.33 for “precious stones”.

Accessibility

The easiest access to the Omai Gold Project is by air. A dedicated 1,000 m airstrip is present on the property, close to the Wenot pit, which can be reached from Georgetown after a flight of approximately 45 minutes. The airstrip has the designation “SYOM” from the International Civil Aviation Organization.

The property can also be accessed by road from Linden, which itself can be driven to from Georgetown. The Linden-Lethem Road is taken south about 80 km from Linden, to where it joins with the Ya-Ya Road. The Ya-Ya road runs northwest for about 12 km where it terminates at a pontoon crossing point, about 5 km downstream from Omai on the opposite bank of the Essequibo River. There are two suitable landings on the Omai side of the river.

Due to rapids downstream, it is not possible to access the property from Georgetown using the Essequibo river.

History

This section has been compiled using Smith & Lunceford (2012) as a reference (Table 2). Little information is available regarding the history of Omai prior to the 1940s. Detailed records of the work completed by Anaconda are available from the Anaconda Geological Documents Collection at the University of Wyoming (University of Wyoming 2019) but have not been viewed by the authors. Most work prior to the 1990s appears to have taken place in the pipe-like stock now known as the Fennell stock but historically known as the Omai Stock.

Only very limited information regarding the Mahdia Gold work is available to the authors. Mahdia Gold appears to have completed a number of drillholes undercutting both the Fennell and Wenot pits, as well as a series of drillholes testing westward strike extensions of the Wenot zone (Wenot West). Limited assay data was published (see Section 6.3). Further verification of the Mahdia Gold exploration is required; Anconia and AIHL do not treat any exploration information from Mahdia Gold as current. The previous National Instrument 43-101 produced by AMEC (Smith & Lunceford 2012) was written concurrently with the early stages of the Mahdia Gold program.

Period	Company	Work Done
1889-96	-	1,870 kg (60,000 oz) of gold recovered, likely from saprolites at Fennell and Wenot (GGMC 1990)
1896-1907	"German Syndicate"	Diamond drilling and tunnelling along quartz-scheelite veins of the "Arzuni Reef" (Harrison 1908; probably in the Fennell Stock); 1,910 kg (61,200 oz) of gold produced
1911	Local Prospectors	460 kg (14,800 oz) of gold produced by local agents
1937	Ventures Ltd. (Toronto)	Exploration and possible production; no records available
1947-50	Anaconda British Guiana Mines Ltd.	Detailed surface and underground exploration; bulk sampling plant installed
1950-85		Few records of work at Omai during this period
1985-87	Golden Star Resources Ltd.	Mapping, sampling and diamond drilling programs
1987-90	Golden Star Resources Ltd and Placer Guyana Ltd (Placer Dome Inc. subsidiary)	JV between Placer (Guyana) Ltd and Golden Star Resources Ltd. Investment in on-site infrastructure including sample preparation facility, followed by exploration program and resource evaluation. Mineral agreement negotiations led to end of JV; Golden Star approached Cambior (of Val d'Or, Quebec) to proceed with the development of the property. Wenot zone discovered in 1989 (GGMC 1990)
1990 - 94	Cambior Inc.,	Cambior, exploration: stream sediment geochemistry, banka, profile and grid auger drilling and MMI (Mobile Metal Ion) geochemical sampling around the Wenot and Fennell pits and extending to the eastern border of the Omai licence. Cambior Inc. created Omai Gold Mines Ltd (OGML). to have a Guyana-based company to operate the project. Production began in 1993. "Ore Reserves" on the eve of production were given as 44.3 Mt at 1.60 g/t Au (2,270,000 oz) (GGMC 1993)
1994-2006	Omai Gold Mines Ltd	OGML (Cambior) completed a "bankable feasibility study". 394 DDH (60,486 m) were drilled in the Fennell area. 3,800,000 oz of gold (78 Mt at 1.5 g/t Au) produced from Fennell and Wenot pits. Tailings dam failure in 1995; six-month shutdown during investigation period. Production continued until 2005. Fennell and Wenot pits mined to depths of ~250 m and ~190 m respectively. Minimal exploration completed outside immediate pit environment due to low gold prices. Cambior acquired by IAMGOLD in 2006
2006-07	IAMGOLD	Exploratory drilling of "Fennell Deep" target beneath Fennell pit including hydrogeologic investigations. Resource calculated (for internal use, not compliant, see Section 6.1)
2012-17	Mahdia Gold Corp	LIDAR survey. Drilling of Fennell Deep, Wenot Deep and Wenot West targets, and review of IAMGOLD core; for exploration and to confirm IAMGOLD results. JV with Roraima Investment & Consulting Services Inc. to develop alluvial gold targets on property.

Table 2. History of Work at the Omai Mine

Geological Setting, Mineralization, and Deposit Types

Regional Geology

The Omai property lies within the Barama-Mazaruni Greenstone Belt, an early Paleoproterozoic-aged package of ultramafic to felsic volcanics and thick sedimentary sequences (Figure 6). A large number of mid-Proterozoic granitoids are intruded into the belt, covering at least as much surface area as the supracrustal units. The belt was metamorphosed to lower greenschist facies as part of the mid-Proterozoic Trans-Amazonian orogeny. Commonly with other greenstone belts, the Barama-Mazaruni belt contains a number of shear zones and deformation zones of significant linear extent, including the Makapa-Kuribrong (MKSZ) and the Issano-Appaparu shear zones. The trace of the MKSZ does not seem to have been accurately mapped but many authors appear to trace the MKSZ as running roughly east-west, a few kilometres south of the Omai site.

The Barama-Mazaruni Greenstone Belt is a major constituent of the Guyana Shield. The belt strikes west-northwesterly across northern South America. In eastern Guyana the belt is approximately 100 km wide (north to south). North of Omai it mainly abuts Trans-Amazonian gneisses of the Bartica Formation, while to the south it is covered by the Roraima Supergroup, a thick mid-Paleoproterozoic sedimentary basin sequence which forms a famous table mountain landscape. In northwestern Guyana the greenstone belt is considerably thicker, and exposures extend to the ocean.

Terminology varies between neighbouring countries. The Barama-Mazaruni Greenstone Belt appears to be a continuation of the Marowijne belt in Suriname and the Pastora belt in Venezuela (Kroonenberg 2016).

Younger than the above units are the tholeiitic sills and shallow-angle dykes of the Avanavero Large Igneous Province, from the late Paleoproterozoic. These are intruded along the base of the Roraima Supergroup and continue into the Barama-Mazaruni units.

Phanerozoic geologic units in the region include the Apatoe Suite of tholeiitic dykes and sills, dating to the Triassic and pertaining to the opening of the Atlantic Ocean. Surficial units include the Tertiary “White Sands”, which overlie the domains of the Guyana Shield close to the Atlantic coast. They are poorly consolidated and in places are known to host placer gold in economic quantities. In the Omai area they are represented by the Berbice Formation. Laterites and saprolites, which represent deep weathering of bedrock in tropical climates, are an almost ubiquitous component of the surficial geology of the region. Bedrock weathering can reach and exceed depths of 50 m.

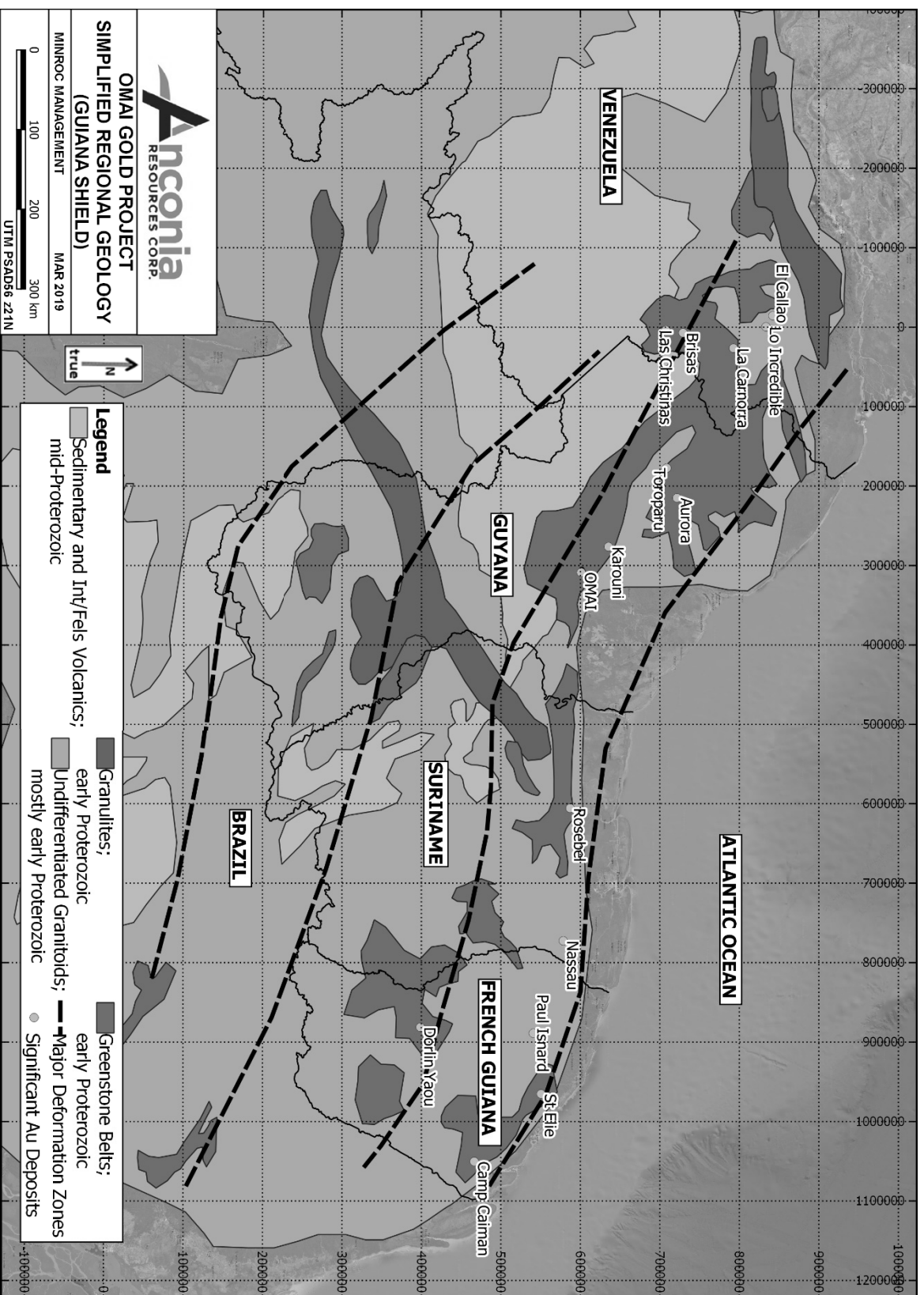


Figure 6 Regional geology. Showing the location of the Omai Gold Project alongside other major gold projects in the Guiana Shield. Geology compiled from numerous sources including: Bardoux et al (2018)

Property Geology

The country units at Omai strike west-northwest and have a northward dip of 70-90°. From north to south the sequence consists of:

- 1: Conglomerates;
- 2: Tholeiitic basalt flows;
- 3: Mixed sequence of andesite and rhyolite flows, pillows and tuffs;
- 4: Mudstone sequence.

Bardoux et al (2018) correlate these lithologies with sequences mapped elsewhere on the Guiana Shield. According to Bardoux et al, units 1, 2-3, and 4 belong to the Rosebel Series, Paramaca Series and Armina Series respectively, as described in Suriname. In the mixed sequence, a number of silicified rhyolite and quartz-feldspar porphyry sills are emplaced. The first regional deformation event (D1) brought these units into their present subvertical position. The above units have been dated to ~2.12 Ga (Voicu 1999a, b) (Figure 7, Figure 8).

At the Fennell Pit, a multiphase plug-like stock (the Fennell Stock) is intruded into the basalts and the mixed sequence. The Fennell Stock consists of quartz monzodiorite with associated hornblende and hornblende porphyries (Figure 9). It was emplaced after the D1 event, at ~2.09 Ga (Voicu 1999a, b). The only other regional-scale deformation event apparent on the property is the formation of subhorizontal brittle and ductile structures (D2), which guided the emplacement of the subhorizontal mineralized veins in all of the above units.

An east-west shear zone (the Wenot Shear Zone) runs subparallel to the southern contact of the mixed sequence against the mudstones and is marked by a 100 m-thick zone of parallel metre-scale shears. It has a low-angle cross-cutting relationship with the volcanic, sedimentary and later intrusive units (Smith & Luncford 2012) (Figure 10). Along the mudstone contact itself is a zone of cataclastite and breccia. The Wenot Shear Zone may represent a subparallel splay of the Makapa-Kuribrong Shear Zone (MKSZ).

A diabase sill of the Avanavero suite (the Tumatumari-Omai dyke) forms a band of outcrop to the north of the Omai workings, within the conglomerates and basalts. The sill strikes northwesterly, dips at about 30° to the southwest. Its thickness is variously reported as 30 m (Bourgault 2007) and 80 m (Bardoux et al 2018). In the area of the Fennell Pit it lies about 500 m below the original surface, and it continues to plunge towards the southwest where it also underlies the Wenot workings (Bardoux et al 2018). Titanite and rutile give a Pb-Pb isochron age of 1999 ± 6 Ma, believed to reflect a late-stage Trans-amazonian thermal event (Bardoux et al 2018). Based on this age dating, the rocks were likely formed in the mid to late Paleoproterozoic.

All of the above units are weathered to saprolite to a depth of up to 50 m. Also, much of the Precambrian geology around and south of the Wenot Pit (i.e. towards the Essequibo River) is obscured by the Cenozoic Berbice Formation composed of sands and gravels.

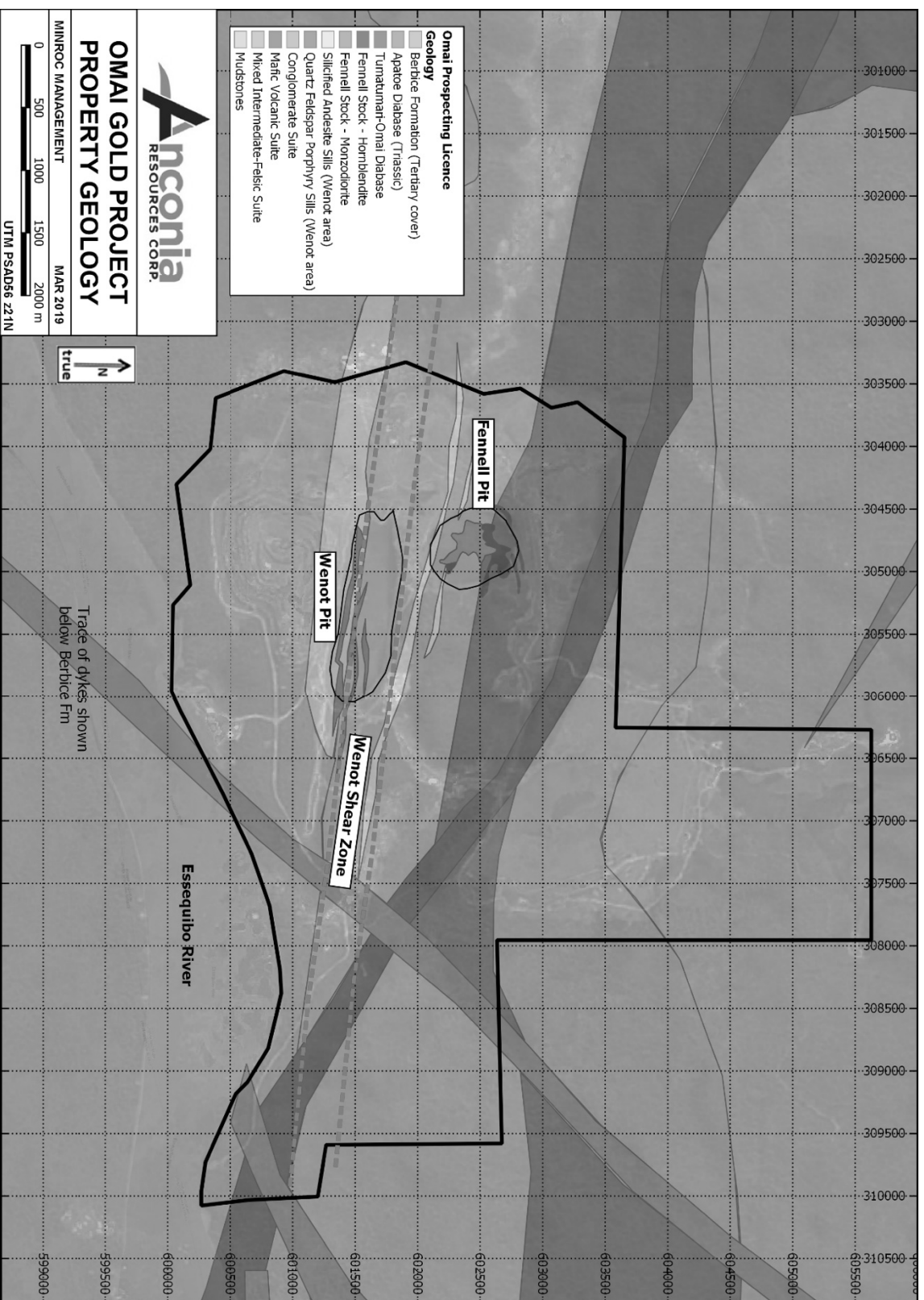


Figure 7 Property geology. Based on Voicu (1999a) and Cambior compilation maps available to Minroc.

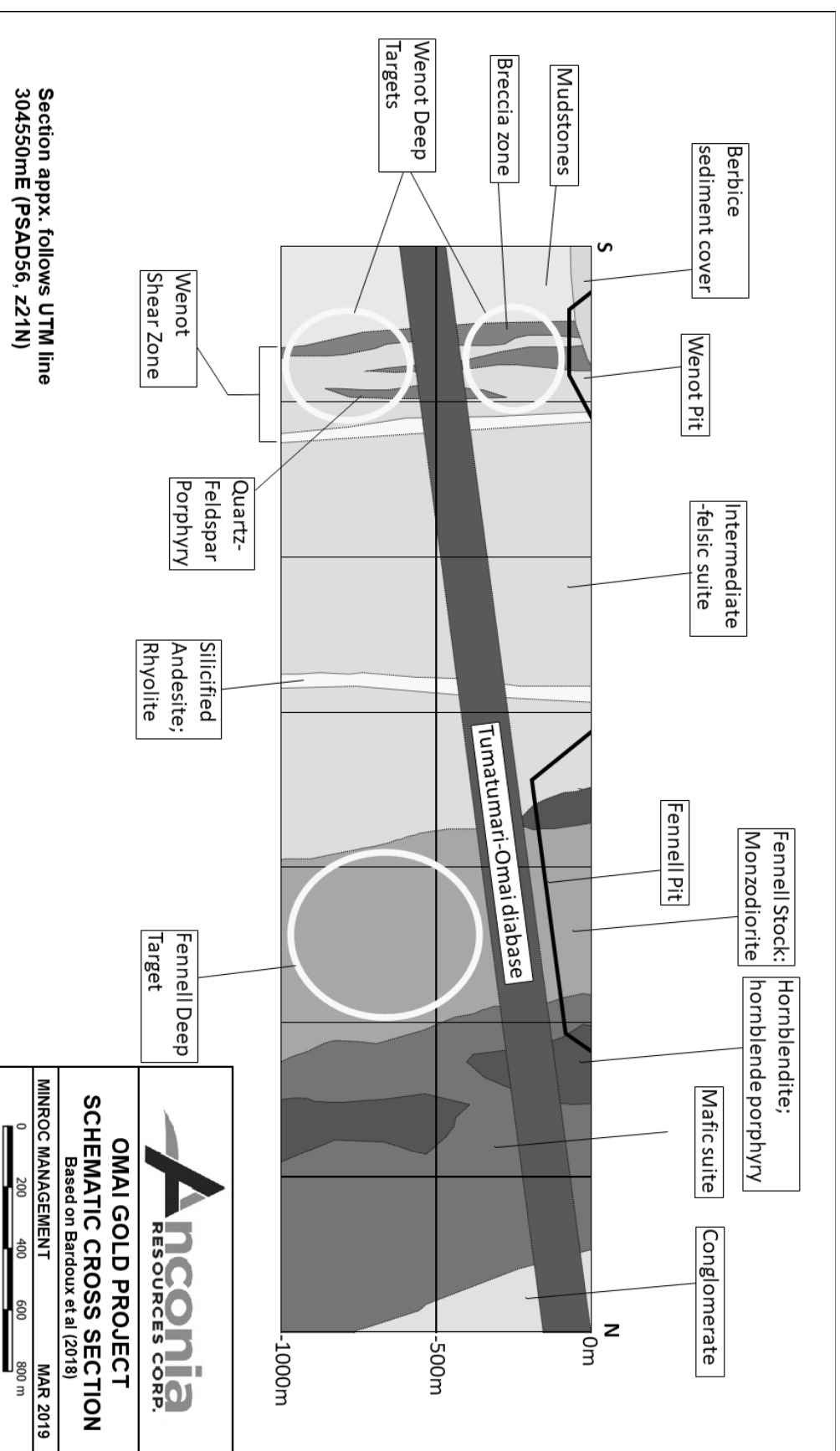


Figure 8 Schematic cross section

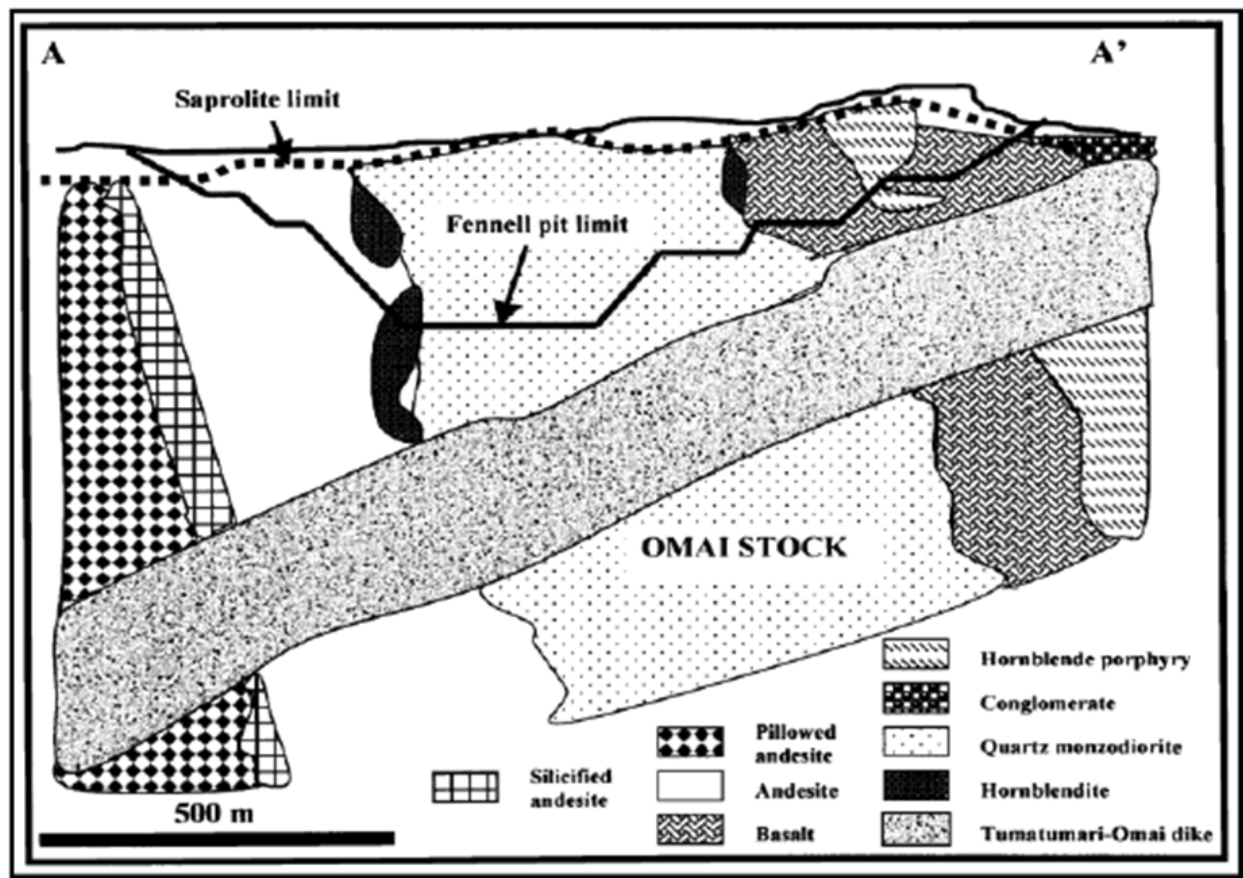


Figure 9 Fennell cross section. North is at A'. From Voicu (1999b)

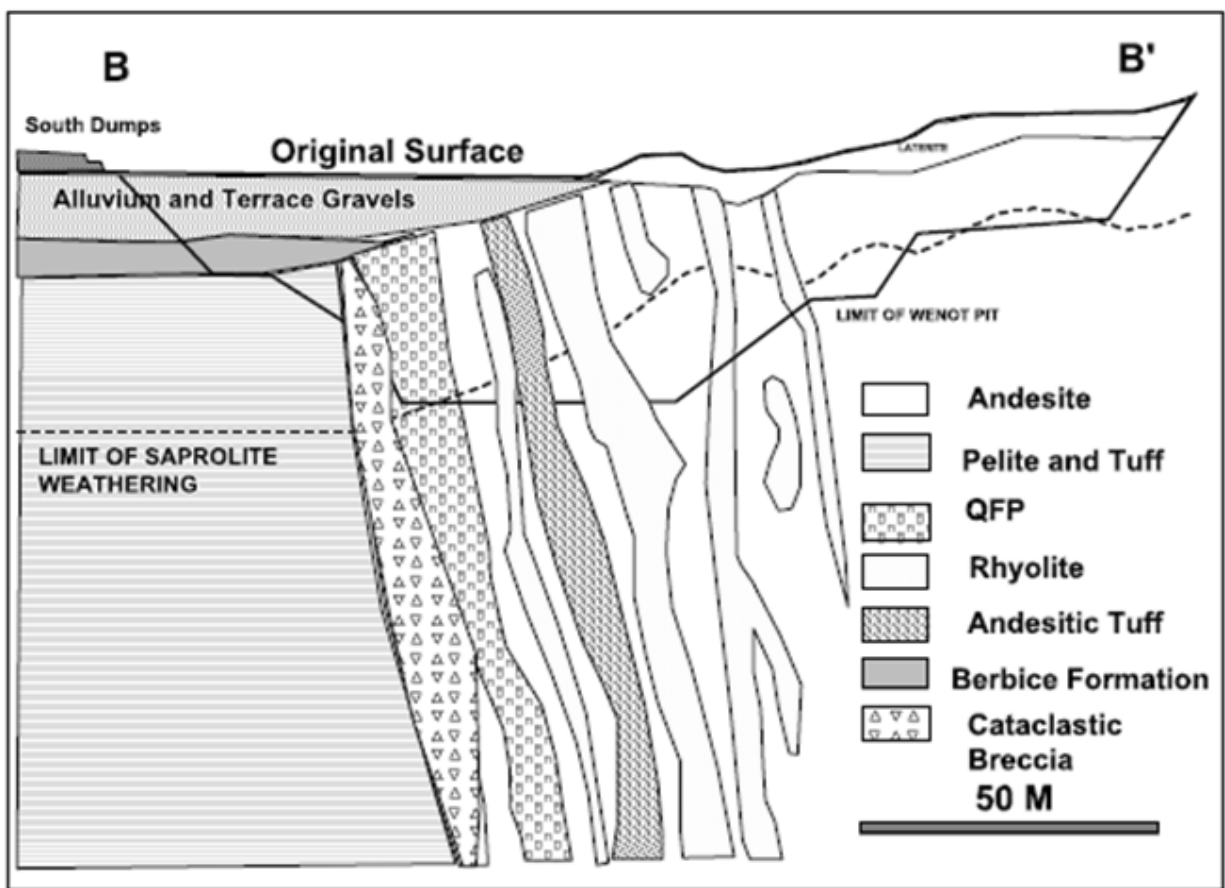


Figure 10 Wenot cross section. North is at B'. From Smith & Luncford (2012)

Primary Gold Mineralization

According to Voicu (1999a) two types of gold-bearing veins are seen at Omai:

1: Vein sets or stockworks. These are found within the more competent, brittle units on the property e.g. the Fennell Stock and the dykes and sills of silicified rhyolite and quartz-feldspar porphyry in the Wenot Pit area. These are typically in the millimetre-centimetre width range. The veins pinch out upon entering the more ductile surrounding units, but can continue into these units by up to 10 m. Veins are surrounded by carbonate-sericite-silica-chlorite alteration halos, and where the veining is densest, the halos overlap to form a completely altered host rock.

2: Lode Veins. These are present in all units apart from late dykes and sills, but are still most common within the brittle felsic units. They are generally nearly flat-lying with dips of no more than 30° (NW or SE) and strikes of 20-40° from north. Lode veins can reach a thickness of 1.3 m.

Both vein types appear to be contemporaneous, but the peak times of emplacement differ slightly, such that it is more common to see the lode veins overprinting the stockwork veins than it is to see the inverse. The fluid emplacement temperature was in the range of 200-400° C (Elliott 1992).

Six subtypes of veins have been outlined (Voicu 1999a), designated H1 to H3 and V1 to V3; where H and V designate subhorizontal (i.e. the Lode Veins) and subvertical respectively.

The veins consist of quartz and carbonates (ankerite and calcite). Accessory minerals include albite, chlorite, tourmaline, rutile, epidote, scheelite and a number of sulphides, sulfosalts and tellurides (Figure 11). No information is available regarding the amount of tungsten present in any assay results.

The gold mineralization itself is primarily in the form of native gold within the veins and, secondarily, in tellurides such as petzite and calaverite (Voicu 1999c). Refractory gold is also present as inclusions within pyrite and pyrrhotite. Galena is commonly associated with visible gold (Elliott 1992). A very strong nugget effect has been noted statistically (70% of the no correlation value; Bourgault 2007). Table 5 below, specifically the Uncut and Cut interval columns, illustrates that the nugget effect often but does not always have a significant impact on assay values.

Geospatially, the above mineralization styles exist within the Fennell stock and the units within the Wenot deformation corridor. From limited Cambior and OGML drilling it is known that they continue beyond the bounds of the Wenot pit, particularly to the west into key exploration target areas known as “Wenot West” as well as the “Quartz Hill” area beyond the present Omai Prospecting Licence

Table 5 Example of DDH Intervals from Omai Exploration Targets

Intervals calculated from Gemcom-formatted IAMGOLD drillhole data available to Minroc

DDH	From	To	Width m (core)	Au g/t (uncut)	Au g/t (cut at 15 g/t)	Area
OMU-02	172	243	41	4.51	3.56	Fennell Deep
OMU-04	364	392	28	3.96	2.58	Fennell Deep
OMU-04	323	344	21	9.87	2.85	Fennell Deep
OMU-08	268	301	33	3.59	3.45	Fennell Deep
OMU-11	252	281	29	3.88	3.53	Fennell Deep
OMU-12	292	315	23	4.58	4.58	Fennell Deep
OMU-13	312	334	22	2.14	2.14	Fennell Deep
OMU-22	292	435	143	2.62	2.48	Fennell Deep
OMU-25	372	433	61	2.53	2.49	Fennell Deep
OMU-28	163.42	344	180.58	139.53*	1.92	Fennell Deep
OMU-29	606	695	89	3.49	1.70	Fennell Deep
OMU-36	412	469	57	3.91	3.84	Fennell Deep
OMU-42	398	481	83	2.51	1.93	Fennell Deep
OMU-44	509	539	30	3.53	3.10	Fennell Deep
OM-0629	126	141	15	1.93	1.93	Wenot East
OM-0331	33	54	21	6.90	6.33	Wenot West
OM-0907	233	243.5	10.5	3.03	3.03	Wenot West
OM-0910	194.3	204.2	9.9	5.74	5.56	Wenot West
OM-0931	150.5	194	43.5	0.80	0.80	Wenot West

Minroc estimates that for both the Fennell and Wenot zones, the true widths are approximately 70% of the core interval widths. The high uncut gold grade in OMU-28 (asterisked, above) is the result of a single extremely high assaying sample. See Table 1, OMU-28. Based on the modelling methodology used by IAMGOLD in 2007,

Examples of high nugget values are presented below (Table 6). These are taken from all drilling data available to Minroc, including historic production holes. In the available drill data, high nugget values appear to be largely restricted to the Fennell stock.

Table 6 Examples of Nugget Au Values

DDH	From m	To m	Width m (core)	Au g/t	Area
OMU-04	399	400	1.00	1130.3	Fennell Deep
OMU-28	201	202	1.00	2458.37	Fennell Deep
OMU-28	328	329	1.00	22415.5	Fennell Deep
ANA-06	32.25	32.86	0.61	291.43	Fennell Pit
ANA-15	21.15	21.28	0.13	1053.6	Fennell Pit
ANA-18	72.63	73.24	0.61	1217.83	Fennell Pit
ANA-19	18.29	18.44	0.14	317.14	Fennell Pit
ANA-20	108.33	108.48	0.15	286.63	Fennell Pit
OM-0027	21	23.91	2.91	1955	Fennell Pit
OM-0093	103.17	104.44	1.27	263.34	Fennell Pit

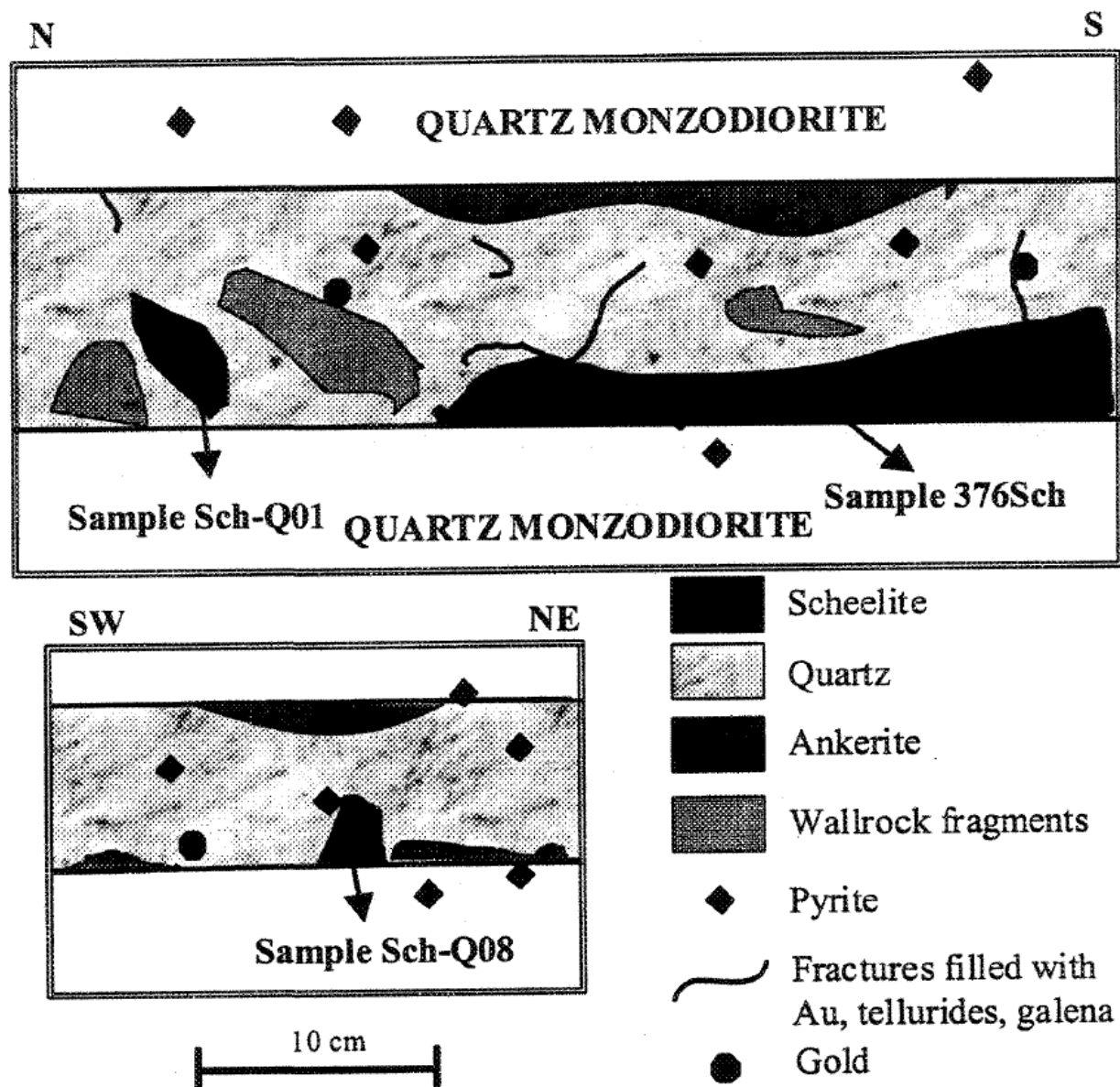


Figure 11 Diagram of typical veins in Fennell pit. From Voicu (1999a). The specific vein subtypes are not given.

Secondary Gold Mineralization

Coarse gold is present in a number of laterite zones in the vicinity of the pits. A number of prospective gold targets are strung along the strike of the Wenot Shear Zone, as revealed by auger drilling of laterite and saprolite, and limited core drilling (Smith & Lunceford 2012). A laterite area overlying the eastern strike extension of the Wenot Shear Zone is locally known as the “Boneyard” and has been extensively worked by porknockers (artisanal miners). A second such zone known as “Broccoli Hill” lies east-adjacent to the Fennell pit. A grid of laterite auger samples (1-4 m depth), covering approximately 1,000 by 1,500 m, is shown on Cambior compilation maps available to Minroc, in which a significant number of samples gave values above 1 g/t gold to a high of 35 g/t. Broccoli Hill has never been diamond-drilled.

Alluvial placer gold appears to be present within the Prospecting Licence area. A number of Mahdia Gold press releases discuss production from a “Roraima” paleochannel, by Mahdia Gold and a joint-venture partner, in 2013-14. Mahdia reported production of 59 ounces in March 2014 and 118.5 ounces in June 2014 from this operation (Douchane 2014, Gordon & Bending 2014).

Deposit Types

The Omai deposit is a typical mesothermal orogenic gold deposit. The Fennell and Wenot sectors represent similar mineralized systems emplaced in different hosts (granitoids and greenstones respectively). Mesothermal gold deposits tend to be contemporary with the final stages of tectonic activity in the orogen (syn- or late-tectonic), and almost always have proximity to crustal-scale deformation zones within the greenschist-grade portion of the orogen. The deposits themselves consist of quartz-carbonate vein systems and carbonate-sericite alteration zones, with relatively low proportions of sulphides. The direct host units tend to exhibit more brittle deformation than the surrounding units.

Orogenic gold deposits are found in such environments at a wide range of ages but are best known from Archean cratons such as the greenstone belts of the Canadian Shield and in Western Australia. Bardoux (2018) draws a similarity between the structural setting of Omai and the Sigma-Lamaque mine in Val-d’Or, Quebec, Canada. Both deposits are similarly hosted by a regional-scale shear zone and an adjacent intrusive stock.

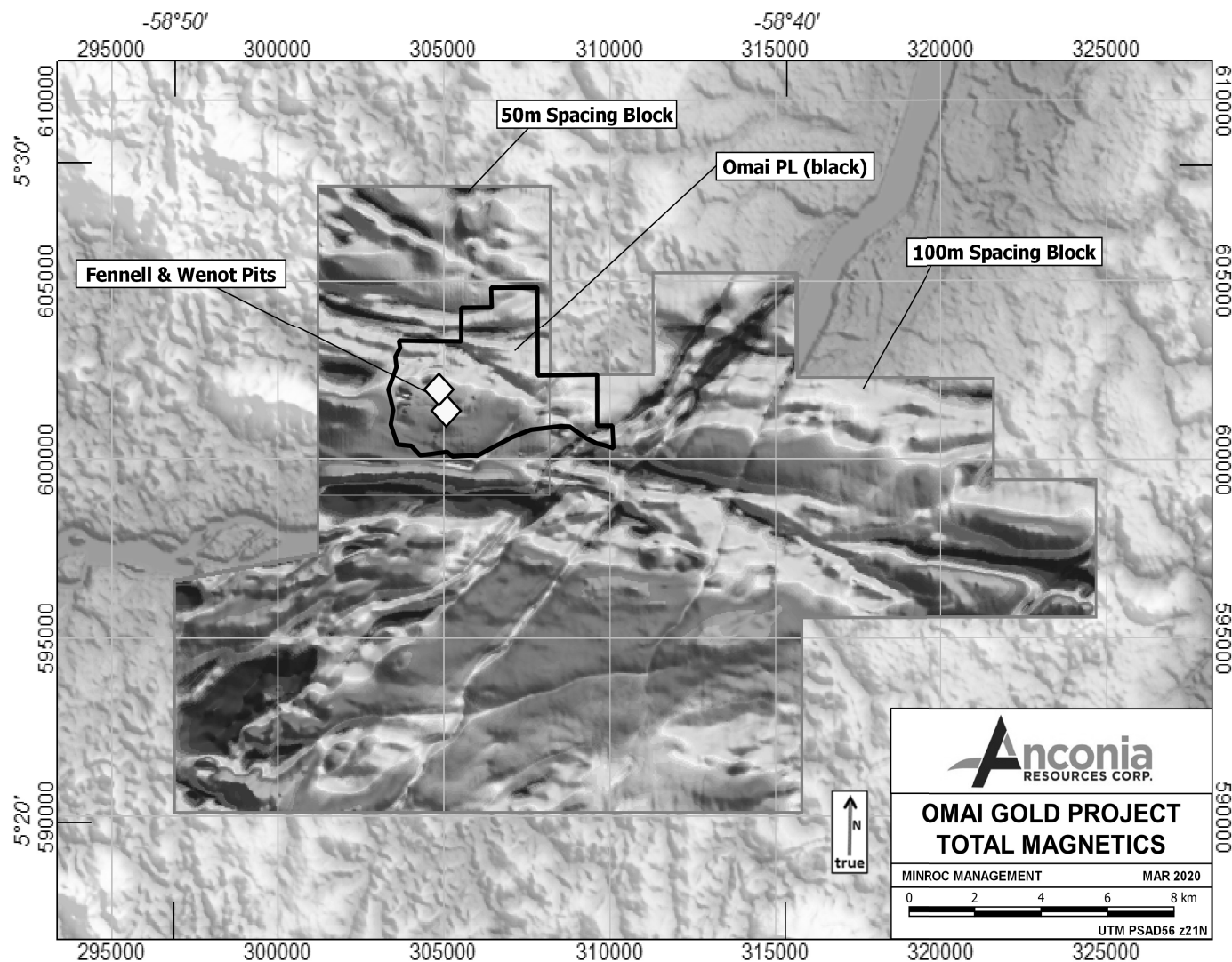
Deposits of a similar style and size in the Barama-Mazaruni Greenstone Belt include Toroparu and Aurora (Guyana), Brisas and El Callao (Venezuela), and Rosebel and Nassau (Suriname).

Exploration

From the January 28th, 2020 to the February 17th, 2020, a magnetic, VLF and radiometric airborne survey covering the Omai PL and its environs, was completed by Terraquest Airborne Geophysics of Markham, Ontario, Canada on behalf of AIHL. The survey was flown along a north-south-oriented grid, with 50 m line spacing in the Omai PL area (covering ~60 km²) and a 100 m line spacing across a larger block to the south and east (covering ~250 km²), for a total grid length of 3,999.8 km. The instrumentation was flown by a King Air C90.

At the time of writing, processing and interpretation of the dataset is ongoing. Initial maps of the total magnetic intensity and raw total radiometric count are available to Minroc (Figure 13).

Figure 13 Total magnetics data from the Jan-Feb 2020 airborne survey



Drilling

It is known that Mahdia Gold completed a number of drillholes at Omai. Records of this work are poor, although some of this core is reported to have been kept in secure storage by the GGMC. Anconia and Avalon intend to inventory this core, and review and sample it as described in Section 26.1.2.

IAMGOLD Fennell Deep Drilling

The IAMGOLD program is described in detail in Smith & Lunceford (2012) and is summarised here. This is the most recent exploration program for which reliable data is available to Minroc. In 1997 during Cambior operations, two exploratory holes (OM-771 and OM-773) were drilled through the diabase sill beneath the Fennell pit, and confirmed that the Fennell Stock is both present and mineralized. In 2006-07, IAMGOLD followed up this discovery with a series of 46 DDH, the “OMU” series, with a total drilled length of 27,359 m. These holes were drilled from sites within the Fennell pit. They were drilled at least partly at NQ calibre but several were continued at a narrower, unspecified core calibre. The available RQD data is incomplete, but for complete drillholes the total RQD is generally above 90% and rarely below 75%. The longest DDH, OMU-41, was 978 m in length. All DDH were drilled by Major Drilling from April 24th, 2006 to January 22nd, 2007.

Highlights from this program are given in the table below. IAMGOLD considered the Fennell Deep program to have been highly successful and was used as the basis for an in-house, non-compliant resource calculation which is discussed in Section 6.1 of the Avalon Technical Report.

Table 7 IAMGOLD Drillhole Details, 2006-07

DDH	UTM_E	UTM_N	Elev m	Length m	Azimuth °	Dip °
OMU-01	304730	602606	333	339.8	80	-50
OMU-02	304729	602606	333	376	48	-60
OMU-03	304698	602595.4	336.44	179.5	80	-80
OMU-04	304682.9	602574.8	339.77	456	90	-75
OMU-05	304683.5	602574.9	339.68	579	90	-65
OMU-06	304856.6	602601.4	324.31	484	45	-85
OMU-07	304880.5	602581.8	321	534	235	-88
OMU-08	304853.6	602598.7	325	550	175	-80
OMU-09	304882.5	602579.6	321.71	407.7	320	-60
OMU-10	304682.8	602574.5	339.89	490	90	-55
OMU-11	304851.5	602598.4	324.46	522.5	205	-70
OMU-12	304840.5	602600.3	325	833	145	-70
OMU-13	304853.3	602601.7	325	571	170	-63
OMU-14	304826.7	602603.1	327.26	440	348	-86
OMU-15	304887.8	602576.2	321.15	654	140	-75

OMU-16	304819.8	602603.3	327.85	455	295	-85
OMU-17	304831.1	602604.3	326.95	915.5	165	-70
OMU-18	304875.7	602593	322.81	523.75	225	-60
OMU-19	304872.6	602603.2	323.16	525	240	-74
OMU-20	304881.1	602591	322.84	91.15	145	-82
OMU-21	304878.9	602593.4	322.92	156	145	-82
OMU-22	304642.2	602536.8	347.87	712.7	102	-65
OMU-23	304839.5	602611.9	326.15	427	290	-78
OMU-24	304642.1	602537.7	347.79	920	85	-67
OMU-25	304864.7	602607.1	323.78	484	57	-82
OMU-26	304666.3	602565.2	342.01	415	51	-64
OMU-27	304677.4	602277	374.33	623	85	-67
OMU-28	304665.8	602566.5	342.05	414	35	-53
OMU-29	304659.9	602330.7	368.98	770	90	-64
OMU-30	304649.5	602379.1	364.22	528	88	-62
OMU-31	304660	602330.5	368.98	752.5	82	-69
OMU-32	305028.8	602296.8	414.03	711.5	280	-78
OMU-33	305023.6	602480	432.02	752.5	267	-59
OMU-34	305034.9	602382.6	422.49	603.5	260	-67
OMU-35	305023.7	602479.5	431.84	966.9	260	-73
OMU-36	305029.7	602426.6	425	602.2	260	-59
OMU-37	299649.7	607768.1	422.56	663.5	260	-73
OMU-38	305023.4	602479.5	431.86	672	260	-59
OMU-39	305029.2	602426.5	426.56	960.5	263	-63
OMU-40	305035.8	602382.8	422.33	789.5	263	-80
OMU-41	305012	602479	432	978.3	260	-68
OMU-42	305030.2	602426.5	426.51	589.65	263	-70
OMU-43	305009.1	602571.2	441.21	785.89	260	-65
OMU-44	305035.4	602383.1	422.58	791.6	257	-74
OMU-45	305030.5	602426.6	426.63	756.5	263	-76
OMU-46	305009.1	602571.2	441.21	605.8	260	-70

Table 8 Selected DDH Intervals from IAMGOLD 2006-07 DDH

Intervals calculated from Gemcom-formatted IAMGOLD drillhole data available to Minroc

DDH	From	To	Width m (core)	Au g/t (uncut)	Au g/t (cut at 15 g/t)	Area
OMU-02	172	243	41	4.51	3.56	Fennell Deep
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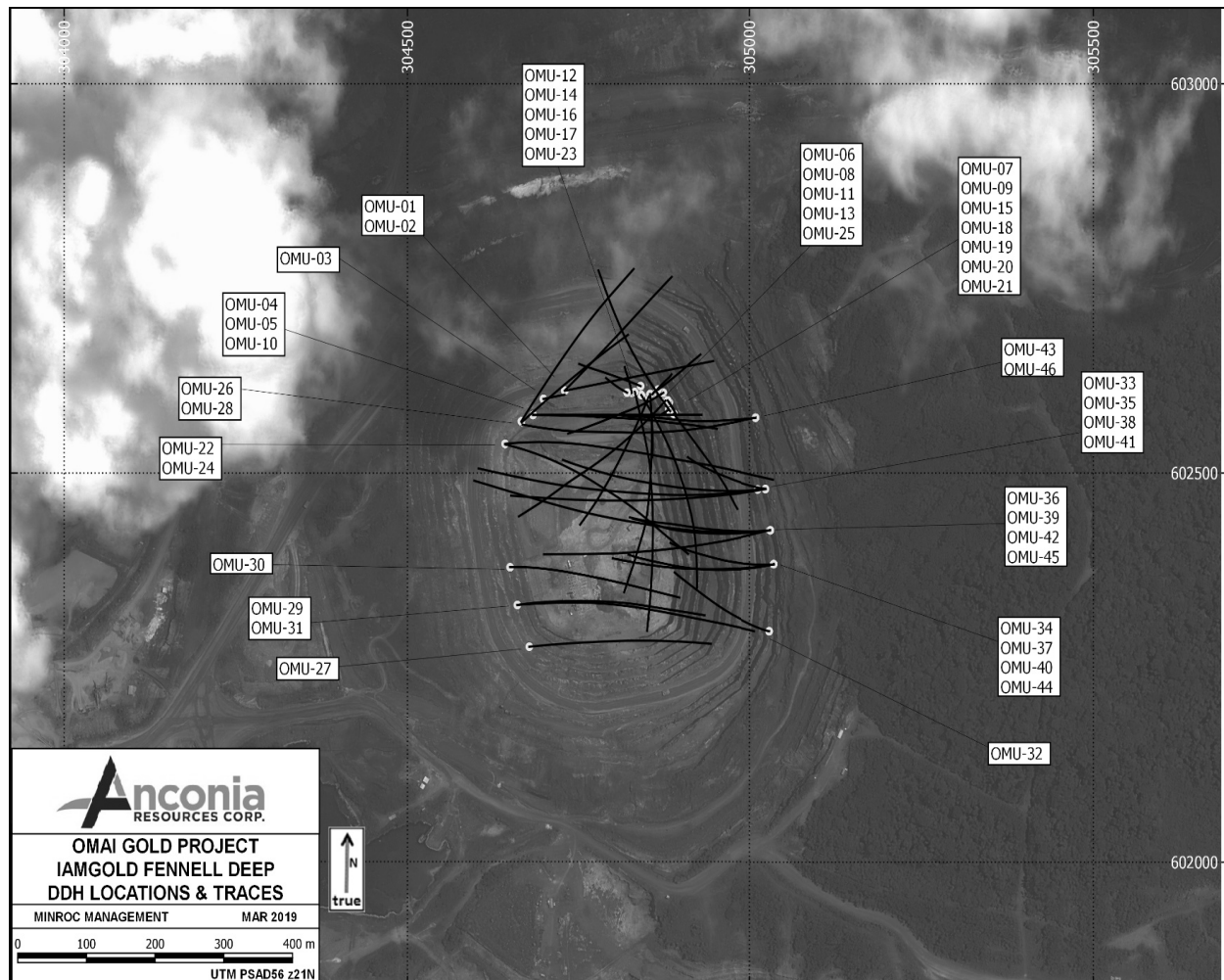


Figure 14 Location and surface traces of IAMGOLD Fennell Deep DDH; 2006-2007. Background imagery from Bing, which shows the Fennell pit around the time of the drill program (prior to its flooding).

Sampling, Analyses and Data Verification

No verifiable sampling has been undertaken since the work of IAMGOLD ending in 2007.

Data Verification

No verification of any recent (IAMGOLD, Mahdia) work could be completed during the 2018 property visit. The IAMGOLD drill collars are situated within the Fennell pit which at the time of the visit was flooded. The location of the IAMGOLD and Mahdia core was not known at the time of the visit, nor was any reliable information available pertaining to the work undertaken by Mahdia Gold.

Minroc considers it a high priority for Anconia to undertake efforts to verify the IAMGOLD and/or Mahdia exploration results.

Despite the inability to verify any geologic data at this stage, the Qualified Person believes that the dataset provided to Minroc is of a sufficient level of detail and accuracy for the purposes of property review as per the Avalon Technical Report.

Mineral Processing and Metallurgical Testing

The Omai Gold Project is not yet at a sufficient stage of development for gold recovery methods to have been investigated.

Nonetheless, useful information which might be relevant to future gold recovery can be gleaned from an undated (believed circa 1999) OGML report; “Challenges and Improvements in Milling at Omai Gold Mines”. A key challenge for primary crushing and handling, as stated by that report, is the need to process both hard and soft (laterite and saprolite) ores. A second SAG mill was set up in 1995/96 specifically to process soft ores so that the primary mill could be optimized for hardrock.

The report states that about 30% of gold recovery was via gravity methods, and the remainder from cyanidation. Under OGML, total gold recovery increased from approximately 89.8% in 1994 to 93.2% in 1997. The improvement is partly the result of the implementation of gravity circuits in 1994/95.

Mineral Resources and Mineral Reserves Estimates

At the time of writing there are no Mineral Resource Estimates pertaining to the Omai Gold Project that are compliant with National Instrument 43-101, CIM, JORC, SAMREC or other recognized reporting standards.

At the time of writing there are no Mineral Reserve Estimates pertaining to the Omai Gold Project that are compliant with National Instrument 43-101, CIM, JORC, SAMREC or other recognized reporting standards.

Mining Methods

The Omai Gold Project is not yet at a sufficient stage of development for mining methods to have been investigated.

Processing and Recovery Operations

The Omai Gold Project is not yet at a sufficient stage of development for gold recovery methods to have been investigated.

Infrastructure, Permitting and Compliance Activities

The Omai Gold Project is not yet at a sufficient stage of development for project infrastructure, permitting or compliance activities to be discussed.

Capital and Operating Costs

The Omai Gold Project is not yet at a sufficient stage of development for capital and operating costs to have been investigated.

Exploration, Development, and Production

Recommendations

Initial Exploration Program

Minroc outlines a proposed exploration program for the Omai Gold Project. This is presented in two phases with a series of additional recommendations as follow-up pending the results of the initial work programs. The implementation of Phase 2 is not contingent on positive results from the Phase 1 work.

The estimated costs outlined below are based on the authors' significant and varied experiences in exploration program planning and are to be considered order-of- magnitude references only. Prior to execution of an exploration program a detailed cost estimate based on contracted and researched numbers must be carried out and vetted thoroughly to ensure a seamless program in the field.

Phase 1: Core Review and Baseline Environmental

Historic core from the Omai property is available to AIHL. The exact amount and condition of the core is unknown. Minroc recommends that Anconia take an inventory of this core and transport it from its storage location at Linden to the Omai mine site. At Omai, Minroc recommends the construction of core logging facilities and the completion of a program of core rehabilitation, relogging and sampling/resampling. Depending on the exact nature of the core,

this sampling may include duplicate resampling of historically sampled core, and/or sampling of previously unsampled material.

In addition, baseline environmental studies should be commenced at this stage, well before any significant exploration activity takes place at the site. This work should include sampling of water in both pits, the Omai and Essequibo Rivers, and any other potential sources or vectors for acid mine drainage or other contamination.

Table 10 Costing for Phase 1 Program at Omai

Item	Time	Unit (costs in CAD)	Estimated Cost (CAD)
<i>Core Program</i>			
Personnel: two geologists	50 days	\$280/day	28,000.00
Personnel: two geotechnicians	50 days	\$70/day	7,000.00
Personnel: three helpers	50 days	\$35/day	5,250.00
Hotel	30 days	\$70/day	8,400.00
Food	30 days	\$168/day	5,040.00
Transport	30 days	\$28/day	840.00
Core logging facility construction			28,000.00
250 core boxes (NQ)		\$28/box	7,000.00
Standards and Blanks			2,100.00
Core transport Linden-Omai			14,000.00
Fire Assays (3000)		\$23.10/assay	69,300.00
Multielement Assays (300)		\$56/assay	16,800.00
Core saw			7,000.00
Saw blades (6)		\$420/blade	1,800.00
Sample prep equipment inc. bags, tags			2,800.00
Field computer			1,960.00
<i>Environmental Baseline Sampling</i>			
Personnel: scientist/technician	5 days	\$112/day	560.00
Personnel: helper	5 days	\$70/day	350.00
Sample prep equipment inc. vials, bags			700.00
Water sample assaying (20)		\$112/sample	2,240.00
Soil sample assaying (50)		\$70/sample	3,500.00
Waste rock sample assaying (10)		\$112/sample	1,120.00
TOTAL			217,980.00

Phase 2: Reinterpretation and Exploration

At this stage, Minroc recommends a thorough compilation of all available geologic and geophysical data, including legacy data, the recent airborne dataset and any findings from the core review in Phase 1. This should include site visits to confirm as much legacy data as

possible, for example drill collars. Based on this compilation, a reinterpretation should be completed to better define key geologic units and structures and facilitate target generation. Further, a detailed exploration program should be designed, and should include both diamond drilling and surface exploration:

Drill Program

Initial drilling at Omai should address three priorities:

- Expanding upon the Fennell Deep mineralized zones with infill drilling and further depth extensions;
-
- Exploration drilling for strike and dip extensions of the Wenot zones;
- Improving confidence in the historic data by twinning historic drillholes covering a variety of assay grades, mineralization styles and physical locations.

Trenching and Surface Mapping

Geologic mapping, and reconnaissance sampling where possible, is recommended across the License area. Trenching or auger drilling are relatively cheap methods to allow detailed exploration of saprolite targets such as Broccoli Hill.

Table 11 Costing for Phase 2 Program at Omai

Item	Time/unit	Estimated cost (CAD)
<i>Geologic Modeling and Interpretation</i>		
Historic data, geologic interpretation, review logs, new modelling for drill sites	2 months	\$119,000.00
Fennell Deep modeling, core photo interpretation		\$70,000.00
<i>Regolith mapping and Sampling</i>		
Geologist	1.5 months	\$11,200.00
Sampling		\$4,200.00
support personnel		\$7,000.00
ATV and logistics		\$25,200.00
<i>Trenching Program</i>		
Excavator	1,000m	\$21,000.00
Geologist and crew		\$15,400.00
supplies		\$1,400.00
assays		\$23,100.00
logistical support		\$16,800.00
<i>DDH Program</i>		
Senior geologist	3,000m	\$28,000.00
Local Geologists		\$28,000.00
Local crew		\$16,800.00
Direct costs of drilling @\$280/m (CAD)		\$840,000.00

Support equipment (excavator) including fuel and crew	\$84,000.00
Support crew for sampling	\$46,200.00
Logistical Support	\$63,000.00
Standards and supplies	\$12,600.00
Core boxes	\$21,000.00
Assays (1500) and multielement (300)	\$51,800.00
Database management and QA/QC	\$21,000.00
surveying	\$14,000.00
sample shipment	\$11,200.00
Interpretation and modeling	\$42,000.00
Independent review	\$28,000.00
<i>Other Logistical</i>	
Security	\$42,000.00
TOTAL	\$1,663,900.00

DIVIDENDS OR DISTRIBUTIONS

Avalon has not declared or paid any cash dividends on any of its issued shares since incorporation. Avalon does not have a dividend policy and, given the current stage of Avalon's corporate development, Avalon does not intend to adopt such a policy in the foreseeable future. Any decision to declare and pay dividends will be made by Avalon's board of directors on the basis of earnings, financial requirements and other conditions existing at such future time.

SELECTED CONSOLIDATED FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION & ANALYSIS

The following table sets out selected financial information for Avalon for the periods indicated and should be considered in conjunction with the more complete information contained in the financial statements of Avalon attached as Schedule "E" to this Circular. Unless otherwise indicated, all currency amounts are stated in United States dollars.

	Six-month period ended June 30, 2020	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2018
Net loss	\$2,405,276	\$690,374	\$1,736,288
Basic net loss per share	0.02	0.01	0.05
Diluted net loss per share	0.02	0.01	0.05
	As at June 30	As at December 31, 2019	As at December 31, 2018
Mineral properties	\$6,975,851	\$5,942,362	\$4,603,450
Total assets	\$9,196,178	\$5,984,570	\$4,616,930
Current liabilities	\$635,655	\$2,257,194	\$1,478,937

Avalon's Management Discussion and Analysis dated August 17, 2020 for the audited year ended December 31, 2019 and the Management and Discussion and Analysis dated August 17,

2020 for the unaudited interim financial statements ended June 30, 2020 are incorporated herein as Schedule “F”.

DESCRIPTION OF SECURITIES

Authorized and Outstanding Capital

Avalon is authorized to issue an unlimited number of common shares (the “**Avalon Shares**”) and Class A shares of which 16,609,385 common shares are issued and outstanding and no Class A shares are outstanding as of the date of this Circular.

The holders of the common shares and Class A shares are entitled to receive notice of and to attend all meetings of the shareholders of Avalon and each common share carries one vote and each Class A share carries ten votes.

Warrants

As at the date of this Circular, there were 36,927,765 warrants outstanding exercisable at US\$0.35 and expiring on June 30th 2022.

Options

As at the date of this Circular, there were 8,741,676 options outstanding exercisable at US\$0.10 and expiring on dates ranging from April 29th, 2021 to June 1st, 2025.

CONSOLIDATED CAPITALIZATION

Other than as disclosed herein, there have been no material changes in the share capitalization or in the indebtedness of Avalon since June 30, 2020, the date of Avalon’s most recent financial statements. The following table sets forth the consolidated capitalization of Avalon as at June 30, 2020, December 31, 2019 and on a *pro forma* basis as at June 30, 2020, after giving effect to the Transaction, as if it had occurred on June 30, 2020. This table should be read in conjunction with Avalon’s comparative unaudited interim consolidated financial statements for the six months ended June 30, 2020 and related notes thereto and management's discussion and analysis thereon.

Designation of Security	Amount Authorized or to be authorized	Amount outstanding as of the date of the most recent balance sheet ⁽¹⁾	Amount outstanding as of the date of this Circular and prior to giving effect to the Transaction
Common Shares	Unlimited	147,689,799	189,869,799
Warrants	Unlimited	33,153,685	36,927,765
Options	N/A	8,741,676	8,741,676

Note:

(1) As of the date of the most recent balance sheet, June 30, 2020, there was equity of \$ 7,927,001

PRIOR SALES

Other than as described below, during the 12-month period before the date of this Circular, Avalon has not issued any other common shares or securities that are convertible or exchangeable into common shares in the capital of Avalon:

Date of Issue	Type of Security	Number of Securities	Issue or Exercise Price per Security
			(US\$)
Feb 2018	Common Shares	100	\$1.00
	Warrants	-	\$0.35
	Broker Warrants	-	\$0.35
June 2018	Common Shares	39,274,900	\$0.038
	Common Shares	1,000,000	\$0.10
	Warrants	-	\$0.35
	Broker Warrants	-	\$0.35
August 2018	Common Shares	23,125,000	\$0.10
	Warrants	-	\$0.35
	Broker Warrants	-	\$0.35
September 2018	Common Shares	850,000	\$0.10
	Warrants	425,000	\$0.35
	Broker Warrants	68,000	\$0.35
October 2018	Common Shares	480,000	\$0.10
	Warrants	240,000	\$0.35
	Broker Warrants	38,400	\$0.35
December 2018	Common Shares	600,000	\$0.10
	Warrants	-	\$0.35
	Broker Warrants	-	\$0.35
February 2019	Common Shares	450,000	\$0.10
	Warrants	225,000	\$0.35
	Broker Warrants	16,000	\$0.35
March 2019	Common Shares	1,500,000	\$0.10

	Warrants	750,000	\$0.35
	Broker Warrants	120,000	\$0.35
April 2019	Common Shares	250,000	\$0.10
	Warrants	125,000	\$0.35
	Broker Warrants	20,000	\$0.35
May 2019	Common Shares	200,000	\$0.10
	Warrants	100,000	\$0.35
	Broker Warrants	16,000	\$0.35
June 2019	Common Shares	500,000	\$0.10
	Warrants	250,000	\$0.35
	Broker Warrants	40,000	\$0.35
August 2019	Common Shares	500,000	\$0.10
	Warrants	250,000	\$0.35
	Broker Warrants	40,000	\$0.35
December 2019	Common Shares	8,768,570	\$0.10
	Warrants	4,084,285	\$0.35
	Broker Warrants	-	\$0.35
January 2020	Common Shares	20,621,000	\$0.10
	Warrants	2,810,500	\$0.35
	Broker Warrants	24,000	\$0.35
February 2020	Common Shares	1,840,000	\$0.10
	Warrants	920,000	\$0.35
	Broker Warrants	88,000	\$0.35
March 2020	Common Shares	16,766,400	\$0.10
	Warrants	5,883,200	\$0.35
	Broker Warrants	205,840	\$0.35
May 2020	Common Shares	8,608,695	\$0.10

	Warrants	4,304,347	\$0.35
	Broker Warrants	585,895	\$0.35
June 2020	Common Shares	22,355,134	\$0.10
	Warrants	11,127,567	\$0.35
	Broker Warrants	396,651	\$0.35
July 2020	Common Shares	12,180,000	\$0.10
	Common Shares	30,000,000	\$0.15
	Warrants	3,090,000	\$0.35
	Broker Warrants	684,080	\$0.35
		226,797,564	

Market for Securities

No securities of Avalon are listed or traded on any exchange or quotation service.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

As of the date hereof, there are no securities of Avalon that are in escrow, or that are subject to a contractual restriction on transfer.

PRINCIPAL SECURITYHOLDERS

To the best of the knowledge of the directors and executive officers of Avalon, as of the date of this Circular, other than as set out below, there are no persons that beneficially own, or exercise control or direction over, directly or indirectly, more than 10% of the issued and outstanding common shares of Avalon:

Name of Shareholder	Number of Voting Securities	Percentage
Sandstorm Gold Ltd. ⁽¹⁾	20,000,000	10.5% ⁽¹⁾
Silvercorp Metals Inc.	30,000,000	15.8% ⁽¹⁾

Notes:

(1) Based on 189,869,799 common shares in the capital of Avalon outstanding as of the date of this Circular

DIRECTORS AND EXECUTIVE OFFICERS

The board of directors of Avalon is currently comprised of two (2) directors, each of whom is elected at each annual meeting of shareholders to hold office for one year or until his successor is elected or appointed, unless he resigns or his office becomes vacant.

The following table sets forth the name and residence of each director and executive officer of Avalon, as well as such individuals position with Avalon, period of service as a director and/or officer (as applicable), and principal occupation(s) within the five preceding years:

Name, Residence and Principal Occupation During the Past Five Years	Position and Office	Date of Election/Appointment as a Director or Officer	Number of Common Shares Held
Michael Smith Naples, FL	President, CEO, CFO and Director	June 1 st 2018	6,150,000
Robert deCastro Naples, FL	Director	June 8 th 2018	200,000
Kris Sammy ⁽¹⁾ Georgetown, Guyana	Former COO and Director	April 5 th 2019	10,479,900 (Compass)

(1) Kris Sammy resigned from his role as COO and Director on May 8, 2020.

As of the date of this Circular, the directors and executive officers of Avalon as a group own 15,530,000 common shares of Avalon, representing approximately 8.18% of the outstanding common shares (excluding any options or warrants held by such directors and executive officers of Avalon).

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Other than as stated below, no director or officer of Avalon is, as at the date of this Circular, or has been within the last ten years, a director, chief executive officer or chief financial officer of any company that: (a) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under applicable securities legislation, and which in all cases was in effect for a period of more than 30 consecutive days (an “**Order**”), which Order was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer of such company; or (b) was subject to an Order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer of such company.

Other than as stated below, no director or officer of Avalon is, as at the date of this Circular, or has been within the last ten years, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person 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; (b) has, within the last ten years, 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 his, her or its assets; (c) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (d) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to reasonable investor in making an investment decision regarding Avalon.

On April 27, 2016 Kris Sammy was the subject to a review hearing by the Investment Industry Regulatory Organization of Canada (“**IIROC**”) whereby IIROC made findings against Mr. Sammy for allegations of improper conduct with respect to the recommendation of securities to several clients without using due diligence to ensure that the recommendations were in accordance with the clients risk tolerance and within the bounds of good business practice. On May 4, 2016, the IIROC panel fined Mr. Sammy \$250,000, barred him from approval with IIROC for five years, and required him to pay costs of \$75,000 (the “**IIROC Decision**”). Mr. Sammy applied for an order staying the enforcement of any penalty, however, it was denied by IIROC.

On May 3, 2017, Mr. Sammy asked the Ontario Securities Commission (“**OSC**”) to review the IIROC Decision. The OSC dismissed the application by Mr. Sammy and did not interfere with the IIROC Decision as the OSC found that IIROC made no error in its conduct of the proceeding or in the conclusions set out in the IIROC Decision and therefore dismissed the hearing. On August 2, 2016 the Financial Service Commission of Ontario (“**FSCO**”) reached a global settlement with Krishna Sammy, Aircraft Appliances and DWM Securities, and in connection therewith Mr. Sammy pleaded guilty to one count of contravening the 10% quantitative investment rule and one count of contravening the duty of care rules. The court imposed fines of \$5,000 (quantitative) and \$35,000 (duty of care) plus a victim fine surcharge of \$10,000 and the matter was settled.

EXECUTIVE COMPENSATION

The following table sets forth the information required under *Form 51-102F6V-Statement of Executive Compensation-Venture Issuers of Regulation 51-102 respecting Continuous Disclosure Obligations* (the “**Form 51-102F6V**”), regarding all compensation paid, payable, granted or otherwise provided during the last three financial years of Avalon, to all persons acting as directors or as “**Named Executive Officers**” (the “**NEOs**”), as this expression is defined in Form 51-102F6V, for the financial years ended December 31, 2018 and December 31, 2019. The Chief Executive Officer (the “**CEO**”) and the Chief Financial Officer (the “**CFO**”) were the only NEOs of Avalon for the years ended December 31, 2018 and December 31, 2019. Michael Smith is the President and Chief Executive Officer (the “**CEO**”) and Kester daCosta is Chief Financial Officer (the “**CFO**”) of Avalon.

Director and named executive officer compensation, excluding compensation securities

Table of compensation excluding compensation securities								
Name and position	Year	US\$ Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of perquisites ⁽¹⁾ (\$)	Value of all other compensation (\$)	US Dollars Total compensation (\$)	US Dollars Amount Due (\$)
Michael Smith <i>Director, President, CEO and CFO⁽³⁾</i>	2019	120,000	Nil	Nil	Nil	Nil	120,000	114,145
	2018	70,000	Nil	Nil	Nil	Nil	70,000	172,220
Robert De Castro <i>Director</i>	2019	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2018	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Kester Da Costa ⁽¹⁾ <i>Former Chief Financial Officer</i>	2019	45,000	Nil	Nil	Nil	Nil	45,000	26,411
	2018	30,000	Nil	Nil	Nil	Nil	30,000	142,548
Kris Sammy <i>COO and Director^{(2) (4)}</i>	2019	120,000	Nil	Nil	Nil	Nil	120,000	130,285
	2018	40,000	Nil	Nil	Nil	Nil	40,000	180,908

Notes:

- (1) Resigned as CFO on June 16, 2019.
- (2) Resigned as COO and Director on May 8, 2020.
- (3) Through his company 4379 Holdings Ltd.
- (4) Through his company Compass Investments TC

Employment, Consulting and Management Agreement

The President and Chief Executive Officer, Mr. Michael Smith, (“CEO”) of the Company is an employee of 4739 Holdings Ltd (“4739”). 4739 has a consulting contract with Avalon to provide Michael Smith’s services as CEO to the Company (the “**Smith Agreement**”). Fees owing to 4739 relating to consulting services as expensed are detailed in the table of compensation above. The Smith Agreement was terminated as of May 31, 2020.

The former Chief Financial Officer, Mr. Kester daCosta had a service contract (the “**DaCosta Agreement**”) and was entitled to fees based on this contract relating to consulting services in the normal course of business. These fees were expensed as consulting fees in the general and administrative expenses. The table above details the fees and amounts due to Mr. DaCosta prior to his resignation as CFO on June 16th, 2019.

In addition to the DaCosta Agreement and the Smith Agreement, the former Chief Operating Officer, Mr. Kris Sammy, is the President of Compass Investments TC (“**Compass**”) and

Compass (and by extension the COO) had a consulting contract with Avalon which was terminated on May 8, 2020 (the “**Sammy Agreement**”). Fees and outstanding amounts due to Compass relating to consulting services are detailed in the table above.

Avalon is not substantially managed by any persons other than the directors and senior officers of Avalon.

Stock Options and other Compensation Securities

There have been no stock options or compensation securities granted to any director or NEO by Avalon in the financial year ended December 31, 2018 and December 31, 2019, for services provided or to be provided, directly or indirectly, to Avalon.

Termination and Change of Control Benefits

Other than as described below with respect to the Smith Agreement, Sammy Agreement and DaCosta Agreement and the Smith Agreement There are no contract, agreement, plan or arrangement that provides for payments to a NEO or to a director, at, following or in connection with any termination (whether voluntary, involuntary) or constructive dismissal, resignation, severance, change in the responsibilities or a change of control of Avalon.

Smith Agreement term ends on May 31st 2020. Termination without cause prior to this date requires Avalon to pay 4739 Holdings severance to May 31st 2020.

Sammy Agreement term ends on August 31st 2020. Termination not for cause prior to this date requires Avalon to pay Compass severance to August 31st 2020.

Mr. Smith will resign upon the completion of the Transaction and at such time no severance obligations will be due to him.

Oversight and Description of Director and NEOs Compensation

The Avalon board of directors (the “**Board**”) has no compensation committee. Considering its actual small size, the Board assumes the responsibility to establish the objectives of Avalon’s executive compensation program which are to attract, motivate, engage and retain qualified, high performance individuals and to meet performance objectives designed to increase shareholder returns. The Board: (i) establishes the objectives that will govern Avalon’s compensation program for the NEOs and the directors; (ii) oversees and approves the compensation and benefits to the NEOs; (iii) oversees Avalon’s stock option plan; and (iv) promotes the clear and complete disclosure to shareholders of material information regarding executive compensation.

Compensation Process and Objectives

The Board relies on the knowledge and experience of its members to set appropriate levels of compensation for the NEOs. The Board reviews the NEOs compensation on an annual basis and, in doing such task, it evaluates the NEOs achievements during the preceding year. Avalon has

not retained any third party advisors to conduct compensation reviews of its competitors' pay levels and practices.

Avalon is an exploratory stage mining company and is not generating, nor expecting to generate revenues from operations for a significant period of time. As a result, the use of traditional performance standards, such as corporate profitability, is not considered by the Board to be appropriate in the evaluation of corporate or NEOs performance. The compensation of the officers is based, in substantial part, on industry compensation practices, trends in the mining industry as well as achievement of Avalon's business plans. An important element of the compensation is the grant of stock options, which does not require cash disbursement from Avalon.

Currently, the compensation arrangements for Avalon's NEOs are composed of two components: (i) the payment of an amount in cash to the respective NEOs as consulting fees for services; and (ii) the consideration for the grant of stock options. A competitive remuneration is aimed to attract and retain skilled persons necessary to achieve corporate objectives. The grant of stock options is aimed to motivate and reward senior officers to increase shareholder value by the achievement of long-term corporate strategies and objectives.

Avalon does not offer benefit programs, such as life insurance and health and dental benefits. Where NEOs receive other perquisites (such as car allowances or company vehicles), they reflect competitive practices, business needs and objectives.

Consulting Fees

The cash amount paid to the CEO, CFO and COO on a consulting fee basis is reviewed annually by the Board to ensure it reflects a balance of market conditions, the level of responsibilities, the skill and competencies of the individual, retention considerations as well as the level of demonstrated performance.

Stock Options

Avalon has implemented a stock option plan (see "*Securities Authorized for Issuance under Equity Compensation Plans*" elsewhere in this Circular) to provide its officers, including NEOs, directors, employees and consultants with a long-term incentive for performance and commitment to Avalon.

Avalon believes that participation by the NEOs and directors in the stock option plan aligns their interests with those of Avalon's shareholders. In determining the number of options to be granted, the number and term of options previously granted, individual and team responsibilities and functions, position, individual performance and projected contribution are considered. Management proposes the number of options and names of the optionees and the Board reviews and approves the grant and sets the exercise price (based on the current fair market price of Avalon's shares as determined by the Board.) and the expiry date.

Pension and Retirement Plans

Avalon does not have any pension plan that provides for payments or benefits at, following, or in connection with retirement of any officer.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No director, officer, employee or previous directors, officers or employees of Avalon was indebted to Avalon at any time in its last completed financial year in connection with the purchase of securities of Avalon or for any other reason.

RISK FACTORS

Completion of the Amalgamation

There are risks associated with the Amalgamation including (i) market reaction to the Amalgamation and the future trading prices of the Anconia Post-Consolidation Shares cannot be predicted; (ii) the Amalgamation may give rise to significant adverse tax consequences to non-Canadian Avalon securityholders and each such Avalon securityholder is urged to consult his own tax advisor; (iii) uncertainty as to whether the Amalgamation will have a positive impact on Avalon; and (iv) there is no assurance that required approvals will be received.

In addition, pursuant to the provisions of the Amalgamation, the exchange ratio of Anconia Post-Consolidation Shares to Avalon Shares is fixed and will not increase or decrease due to fluctuations in the market price of the Anconia Shares or the Avalon Shares. The market value of the consideration that shareholders of Avalon will receive in the Amalgamation will depend on the market price of the Anconia Shares and Avalon Shares on the Effective Date. The number of Anconia Shares being issued in connection with the Amalgamation will not change despite decreases or increases in the market price of Anconia Shares or the Avalon Shares. Many of the factors that affect the market price of the Anconia Shares and the Avalon Shares are beyond the control of Avalon and Anconia, respectively. These factors include fluctuations in the price of gold and other materials, changes in the regulatory environment, adverse political developments, prevailing conditions in the capital markets and interest rate fluctuations.

Each of Avalon and Anconia has the right to terminate the Definitive Agreement in certain circumstances. Accordingly, there is no certainty, nor can the parties provide any assurances that the Definitive Agreement will not be terminated by either of the parties before the completion of the Amalgamation. Additionally, the completion of the Amalgamation is subject to several conditions under the Definitive Agreement. See “*Amalgamation – The Definitive Agreement*” and “*The Amalgamation*” in the Circular. If any of those conditions are not satisfied or waived, the Amalgamation may not be completed. There is no certainty, nor can the parties provide any assurances that the conditions in the Definitive Agreement will be satisfied.

Avalon may not realize the anticipated benefits of the Amalgamation. Achieving the benefits of the Amalgamation will depend in part on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as Avalon’s ability to realize the anticipated growth opportunities and synergies from combining the

businesses of Avalon and Anconia. The required efforts could divert management's focus and resources from other strategic opportunities and from operation matters during the integration process.

Please see "*Part II – Risk Factors*" for a discussion of further risks related to the Transaction.

Exploration, Development and Operating Risks

Mining operations generally involve a high degree of risk. Avalon's operations are subject to all the hazards and risks normally encountered in the exploration, development and production of gold, precious metals and other minerals, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although adequate precautions to minimize risk will be taken, mining operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas which may result in environmental pollution and consequent liability.

The exploration for and development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of a mineral-bearing structure may result in substantial rewards, few properties which are explored are ultimately developed into producing mines.

Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration or development programs planned by Avalon will result in a profitable commercial mining operation. Whether a gold or other mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as quantity and quality of mineralization and proximity to infrastructure; mineral prices which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in Avalon not receiving an adequate return on invested capital.

There is no certainty that the expenditures made by Avalon towards the search and evaluation of gold or other minerals will result in discoveries of commercial quantities of gold or other minerals.

Risks Associated with the Omai Gold Project

The exploration property portfolio of Avalon is a high risk, speculative venture, no Mineral Resources or Mineral Reserves have been identified with respect thereto to date and there is no certainty that the expenditures made by Avalon towards the search and evaluation of gold with regard to its current exploration property portfolio or otherwise will result in discoveries of commercial quantities of gold or other minerals.

The law in Guyana does not specify clear time limits within which key decisions are to be made with respect to enforcing mineral and property rights in Guyana. This in turn undermines security of tenure of mineral rights. There are no time limits for the disposal of applications for renewal of exploration rights and since a renewal takes effect immediately after the expiration of the exploration license some of the renewed time could be taken up by time required to consider the related applications. Further, the time limit for the disposal of an application for a mining lease is vague and poses a risk during the transition period from exploration to mining.

Country Risk

Avalon currently conducts business in jurisdictions and countries in which the title to its properties may be uncertain or where access to infrastructure, or political stability, or security, among other things, may be unknown, or known, and prevent, or severely compromise, Avalon from carrying out business. It may be that Avalon accepts some or all of these risks, to the extent that they can be determined at all, in favour of acquiring properties with exceptional exploration and development potential, and may ultimately be prevented from exploring and developing those properties for any number of reasons which may, or may not, be predictable, foreseeable, or manageable.

Currently, the mineral property interests of Avalon are located in Guyana, each of which may be subject to the effects of political changes, war and civil conflict, changes in government policy, lack of law enforcement, labour unrest and the creation of new laws. Avalon's mineral property interests are subject to the discretion of the applicable governments or governmental officials. Property rights in Guyana are currently protected under the Mining Act, as amended and the Regulations thereunder together with the Geology and Mines Commissions Act. No assurance can be given that Avalon will be successful in maintaining any or all of its mineral property interests. Operations in Guyana are also subject to various risks relating to limited infrastructure, including lack of water supply and poor to absent power grids. Any or all of these risks could have a material adverse effect on Avalon, and any changes in any of these conditions (which may include new or modified taxes or other governmental levies as well as other legislation) may impact the profitability and viability of Avalon's properties. In addition, the use of external and foreign employees may result in social disruption in the local communities, which could have a material adverse effect on Avalon's business, operating results and financial condition. The effect of unrest and instability on political, social or economic conditions in these regions could result in the impairment of the exploration and development of Avalon's properties. Any such changes are beyond the control of Avalon and may adversely affect its business. Further, there are certain constraints to the performance of the mineral sector in Guyana such as: inadequate infrastructure in particular transport and power; land encumbrances in mineral prospective areas; limited access to appropriate technologies; inadequate human resources; and inadequate basic geological data for mineral exploitation and land use planning.

Currency Risk

Avalon's operations incur the majority of expenditures in Canadian and United States dollars but also incur expenditures in the local currencies of Guyana. As a result of the use of these different currencies, Avalon is subject to foreign currency fluctuations, which may materially affect its financial position and operating results.

Current Economic Conditions

There are significant uncertainties regarding the price of gold and other minerals and the availability of equity financing for the purposes of mineral exploration and development. The prices of gold and other minerals have fluctuated substantially over the past several years. Avalon's future performance is largely tied to the development of its current mineral properties and the overall financial markets. Current financial markets are likely to be volatile for the remainder of the calendar year, reflecting ongoing concerns about the stability of the global economy and global growth prospects. As well, concern about global growth has led to sustained drops in the commodity markets for commodities other than gold. As a result, Avalon may have difficulties raising equity financing for the purposes of mineral exploration and development, particularly without excessively diluting present shareholders of Avalon. These economic trends may limit Avalon's ability to develop and/or further explore its mineral property interests.

Limited Operating History

Avalon has a very limited history of operations, is in the early stage of exploration and must be considered a start-up company. As such, Avalon is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues. It is common in new mining operations to experience unexpected problems and delays. In addition, delays in the commencement of mineral production often occur. There is no assurance that Avalon will be successful in achieving a return on shareholders' investment or successfully establish mining operations and the likelihood of success must be considered in light of its early stage of operations.

Reliance on Limited Number of Properties

The only material property interest of Avalon is its interest in the Omai Gold Project. As a result, any adverse developments affecting this property could have a material adverse effect upon Avalon and could materially and adversely affect the potential mineral resource production, profitability, financial performance and results of operations of Avalon.

Reliability of Resource Estimates

There is no certainty that any Mineral Resources identified in the future on any of Avalon's properties will be realized. Until a deposit is actually mined and processed the quantity of Mineral Resources and grades must be considered as estimates only. In addition, the quantity of Mineral Resources may vary depending on, among other things, metal prices. Any material change in quantity of Mineral Resources, grade or stripping ratio may affect the economic viability of any project undertaken by Flemish. In addition, there can be no assurance that gold recoveries or other metal recoveries in small scale laboratory tests will be duplicated in a larger scale test under on-site conditions or during production.

Fluctuations in gold and other base or precious metals prices, results of drilling, metallurgical testing and production and the evaluation of studies, reports and plans subsequent to the date of any estimate may require revision of such estimate. Any material reductions in estimates of

Mineral Resources could have a material adverse effect on Avalon's results of operations and financial condition from time to time.

Insurance and Uninsured Risks

Avalon's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to Avalon's properties or the properties of others, delays in mining, monetary losses and possible legal liability.

Although Avalon may in the future maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with a mining company's operations. Avalon may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to Avalon or to other companies in the mining industry on acceptable terms. Avalon might also become subject to liability for pollution or other hazards which may not be insured against or which Avalon may elect not to insure against because of premium costs or other reasons. Losses from these events may cause Avalon to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Environmental Risks and Hazards

All phases of Avalon's operations are subject to environmental regulation in the jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect Avalon's operations. Environmental hazards may exist on the properties on which Avalon holds interests which are unknown to Avalon at present and which have been caused by previous or existing owners or operators of the properties.

Government approvals and permits are currently, and may in the future be required in connection with Avalon's operations. To the extent such approvals are required and not obtained, Avalon may be curtailed or prohibited from continuing its exploration or mining operations or from proceeding with planned exploration or development of mineral properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities

causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining and exploration companies, or more stringent implementation thereof, could have a material adverse impact on Avalon and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect Avalon's operations, financial condition and results of operations.

Land Title

Although the decrees and land title documents from the government of Guyana relating to the Omai Gold Project, were reviewed by local counsel in Guyana on behalf of Avalon, no assurances can be given that there are no title defects affecting such property or any other property interests of Avalon. Title insurance generally is not available, and Avalon's ability to ensure that it has obtained secure claim to individual mineral properties or mining concessions may be severely constrained. Furthermore, Avalon has not conducted surveys of the claims in which it holds an interest and, therefore, the precise area and location of such claims may be in doubt. Accordingly, Avalon's mineral properties may be subject to prior unregistered liens, agreements, transfers or claims, including native land claims, and title may be affected by, among other things, undetected defects. In addition, Avalon may be unable to operate its properties as permitted or to enforce its rights with respect to its properties.

Competition

The mining industry is competitive in all of its phases. Avalon faces strong competition from other mining companies in connection with the acquisition of properties producing, or capable of producing, precious and base metals. Many of these companies have greater financial resources, operational experience and technical capabilities than Avalon. As a result of this competition, Avalon may be unable to maintain or acquire additional attractive mining properties on terms it considers acceptable or at all. Consequently, Avalon's revenues, operations and financial condition could be materially adversely affected.

Additional Capital

The development and exploration of Avalon's properties will require substantial additional financing.

Failure to obtain sufficient financing may result in the delay or indefinite postponement of exploration, development or production on any or all of Avalon's properties or even a loss of property interest. The primary source of funding available to Avalon consists of equity financing. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to Avalon.

Commodity Prices

The price of the Avalon Shares (or the Anconia Post-Consolidation Shares issued in exchange therefor pursuant to the Amalgamation), Avalon's financial results and exploration, development and mineral development activities may in the future be significantly adversely affected by declines in the price of gold or other minerals. The price of gold and other minerals fluctuates widely and is affected by numerous factors beyond Avalon's control such as the sale or purchase of commodities by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global and regional supply and demand, the political and economic conditions of major mineral-producing countries throughout the world, and the cost of substitutes, inventory levels and carrying charges. Future serious price declines in the market value of gold or other minerals could cause continued development of and commercial production from Avalon's properties to be impracticable. Depending on the price of gold and other minerals, cash flow from mining operations may not be sufficient and Avalon could be forced to discontinue production and may lose its interest in, or may be forced to sell, some of its properties. Future production from Avalon's mineral exploration properties is dependent upon the prices of gold and other minerals being adequate to make these properties economic.

In addition to adversely affecting Avalon's future resource or reserve estimates, if any, and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

Government Regulation

The development and mineral exploration activities of Avalon are subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people and other matters. Although Avalon's exploration and development activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Amendments to current laws and

regulations governing mineral exploration and development or more stringent implementation thereof could have a substantial adverse impact on Flemish.

Market Price of Avalon Shares

The Avalon Shares do not currently trade on any exchange or market. Securities of micro-cap and small-cap companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally and market perceptions of the attractiveness of particular industries. The price of the Avalon Shares (or the Anconia Post-Consolidation Shares issued in exchange therefor pursuant to the Amalgamation) is also likely to be significantly affected by short-term changes in gold or other mineral prices or in its financial condition or results of operations as reflected in its quarterly earnings reports. Other factors unrelated to Avalon's performance that may have an effect on the price of the Avalon Shares (or the Anconia Post-Consolidation Shares issued in exchange therefor pursuant to the Amalgamation) include the following: the extent of analytical coverage available to investors concerning the business of Avalon or the Resulting Issuer may be limited if investment banks with research capabilities do not follow the securities of Avalon or the Resulting Issuer, respectively; lessening in trading volume and general market interest in the securities of Avalon or the Resulting Issuer may affect an investor's ability to trade; the size of the public float of Avalon or the Resulting Issuer may limit the ability of some institutions to invest; and a substantial decline in the price of the Avalon Shares (or the Anconia Post-Consolidation Shares issued in exchange therefor pursuant to the Amalgamation) that persists for a significant period of time could cause such securities, if listed on an exchange, to be delisted from such exchange, further reducing market liquidity.

As a result of any of these factors, the market price of the Avalon Shares (or the Anconia Post-Consolidation Shares issued in exchange therefor pursuant to the Amalgamation) at any given point in time may not accurately reflect the long-term value of Avalon or the Resulting Issuer. Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. Avalon or the Resulting Issuer may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

The fact that no market currently exists for the Avalon Shares may affect the pricing of the Avalon Shares in the secondary market, the transparency and availability of trading prices, the liquidity of the Avalon Shares and the extent of issuer regulation, particularly in the event that the Amalgamation is not completed.

Dividend Policy

No dividends on the Avalon Shares have been paid by Avalon to date. Payment of any future dividends will be at the discretion of the Avalon Board after taking into account many factors, including Avalon's operating results, financial condition and current and anticipated cash needs.

Dilution to Avalon Shares

As of the date of this Circular, Avalon had 189,869,799 Avalon Shares and 45,669,441 convertible securities issued and outstanding. In the event that Amalgamation is completed, there will be an aggregate of 197,709,093 Anconia Post-Consolidation Shares, 8,741,676 Anconia Replacement Options, and 36,927,765 convertible securities of the Resulting Issuer issued and outstanding (or an aggregate of 243,378,534 Anconia Post-Consolidation Shares on a fully diluted basis).

The increase in the number of securities issued and outstanding and the possibility of sales of such shares may have a depressive effect on the price of the Anconia Post-Consolidation Shares. In addition, as a result of such additional securities, the voting power of the existing Shareholders in the Resulting Issuer will be diluted.

Future Sales by Existing Shareholders

Sales of a large number of Avalon Shares (or Anconia Post-Consolidation Shares issued in exchange therefor pursuant to the Amalgamation) in the public markets, or the potential for such sales, could decrease the trading price of the Avalon Shares (or the Anconia Post-Consolidation Shares issued in exchange therefor pursuant to the Amalgamation) and could impair the ability of Avalon or the Resulting Issuer to raise capital through future sales of securities. Avalon has previously issued Avalon Shares at an effective price per share which is lower than the effective price of the Anconia Post-Consolidation Shares or be issued pursuant to the Amalgamation. Accordingly, a significant number of shareholders of Avalon have an investment profit in the Avalon Shares that they may seek to liquidate.

Key Executives

Avalon is dependent on the services of key executives, including the directors of Avalon and a small number of highly skilled and experienced executives and personnel. Due to the relatively small size of Avalon, the loss of these persons or Avalon's inability to attract and retain additional highly skilled employees may adversely affect its business and future operations.

Conflicts of Interest

Certain of the directors and officers of Avalon also serve as directors and/or officers of other companies involved in natural resource exploration and development and consequently there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any of such directors and officers involving Avalon should be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of Avalon and its shareholders. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest in accordance with the procedures set forth in the relevant corporate statutes and other applicable laws.

LEGAL PROCEEDINGS OR REGULATORY ACTIONS

Avalon is not or was not a party to any legal proceedings or regulatory actions and is not aware of any such proceedings or actions known to be contemplated.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed in this Circular and stated below, there were no material interests, direct or indirect, of Avalon's directors or executive officers, or any director or executive officer of a subsidiary of Avalon or any person who beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding common shares of Avalon, or any associate or affiliate of such persons, in any transaction since the commencement of Avalon's last completed financial year or in any proposed transaction which has materially affected, or would materially affect, Avalon or any of its subsidiaries.

Avalon entered into an exclusive Services Agreement with Excel Logistics & Management Services Ltd. ("**Excel**") on October 1st 2019. Excel provides Avalon with labour, administration, logistics & transportation, security and other services for the Omai Gold Project exploration program. Mr. Smith and Mr. Sammy are directors and principals of Excel.

AUDITOR, TRANSFER AGENT AND REGISTRAR

The auditor of Avalon is Patrice Norton located at LP 51, Sookai Trace West, San Juan, Trinidad & Tobago.

MATERIAL CONTRACTS

Other than the Amalgamation Agreement and the contracts entered into in the ordinary course of business, the following material contracts were entered into by Avalon since December 31, 2019 and are still in effect as of the date of this Circular:

An Options Agreement with Harvey McKenzie dated January 1, 2020 wherein Harvey McKenzie is eligible to receive options in Avalon in return for consulting services.

An Options Agreement with Jason Brewster dated January 1, 2020 wherein Jason Brewster is eligible to receive options in Avalon in return for consulting services.

On July 21, 2020, Avalon entered into an investment agreement with Fortune Gold Mining Limited ("**Fortune**") (the "**Fortune Investment Agreement**"), whereby Fortune agreed to subscribe for and purchase 30,000,000 common shares in Avalon at a price of US\$0.15 per purchased share, for an aggregate cash consideration of US\$4,500,000.

On July 13, 2020, Avalon entered into an exclusivity agreement with Guyana Sunrise Mining Inc., whereby Avalon retains the exclusive right to investigate the property located adjacent to the Omai gold mine with a view to potentially acquiring the property in the future (the "**Eastern**

Flats Exclusivity Agreement”). The period to exclusively investigate the property pursuant to the Eastern Flats Exclusivity Agreement expires on December 31, 2020. There is currently no plan to purchase any property described in the Eastern Flats Exclusivity Agreement and any potential transaction in the future is subject to significant due diligence and negotiation.

The foregoing agreements are discussed in the section titled *Description Of The Business Of Avalon - Three Year History - Recent Developments (Current Financial Year)*

EXPERTS

Patrice Norton, the auditors of Avalon, have advised that they are independent with respect to Avalon within the meaning of the *Code of Ethics of Chartered Professional Accountants*.

The Avalon Technical Report was written by Brian H. Newton, P. Geo., Mark P. Wellstead, MGeol, P. Geo and Francis R. Newton, BSc, P. Geo, of Minroc Management Limited. The Authors are Qualified Persons who are independent from Avalon within the meaning of NI-43-101.

None of the foregoing experts, nor any partner, employee or consultant of such an expert who participated in and who was in a position to directly influence the preparation of the applicable statement, report or valuation, has, has received or is expected to receive, registered or beneficial interests, direct or indirect, in common shares of Avalon or other property of Avalon or any of its associates or affiliates, representing 1% or more of the outstanding common shares of Avalon.

OTHER MATERIAL FACTS

There are no other material facts other than as disclosed herein that are necessary to be disclosed in order for this “*Information Concerning Avalon*” to contain full, true and plain disclosure of all material facts relating to Avalon.

FINANCIAL STATEMENT DISCLOSURE

The following financial statements of Avalon are included in this Circular as Schedule “E”:

1. Audited consolidated annual financial statements for the years ended December 31, 2019 and 2018; and
2. Unaudited interim financial statements for the nine months ended June 30, 2020.

PART V – INFORMATION RELATING TO THE RESULTING ISSUER

The following information is presented on a post-Transaction basis and is reflective of the projected business, financial and share capital position of the Resulting Issuer. This section only includes information respecting the Resulting Issuer that is materially different from information provided earlier in this Circular. Following the completion of the Transactions, the Resulting Issuer will carry on the businesses currently carried on by Avalon. See the various headings under “*Information Concerning Anconia*” and “*Information Concerning Avalon*” for additional

information regarding Anconia and Avalon, respectively. See also the Pro Forma Financial Statements of the Resulting Issuer attached hereto as Schedule “D”

The following section of this Circular contains forward-looking information. Readers are cautioned that actual results may vary. See “Forward-Looking Information”.

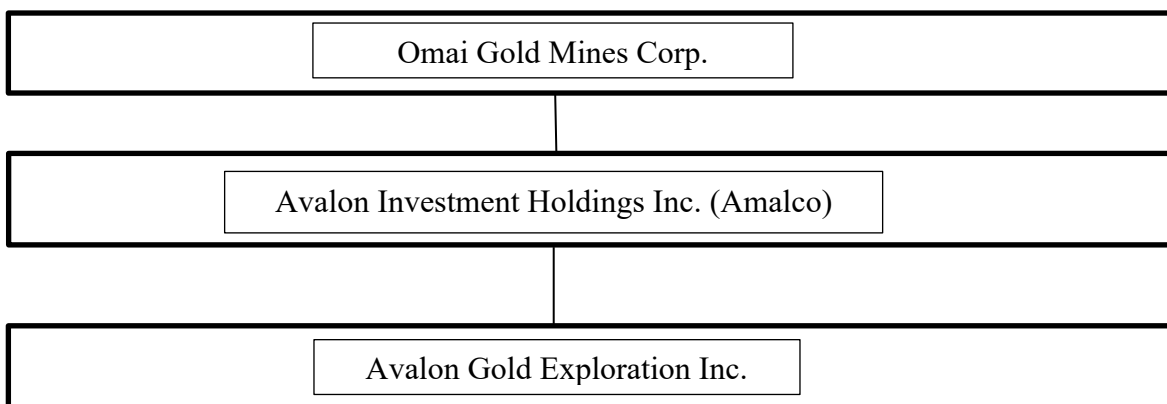
Corporate Structure

Name and Incorporation

The corporate name of the Resulting Issuer will be “Omai Gold Mines Corp.” or such other name as may be determined by Anconia and Avalon subject to the Exchange approval. The Resulting Issuer will be governed by the *Business Corporations Act* (Ontario). Following completion of the Amalgamation, the Resulting Issuer’s registered and head office will be located at 82 Richmond Street East, Toronto, ON M5C 1P1.

Intercorporate Relationships

Upon the completion of the Transaction, the corporate structure of the Resulting Issuer will be as follows:



Avalon, following the Amalgamation, will be a wholly owned Barbados subsidiary of Omai Gold Mines Corp. Avalon Gold will continue to be a wholly owned Guyana subsidiary of Avalon.

NARRATIVE DESCRIPTION OF THE BUSINESS

The Resulting Issuer, operating the businesses of both Avalon and Anconia, will be a Canadian-based, publicly-traded, junior gold-focused exploration and development company with a portfolio of assets located in Canada and Guyana. The Resulting Issuer will continue to develop Anconia’s and Avalon’s mineral properties and will continue to seek additional properties for

acquisition. The combined funds of Anconia and Avalon will be utilized for additional exploration of the existing properties, further acquisitions and for working capital.

The Resulting Issuer's material asset will be the Omai Gold Project and the Resulting Issuer will have approximately US\$ \$3.8 million in cash. Denis Clement of Anconia, a resident of Toronto, Ontario, will serve on the Board of the Resulting Issuer as Chair. Further information regarding the Omai Gold Project can be found in the "*Information Concerning Avalon*".

Stated Business Objectives

The Resulting Issuer's business objectives upon the completion of the Transaction will be to grow and realize value from Avalon's current business. The main strategies that Avalon is pursuing and that the Resulting Issuer will continue to pursue the acquisition, exploration and potential development of precious metal mineral properties in Guyana as discussed above.

Exploration and Development

Avalon Exploration holds a 100% interest in a newly issued prospecting license in Guyana, which covers 4,590 acres of licensed area, including the site of the past producing Omai Gold Mine, and provides for an exclusive right to use certain existing infrastructure at the Omai Gold Mine for any future mining operations, subject to entering into specific lease agreements therefor. Avalon has made licence payments with respect to the Omai Gold Mine to the government of Guyana as follows: US\$1,000,000 paid on January 14, 2020; US\$ 1,000,000 paid on June 24, 2020. The remaining license payments of US\$2,000,000 are due and payable at the end of October 2021.

In addition, Avalon Exploration holds an option to acquire a 100% interest in a prospecting license known as "Kaburi South", covering approximately 5,235 acres, located adjacent to Troy Resources Limited's Karouni mine in Guyana.

On July 13, 2020, Avalon entered into an exclusivity agreement with Guyana Sunrise Mining Inc., whereby Avalon retains the exclusive right to investigate the property located adjacent to the Omai gold mine with a view to potentially acquiring the property in the future (the "**Eastern Flats Exclusivity Agreement**"). The period to exclusively investigate the property pursuant to the Eastern Flats Exclusivity Agreement expires on December 31, 2020. There is currently no plan to purchase any property described in the Eastern Flats Exclusivity Agreement and any potential transaction in the future is subject to significant due diligence and negotiation.

DESCRIPTION OF SECURITIES

The authorized share capital of the Resulting Issuer following completion of the Transaction shall consist of an unlimited number of common shares and an unlimited number of preferred shares. The authorized share capital of the Resulting Issuer will continue to be as described in "*Information Relating to Anconia – Description of Share Capital*" and the rights and restrictions of the Anconia Shares will remain unchanged. The issued share capital of Anconia will change as a result of the consummation of the Transaction to reflect the issuance of the Anconia Shares

contemplated in the Transaction. See “*Selected Unaudited Pro Forma Consolidated Financial Information*”.

As of the date of this Circular, there are 189,869,799 Avalon Shares and 117,589,409 Anconia Shares (7,839,294 post-consolidation Anconia Shares) issued and outstanding. On completion of the Transaction, and assuming that the number of Anconia Shares and Avalon Shares outstanding does not change, it is expected that the total number of Anconia Shares outstanding will be approximately 197,709,093 on an undiluted basis. As of the date of this Circular, there are 36,927,765 Avalon Warrants and 8,741,676 Avalon Options issued and outstanding. On completion of the Transaction, and assuming that the number of Avalon Warrants does not change, it is expected that an aggregate of 226,797,564 Avalon Shares will be issuable upon the exercise of the Avalon Warrants.

PRO FORMA CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of the Resulting Issuer as at the date of this Circular after giving effect to the Transaction. For detailed information on the capitalization of Anconia as at June 30, 2020 and Avalon as at June 30, 2020, see Anconia’s unaudited condensed consolidated interim financial statements of Anconia as at and for the interim period ended June 30, 2020 and the unaudited condensed interim consolidated financial statements of Avalon for the three months ended June 30, 2020. See also the unaudited pro forma condensed consolidated financial statements of the Resulting Issuer which gives effect to the Transaction as set forth in Schedule “D” to this Circular.

Designation of Security	Amount authorized or to be authorized	As at (July 24, 2020) after giving effect to the Transaction
Anconia Post-Consolidation Shares	Unlimited	7,839,294
Avalon Shares Issued under Private Placement up to July 24, 2020)	Unlimited	189,869,799
Convertible Securities		
Anconia Warrants	Unlimited	Nil
Anconia Options	10% of issued and outstanding	Nil
Avalon Warrants	unlimited	36,927,765
Avalon Options	N/A	8,741,676
Total Capitalization fully diluted		243,378,534
Current Portion of Long-Term Debt		\$Nil
Long-Term Debt (liabilities as at June 30, 2020)		\$1,000,000

AVAILABLE FUNDS AND PRINCIPAL PURPOSE

The available funds of the Resulting Issuer are estimated to be approximately \$5,902,463 represented as current assets less current liabilities as at July 31, 2020 on a pro-forma basis assuming the completion of the Transaction (prior to deduction of costs to complete the Transaction). Prior to the completion of the Transaction, Avalon and the Corporation will expend reasonable administrative expenses to fund their operations in 2020. Following the Transaction, the Resulting Issuer intends to use the available funds, as at the most recent month ended on July 31, 2020. The amounts shown are based upon the information available to Anconia and Avalon as of the date hereof:

Principal Purpose	Amount in US\$
Operating Expenses of the Corporation	\$940,000
OMAI project expenses	\$2,159,950
Unallocated Funds	\$2,802,513
Total	\$5,902,463
Use of Available Funds	Estimated Amounts (US\$)
OMAI project expenses	
Completion of Phase 1 of the work program on the OMAI Project (CDN\$ 217,980)	\$159,950
OMAI option payments due October 2021	\$2,000,000
Sub total related to the OMAI Project	\$2,159,950
Estimated head office operating costs	
Management Salaries / fees and Directors' fees	\$350,000
Costs associated with operating a Public Company	\$225,000
Estimated travel office and other G&A expenses	\$140,000
Estimated subsidiaries operating costs	\$100,000
Estimated other Financing and costs to complete the RTO	\$125,000
Sub total of the Operating Expenses of the Corporation	\$940,000
Total project and operating costs	
Unallocated working Capital Deficit (Unallocated funds pertaining to future years)	\$2,802,513
TOTAL USE OF FUNDS	\$5,902,463

Note Applicable CDN\$ have been translated at the rate of US\$ 1 = CDN\$1.3628 which represent the exchange rate on June 30, 2020.

The Resulting Issuer reserves the right to allocate funds to different projects and uses as may be deemed appropriate by management where for sound business reasons, a reallocation of funds is necessary. The Resulting Issuer, in order to complete a successful program, may require

additional capital which may come from a combination of existing cash flow, potential cash flow, equity financing and/or debt financing. There is no assurance that additional capital will be available to the Resulting Issuer to complete a successful exploration program or that the terms of such capital will be favourable. Failure to obtain additional capital could result in the delay or indefinite postponement of such exploration program. See "*Risk Factors*".

DIVIDENDS

The payment of dividends following completion of the Transaction will be at the discretion of the Resulting Issuer Board. Anconia has not declared or paid dividends on the Anconia Shares to date and the Resulting Issuer is not currently expected to pay dividends following the completion of the Transaction, as it is currently anticipated that it will retain future earnings for use in the development of the Resulting Issuer's business and for general corporate purposes. Accordingly, dividends will only be paid when operational circumstances permit.

PRINCIPAL SECURITYHOLDERS

To the knowledge of the directors and executive officers of Avalon and Anconia, no person beneficially owns, controls or directs, directly or indirectly, shares carrying 10% or more of the voting rights attached to all shares of the Resulting Issuer other than:

Name of Shareholder	Number of Resulting Issuer Shares Owned	Percentage of Outstanding Shares of the Resulting Issuer
Sandstorm Gold Ltd.	20,000,000	10.1% ⁽¹⁾
Silvercorp Metals Inc.	30,000,000	15.2% ⁽¹⁾

Note:

(1) Based on outstanding and issued capital of **197,709,093**.

DIRECTORS, OFFICERS AND PROMOTERS

Name, Address, Occupation and Security Holdings

Following completion of the Transaction, the board of directors of the Resulting Issuer will initially be comprised of Denis Clement, Mario Stifano, Adam Spencer, Nadine Miller, and Paul Fornazzari, 1 of whom is a current director of Anconia. Four (4) of the initial directors of the Resulting Issuer will be independent. The directors of the Resulting Issuer will hold office until the next annual general meeting of the Resulting Issuer or until their respective successors have been duly elected or appointed, unless his or her office is earlier vacated in accordance with the articles and by-laws of the Resulting Issuer or within the provisions of the OBCA.

The following table sets forth certain information regarding the individuals who will serve as directors and officers of the Resulting Issuer, including their place of residence, status as independent or non-independent director (if applicable), the period of time for which each director or officer has served as a director or officer of Anconia or Avalon, as applicable, each director's principal occupation, business or employment for the past five years, and the number of securities of the Resulting Issuer that will be beneficially owned by each director or officer,

directly or indirectly, or over which each director or officer will exercise control or direction. The composition of the committees of the Resulting Issuer Board will be determined following completion of the Transaction. Also included below are the current Anconia Shares, Anconia Warrants, and Anconia Options as well as Avalon Shares, Avalon Warrants and Avalon Options held by the proposed directors of the Resulting Issuer.

Name and Municipality of Residence	Principal Occupation During Past Five Years	Offices Held and Date Appointed	Number of Securities Held Directly, Indirectly or Controlled			
			Security	Anconia	Avalon	Resulting Issuer
Denis Clement Oakville, Ontario	Business Executive	Executive Chairman, Anconia Resources Corp. Appointed: June, 2011	Common shares	3,157,500	4,350,000	4,560,500
Nadine Miller, Toronto, Ontario	Strategic Advisor at Awz Ventures Inc.	Director Nominee	Common shares	Nil	50,000	50,000
Adam Spencer Toronto, Ontario	Senior Vice-President Corporate Development at Sandstorm Gold Ltd.	Director Nominee	Common shares	Nil	Nil	Nil
Paul Fornazzari, Toronto, Ontario	Lawyer at Fasken Martineau DuMoulin LLP	Director Nominee	Common shares	Nil	300,000	300,000
Mario Stifano Brampton, Ontario	Chairman at Dore Copper Mining Corp.	Director and President/CEO Nominee	Common shares	Nil	700,000	700,000
Jason Brewster, Whitby, Ontario	President at Anconia Resources Corp.	Vice-President, Operations Nominee	Common Shares	4,996,750	Nil	333,117
Harvey McKenzie, Toronto, Ontario	Chief Financial Officer at Anconia Resources Corp.	Chief Financial Officer Nominee	Common Shares	4,521,000	Nil	301,400
Denis Lapoint, Chapel Hill, North Carolina, USA	Consulting Geologist and Project Manager at Appalachian Resources LLC	Vice-President, Exploration Nominee	Common Shares	Nil	850,000	850,000

After giving effect to the Transaction, it is expected that the number of Anconia Shares beneficially owned, directly or indirectly, or over which control or direction will be exercised, by the proposed directors and officers of the Resulting Issuer and their associates and affiliates, will

be an aggregate of approximately **7,839,294** Anconia Shares representing approximately 4.0% of the **189,869,799** Anconia Shares anticipated to be outstanding following completion of the Transaction.

The proposed board committees of the Resulting Issuer include an audit committee and a corporate governance committee. No other board committees have been considered necessary at this stage. Adam Spencer, Paul Fornazzeri and Mario Stifano are the proposed members of the audit committee. All members, except for Mr. Stifano, are independent, and each member has sufficient financial expertise, experience with audit engagements for public companies, and Canadian financial reporting skills. Paul Fornazzari, Nadine Miller and Adam Spencer are the proposed members of the corporate governance committee, with Mr. Fornazzari serving as chair.

Biographies of Management and Directors

Denis A. Clement, B.Comm., LLB, LLM.

Mr. Clement is a highly experienced international business executive with over 35 years of experience in finance, M&A, banking and management, primarily in the finance, oil and gas, mining and technology industries. Mr. Clement has been in management and on the Board of Directors of various public and private companies throughout his career. Mr. Clement has extensive experience in the corporate finance business having raised over \$1 billion in debt and equity in various industries including the resource business.

Mr. Clement has over 25 years of experience in the resource business in Guyana. Mr. Clement was instrumental in launching the offshore oil and gas industry in Guyana. As founding President of CGX Energy Inc. Mr. Clement negotiated and co-signed the first offshore oil and gas licenses in Guyana in 1998. Mr. Clement is a member of the Law Society of Ontario.

Nadine Miller, MBA, M.Eng, P.Eng.

Ms. Miller is an Independent Non-Executive Director for Wesdome Gold Mines Ltd. and a Strategic Advisor at Awz Ventures Inc. Awz Ventures is a Canadian-based venture capital fund, with a primary focus on investing in leading-edge homeland security (HLS) technologies and services from Israel, a global leader in this space with added focus on technologies that employ sophisticated artificial intelligence (AI) elements.

Ms. Miller is a professional engineer (geotechnical) with over 18 years of experience in engineering design and project management in the mining and transportation industries, and has worked on mining projects in Australia, Europe, North and South America; specializing in tailings management and design. She has undertaken mandates for projects ranging in size from less than \$100k to projects greater than \$1B. She led the Business Development departments for two of the worlds largest engineering consulting firms Toronto Offices: (1) Bantrel providing EPC/EPCM services to the mining and metals, oil, gas and chemicals and infrastructure sectors with the backing of Bantrel's parent company, Bechtel; and (2) SNC-Lavalin's Mining and Metallurgy providing EPC/EPCM services.

Paul Fornazzari, LL.B., LL.M.

Mr. Fornazzari is a partner at the law firm Fasken Martineau DuMoulin LLP, where he is head of Latin America for the Global Mining Group. He was a former Chairperson of Lithium Americas Corp. and has been a director of various public companies for most of his career. Previously, Mr. Fornazzari was a partner at another international law firm where he was head of its Corporate Finance, Securities and Public M&A National Practice Group and of its Mining Group. Mr. Fornazzari has broad experience advising boards, executive teams and investment dealers and acts for domestic and foreign clients in various industries including mining, petroleum, technology, life sciences and financial services. As a fluent Spanish speaker from Latin America, he has transactional experience and a strong network in almost all of the jurisdictions in that region. Mr. Fornazzari holds a Masters of Law from Osgoode Hall Law School in Securities Law and a Bachelor of Law from the University of Windsor. Paul is a member of the TSX Venture Exchange's National Advisory Committee.

Mario Stifano, CPA - CA

Mario Stifano is a driven and strategic senior executive and finance professional with over 25 years of corporate, management and finance experience.

Mr. Stifano has strong capital markets experience having raised approximately \$700 million in equity and debt to fund the development of assets with strong operational background and experience in strategic planning, mergers and acquisitions including integration, financial controls and investor relations with broad industry experience including resources, information technology and the financial sector, senior executive roles within technology, finance and resource companies.

Mr. Stifano has is currently Chairman of Dore Copper Mining Corp., and is a consultant to Kirkland Lake Gold. Previously Mr. Stifano has held positions such as CEO of Cordoba minerals, Chairman of Mega Precious Metals, CFO of Lakeshore Gold, CFO Ivernica Inc. as well as working with Noranda Inc.

Adam Spencer, B.Comm, CFA

As a former Director at Cormark Securities Inc., Adam Spencer spent six years in investment banking, providing coverage to a variety of mining companies operating in the base metals, precious metals, and bulk commodity sectors. His experience directing merger and acquisition advisory mandates and equity financings have made him a valuable asset at Sandstorm Gold Ltd., where his primary focus is to grow the company's royalty portfolio. He holds the designation of Chartered Financial Analyst and received a Bachelor of Commerce degree, with honours, from Dalhousie University.

Jason Brewster, B.A., M.Sc.

Mr. Brewster is President and CEO of Anconia Resources Corp., as well as serving as Partner of Billiken Management Services, a full service exploration management consulting company. Mr.

Brewster received his M.Sc. in mining engineering from the Camborne School of Mines in Cornwall, England and his B.A. from the University of Western Ontario. For over 20 years, Mr. Brewster has been active in all facets of the mining industry from grass roots prospecting to being instrumental in bringing the Aguas Tenidas mine in southern Spain out of care and maintenance and back into production.

Harvey McKenzie, CPA-CA

Mr. McKenzie is a (life member) Chartered Professional Accountant (CPA-CA), granted by the Chartered Professional Accountants of Ontario, Canada. Mr. McKenzie's current principal occupation is the provision of consulting services primarily in financial reporting areas. Since June 2011, he has been the CFO and Corporate Secretary of Anconia Resources Corp., from November 2015 to April 30, 2017, he has been the CFO and Corporate Secretary of Ellipsiz Communications Ltd. a technology company (TSXV: ECL). From June 2011 to November 2015, he was a member of the Board of Directors and Chairman of the Audit Committee of Li3 Energy (listed on the OTC); Chair of the Audit Committee of Latin American Minerals Inc. from September 2006 to June 2010 as well as directorships of some small shells listed (or pending listing) on the TSX. Prior thereto, Mr. McKenzie served as the CFO of several Canadian publicly listed exploration, development and producing mining companies.

Dennis LaPoint, BA, M.Sc., Ph.D

Dr. Dennis LaPoint is an experienced exploration geologist and project manager with more than 40 years' experience in project generation, exploration, management and mining, including 18 years working in the Guiana Shield. He was then exploration manager for Suriname at Cambior Inc. and later Iamgold Corporation and was instrumental in new discoveries and resources for the Rosebel Gold Mine and supervised the Omai geologists after Omai closed. He initiated, managed and discovered the Merian Gold Mine for Alcoa Corporation in Suriname, South America.

Promoter Consideration

No persons have acted as a promoter of the Reporting Issuer or its predecessor corporations for a period of two years prior to the date of this Circular.

Corporate Cease Trade Orders or Bankruptcies

No proposed director of the Resulting Issuer is, as at the date of this Circular, or has been, within the preceding 10 years, a director, chief executive officer or chief financial officer of any company that while that person was acting in that capacity: (i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or (ii) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceeding, amalgamation or compromise with creditors or had a receiver or receiver manager or trustee appointed to hold its assets.

Penalties or Sanctions

No proposed director or officer of the Resulting Issuer or a securityholder anticipated to hold sufficient securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body, including a self-regulatory body, that would be likely to be considered important to a reasonable investor making an investment decision.

Personal Bankruptcies

No proposed director or officer of the Resulting Issuer, or a securityholder anticipated to hold sufficient securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, or a personal holding company of any such persons, has, within the 10 years preceding the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, merger or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the individual.

Conflicts of Interest

The proposed directors and officers of the Resulting Issuer are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and the laws requiring disclosure by directors and officers of conflicts of interest. The Resulting Issuer will rely upon such laws in respect of any such conflict of interest or in respect of any breach of duty by any of the Resulting Issuer's directors or officers. Any such conflicts are required to be disclosed by such directors or officers in accordance with the OBCA and the directors of the Resulting Issuer are required to govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law. Certain proposed directors of the Resulting Issuer are, or may in the future be, directors, officers or shareholders of other companies that are, or may in future be, engaged in the business of, or enter into transactions with, the Resulting Issuer. Such associations and transactions may give rise to conflicts of interest from time to time.

Other Reporting Issuer Experience

The following table sets out the proposed directors and officers of the Resulting Issuer that are, or have been within the last five years, directors, officers or promoters of other reporting issuers.

Name	Name of Issuer	Exchange	Position	From	To
Denis Clement	DNI Metals Inc.	TSX-V	Director	2003	2016
	Anconia Resources Corp.	TSX-V	Director	2011	Current
	Gespeg Resources Ltd.	TSX-V	Director	2012	Current

	Mondias Natural Products Inc.	TSX-V	Director	2017	2018
Nadine Miller	Wesdome Gold Mines Ltd.	TSX	Director	2016	Current
Paul Fornazzari	Idaho Champion Gold Mines Inc.	CSE	Director	2018	Current
	Neo Lithium Corp.	TSX-V	Director	2016	2018
	Posera Ltd.	TSX	Director	2011	2019
	Lithium Americas Corp.	TSX-V	Director	2012	2015
Mario Stifano	Mega Precious Metals Inc.	TSX	Director	2009	2015
	Cordoba Minerals Corp.	TSX-V	Officer	2014	2019
	Lupaka Gold Corp.	TSX-V	Director	2018	Current
	Dore Copper Mining Corp.	TSX-V	Director	2019	Current
Adam Spencer	Sandstorm Gold Ltd.	TSX	SVP Corporate Development	2013	Current
	Schooner Capital Corp.	TSXV	Director	2018	Current

EXECUTIVE COMPENSATION

Set out below is a summary of the estimated compensation for President and CEO, CFO, Vice-President of Operations and Vice-President of Exploration of the Resulting Issuer, for the 12 month period ended September 30, 2021 on an annualized basis:

Name and Principal Position	12 Month s ended Sept. 30	Salary (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation		All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plans	Long-term Incentive Plans		
Mario Stifano – President, Chief Operating Officer and Director of the Resulting Issuer	2021	135,000	Nil	115,000	Nil	Nil	Nil	250,000

Harvey McKenzie – Chief Financial Officer and Secretary of the Resulting Issuer	2021	30,000	Nil	Nil	Nil	Nil	Nil	30,000
Jason Brewster - Current President and CEO and – Vice-President of Operations of the Resulting Issuer	2021	120,000	Nil	25,000	Nil	Nil	Nil	145,000
Denis Lapoint – Vice-President of Exploration of the Resulting Issuer	2021	120,000	Nil	25,000	Nil	Nil	Nil	145,000

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No current or former director, executive officer or employee, proposed nominee for election to the board of directors, or associate of such persons is, or has been, indebted to Anconia since the beginning of the most recently completed financial year of Anconia and no indebtedness remains outstanding as at the date of this Circular.

INVESTOR RELATIONS ARRANGEMENTS

No written or oral agreement or understanding has been reached with any person to provide any promotional or investor relations services for the Resulting Issuer.

OPTIONS TO PURCHASE SECURITIES

The Resulting Issuer will adopt and continue the existing Anconia Option Plan which provides that the board of directors of the Resulting Issuer may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees, charitable organizations and consultants to the Resulting Issuer, non-transferable options to purchase

Resulting Issuer Shares, provided that the number of Resulting Issuer Shares reserved for issuance does not exceed ten percent (10%) of the issued and outstanding Resulting Issuer Shares at any given time. The exercise price for the Resulting Issuer Options is determined by the directors of the Resulting Issuer which in no event will be less than the fair market value of the Resulting Issuer Shares at the time of grant. In connection with the foregoing, without prior receipt of disinterested shareholder approval, the number of Resulting Issuer Shares reserved for issuance to any individual director or officer will not exceed 5% of the then issued and outstanding Resulting Issuer Shares and the number available to any one consultant will not exceed two percent (2%) of the issued and outstanding Resulting Issuer Shares. Subject to board approval, Resulting Issuer Options may be exercised not later than 90 days, or such other day as determined in the discretion of the board, following cessation of the optionee's position with the Resulting Issuer, provided that if the cessation of office, directorship, or consulting Amalgamation was by reason of death, such Resulting Issuer Option may be exercised within a maximum period of one year after such death, subject to the expiry date of such Resulting Issuer Option. See "*Escrowed Securities*" below. Upon completion of the Transaction, it is expected there will be 8,741,626 options outstanding, subject to approval by the Resulting Issuer's board of directors, as set forth below:

The following table sets out the number of options of the Resulting Issuer that will be outstanding upon completion of the Transactions:

Group and Number of Persons in Group	Number of Resulting Issuer Shares Under Options	Exercise Price Per Resulting Issuer Share	Expiry Date
All Proposed Directors, Officers and Employees of the Resulting Issuer and subsidiaries of the Resulting Issuer	5,500,008	US \$0.10	March 12, 2025 and April 25, 2025
Denis Clement	1,000,000	US \$0.10	March 12, 2025
Mario Stefano	1,000,000	US \$0.10	March 12, 2025
Jason Brewster	1,000,000	US \$0.10	March 12, 2025
Harvey McKenzie	500,000	US \$0.10	March 12, 2025
Dennis LaPoint	1,000,008	US \$0.10	April 29, 2025
Non-continuing Anconia directors and consultants and investors	NIL	N/A	N/A
Mike Florence	Nil	N/A	N/A
Jim Franklin	Nil	N/A	N/A
John Sadowski	Nil	N/A	N/A
Non-continuing Avalon	2,200,000	US \$0.10	March 12, 2025 and June 1, 2025

directors and consultants and investors			
Michael Smith	1,000,000	US \$0.10	March 12, 2025
Kris Sammy(1)	1,000,000	US \$0.10	March 12, 2025
Robert deCastro	200,000	US \$0.10	June 1, 2025

(1) Kris Sammy resigned from his role as COO and Director on May 8, 2020.

ESCROWED SECURITIES

In connection with the Amalgamation, the Exchange has discretion, in certain circumstances, to impose escrow provisions on the securities of the Resulting Issuer being issued to certain shareholders of Avalon.

Management anticipates that the Resulting Issuer will be a “Tier 2” issuer on the Exchange and that all Resulting Issuer securities held by the “Principals” of the Resulting Issuer will be subject to a Tier 2 surplus security escrow agreement to be entered into with the Escrow Agent, Computershare Trust Company of Canada. “Principals” of the Resulting Issuer include all directors, all officers and any shareholder who holds in excess of 20% of the Resulting Issuer Shares. It also includes any shareholder of the Resulting Issuer who holds in excess of 10% of the Resulting Issuer Shares and who has elected or appointed, or has the right to elect or appoint, one or more directors or officers of the Resulting Issuer. The table below sets out the names of the anticipated Principals of the Resulting Issuer.

Name and Municipality of Residence of Securityholder	Designation of class	Number and type of securities to be held in escrow	Percentage of class
Denis Clement, Oakville Ontario	Common Shares	4,560,500	2.31%
	Options	1,000,000	11.44%
Jason Brewster, Whitby, Ontario	Common Shares	333,117	0.17%
	Options	1,000,000	11.44%
Harvey McKenzie, Toronto, Ontario	Common Shares	301,400	0.15%
	Options	500,000	5.72%
Sandstorm Gold Ltd., Vancouver British Columbia	Common Shares	20,000,000	10.12%
Silvercorp Metal Inc. Vancouver, British Columbia	Common Shares	30,000,000	15.17%
Mario Stifano, Brampton, Ontario	Common Shares	700,000	0.35%
	Options	1,000,000	11.44%
Denis Lapoint, Chapel Hill,	Common Shares	850,000	0.43%
	Options	1,000,008	11.44%

North Carolina, USA			
Adam Spencer, Toronto, Ontario	Common Shares	Nil	0.00%
	Options	Nil	0.00%
Nadine Miller, Toronto, Ontario	Common Shares	50,000	0.03%
Paul Fornazzari, Toronto, Ontario	Common Shares	300,000	0.15%

The Resulting Issuer securities held by the Principals set out in the table above (the “**Escrowed Securities**”) will be released from escrow in accordance with the following schedule:

Percentage of Escrow Securities Released	Release Date
5%	Date of the Exchange confirming the completion of the Transaction (the “ Exchange Notice ”)
5%	Six months from the Exchange Notice
10%	Twelve months from the Exchange Notice
10%	Eighteen months from the Exchange Notice
15%	Twenty-Four months from the Exchange Notice
15%	Thirty months from the Exchange Notice
40%	Thirty-Six months the Exchange Notice
100%	

SEED SHARE RESALE RESTRICTIONS

Pursuant to TSX-V Policy 5.4, the following Resulting Issuer Shares are expected to be subject to Seed Share Resale Restrictions, the terms of which are further described below:

It is anticipated that 4 non-principal Resulting Issuer Shareholders, holding an aggregate of 24,751,270 Resulting Issuer Shares (12.5% of the undiluted issued and outstanding Resulting Issuer Shares), will be subject to seed share resale restrictions in accordance with a Tier-2 Value Security Escrow Agreement. At the date the TSX-V issues the Final Exchange Bulletin in respect of the Transaction, and subject to the determination of the TSX-V, these Resulting Issuer Shares may be released in stages with 10% of the securities being released from escrow immediately and the balance being released in six equal 15% installments every six months thereafter as per the Tier 2 Escrow schedule below.

Percentage of Escrow Securities Released	Release Date
10%	Date of the Exchange confirming the completion of the Transaction (the “ Exchange Notice ”)
15%	Six months from the Exchange Notice
15%	Twelve months from the Exchange Notice
15%	Eighteen months from the Exchange Notice
15%	Twenty-Four months from the Exchange Notice

15%	Thirty months from the Exchange Notice
15%	Thirty-Six months the Exchange Notice
100%	

AUDITORS, TRANSFER AGENT AND REGISTRAR

The proposed auditors of the Resulting Issuer are Clearhouse LLP, Chartered Professional Accountants, Suite 527 -2560 Matheson Blvd. E., Mississauga, ON, L4W 4Y1

The proposed transfer agent and registrar for the Resulting Issuer Shares is Computershare Investor Services Inc., located at 100 University Ave, 8th Floor, Toronto ON, M5J 2Y1.

GENERAL MATTERS

Sponsorship and Agent Relationship

No sponsors exist with respect to the Resulting Issuer.

EXPERTS

The following experts have assisted in the preparation of this Circular:

- Clearhouse LLP, Chartered Professional Accountants are the independent auditors of Anconia within the meaning of the *Code of Ethics of Chartered Professional Accountants*
- Patrice Norton, the auditors of Avalon, have advised that they are independent with respect to Avalon within the meaning of the *Code of Ethics of Chartered Professional Accountants*.
- The Avalon Technical Report was written by Brian H. Newton, P. Geo., Mark P. Wellstead, Mgeol, P. Geo and Francis R. Newton, BSc, P. Geo, of Minroc Management Limited. The Authors are Qualified Persons who are independent from Avalon within the meaning of NI-43-101.

None of the foregoing experts, nor any partner, employee or consultant of such an expert who participated in and who was in a position to directly influence the preparation of the applicable statement, report or valuation, has, has received or is expected to receive, registered or beneficial interests, direct or indirect, in common shares of Avalon or other property of Avalon or any of its associates or affiliates, representing 1% or more of the outstanding common shares of Avalon.

OTHER MATERIAL FACTS

There are no material facts about Avalon, Anconia, the Resulting Issuer or the Transaction that are not disclosed within this Circular which are necessary in order for this Circular to contain

full, true and plain disclosure of all material facts relating to Avalon, Anconia and the Resulting Issuer, assuming completion of the Transaction.

BOARD APPROVAL

The contents and sending of this Circular have been approved by the Anconia Board. Where information contained in this Circular rests particularly within the knowledge of a person other than Anconia, Anconia has relied upon information furnished by such person.

GLOSSARY OF DEFINED TERMS

The following terms used in the Circular have the meanings set forth below.

“**Affiliate**” has the meaning ascribed thereto in National Instrument 45-106 – *Prospectus Exemptions*.

“**Amalco**” means the corporation amalgamated under the laws of Barbados, to be named as such name as Avalon may determine, which will result from the Amalgamation.

“**Amalgamation**” means the amalgamation between Avalon and Subco.

“**Amalgamation Resolution**” means the resolution attached hereto as Schedule “A”

“**Anconia**” means Anconia Resources Corp.

“**Anconia Board**” means the board of directors of Anconia.

“**Anconia Meeting**” means the meeting of the Anconia Shareholders to be held pursuant to the Notice of Meeting and Circular

“**Anconia Notice of Meeting**” means the Notice of Annual General and Special Meeting of Shareholders of Anconia accompanying the Circular.

“**Anconia Options**” means, at any time, stock options to acquire Anconia Shares granted under the 2012 Stock Option Plan which are, at such time, outstanding and unexercised, whether or not vested.

“**Anconia Post-Consolidation Share**” means common shares of Anconia following a 15:1 share consolidation.

“**Anconia Shareholders**” means the holders of Anconia Shares

“**Anconia Shares**” means common shares in the authorized share capital of Anconia.

“**Anconia Warrant**” means a warrant to purchase common shares of Anconia.

“**Arm’s Length Transaction**” has the meaning ascribed thereto in Multilateral Instrument MI 61-101 – *Protection of Minority Security Holders in Special Transactions*.

“**Authorization**” means any authorization, order, permit, approval, grant, licence, registration, consent, right, notification, condition, franchise, privilege, certificate, judgment, writ, injunction, award, determination, direction, decision, decree, bylaw, rule or regulation, of, from or required by any Governmental Entity.

“**Avalon**” means Avalon Investment Holdings Inc.

“**Avalon Shares**” means the common shares of Avalon.

“**Avalon Shareholder**” means a registered or beneficial holder of Avalon Shares.

“**Barbados Act**” means the *Companies Act of Barbados*.

“**Beneficial Anconia Shareholder**” means a non-registered holder of Anconia Shares.

“**Beneficial Shareholder**” means a Beneficial Anconia Shareholder.

“**Board**” means in respect of any Party, its board of directors.

“**Broadridge**” means Broadridge Financial Solutions, Inc.

“**CDS**” means CDS Clearing and Depositary Services Inc.

“**Circular**” means the Anconia Notice of Meeting to be sent to the Anconia Shareholders in connection with the Anconia Meeting, together with this management information circular, including all schedules, appendices and exhibits hereto, and information incorporated by reference herein, as amended, supplemented or otherwise modified from time to time.

“**Code**” has the meaning ascribed thereto under the heading “Certain United States Federal Income Tax Considerations”.

“**Compensation Committee**” means the compensation committee of the board of directors of Anconia Resources Corp.

“**Computershare**” means the Computershare Trust Company of Canada.

“**Consideration**” means the consideration to be received by Anconia Shareholders from Avalon pursuant to the Transaction in respect of each Anconia Share that is issued and outstanding immediately prior to the Effective Time, comprising one (1) common share of Anconia for every one (1) common share of Avalon held.

“**Consolidation**” means the consolidation of Anconia Shares on a 15:1 basis.

“**Corporation**” means Anconia Resources Corp.

“**Definitive Agreement**” means the acquisition agreement entered into on October 9, 2019 between Anconia Resources Corp. and Avalon Investment Holdings Ltd. wherein Avalon and Subco agree to amalgamate.

“**Depositary**” means the Computershare Trust Company of Canada.

“Director” means the director appointed pursuant to Section 278 of the OBCA.

“Dissent Rights” means the right of a registered shareholder to dissent in respect of the Amalgamation Resolution in strict compliance with the procedures described in Section 185 of the OBCA as more particularly described in Schedule “C” hereto.

“Dissenting Shareholders” means shareholders who validly exercise their Dissent Rights and thereby become entitled to receive the fair value of their Anconia Shares.

“Dissenting Shares” means Anconia Shares in respect of which a Dissenting Shareholder has validly exercised a Dissent Right.

“Effective Date” means the date of the transfer of shares from Anconia to Avalon.

“Effective Time” means 12:01 a.m. on the Effective Date, or such other time as the Parties agree to in writing before the Effective Date.

“Election of Directors Resolution” means the resolution attached hereto as Schedule “A”

“Escrowed Securities” means those Resulting Issuer Shares held by all directors of the Resulting Issuer, all officers of the Resulting Issuer and any shareholder who holds in excess of 20% of the Resulting Issuer Shares which are subject to the escrow policies of the Exchange.

“Exchange” means the TSX Venture Exchange Inc.

“Exchange Notice” means the letter from the Exchange confirming completion of the Transaction.

“Filing Statement” means the filing statement of Anconia Resources Corp. to be filed under its profile on SEDAR at www.sedar.com in advance of the closing of the Transaction.

“Financial Statements” means the audited consolidated financial statements of Anconia Resources Corp. for the year ended September 30, 2019 and the auditors’ report thereon, together with the related management’s discussion and analysis.

“First Preferred Shares” means the class of First Preferred Shares of Anconia Resources Corp.

“GAAP” means generally accepted accounting principles in Canada.

“Governmental Entity” means (i) any multinational or supranational body or organization, nation, government, state, province, country, territory, municipality, quasi-government, administrative, judicial or regulatory authority, agency, board, body, bureau, commission, instrumentality, court or tribunal or any political subdivision thereof, or any central bank (or similar monetary or regulatory authority) thereof, any taxing authority, any ministry or department or agency including any taxing authority under the authority of any of the foregoing, (ii) any self-regulatory organization or stock exchange, including the TSX Venture Exchange,

(iii) any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government; and (iv) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing.

“IASB” means the International Accounting Standards Board.

“IFRS” means International Financial Reporting Standards, as incorporated in the Handbook of the Canadian Institute of Chartered Accountants at the relevant time applied on a consistent basis.

“Intermediary” has the meaning ascribed thereto under the heading “Management Information Circular – Information for Beneficial Shareholders”.

“IRS” has the meaning ascribed thereto under the heading “Certain United States Federal Income Tax Considerations”.

“Law” means, with respect to any person, any and all applicable law (statutory, common or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, judgment, decree, ruling or other similar requirement, whether domestic or foreign, enacted, adopted, promulgated or applied by a Governmental Entity that is binding upon or applicable to such person or its business, undertaking, property or securities, and to the extent that they have the force of law, policies, guidelines, notices and protocols of any Governmental Entity, as amended.

“Letter of Transmittal” means the form for use by Shareholders to surrender certificates representing Anconia Shares for replacement with the number of Anconia Post-Consolidation Shares such Shareholder is entitled to following the Consolidation.

“Market Price” has the meaning ascribed thereto in the Option Plan.

“Material Adverse Effect” means, in respect of any person, any change, effect, event or circumstance that is, or could reasonably be expected to be, material and adverse to the business, condition (financial or otherwise), properties, assets (tangible or intangible), liabilities (whether absolute, accrued, conditional or otherwise), operations or results of operations of such person and its subsidiaries, taken as a whole, other than any change, effect, event or circumstance relating to or affecting, as applicable (i) the Canadian or Guyanese economy, political conditions (including the outbreak of war or any acts of terrorism) or securities markets in general, (ii) any of the industries in which a person or any of its subsidiaries operate; (iii) any change in applicable Laws (other than orders, judgments or decrees against such person or any of its subsidiaries) or IFRS, or (iv) a change in the market trading price or volume of that person that is either (A) related to the Definitive Agreement and the transactions contemplated by the Definitive Agreement or the announcement thereof, or (B) primarily a result of a change, effect, event or occurrence excluded from this definition of Material Adverse Effect referred to in clause (i), (ii) or (iii) above; provided, however, that the effect referred to in clause (i), (ii) or (iii) above does not primarily relate only to (or have the effect of primarily relating only to) such person and its subsidiaries, taken as a whole, or disproportionately adversely affect such person and its

subsidiaries, taken as a whole, compared to other companies of similar size operating in the industry in which such person and its subsidiaries operate.

“**Meeting**” means the annual general and special meeting of the Anconia Shareholders.

“**Meeting Materials**” means the Circular, the Anconia Notice of Meeting and the form of proxy in respect of the Anconia Meeting which accompany the Circular.

“**MI 61-101**” means Multilateral Instrument MI 61-101 – *Protection of Minority Security Holders in Special Transactions*.

“**Name Change Resolution**” means the resolution attached hereto as Schedule “A”

“**Named Executive Officers**” has the meaning ascribed thereto under the heading “Part III - Information Concerning the Issuer – Executive Compensation”.

“**NI 43-101**” means National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*.

“**NI 51-102**” means National Instrument 51-102 – *Continuous Disclosure Obligations*.

“**NI 51-102F6**” means the form contained in NI 51-102 — *Statement of Executive Compensation*

“**NOBOs**” means Beneficial Holders who do not object to their name being made known to the issuer of securities.

“**Non-Arm’s Length Transaction**” has the meaning ascribed thereto in Multilateral Instrument MI 61-101 – *Protection of Minority Security Holders in Special Transactions*.

“**Notice-and-Access Provisions**”) means the provisions that came into effect on February 11, 2013 under NI 54-101 and NI 51-102 for distribution of material documents to all registered shareholders and non-registered shareholders of reporting issuers.

“**OBCA**” means the *Business Corporations Act*, R.S.O. 1990, c B.16, as amended, including the regulations promulgated thereunder.

“**OBOs**” means Beneficial Holders who object to their names being made known to the issuer of securities.

“**Option Plan**” has the meaning ascribed thereto under the heading “Part III Information Concerning the Issuer – Stock Option Plan”.

“**Optionee**” has the meaning ascribed thereto in the Option Plan.

“**Parties**” means Anconia and Avalon, and “**Party**” means either of them.

“**Record Date**” means •, 2020.

“Registered Anconia Shareholder” means a registered holder of Anconia Shares.

“Registered Shareholder” means a Registered Anconia Shareholder or registered holder of Avalon Shares, as applicable.

“Regulatory Approvals” means those sanctions, rulings, consents, orders, exemptions, permits and other approvals of Governmental Entities, necessary or deemed advisable by Forrester, acting reasonably, to proceed with the transactions contemplated by the Definitive Agreement, including but not limited to (i) the approval of the TSX Venture Exchange in respect of the Transaction, and (ii) the approval of the TSX Venture Exchange for the issuance and listing of the Resulting Issuer’s shares.

“Related Party Transaction” has the meaning ascribed thereto in Multilateral Instrument 61-101.

“Reorganization” has the meaning ascribed thereto Section 368(a) of the United States *income tax code* as amended from time to time.

“Representative” means, collectively, in respect of a person, its subsidiaries and its affiliates and its and their officers, directors, employees, consultants, advisors, agents or other representatives (including financial, legal or other advisors).

“Resulting Issuer” means Anconia after the completion of the reverse takeover transaction with Avalon.

“RTO” means the Amalgamation as such the transaction will constitute a reverse take-over of Anconia by Avalon pursuant to the rules of the TSX Venture Exchange Inc.

“SEC” means the United States Securities and Exchange Commission.

“Securities Laws” means the *Securities Act*, the *U.S. Securities Act*, and U.S. Exchange Act, together with all other applicable state, federal and provincial securities Laws, and the rules and regulations and published policies of the securities authorities thereunder, as now in effect and as they may be promulgated or amended from time to time, and includes the rules and policies of the TSX Venture Exchange.

“Securityholders” means, collectively, the holders of the Anconia Shares, Anconia Options and Anconia Warrants.

“SEDAR” means the System for Electronic Document Analysis and Retrieval.

“Shareholders” means, collectively, the Anconia Shareholders and the Avalon Shareholders.

“Shares” means the Anconia Shares and/or the Avalon Shares, as applicable.

“Share Consolidation Resolution” means the resolution attached hereto as Schedule “A”

“Shell Company” means a corporation with no or nominal operations and no or nominal assets other than cash and cash equivalents.

“Subco” means Anconia Resources Barbados Corp., a corporation incorporated under the Companies Act Barbados and a wholly-owned subsidiary of the Corporation for the purpose of completing the Amalgamation.

“Subco Shares” means the common shares without par value in the capital of Subco.

“Transaction” means the Amalgamation, the Consolidation and the Name Change, all as more particularly described in the resolutions attached to this Circular as Schedule “A”.

“Transaction Resolutions” means the shareholder resolutions for the approval of the Amalgamation, the Consolidation and the Name Change attached to this Circular as Schedule “A”.

“Treaty” has the meaning ascribed thereto under the heading “Certain Canadian Federal Income Tax Considerations – Holders Not Resident in Canada – Dividends on Zinc One Shares”.

“United States” or **“U.S.”** means the United States of America, its territories and possessions, any state of the United States and the District of Columbia.

“U.S. Exchange Act” means the United States *Securities Exchange Act of 1934*, as amended, and the rules and regulations promulgated from time to time thereunder.

“U.S. GAAP” means United States generally accepted accounting principles.

“U.S. Securities Act” means the *United States Securities Act of 1933*, as amended and the rules and regulations promulgated thereunder.

“VIF” means a voting instruction form.

CERTIFICATE OF THE CORPORATION

DATED: August 28, 2020

The foregoing document constitutes full, true and plain disclosure of all material factors relating to the securities of Anconia Resources Corp. assuming completion of the reverse-takeover transaction between Anconia Resources Corp. and Avalon Investment Holdings Inc.

ANCONIA RESOURCES LTD.

Per: Harvey McKenzie
Name: Harvey McKenzie
Title: Chief Financial Officer

Per: Jason Brewster
Name: Jason Brewster
Title: Chief Executive Officer

ON BEHALF OF THE ANCONIA BOARD OF DIRECTORS

Per: Michael Florence
Name: Michael Florence
Title: Director

Per: James Franklin
Name: James Franklin
Title: Director

CERTIFICATE OF AVALON

DATED: August 28, 2020

The foregoing document as it relates to Avalon Investment Holdings Inc. constitutes full, true and plain disclosure of all material facts relating to the securities of Avalon Investment Holdings Inc.

AVALON INVESTMENT HOLDINGS INC.

Per: Michael Smith
Name: Michael Smith
Title: CEO

Per: Kester daCosta
Name: Kester daCosta
Title: CFO

ON BEHALF OF THE BOARD OF DIRECTORS OF AVALON

Per: Michael Smith
Name: Michael Smith
Title: Director

Per: Kester daCosta
Name: Kester daCosta
Title: Director

SCHEDULE “A”

MEETING RESOLUTIONS OF ANCONIA RESOURCES CORP. (the “Corporation”)

APPROVAL OF THE STOCK OPTION PLAN

BE IT RESOLVED AS AN ORDINARY RESOLUTION THAT:

1. The yearly approval of the Corporation’s Stock Option Plan be and it is hereby granted and confirmed for the period up to the next annual general and special meeting of the Shareholders of the Corporation;
2. Any one director or officer of the Corporation be, and he/she is hereby authorized and directed, for and on behalf of the Corporation, to execute and deliver all the documents and instruments and perform all other acts that this director or this officer may deem necessary or desirable, for the purpose of giving full effect to the terms of this resolution, his/her signature to said documents or the performance of such acts being the evidence of the present decision.

AMALGAMATION RESOLUTION

BE IT RESOLVED AS AN ORDINARY RESOLUTION THAT:

1. The amalgamation (the “**Amalgamation**”) of Anconia Resources Barbados Corp. (“**Subco**”) and Avalon Investment Holdings Inc. (“**Avalon**”) under the *Companies Act Barbados*, substantially as set forth in the Definitive Agreement between the Corporation, Subco and Avalon dated October 9, 2019 (the “**Definitive Agreement**”) and as described in the management information circular of the Corporation dated August 28, 2020 (the “**Circular**”), and the issuance of securities of the Corporation in connection therewith pursuant to the Definitive Agreement and as further described in the Circular, is hereby approved and authorized;
2. The Definitive Agreement between the Corporation, Subco and Avalon is hereby confirmed, ratified and approved and the board of directors of the Corporation be and is hereby authorized to amend or revise the Definitive Agreement in its discretion to the extent permitted therein without further approval of the shareholders of the Corporation;
3. Notwithstanding that the Amalgamation has received the approval of the shareholders of the Corporation, the board of directors of the Corporation may, subject to the terms of the Amalgamation, amend or decide not to proceed with the Amalgamation or revoke this resolution at any time prior to the filing of documents giving effect to the Amalgamation without further notice to or approval of shareholders of the Corporation; and
4. Any one director or officer of the Corporation be, and he/she is hereby authorized and directed, for and on behalf of the Corporation, to execute and deliver all the documents and instruments and perform all other acts that this director or this officer may deem necessary or desirable, for the purpose of giving full effect to the terms of this resolution,

his/her signature to said documents or the performance of such acts being the evidence of the present decision.

SHARE CONSOLIDATION RESOLUTION

BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. The articles of incorporation of the Corporation be amended by consolidating each of the issued and outstanding common shares without par value of the Corporation by changing fifteen (15) common shares without par value of the Corporation, or such lesser amount as the directors of the Corporation may determine, into one (1) common share without par value of the Corporation (1:15), in the event the consolidation would result in a shareholder of the Corporation holding a fraction of a share, such fractional share shall be rounded down to zero;
2. Notwithstanding that this resolution has been duly passed by the shareholders of the Corporation, the directors of the Corporation be, and they are hereby authorized and empowered to determine to revoke this resolution at any time prior to the issue of a certificate of amendment giving effect to the articles of amendment and to determine not to proceed with the amendment of the articles of incorporation of the Corporation without further approval of the shareholders of the Corporation; and
3. Any one director or officer of the Corporation be, and he/she is hereby authorized and directed, for and on behalf of the Corporation, to execute and deliver all the documents and instruments and perform all other acts that this director or this officer may deem necessary or desirable, for the purpose of giving full effect to the terms of this resolution, his/her signature to said documents or the performance of such acts being the evidence of the present decision, including, without limitation, the execution and delivery of articles of amendment in the prescribed form to the Director appointed under the *Business Corporations Act* (Ontario), the execution of any such document or the doing of any such other act or thing being conclusive evidence of such determination.

NAME CHANGE RESOLUTION

BE IT HEREBY RESOLVED AS A SPECIAL RESOLUTION THAT:

1. The articles of incorporation of the Corporation be amended to change the name of the Corporation to “Omai Gold Mines Inc.” or if this name is not accepted by the regulatory authorities, including the TSX Venture Exchange, to such other name as may be selected by the board of directors of Avalon., in its sole discretion, and accepted by such regulatory authorities (the “**Name Change**”);
2. Notwithstanding that this resolution has been duly passed by the shareholders of the Corporation, the directors of the Corporation be, and they are hereby authorized and empowered to determine to revoke this resolution at any time prior to the issue of a certificate of amendment giving effect to the Name Change and to determine not to proceed with the Name Change without further approval of the shareholders of the Corporation;

3. The board of directors of the Corporation be and is hereby authorized to set the effective date of such Name Change and such effective date shall be the date shown in the certificate of amendment issued by the Director appointed under the *Canada Business Corporations Act* or such other date indicated in the Articles of Amendment provided that, in any event, such date shall be prior to the next annual general meeting of the Shareholders of the Corporation; and
4. Any one director or officer of the Corporation be, and he/she is hereby authorized and directed, for and on behalf of the Corporation, to execute and deliver all the documents and instruments and perform all other acts that this director or this officer may deem necessary or desirable, for the purpose of giving full effect to the terms of this resolution, his/her signature to said documents or the performance of such acts being the evidence of the present decision.

ELECTION OF DIRECTORS RESOLUTION

BE IT HEREBY RESOLVED AS AN ORDINARY RESOLUTION THAT:

1. Conditional upon the passing of the Amalgamation Resolution, the board of directors of the Corporation be set at five (5) directors within the minimum and maximum allowed under the articles of the Corporation and the following persons be individually elected as directors of the Corporation to hold office until the next meeting of shareholder or until their successor are elected or appointed:
 - (a) Denis Clement;
 - (b) Mario Stifano;
 - (c) Nadine Miller;
 - (d) Adam Spencer; and
 - (e) Paul Fornazzari
2. If the Amalgamation Resolution is not passed, the board of directors of the Corporation be set at five (5) directors within the minimum and maximum allowed under the articles of the Corporation and the following persons be individually elected as directors of the Corporation to hold office until the next meeting of shareholder or until their successor are elected or appointed:
 - (a) Jason Brewster;
 - (b) James M. Franklin;
 - (c) Michael Florence;
 - (d) Denis Clement; and
 - (e) John Sadowski.
3. The above directors, whether or not the Amalgamation Resolution is passed, are hereby authorized, between annual general meetings, to determine the number of directors of the Corporation and the number of directors to be elected at the annual meeting of the shareholders and to appoint one or more additional directors of the Corporation to serve until the next annual general meeting, such number of directors not to exceed at any time

1/3 of the number of directors who held office at the expiration of the last annual general meeting of the Shareholders of the Corporation.

4. The shareholders of the Corporation do hereby ratify and affirm all actions of the Board of Directors as presented to the shareholders.

SCHEDULE “B”

OPTION PLAN

2020 STOCK OPTION PLAN

ANCONIA RESOURCES CORP. (formerly Citadel Gold Mines Inc.)

2020 STOCK OPTION PLAN

The board of directors of Anconia Resources Corp. (the “Corporation”) wishes to establish a share option plan (the “Plan”) governing the issuance of share options (“Options”) to directors, officers and employees of the Corporation or subsidiaries of the Corporation and persons or corporations who provide services to the Corporation or its subsidiaries on an on-going basis, or have provided or are expected to provide a service or services of considerable value to the Corporation or its subsidiaries. Capitalized terms, not otherwise defined herein, have the meanings ascribed thereto in the TSX Venture Exchange Corporate Finance Manual.

The terms and conditions of the Plan for the issuance of Options are as follows:

1. Purposes

The principal purposes of the Plan are:

- (a) to retain and attract the qualified directors, officers, employees and service providers that the Corporation and its subsidiaries require;
- (b) to promote a proprietary interest in the Corporation and its subsidiaries;
- (c) to provide an incentive element in compensation; and
- (d) to promote the profitability of the Corporation and its subsidiaries.

2. Reservation of Shares

Subject to Section 12 of the Plan, the number of common shares in the capital of the Corporation (the “**Common Shares**”) reserved from time to time for issuance to Eligible Optionees (as hereinafter defined) pursuant to Options granted under the Plan shall not exceed 10% of the aggregate number of Common Shares issued and outstanding (calculated on a non-diluted basis) from time to time.

3. Eligibility

Options shall be granted only to persons, firms or corporations (“**Eligible Optionees**”) who are Directors, Employees or Consultants of the Corporation or a subsidiary of the Corporation. Where the Eligible Optionee is an Employee, Consultant or Management Company Employee, the board of directors of the Corporation (the “**Board**”) shall confirm that the Eligible Optionee is a bona fide Employee, Consultant or Management Company Employee, as the case may be, of the Corporation or a subsidiary of the Corporation prior to any grant of Options.

Options may also be granted to a corporation that is wholly-owned by an Eligible Optionee if the corporation agrees not to effect or permit any transfer of ownership or option of shares of the corporation, nor to issue further shares of any Class in the corporation, to any other individual or entity as long as any Options granted to the corporation remain outstanding, without the prior written consent of such stock exchange or stock exchanges or other trading facilities, if any, on which the Common Shares are then listed and/or posted for trading (the “**Exchange**”). Unless the context otherwise requires, the term Eligible Optionee as used herein shall include any such corporation.

4. Granting of Options

The Board may from time to time grant Options to Eligible Optionees. At the time an Option is granted, the Board shall determine the number of Common Shares available for purchase under the Option, the date when the Option is to become effective and, subject to the other provisions of the Plan, all other terms and conditions of the Option. An Eligible Optionee may hold more than one Option at any time, however, notwithstanding anything to the contrary contained in the Plan:

- (a) at no time shall the number of Common Shares reserved for issuance pursuant to Options granted to any one Eligible Optionee in any 12-month period under the Plan or other security based compensation arrangements exceed 5% of the issued and outstanding Common Shares;
- (b) no one Eligible Optionee may be granted, in any 12 month period, Options to purchase a number of Common Shares equal to more than 5% of the issued and outstanding Common Shares;
- (c) no one Consultant may be granted, in any 12 month period, Options to purchase a number of Common Shares equal to more than 2% of the outstanding Common Shares and Options issued to Consultants performing Investor Relations Activities shall vest and become exercisable over not less than a 12 month period with no more than one-quarter of the Options vesting in any three month period;
- (d) Employees conducting Investor Relations Activities may not be granted, in the aggregate in any 12 month period, Options to purchase a number of Common Shares equal to more than 2% of the issued and outstanding Common Shares;
- (e) at no time shall the number of Common Shares reserved for issuance pursuant to Options granted to Insiders under the Plan or other security based compensation arrangements of the Corporation exceed 10% of the issued and outstanding Common Shares; or
- (f) Insiders may not be granted under the Plan or other security based compensation arrangements of the Corporation, within any 12 month period, in aggregate a number of Options exceeding 10% of the issued and outstanding Common Shares.

Any Options granted to a corporation referred to in Section 3 hereof shall be included in the calculation of the Options held by an Eligible Optionee.

5. Exercise Price

The exercise price (the “**Exercise Price**”) of each Option shall be determined in the discretion of the Board at the time of the granting of the Option, provided that the exercise price shall not be lower than the “**Market Price**”. “**Market Price**” shall mean the last closing price of the Common Shares on the Exchange or where the policies of the Exchange require the Corporation to issue a news release in respect of such grant of Option, the closing price of the Common Shares on the Exchange on the trading day immediately preceding the date on which the news release is issued; provided that in the event the Common Shares are listed on more than one Exchange, the foregoing reference to “the Exchange” shall be a reference to such one Exchange as shall be designated by the Board, and to the extent that the Common Shares are not listed on any Exchange, the Market Price shall be such price as is determined by the Board in good faith.

6. Term and Exercise Periods

- (a) All Options shall be for a term determined in the discretion of the Board at the time of the granting of the Options, provided that no Option shall have a term exceeding five years and, unless the Board at any time makes a specific determination otherwise, an Option and all rights to purchase Common Shares pursuant thereto shall expire and terminate immediately upon the Eligible Optionee who holds such Option ceasing to be at least one of a Director, Employee, Consultant or Management

Company Employee of the Corporation or a subsidiary of the Corporation. Any amendment to the maximum term of Options shall be subject to approval by shareholders of the Corporation and by the Exchange.

- (b) By way of example, without limiting the generality of the foregoing or the discretion of the Board, the Board may, at the time of the granting of the Option, determine:
- (i) that an Option is exercisable only while the Eligible Optionee remains at least one of a Director, Employee, Consultant or Management Company Employee and for a period of time being the earlier of the original expiry date of the Option or up to one year (“**Additional Period**”) after the Eligible Optionee ceases to be at least one of a Director, Employee, Consultant or Management Company Employee;
 - (ii) that an Option can be exercisable by the Eligible Optionee’s heirs or administrators for an Additional Period or for its remaining term (which Additional Period or remaining term may not exceed one year) after the death of an Eligible Optionee;
 - (iii) that an Option is subject to a vesting schedule; or
 - (iv) that, subject to the approval of the Exchange, if any, an Option may provide for early exercise and/or termination or other adjustment in the event of a death of a person and in other circumstances, such as if the Corporation shall resolve to sell all or substantially all of its assets, to liquidate or dissolve, or to merge, amalgamate, consolidate or be absorbed with or into any other corporation, if a take-over bid is made for the outstanding Common Shares, or if any change of control of the Corporation occurs.

7. Expiry During Blackout Periods

Notwithstanding any other provision of this Plan, no Option shall terminate and cease to be exercisable, whether as a result of the expiry term of the Option or any Additional Period, during a Trading Blackout. Each Option that would originally have expired during a Trading Blackout shall instead expire on the date that is five business days immediately following the cessation of the Trading Blackout. For the purposes hereof, a “Trading Blackout” means any restricted trading period imposed by the Corporation by which Directors, Management Company Employees and/or Employees are prohibited from trading in securities of the Corporation.

8. Non-Assignability

Other than a limited right of assignment, subject to the terms of this Plan and the individual option grant agreement between the Corporation and an Eligible Optionee upon which the Option is granted, in the event of the death of an Eligible Optionee to allow the exercise of Options by the Eligible Optionee’s heirs or administrators, Options granted hereunder shall not be assignable or transferable.

9. Payment of Exercise Price

All Common Shares issued pursuant to the exercise of an Option shall be paid for in full in Canadian funds at the time of exercise of the Option and prior to the issue of the Common Shares. All Common Shares issued in accordance with the foregoing shall be issued as fully paid and non-assessable Common Shares.

10. Tax Withholding

To the extent that the exercise of an Option gives rise to any tax or other statutory withholding obligation (including, without limitation, income and payroll withholding taxes imposed by any jurisdiction), the Board may implement appropriate procedures to ensure that the tax withholding obligations are met. These procedures may include,

without limitation, increased withholding from an Eligible Optionee's regular compensation, cash payments by an Eligible Optionee or the sale of a portion of the Common Shares acquired pursuant to the exercise of an Option, which sale may be required and initiated by the Board. Unless otherwise determined by the Board, any such procedure, including offering choices among procedures, will be applied consistently with respect to all similarly situated Eligible Optionees in the Plan, except to the extent any procedure may not be permitted under applicable laws, regulations or rules.

11. Non-Exercise

If any Option is not exercised for any reason whatsoever, upon the expiry of such Option pursuant to the terms of its grant or the terms hereof, the Common Shares reserved and authorized for issuance pursuant to such Option shall revert to the Plan and shall be available for other Options. Notwithstanding the foregoing, at no time shall there be outstanding under the Plan, Options exceeding, in the aggregate, the number of Common Shares reserved for issuance pursuant to Options under the Plan.

12. Adjustment in Certain Circumstances

In the event:

- (a) of any change in the Common Shares through subdivision, consolidation, reclassification, amalgamation, merger or otherwise; or
- (b) of any stock dividend to holders of Common Shares (other than such stock dividends issued at the option of shareholders of the Corporation in lieu of substantially equivalent cash dividends); or
- (c) that any rights are granted to holders of Common Shares to purchase Common Shares at prices substantially below fair market value; or
- (d) that as a result of any recapitalization, merger, consolidation or otherwise the Common Shares are converted into or exchangeable for any other shares;

then in any such case the Board may make such adjustment in the Plan and in the Options granted under the Plan as the Board may in its sole discretion deem appropriate to prevent substantial dilution or enlargement of the rights granted to, or available for, holders of Options, and such adjustments may be included in the Options.

13. Expenses

All expenses in connection with the Plan shall be borne by the Corporation.

14. Compliance with Laws

The Corporation shall not be obliged to issue any Common Shares upon exercise of Options if the issue would violate any applicable law or regulation, including income tax laws and securities laws and regulations, or any applicable rule of a governmental authority or stock exchange. The Corporation shall not be required to issue, register or qualify for resale any Common Shares issuable upon exercise of Options pursuant to the provisions of a prospectus or similar document, provided that the Corporation shall notify the Exchange, if any, and any other appropriate regulatory bodies in Canada of the existence of the Plan and the issuance and exercise of Options.

In addition to any resale restrictions that may be applicable under applicable securities laws, all Options and any Common Shares issued on the exercise of Options shall be legended with a four month hold period from the date the Options are granted, as required by the rules of the Exchange, if any.

15. Disinterested Shareholder Approval

Disinterested shareholder approval shall be obtained by the Corporation prior to any reduction in the Exercise Price if the Eligible Optionee is an Insider of the Corporation at the time of a proposed reduction in the Exercise Price.

16. Form of Option Agreement

All Options shall be issued by the Corporation in a form which meets the general requirements and conditions set forth in the Plan and the requirements of the Exchange, if any.

17. Amendments and Termination of Plan

The Corporation shall retain the right to amend from time to time or to terminate the terms and conditions of the Plan by resolution of the Board. Any amendments shall be subject to the prior consent of any applicable regulatory bodies, including the Exchange, if any. Amendments and termination shall take effect only with respect to Options issued thereafter, provided that they may apply to any Options previously issued with the mutual consent of the Corporation and the Eligible Optionees holding such Options.

18. Delegation of Administration of the Plan

Subject to the Business Corporations Act (Ontario) or any other legislation governing the Corporation, the Board may delegate to one or more directors of the Corporation, on such terms as it considers appropriate, all or any part of the powers, duties and functions relating to the granting of Options and the administration of the Plan.

19. Applicable Law

This Plan shall be governed by and construed in accordance with the laws in force in the Province of Ontario and the laws of Canada applicable therein.

20. Stock Exchange

To the extent applicable, the issuance of any Common Shares pursuant to Options granted under the Plan is subject to approval of the Plan and the grant of the Options by the Exchange, if any, and the Plan shall be subject to the ongoing requirements of such Exchange, if any.

SCHEDULE “C”

S.185 OBCA

Rights of dissenting shareholders

185 (1) Subject to subsection (3) and to sections 186 and 248, if a corporation resolves to,

- (a) amend its articles under section 168 to add, remove or change restrictions on the issue, transfer or ownership of shares of a class or series of the shares of the corporation;
- (b) amend its articles under section 168 to add, remove or change any restriction upon the business or businesses that the corporation may carry on or upon the powers that the corporation may exercise;
- (c) amalgamate with another corporation under sections 175 and 176;
- (d) be continued under the laws of another jurisdiction under section 181; or

Note: On a day to be named by proclamation of the Lieutenant Governor, subsection 185 (1) of the Act is amended by striking out “or” at the end of clause (d) and by adding the following clauses: (See: 2017, c. 20, Sched. 6, s. 24)

- (d.1) be continued under the *Co-operative Corporations Act* under section 181.1;
- (d.2) be continued under the *Not-for-Profit Corporations Act, 2010* under section 181.2;
or
- (e) sell, lease or exchange all or substantially all its property under subsection 184 (3),

a holder of shares of any class or series entitled to vote on the resolution may dissent. R.S.O. 1990, c. B.16, s. 185 (1).

Idem

(2) If a corporation resolves to amend its articles in a manner referred to in subsection 170 (1), a holder of shares of any class or series entitled to vote on the amendment under section 168 or 170 may dissent, except in respect of an amendment referred to in,

- (a) clause 170 (1) (a), (b) or (e) where the articles provide that the holders of shares of such class or series are not entitled to dissent; or
- (b) subsection 170 (5) or (6). R.S.O. 1990, c. B.16, s. 185 (2).

One class of shares

(2.1) The right to dissent described in subsection (2) applies even if there is only one class of shares. 2006, c. 34, Sched. B, s. 35.

Exception

(3) A shareholder of a corporation incorporated before the 29th day of July, 1983 is not entitled to dissent under this section in respect of an amendment of the articles of the corporation to the extent that the amendment,

- (a) amends the express terms of any provision of the articles of the corporation to conform to the terms of the provision as deemed to be amended by section 277; or
- (b) deletes from the articles of the corporation all of the objects of the corporation set out in its articles, provided that the deletion is made by the 29th day of July, 1986. R.S.O. 1990, c. B.16, s. 185 (3).

Shareholder's right to be paid fair value

(4) In addition to any other right the shareholder may have, but subject to subsection (30), a shareholder who complies with this section is entitled, when the action approved by the resolution from which the shareholder dissents becomes effective, to be paid by the corporation the fair value of the shares held by the shareholder in respect of which the shareholder dissents, determined as of the close of business on the day before the resolution was adopted. R.S.O. 1990, c. B.16, s. 185 (4).

No partial dissent

(5) A dissenting shareholder may only claim under this section with respect to all the shares of a class held by the dissenting shareholder on behalf of any one beneficial owner and registered in the name of the dissenting shareholder. R.S.O. 1990, c. B.16, s. 185 (5).

Objection

(6) A dissenting shareholder shall send to the corporation, at or before any meeting of shareholders at which a resolution referred to in subsection (1) or (2) is to be voted on, a written objection to the resolution, unless the corporation did not give notice to the shareholder of the purpose of the meeting or of the shareholder's right to dissent. R.S.O. 1990, c. B.16, s. 185 (6).

Idem

(7) The execution or exercise of a proxy does not constitute a written objection for purposes of subsection (6). R.S.O. 1990, c. B.16, s. 185 (7).

Notice of adoption of resolution

(8) The corporation shall, within ten days after the shareholders adopt the resolution, send to each shareholder who has filed the objection referred to in subsection (6) notice that the resolution has been adopted, but such notice is not required to be sent to any shareholder who voted for the resolution or who has withdrawn the objection. R.S.O. 1990, c. B.16, s. 185 (8).

Idem

(9) A notice sent under subsection (8) shall set out the rights of the dissenting shareholder and the procedures to be followed to exercise those rights. R.S.O. 1990, c. B.16, s. 185 (9).

Demand for payment of fair value

(10) A dissenting shareholder entitled to receive notice under subsection (8) shall, within twenty days after receiving such notice, or, if the shareholder does not receive such notice, within twenty days after learning that the resolution has been adopted, send to the corporation a written notice containing,

- (a) the shareholder's name and address;
- (b) the number and class of shares in respect of which the shareholder dissents; and
- (c) a demand for payment of the fair value of such shares. R.S.O. 1990, c. B.16, s. 185 (10).

Certificates to be sent in

(11) Not later than the thirtieth day after the sending of a notice under subsection (10), a dissenting shareholder shall send the certificates, if any, representing the shares in respect of which the shareholder dissents to the corporation or its transfer agent. R.S.O. 1990, c. B.16, s. 185 (11); 2011, c. 1, Sched. 2, s. 1 (9).

Idem

(12) A dissenting shareholder who fails to comply with subsections (6), (10) and (11) has no right to make a claim under this section. R.S.O. 1990, c. B.16, s. 185 (12).

Endorsement on certificate

(13) A corporation or its transfer agent shall endorse on any share certificate received under subsection (11) a notice that the holder is a dissenting shareholder under this section and shall return forthwith the share certificates to the dissenting shareholder. R.S.O. 1990, c. B.16, s. 185 (13).

Rights of dissenting shareholder

(14) On sending a notice under subsection (10), a dissenting shareholder ceases to have any rights as a shareholder other than the right to be paid the fair value of the shares as determined under this section except where,

- (a) the dissenting shareholder withdraws notice before the corporation makes an offer under subsection (15);
- (b) the corporation fails to make an offer in accordance with subsection (15) and the dissenting shareholder withdraws notice; or
- (c) the directors revoke a resolution to amend the articles under subsection 168 (3), terminate an amalgamation agreement under subsection 176 (5) or an application for continuance under subsection 181 (5), or abandon a sale, lease or exchange under subsection 184 (8),

in which case the dissenting shareholder's rights are reinstated as of the date the dissenting shareholder sent the notice referred to in subsection (10). R.S.O. 1990, c. B.16, s. 185 (14); 2011, c. 1, Sched. 2, s. 1 (10).

Same

(14.1) A dissenting shareholder whose rights are reinstated under subsection (14) is entitled, upon presentation and surrender to the corporation or its transfer agent of any share certificate that has been endorsed in accordance with subsection (13),

- (a) to be issued, without payment of any fee, a new certificate representing the same number, class and series of shares as the certificate so surrendered; or
- (b) if a resolution is passed by the directors under subsection 54 (2) with respect to that class and series of shares,
 - (i) to be issued the same number, class and series of uncertificated shares as represented by the certificate so surrendered, and
 - (ii) to be sent the notice referred to in subsection 54 (3). 2011, c. 1, Sched. 2, s. 1 (11).

Same

(14.2) A dissenting shareholder whose rights are reinstated under subsection (14) and who held uncertificated shares at the time of sending a notice to the corporation under subsection (10) is entitled,

- (a) to be issued the same number, class and series of uncertificated shares as those held by the dissenting shareholder at the time of sending the notice under subsection (10); and
- (b) to be sent the notice referred to in subsection 54 (3). 2011, c. 1, Sched. 2, s. 1 (11).

Offer to pay

(15) A corporation shall, not later than seven days after the later of the day on which the action approved by the resolution is effective or the day the corporation received the notice referred to in subsection (10), send to each dissenting shareholder who has sent such notice,

- (a) a written offer to pay for the dissenting shareholder's shares in an amount considered by the directors of the corporation to be the fair value thereof, accompanied by a statement showing how the fair value was determined; or
- (b) if subsection (30) applies, a notification that it is unable lawfully to pay dissenting shareholders for their shares. R.S.O. 1990, c. B.16, s. 185 (15).

Idem

(16) Every offer made under subsection (15) for shares of the same class or series shall be on the same terms. R.S.O. 1990, c. B.16, s. 185 (16).

Idem

(17) Subject to subsection (30), a corporation shall pay for the shares of a dissenting shareholder within ten days after an offer made under subsection (15) has been accepted, but any such offer lapses if the corporation does not receive an acceptance thereof within thirty days after the offer has been made. R.S.O. 1990, c. B.16, s. 185 (17).

Application to court to fix fair value

(18) Where a corporation fails to make an offer under subsection (15) or if a dissenting shareholder fails to accept an offer, the corporation may, within fifty days after the action approved by the resolution is effective or within such further period as the court may allow, apply to the court to fix a fair value for the shares of any dissenting shareholder. R.S.O. 1990, c. B.16, s. 185 (18).

Idem

(19) If a corporation fails to apply to the court under subsection (18), a dissenting shareholder may apply to the court for the same purpose within a further period of twenty days or within such further period as the court may allow. R.S.O. 1990, c. B.16, s. 185 (19).

Idem

(20) A dissenting shareholder is not required to give security for costs in an application made under subsection (18) or (19). R.S.O. 1990, c. B.16, s. 185 (20).

Costs

(21) If a corporation fails to comply with subsection (15), then the costs of a shareholder application under subsection (19) are to be borne by the corporation unless the court otherwise orders. R.S.O. 1990, c. B.16, s. 185 (21).

Notice to shareholders

(22) Before making application to the court under subsection (18) or not later than seven days after receiving notice of an application to the court under subsection (19), as the case may be, a corporation shall give notice to each dissenting shareholder who, at the date upon which the notice is given,

- (a) has sent to the corporation the notice referred to in subsection (10); and
- (b) has not accepted an offer made by the corporation under subsection (15), if such an offer was made,

of the date, place and consequences of the application and of the dissenting shareholder's right to appear and be heard in person or by counsel, and a similar notice shall be given to each dissenting shareholder who, after the date of such first mentioned notice and before termination of the proceedings commenced by the application, satisfies the conditions set out in clauses (a) and (b) within three days after the dissenting shareholder satisfies such conditions. R.S.O. 1990, c. B.16, s. 185 (22).

Parties joined

(23) All dissenting shareholders who satisfy the conditions set out in clauses (22) (a) and (b) shall be deemed to be joined as parties to an application under subsection (18) or (19) on the later of the date upon which the application is brought and the date upon which they satisfy the conditions, and shall be bound by the decision rendered by the court in the proceedings commenced by the application. R.S.O. 1990, c. B.16, s. 185 (23).

Idem

(24) Upon an application to the court under subsection (18) or (19), the court may determine whether any other person is a dissenting shareholder who should be joined as a party, and the court shall fix a fair value for the shares of all dissenting shareholders. R.S.O. 1990, c. B.16, s. 185 (24).

Appraisers

(25) The court may in its discretion appoint one or more appraisers to assist the court to fix a fair value for the shares of the dissenting shareholders. R.S.O. 1990, c. B.16, s. 185 (25).

Final order

(26) The final order of the court in the proceedings commenced by an application under subsection (18) or (19) shall be rendered against the corporation and in favour of each dissenting shareholder who, whether before or after the date of the order, complies with the conditions set out in clauses (22) (a) and (b). R.S.O. 1990, c. B.16, s. 185 (26).

Interest

(27) The court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective until the date of payment. R.S.O. 1990, c. B.16, s. 185 (27).

Where corporation unable to pay

(28) Where subsection (30) applies, the corporation shall, within ten days after the pronouncement of an order under subsection (26), notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares. R.S.O. 1990, c. B.16, s. 185 (28).

Idem

(29) Where subsection (30) applies, a dissenting shareholder, by written notice sent to the corporation within thirty days after receiving a notice under subsection (28), may,

- (a) withdraw a notice of dissent, in which case the corporation is deemed to consent to the withdrawal and the shareholder's full rights are reinstated; or
- (b) retain a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders. R.S.O. 1990, c. B.16, s. 185 (29).

Idem

(30) A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that,

- (a) the corporation is or, after the payment, would be unable to pay its liabilities as they become due; or
- (b) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities. R.S.O. 1990, c. B.16, s. 185 (30).

Court order

(31) Upon application by a corporation that proposes to take any of the actions referred to in subsection (1) or (2), the court may, if satisfied that the proposed action is not in all the circumstances one that should give rise to the rights arising under subsection (4), by order declare that those rights will not arise upon the taking of the proposed action, and the order may be subject to compliance upon such terms and conditions as the court thinks fit and, if the corporation is an offering corporation, notice of any such application and a copy of any order made by the court upon such application shall be served upon the Commission. 1994, c. 27, s. 71 (24).

Commission may appear

(32) The Commission may appoint counsel to assist the court upon the hearing of an application under subsection (31), if the corporation is an offering corporation. 1994, c. 27, s. 71 (24).

SCHEDULE “D”
CONSOLIDATED PRO-FORMA STATEMENTS

Omai Gold Mines Corp.
Unaudited Pro Forma Consolidated Financial Statements
(Expressed in United States Dollars)

June 30, 2020

Omai Gold Mines Corp.

Pro Forma Consolidated Statement of Financial Position

As at June 30, 2020

(Unaudited - Expressed in United States Dollars)

	Anconia Resources Corp. \$	Avalon Investment Holdings Limited \$	Note Ref.	Pro Forma Adjustments \$	Pro Forma Consolidated \$
Assets					
Current assets					
Cash and cash equivalents	2,772	1,855,920	3(d) 3(f)	618,000 4,500,000	6,976,692
Accounts receivable and other assets	2,642	364,407	3(c)	(78,781)	288,268
Total current assets	5,414	2,220,327		5,039,219	7,264,960
Non-current assets					
Mineral properties	515,788	6,975,851	3(e)	600,000	8,091,639
Total assets	521,202	9,196,178		5,639,219	15,356,599
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	664,540	316,489			981,029
Loan payable	78,781		3(c)	(78,781)	-
Loans from related parties	62,292				62,292
Debt purchased	-	319,176			319,176
Total current liabilities	805,613	635,665		(78,781)	1,362,497
Long term loan payable	-	827,684			827,684
Total liabilities	805,613	1,463,349		(78,781)	2,190,181
Shareholders' Equity					
Share capital	4,433,229	11,071,740	3(a) 3(b) 3(d) 3(d) 3(d) 3(e) 3(f)	783,929 (4,433,229) 618,000 (60,000) (13,000) 600,000 4,500,000	17,500,669
Reserves	2,944,630	1,493,000	3(b) 3(d) 3(d)	(2,944,630) 60,000 13,000	1,566,000
Deficit	(7,662,270)	(4,831,911)	3(a) 3(b)	(1,068,340) 7,662,270	(5,900,251)
Total shareholders' equity	(284,411)	7,732,829		5,718,000	13,166,418
Total shareholders' equity and liabilities	521,202	9,196,178		5,639,219	15,356,599

See accompanying notes to the unaudited pro-forma consolidated financial statements.

Omai Gold Mines Corp.

Pro Forma Consolidated Statement of Loss and Comprehensive Loss

For the Year Ended September 30, 2019

(Unaudited - Expressed in United States Dollars)

	Anconia Resources Corp. \$ ⁽¹⁾	Avalon Investment Holdings Limited \$	Note Ref.	Pro Forma Adjustments \$	Pro Forma Consolidated \$
Operating expenses					
Administrative costs	265,496	689,932		-	955,428
Finance costs	-	415		-	415
Loss before undernoted items	(265,496)	(690,347)		-	(955,843)
Other income (expense)					
Foreign exchange gain	1,018				1,018
Gain on debt settlement	347,636				347,636
Impairment of mineral properties	(3,881,665)				(3,881,665)
Other income	108,411				108,411
Listing expense	-	-	3(a)	(1,068,340)	(1,068,340)
	(3,424,600)	-		(1,068,340)	(4,492,940)
Net income (loss) and comprehensive income (loss) for the period	(3,690,096)	(690,347)		(1,068,340)	(5,448,783)
Weighted average number of common shares outstanding					
- basic and diluted (note 4)	116,817,942 ⁽²⁾	68,171,969 ⁽³⁾	2(a)	(109,030,079)	
			3(a)	7,839,294	
			3(b)	(7,839,294)	
			3(d)	6,180,000	
			3(e)	6,000,000	
			3(f)	30,000,000	118,139,832
Basic income (loss) per share	(0.03)	(0.01)			(0.05)

(1) Anconia's net loss and comprehensive loss for the year ended September 30, 2019 have been translated from Canadian Dollars to U.S. Dollars at the rate of US\$1=Cdn\$1.35 .

(2) Weighted average number of Anconia for the year ended September 30, 2019

(3) Weighted average number of Avalon for the year ended December 31, 2019

See accompanying notes to the unaudited pro-forma consolidated financial statements.

Omai Gold Mines Corp.

Pro Forma Consolidated Statement of Loss and Comprehensive Loss

For the Nine Months Ended June 30, 2020

(Unaudited - Expressed in United States Dollars)

	Anconia Resources Corp. \$ ⁽¹⁾	Avalon Investment Holdings Limited \$	Note Ref.	Pro Forma Adjustments \$	Pro Forma Consolidated \$
Operating expenses					
Administrative costs	172,856	2,399,741		-	2,572,597
Finance costs	-	5,535		-	5,535
Loss before undernoted items	(172,856)	(2,405,276)		-	(2,578,132)
Other income (expense)					
Listing expense	-	-	3(a)	(1,068,340)	(1,068,340)
	-	-		(1,068,340)	(1,068,340)
Net income (loss) and comprehensive income (loss) for the period	(172,856)	(2,405,276)		(1,068,340)	(3,646,472)
Weighted average number of common shares outstanding					
- basic and diluted (note 4)	117,589,409 ⁽²⁾	112,336,654 ⁽³⁾	2(a)	(109,750,115)	
			3(a)	7,839,294	
			3(b)	(7,839,294)	
			3(d)	6,180,000	
			3(e)	6,000,000	
			3(f)	30,000,000	162,355,948
Basic income (loss) per share	(0.00)	(0.02)			(0.02)

(1) Anconia's net loss and comprehensive loss for the period ended June 30, 2020 have been translated from Canadian Dollars to U.S. Dollars at the rate of US\$1=Cdn\$1.35 .

(2) Weighted average number of Anconia for the nine months ended June 30, 2020

(3) Weighted average number of Avalon for the six months ended June 30, 2020

See accompanying notes to the unaudited pro-forma consolidated financial statements.

1. Basis of presentation

The accompanying unaudited pro forma consolidated statement of financial position Omai Gold Mines Corp. (“Omai”) has been prepared by management to reflect the amalgamation of Avalon Investment Holdings Limited. (“Avalon”) with Anconia Resources Corp. (“Anconia”) after giving effect to the proposed amalgamation (the “Acquisition”) as described in Note 2.

The unaudited pro forma consolidated statement of financial position has been prepared in using accounting policies and practices consistent with those used in the preparation of Anconia’s recent financial statements, which are prepared under International Financial Reporting Standards (“IFRS”). In the opinion of management, the unaudited pro forma consolidated financial statements include all adjustments necessary for fair presentation.

Certain significant estimates have been made by management in the preparation of these pro forma consolidated financial statements, in particular, the determination of the fair value of Anconia’s assets and liabilities acquired and the fair value of the consideration given by Avalon.

The unaudited pro forma consolidated statement of financial position as at June 30, 2020 has been compiled from:

- The statement of financial position of Anconia as at June 30, 2020, obtained from the unaudited interim financial statements of Anconia for the three and nine months ended June 30, 2020.
- The statement of financial position of Avalon as at June 30, 2020, obtained from the unaudited consolidated interim financial statements of Avalon for the three and six months ended June 30, 2020.

The unaudited pro forma consolidated statement of financial position has been prepared as if the transaction had occurred as of June 30, 2020.

The unaudited pro forma consolidated statement has been prepared for illustration purposes only and may not be indicative of the combined results or financial position had the Acquisition been in effect at the date indicated.

2. Securities exchange agreement

Prior to consummation of the proposed transaction,

- (a) Anconia common shares (“Anconia Shares”) shall be consolidated at a ratio (“Consolidation Ratio”) of 15 pre-consolidation Anconia Shares for every 1 post-consolidation Anconia Shares (each a “Post-Consolidation Anconia Share”).
- (b) It is anticipated that Avalon common shares (“Avalon Shares”) will be acquired by Anconia in exchange for the issuance of 7,839,294 Post-Consolidation Anconia Shares.
- (c) The resulting issuer will change its name to “Omai Gold Mines Corp.”, or such other name as the parties may agree.

Pursuant to the Securities Exchange Agreement:

- (a) Anconia will purchase all of the Avalon common shares in exchange for Post-Consolidation Anconia Shares issued from treasury;
- (b) Holders of Avalon Shares will receive one Post-Consolidation Anconia Share for each one Avalon Share held.

3. Pro forma assumptions and adjustments

- (a) The Acquisition constitutes an asset acquisition as Anconia did not meet the definition of a business, as defined in IFRS 3 – Business Combinations. As a result of the asset acquisition, a listing expense of \$1,068,340 has been recorded. This reflects the difference between the estimated fair value of consideration given less the fair value of the net assets acquired.

The following table summarizes the fair value of consideration paid on the acquisition and the allocation of purchase price to the assets and liabilities acquired. The fair value of Anconia's net assets acquired by Avalon and the aggregate consideration given are as follows:

Total consideration paid	
Issuance of common shares (i)	\$ 783,929
	<u>\$ 783,929</u>
Anconia net assets received (ii)	
Cash and cash equivalents	\$ 2,772
Accounts receivable and other assets	2,642
Exploration and evaluation assets	515,788
Accounts payable and accrued liabilities	(664,540)
Loan payable	(78,781)
Loans from related parties	(62,292)
	<u>\$ (284,411)</u>
Listing expense	<u>\$ 1,068,340</u>

- (i) The 7,839,294 common shares of former Anconia shareholders have been assigned a value of \$0.10 per share based on the value of Avalon Shares issued during six months ended June 30, 2020.

The funds raised at \$0.15 were sold for a premium to the typical price of \$0.10 per share. The premium price reflects the additional benefits to the purchaser. The purchaser became party to an investor rights agreement and had the right to appoint one nominee to the Board of Directors of the resulting issuer as well as a participation right. These rights were acquired at a premium of \$0.15 per share whereas all other funding was based on \$0.10 and did not entitle subscribers to additional rights.

- (ii) Anconia's net assets are as of June 30, 2020 and have been translated from Canadian Dollars to U.S. Dollars at the rate of US\$1=Cdn\$1.3628.

3. Pro forma assumptions and adjustments (continued)

- (b) Book values of Anconia's capital stock, reserves and deficit are eliminated on closing.

- (c) Intercompany loan balance of \$78,781 between Avalon and Anconia has been eliminated on consolidation.
- (d) Subsequent to June 30, 2020, Avalon completed a private placement of 6,180,000 units at a price of \$0.10 per unit for aggregate gross proceeds of \$618,000. Each Unit consist of one Avalon Share and one-half share purchase warrant of Avalon. Each whole warrant entitles the holder to one Avalon Share at a price of \$0.35.

The 3,090,000 warrants issued were assigned a value of \$60,000 as estimated by using the Black-Scholes valuation model with the following assumptions: exercise price of \$0.35, share price of \$0.10, expected dividend yield of 0%, expected volatility of 100%, risk-free rate of return of 0.28%, and an expected maturity of 2 years.

In connection with the private placement, Avalon issued 684,080 broker warrants. The 684,080 broker warrants issued were assigned a value of \$13,000 as estimated by using the Black-Scholes valuation model with the following assumptions: exercise price of \$0.35, share price of \$0.10, expected dividend yield of 0%, expected volatility of 100%, risk-free rate of return of 0.28%, and an expected maturity of 2 years.

- (e) Subsequent to June 30, 2020, Avalon issued 6,000,000 shares, valued at \$0.10 per share, to enter into an Exclusivity Agreement that allows Avalon to exclusively investigate a property that may be a potential acquisition target in the future.
- (f) Subsequent to June 30, 2020, Avalon issued 30,000,000 shares at \$0.15 per share for \$4,500,000.

4. Pro forma share capital

(a) The following table summarizes the pro-forma share capital:

Common shares

	Note	Number	Amount (\$)
Avalon Shares issued and outstanding June 30, 2020		147,689,799	11,071,740
Anconia Shares issued and outstanding June 30, 2020		117,589,409	4,433,229
Anconia 15-to-1 share consolidation	2(a)	(109,750,115)	
Issuance of shares on Acquisition	3(a)	7,839,294	783,929
Elimination of Anconia Shares pursuant to the Acquisition	3(b)	(7,839,294)	(4,433,229)
Private placement	3(d)	6,180,000	618,000
Fair value of warrants	3(d)		(60,000)
Share issuance cost - Fair value of broker warrants	3(d)		(13,000)
Shares issued for exclusivity agreement	3(e)	6,000,000	600,000
Private placement	3(f)	30,000,000	4,500,000
		<u>197,709,093</u>	<u>17,500,669</u>

(b) The following table summarizes the pro-forma stock options

	Note	Number	Amount (\$)
Avalon stock options outstanding June 30, 2020		8,741,676	703,000
Anconia stock options outstanding June 30, 2020		-	-
		<u>8,741,676</u>	<u>703,000</u>

(c) The following table summarizes the pro-forma warrants

	Note	Number	Amount (\$)
Avalon warrants outstanding June 30, 2020		33,153,685	790,000
Anconia warrants outstanding June 30, 2020		-	-
Private placement	3(d)	3,090,000	60,000
Broker warrants	3(d)	684,080	13,000
		<u>36,927,765</u>	<u>863,000</u>

SCHEDULE “E”
AVALON FINANCIAL STATEMENTS

**AVALON INVESTMENT HOLDINGS LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019 AND
PERIOD FROM INCORPORATION (FEBRUARY 22,
2018) TO DECEMBER 31, 2018
(EXPRESSED IN UNITED STATES DOLLARS)**

Avalon Investment Holdings Limited

Consolidated Statements of Financial Position (Expressed in United States Dollars)

	As at December 31, 2019	As at December 31, 2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,908	\$ 12,180
Accounts receivable and prepayments (note 4)	39,300	1,300
	42,208	13,480
Mining properties (note 5)	5,942,362	4,603,450
Total assets	\$ 5,984,570	\$ 4,616,930
EQUITY AND LIABILITIES		
Current liabilities		
Trade and other payables (notes 6 and 15)	\$ 1,699,456	\$ 211,713
Debt purchased (note 7)	539,443	1,255,224
Promissory notes payable (note 8)	18,295	12,000
Total current liabilities	2,257,194	1,478,937
Non-current liabilities		
Long term liability (note 9)	826,944	733,871
Total liabilities	3,084,138	2,212,808
Equity		
Stated capital (note 10)	5,105,067	4,068,410
Share-based payments (note 11)	56,000	53,000
Warrants (note 12)	166,000	19,000
Deficit	(2,426,635)	(1,736,288)
Total equity	2,900,432	2,404,122
Total equity and liabilities	\$ 5,984,570	\$ 4,616,930

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Nature of operations and going concern (note 1)

Events after the reporting date (note 18)

Approved on behalf of the Board:

(Signed) "Michael Smith" _____ Director

(Signed) "Kris Sammy" _____ Director

Avalon Investment Holdings Limited**Consolidated Statements of Loss and Comprehensive Loss**
(Expressed in United States Dollars)

	Year Ended December 31, 2019	Period from incorporation February 22, 2018 to December 31, 2018
Operating expenses		
Administrative costs (note 13)	\$ 689,932	\$ 1,735,988
Finance costs	415	300
Total comprehensive loss for the year	\$ (690,347)	\$ (1,736,288)
Basic and diluted net loss per share (note 14)	\$ (0.01)	\$ (0.05)
Weighted average number of common shares outstanding	68,171,969	36,678,478

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Avalon Investment Holdings Limited

Consolidated Statements of Cash Flows (Expressed in United States Dollars)

	Year Ended December 31, 2019	Period from incorporation February 22, 2018 to December 31, 2018
Operating activities		
Net loss for the year	\$ (690,347)	\$ (1,736,288)
Adjustments for:		
Share-based payments	3,000	53,000
Accretion on long term liability	93,073	35,618
Changes in non-cash working capital items:		
Accounts receivable and prepayments	(38,000)	(1,300)
Trade and other payables	1,487,743	1,261,713
Net cash provided by (used in) operating activities	855,469	(387,257)
Investing activities		
Additions to mineral properties	(1,338,912)	(4,959,938)
Net cash used in investing activities	(1,338,912)	(4,959,938)
Financing activities		
Proceeds from sale of shares	1,183,657	4,092,151
Increase in promissory notes payable	6,295	12,000
(Decrease) increase in debt purchased	(715,781)	1,255,224
Net cash provided by financing activities	474,171	5,359,375
Net change in cash and cash equivalents	(9,272)	12,180
Cash and cash equivalents, beginning of year	12,180	-
Cash and cash equivalents, end of year	\$ 2,908	\$ 12,180

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Avalon Investment Holdings Limited

Consolidated Statements of Changes in Equity

(Expressed in United States Dollars)

	Share capital	Share-based payments	Warrants	Deficit	Total
Balance, February 22, 2018	\$ -	\$ -	\$ -	\$ -	\$ -
Incorporate shares issued	100	-	-	-	100
Shares issued for debt settlement	3,904,950	-	-	-	3,904,950
Shares issued for cash	133,000	-	-	-	133,000
Share issuance cost	(13,640)	-	3,000	-	(10,640)
Warrant valuation	(16,000)	-	16,000	-	-
Shares issued for property acquisition	60,000	-	-	-	60,000
Share-based payments	-	53,000	-	-	53,000
Net loss for the year	-	-	-	(1,736,288)	(1,736,288)
Balance, December 31, 2018	\$ 4,068,410	\$ 53,000	\$ 19,000	\$ (1,736,288)	\$ 2,404,122
Shares issued for debt settlement	60,000	-	-	-	60,000
Shares issued for cash	1,156,857	-	-	-	1,156,857
Share issuance cost	(41,200)	-	8,000	-	(33,200)
Warrant valuation	(139,000)	-	139,000	-	-
Share-based payments	-	3,000	-	-	3,000
Net loss for the year	-	-	-	(690,347)	(690,347)
Balance, December 31, 2019	\$ 5,105,067	\$ 56,000	\$ 166,000	\$ (2,426,635)	\$ 2,900,432

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Avalon Investment Holdings Limited

Notes to Consolidated Financial Statements

Year Ended December 31, 2019 and Period from Incorporation (February 22, 2018) to December 31, 2018
(Expressed in United States Dollars)

1. Nature of operations and going concern

Avalon Investment Holdings Ltd. ("Avalon" or the "Company") was incorporated under the Companies Act in Barbados on February 22, 2018 and its registered office is located at Venture Two, Dayrells Road, Christ Church, Barbados. Avalon is a holding company for Avalon Gold Exploration Inc., a company registered in Guyana.

Avalon Gold Exploration Inc. has acquired the necessary prospecting license needed to perform mineral exploration in Guyana. Based on exploration results, the Board of Directors will decide on whether to pursue a mining license to retrieve the minerals or sell the company's rights to the prospecting land.

These consolidated financial statements were prepared on a going concern basis of presentation, which assumes that the Company will continue operations for the foreseeable future and be able to realize the carrying value of its assets and discharge its liabilities and commitments in the normal course of business. To date, the Company has not earned revenue and has an accumulated deficit of \$2,426,635 as at December 31, 2019 (December 31, 2018 - \$1,736,288). As at December 31, 2019, the Company had cash and cash equivalents of \$2,908 (December 31, 2018 - \$12,180) and a working capital deficit of \$2,214,986 (December 31, 2018 - \$1,465,457). These conditions and events raise a material doubts about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to obtain additional financing and or achieve profitable operations in the future. Management is aware, in making its assessment, of material uncertainties related to events or conditions that cast substantial doubt upon the Company's ability to continue as a going concern, as described in the following paragraph. These unaudited interim consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. These adjustments could be material. Management is actively pursuing funding options, being financing and alternative funding options, required to meet the Company's requirements on an ongoing basis. To meet the challenges of the current climate in the financial markets, the Company is minimizing its expenditures.

These consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and the settlement of liabilities in the normal course of business for the foreseeable future as they come due. The financial statements do not reflect adjustments to the carrying amounts of assets and liabilities, the reported revenues and expenses and the statement of financial position classification used that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material. Management is of the opinion that additional funding is available and may be sourced in time to allow the Company to acquire exploration and evaluation assets. While it has been successful in the past, there can be no assurance that it will be able to raise sufficient funds in the future.

In March 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy, capital markets and the Company's financial position cannot be reasonably estimated at this time. The Company is monitoring developments and will adapt its business plans accordingly. The actual and threatened spread of COVID-19 globally could adversely impact the Company's ability to carry out its plans and raise capital.

Avalon Investment Holdings Limited

Notes to Consolidated Financial Statements

Year Ended December 31, 2019 and Period from Incorporation (February 22, 2018) to December 31, 2018
(Expressed in United States Dollars)

2. Significant accounting policies

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), effective for the Company's reporting for the year ended December 31, 2019. These consolidated financial statements were approved and authorized for issuance by the Board on August 17, 2020.

Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis, with the exception of financial instruments classified at fair value through profit or loss ("FVTPL"). In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

In the preparation of these consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of expenses during the period. Actual results could differ from these estimates. Of particular significance are the estimates and assumptions used in the recognition and measurement of items included in note 3.

Functional and presentation currency

The functional currency, as determined by management, of Avalon and its subsidiaries is the United States dollars. For the purpose of the consolidated financial statements, the results and financial position are presented in United States dollars.

Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period end exchange rates are recognized in the consolidated statement of comprehensive loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Avalon Holding Investments Ltd. and its wholly owned subsidiary, Avalon Gold Exploration Inc.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continues to be consolidated until the date that such control ceases. Control is achieved when an investor has power over an investee to direct its activities, exposure to variable returns from an investee, and the ability to use the power to affect the investor's returns.

The results of subsidiaries acquired or disposed of during the periods presented are included in the consolidated statements of comprehensive loss from the effective date of control and up to the effective date of disposal or loss of control, as appropriate. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

Avalon Investment Holdings Limited

Notes to Consolidated Financial Statements

Year Ended December 31, 2019 and Period from Incorporation (February 22, 2018) to December 31, 2018
(Expressed in United States Dollars)

2. Significant accounting policies (continued)

Cash and cash equivalents

Cash in the statements of financial position and cash flows comprise of cash at bank and on hand. As at December 31, 2019 and 2018, the Company had no cash equivalents.

Mineral properties

Acquisition costs related to mineral properties are capitalized at fair value at the time the legal right to prospect and explore the property has been acquired. The acquisition costs are written off when a mineral property is disposed of through sale or abandonment.

Exploration expenditures incurred on mineral properties are expensed until such time that a future economic benefit is more likely to be realized than not by the establishment of ore resources. Exploration expenditures incurred subsequent to the establishment of commercially viable and technically feasible mineral resources on a property are capitalized as a mineral property. Mineral properties are not depreciated until the properties are in commercial production.

Impairment is assessed when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. In assessing impairment, mineral properties are grouped into Cash Generating Units, ("CGU's"), on the basis of areas of interest. Management groups mineral claims that are contiguous and specific to an area that encompasses the same prospective minerals, into one area of interest and assigns a name to this mineral property. Each named mineral property is considered an area of interest and a CGU.

Although not an exhaustive list, one or more of the following facts and circumstances indicate that a specific CGU should be tested for impairment:

- The period for which the entity has the right to explore in the specific area has expired during the financial statement period or will expire in the near future and is not expected to be renewed.
- Substantive expenditures on further exploration for, and evaluation of, mineral resources in the specific area is neither budgeted nor planned.
- Exploration for and evaluation of mineral resources in the specific area has not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.
- Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or sale.

An impairment loss may be reversed in a situation where there is a change in the circumstances that had initially dictated that impairment had occurred. An example of such a situation might include, but not be limited to, the re-commencement of exploration activity on a mineral property due to a significant change in commodity prices.

Where the Company's exploration commitments for a CGU are performed under option agreements with a third party, the proceeds of any option payments under such agreements are applied to the CGU to the extent of costs incurred. The excess, if any, is credited to operations. Option payments made by the Company are recorded as exploration and evaluation assets. Options are exercisable entirely at the discretion of the optionee and accordingly, are recorded as exploration and evaluation assets or recoveries when the payments are made or received. The proceeds on the sale of exploration and evaluation assets are applied to the area of interest to the extent of costs incurred and the excess, if any, is credited to operations. In some circumstances option payments received by or made by the Company are made in whole or in part through the issuance of common shares. The value of these payments in shares is calculated using the fair value of the shares on the date of issue.

Avalon Investment Holdings Limited

Notes to Consolidated Financial Statements

Year Ended December 31, 2019 and Period from Incorporation (February 22, 2018) to December 31, 2018
(Expressed in United States Dollars)

2. Significant accounting policies (continued)

Leases and right-of-use assets

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. Contracts that convey the right to control the use of an identified asset for a period of time in exchange for consideration are accounted for as leases giving rise to right-of-use assets.

At the commencement date, a right-of-use asset is measured at cost, where cost comprises: (a) the amount of the initial measurement of the lease liability; (b) any lease payments made at or before the commencement date, less any lease incentives received; (c) any initial direct costs incurred by the Company; and (d) an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any re-measurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term.

A lease liability is initially measured at the present value of the unpaid lease payments. Subsequently, the Company measures a lease liability by: (a) increasing the carrying amount to reflect interest on the lease liability; (b) reducing the carrying amount to reflect the lease payments made; and (c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments. Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs.

The Company elected to not recognize right of use assets and lease liabilities that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit on a straight-line basis over the lease term.

Avalon Investment Holdings Limited

Notes to Consolidated Financial Statements

Year Ended December 31, 2019 and Period from Incorporation (February 22, 2018) to December 31, 2018
(Expressed in United States Dollars)

2. Significant accounting policies (continued)

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous periods.

Deferred tax is recognized in respect of taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to taxable temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Share-based payment transactions

The fair value of stock options granted to employees and non-employees is recognized as an expense over the vesting period with a corresponding increase in shareholders' equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Decommissioning liability

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the Company's exploration and evaluation activities. Discount rates using a pretax rate that reflects the risk and the time value of money are used to calculate the net present value. These costs are charged against profit or loss as exploration and evaluation expenditures and the related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

The Company has no restoration, rehabilitation and environment costs as at December 31, 2019 and 2018.

Avalon Investment Holdings Limited

Notes to Consolidated Financial Statements

Year Ended December 31, 2019 and Period from Incorporation (February 22, 2018) to December 31, 2018
(Expressed in United States Dollars)

2. Significant accounting policies (continued)

Provision

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using pretax rate that reflects current market assessments of the time value of money and the risk specific to the obligation.

Loss per share

Loss per common share have been determined by dividing net loss attributable to common shareholders by the weighted average number of common shares outstanding during the year, excluding shares securing employee share purchase loans and shares in escrow, if any. The Company follows the "treasury stock" method in the calculation of diluted earnings per share. Under this method, the calculation of diluted earnings per share assumes that outstanding options and warrants that are dilutive to earnings per share are exercised and the proceeds are used to repurchase shares of the Company at the average market price of the shares for the period. The treasury stock method is not used to calculate diluted loss per share because the result would be anti- dilutive. Loss per share per share (diluted) are equivalent measures and calculated on a non-dilutive basis.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Financial instruments

Recognition

The Company recognizes a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value, and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

Classification and measurement

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

- i) those to be measured subsequently at fair value, either through profit or loss ("FVTPL") or through other comprehensive income ("FVTOCI"); and
- ii) those to be measured subsequently at amortized cost.

Avalon Investment Holdings Limited

Notes to Consolidated Financial Statements

Year Ended December 31, 2019 and Period from Incorporation (February 22, 2018) to December 31, 2018
(Expressed in United States Dollars)

2. Significant accounting policies (continued)

Financial instruments (continued)

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

After initial recognition at fair value, financial liabilities are classified and measured at either:

- i) amortized cost;
- ii) FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or,
- iii) FVTOCI, when the change in fair value is attributable to changes in the Company's credit risk.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at amortized cost are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at fair value through profit or loss are expensed in profit or loss.

The Company's financial asset consists of cash and cash equivalents and accounts receivable, which are classified and subsequently measured at amortized cost.

The Company's financial liabilities trade and other payables, debt purchased, promissory notes payable and long term liability, which are classified and measured at amortized cost using the effective interest method. Interest expense is reported in net loss.

Impairment

The Company assesses all information available, including on a forward-looking basis the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information.

Avalon Investment Holdings Limited

Notes to Consolidated Financial Statements

Year Ended December 31, 2019 and Period from Incorporation (February 22, 2018) to December 31, 2018
(Expressed in United States Dollars)

2. Significant accounting policies (continued)

Financial instruments (continued)

Financial instruments recorded at fair value

The Company categorizes its financial assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs used in the measurement.

- Level 1: This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date.
- Level 2: This level includes valuations determined using directly or indirectly observable inputs other than quoted prices included within Level 1. Derivative instruments in this category are valued using models or other standard valuation techniques derived from observable market inputs.
- Level 3: This level includes valuations based on inputs which are less observable, unavailable or where the observable data does not support a significant portion of the instruments' fair value.

3. Significant accounting judgments and estimates

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates:

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, relate to, but are not limited to, the following:

- the recoverability of accounts receivable which are included in the consolidated statements of financial position;
- Income taxes – measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only become final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the consolidated financial statements;
- the inputs used in accounting for share-based payment transactions; and
- the determination of the interest rate used in the calculation of the long term liability's discounted value requires judgment. The interest rate is management's best estimate of the cost of borrowing based on comparable entities and historical data.

Avalon Investment Holdings Limited

Notes to Consolidated Financial Statements

Year Ended December 31, 2019 and Period from Incorporation (February 22, 2018) to December 31, 2018
(Expressed in United States Dollars)

3. Significant accounting judgments and estimates (continued)

Critical accounting judgments:

- management assessment of going concern and uncertainties of the Company's ability to raise additional capital and/or obtain financing to advance the lithium properties;
- management determination of no material restoration, rehabilitation and environmental exposure, based on the facts and circumstances that existed during the period; and
- management determination of whether it is likely that costs incurred for mineral properties will be recovered through successful exploration and development or sale of the asset under review and management's assessment as to whether economically recoverable reserves exist is itself an estimation process.

4. Accounts receivable and prepayments

	December 31, 2019	December 31, 2018
Trade (net of provisions)	\$ 36,700	\$ -
Prepayments	2,600	1,300
	\$ 39,300	\$ 1,300

There were no trade receivables impaired and provided for as at December 31, 2019.

Avalon Investment Holdings Limited

Notes to Consolidated Financial Statements

Year Ended December 31, 2019 and Period from Incorporation (February 22, 2018) to December 31, 2018

(Expressed in United States Dollars)

5. Mineral properties

	Omai Mines	Kaburi South	Total
Balance, February 22, 2018	\$ -	\$ -	\$ -
Acquisition costs	4,444,990	110,000	4,554,990
Lease payments	44,960	3,500	48,460
Balance, December 31, 2018	\$ 4,489,950	\$ 113,500	\$ 4,603,450
Acquisition costs	1,335,112	-	1,335,112
Lease payments	-	3,800	3,800
Balance, December 31, 2019	\$ 5,825,062	\$ 117,300	\$ 5,942,362

Omai Mines

Avalon, through Avalon Gold, holds a 100% interest in a newly issued prospecting license in Guyana, which cover 4,590 acres of licensed area, including the site of the past producing Omai Gold Mine, and provides for an exclusive right to use certain existing infrastructure at the Omai Gold Mine for any future mining operations, subject to entering into specific lease agreements therefor.

The Omai Mines Project was acquired through a third-party debt purchase agreement between Avalon Gold and Mahdia Gold Corporation (Guyana) Inc. (see note 7). On April 26, 2019, the Guyana Geology & Mines Commission ("GGMC") issued Prospecting License to Avalon Gold for the exclusive right of occupation and exploration for gold, precious minerals and precious stones, on 4,590 acres of licensed area, including the site of the past producing Omai Gold Mine, Potaro Mining District, Guyana. Avalon has the sole right to prospect on the Prospecting License which expires on April 25, 2022 and may be renewed for a further two-year period. Avalon Gold has agreed to pay the GGMC a payment of \$1,000,000 during the first year, \$1,000,000 during the second year and \$2,000,000 on October 1, 2020 addition to the annual rental fees and the Prospecting License provides for an exclusive right to use certain existing infrastructure at the Omai Gold Mine for any future mining operations, subject to entering into specific lease agreements therefor.

Kaburi South

On December 24, 2018, Avalon entered into an option deed and prospecting agreement (the "Option Agreement") with certain vendors for five (5) prospecting permits owned by the vendors in the Mazruni Mining District No. 3, Guyana. The option period expires on December 23, 2028. Avalon issued an aggregate of 600,000 common shares to the vendors (valued at \$60,000) and paid a further \$50,000 on execution of the Option Agreement. Avalon has the sole right to explore and prospect on the five prospecting permits. Avalon may exercise its rights to acquire one or more of the five prospecting permits at any time during the option period by paying the consideration of \$1.00 per prospecting permit.

Avalon Investment Holdings Limited

Notes to Consolidated Financial Statements

Year Ended December 31, 2019 and Period from Incorporation (February 22, 2018) to December 31, 2018

(Expressed in United States Dollars)

6. Trade and other payables

	December 31, 2019	December 31, 2018
Trade and other payables	\$ 1,699,456	\$ 211,713

7. Debt purchase accounts

The company purchased from various creditors, debts owed by Mahdia Gold Corporation (Guyana) Inc. ("MGCG") to them associated with agreements they had previously entered into with MGCG to provide goods and services to MGCG's Guyana operation. The Company entered into a loan agreement and general security agreement with MGCG as principal creditor. MGCG subsequently defaulted on the loan agreement and the Company exercised its rights under the general security agreement to acquire 100% of MGCG's interest in Avalon Gold Exploration Inc. which resulted in the Company becoming the sole shareholder in Avalon Gold Exploration Inc. The debt purchase agreements and the balances on these individual accounts are recorded in this account.

During the year ended December 31, 2019, the Company repaid several debts owed to various creditors totalling \$715,781 (year ended December 31, 2018 - \$1,471,598).

	December 31, 2019	December 31, 2018
Debt purchased	\$ 539,443	\$ 1,225,224

8. Promissory notes payable

During the year ended December 31, 2018, the Company issued a promissory note of \$12,000 to a third party. The promissory note bears no interest and is due on April 30, 2019.

During the year ended December 31, 2019, the Company issued an additional promissory note of \$6,295 to a third party. As at December 31, 2019, the maturity date has been extended. The promissory notes were settled subsequent to December 31, 2019.

Avalon Investment Holdings Limited

Notes to Consolidated Financial Statements

Year Ended December 31, 2019 and Period from Incorporation (February 22, 2018) to December 31, 2018

(Expressed in United States Dollars)

9. Long term liability

On August 1, 2018, the Company assumed a vendor agreement between a third party and MGCG with a principal amount of \$2.1M. During the year ended December 31, 2018, the Company issued 10,500,000 shares with deemed price of \$0.10 per share to settle \$1,050,000 of the principal amount. The outstanding US\$1,050,000 bears no interest and is payable on December 31, 2021.

As at December 31, 2019, the principal amount outstanding is \$1,050,000.

Accretion expense for the year ended December 31, 2019 was \$93,073 (year ended December 31, 2018 - \$35,618).

Given that the the long term liability is non-interest bearing, the Company accounted for its estimated fair value using a discount rate of 12%. The balance of the long term liability was determined as follows:

Principal amount	\$ 1,050,000
Effect of discounting at effective discount rate	(351,747)
	698,253
Accretion for the year	35,618
Balance, December 31, 2018	733,871
Accretion for the year	93,073
Balance, December 31, 2019	\$ 826,944

10. Share capital

(a) Authorized share capital

The authorized share capital consisted of an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

(b) Common shares issued

	Number of common shares	Amount
Balance, February 22, 2018	-	\$ -
Incorporation shares issued (i)	100	100
Shares issued for debt settlement (ii)	63,399,900	3,904,950
Shares issued for cash (iii)	1,330,000	133,000
Share issuance cost (iii)	-	(13,640)
Warrant valuation (iii)	-	(16,000)
Shares issued for property acquisition	600,000	60,000
Balance, December 31, 2018	65,330,000	\$ 4,068,410
Private placements (iv)	11,568,570	1,156,857
Share issuance cost (iv)	-	(41,200)
Warrant valuation (iv)	-	(139,000)
Shares issued for debt settlement (v)	600,000	60,000
Balance, December 31, 2019	77,498,570	\$ 5,105,067

Avalon Investment Holdings Limited

Notes to Consolidated Financial Statements

Year Ended December 31, 2019 and Period from Incorporation (February 22, 2018) to December 31, 2018
(Expressed in United States Dollars)

10. Share capital (continued)

(b) Common shares issued (continued)

- (i) The Company was incorporated on February 22, 2018 issuing 100 shares for \$1.00 per share.
- (ii) During the period from incorporation (February 22, 2018) to December 31, 2018, the Company issued 63,399,900 shares at deemed prices ranging from \$0.038 to \$0.10 per share to settle \$3,904,950 of debt.
- (iii) During the period from incorporation (February 22, 2018) to December 31, 2018, the Company completed non-brokered private placements and issued an aggregate of 1,330,000 units at \$0.10 per unit for aggregate gross proceeds of \$133,000. Each unit was comprised of one common share and one-half common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at an exercise price of \$0.35 and expires two years from the date of closing. As part of the financing, the Company paid certain eligible finders a cash payment of \$10,640 and issued 106,400 broker warrants exercisable for common shares at an exercise price of \$0.35 and expiring two years from the date of closing.

The 665,000 warrants and 106,400 broker warrants issued were assigned values of \$16,000 and \$3,000, respectively, as estimated by using the Black-Scholes valuation model with the following assumptions: exercise price of \$0.35, share price of \$0.10, expected dividend yield of 0%, expected volatility of 100%, risk-free rate of return ranging from 2.14% to 2.30%, and an expected maturity of 2 years.

- (iv) During the year ended December 31, 2019, the Company completed non-brokered private placements and issued an aggregate of 11,568,750 units at \$0.10 per unit for aggregate gross proceeds of \$1,156,875. Each unit was comprised of one common share and one-half common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at an exercise price of \$0.35 and expires two years from the date of closing. As part of the financing, the Company paid certain eligible finders a cash payment of \$33,200, issued 136,000 broker warrants exercisable for common shares at an exercise price of \$0.35 and expiring two years from the date of closing, and issued 116,000 broker warrants exercisable for common shares at an exercise price of \$0.35 and expiring on May 1, 2022.

The 5,784,375 warrants and 252,000 broker warrants issued were assigned values of \$139,000 and \$8,000, respectively, as estimated by using the Black-Scholes valuation model with the following assumptions: exercise price of \$0.35, share price of \$0.10, expected dividend yield of 0%, expected volatility of 100%, risk-free rate of return ranging from 1.36% to 1.79%, and an expected maturity ranging from 2 to 3 years.

- (v) During the year ended December 31, 2019, the Company issued 600,000 shares at a deemed price of \$0.10 per share to settle \$60,000 of debt.

Avalon Investment Holdings Limited

Notes to Consolidated Financial Statements

Year Ended December 31, 2019 and Period from Incorporation (February 22, 2018) to December 31, 2018

(Expressed in United States Dollars)

11. Stock options

	Number of stock options	Weighted average exercise price
Balance, February 22, 2018	-	\$ -
Granted (i)	1,000,008	0.10
Balance, December 31, 2018	1,000,008	\$ 0.10
Granted (ii)	50,000	0.10
Balance, December 31, 2019	1,050,008	\$ 0.10

(i) On June 1, 2018, the Company issued 1,000,008 stock options to a consultant of the Company with an exercise price of \$0.10 and expiring two years from the date of issuance. The options granted were assigned values of \$53,000 as estimated by using the Black-Scholes valuation model with the following assumptions: exercise price of \$0.10, share price of \$0.10, expected dividend yield of 0%, expected volatility of 100%, risk-free rate of return of 1.92%, and an expected maturity of 2 years.

(ii) On September 5, 2019, the Company issued 50,000 stock options to a consultant of the Company with an exercise price of \$0.10 and expiring two years from the date of issuance. The options granted were assigned values of \$3,000 as estimated by using the Black-Scholes valuation model with the following assumptions: exercise price of \$0.10, share price of \$0.10, expected dividend yield of 0%, expected volatility of 100%, risk-free rate of return of 1.45%, and an expected maturity of 2 years.

The following table reflects the stock options issued and outstanding as of December 31, 2019:

Expiry date	Exercise price (\$)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)
June 1, 2020	0.10	0.42	1,000,008	1,000,008
September 5, 2021	0.10	1.68	50,000	50,000
	0.10	0.48	1,050,008	1,050,008

Avalon Investment Holdings Limited

Notes to Consolidated Financial Statements

Year Ended December 31, 2019 and Period from Incorporation (February 22, 2018) to December 31, 2018

(Expressed in United States Dollars)

12. Warrants

	Number of warrants	Weighted average exercise price
Balance, February 22, 2018	-	\$ -
Issued	771,400	0.35
Balance, December 31, 2018	771,400	\$ 0.35
Issued	6,036,285	0.35
Balance, December 31, 2019	6,807,685	\$ 0.35

13. Administrative expenses

	Year Ended December 31, 2019	Period from incorporation February 22, 2018 to December 31, 2018
Management fees	\$ 405,000	\$ 280,000
Accretion	93,073	35,618
Legal and professional fees	42,308	12,916
Meals and entertainment	30,087	745
Travel	26,078	7,936
Advertising	25,656	1,485
Rent	19,515	3,900
General expenses	18,533	3,800
Investor relations	18,080	-
Utilities	5,920	1,035
Share-based payments	3,000	53,000
Dues and subscriptions	2,682	1,711
Consultancy fees	-	1,333,842
	\$ 689,932	\$ 1,735,988

Avalon Investment Holdings Limited

Notes to Consolidated Financial Statements

Year Ended December 31, 2019 and Period from Incorporation (February 22, 2018) to December 31, 2018
(Expressed in United States Dollars)

14. Net loss per share

The calculation of basic and diluted loss per share for the year ended December 31, 2019 was based on the loss attributable to common shareholders of \$690,347 (year ended December 31, 2018 - \$1,736,288) and the weighted average number of common shares outstanding of 68,171,969 (year ended December 31, 2018 - 36,678,478). Diluted loss per share did not include the effect of stock options and warrants as they are anti-dilutive.

15. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party in making financial or operating decisions or by virtue of common ownership. Related parties include the Board of Directors, officers, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions. In accordance with IAS 24 - Related Party Disclosure, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executives and non-executive) of the Company.

The key management personnel of the company are:

<u>Name</u>	<u>Designation</u>
Michael Smith	Chief Executive Officer/Director
Robert deCastro	Director
Kester Da Costa	Former Chief Financial Officer (resigned June 16, 2019)
Kris Sammy	Chief Operating Officer

The terms and conditions of the transactions with key management personnel and their related parties were no more favorable than those available, or which might reasonably be expected to be available, to similar transactions to non-key management personnel related entities on an arm's length basis.

The Company entered into the following transactions with related parties:

- The President and Chief Executive Officer, Mr. Michael Smith, ("CEO") of the Company is an employee of 4739 Holdings Ltd ("4739"). 4739 has a consulting contract with Avalon to provide his services as CEO to the Company. Fees and outstanding amounts due to 4739 relating to consulting services as expensed and capitalized as exploration and evaluation assets are detailed below.
- One of the directors, Robert deCastro, of the Company provides business advisory services from (time to time) and as such is compensated for these services when provided.
- The Chief Financial Officer, Mr. Kester daCosta, ("CFO") has a service contract and is entitled to fees based on this contract relating to consulting services in the normal course of business. These fees are expensed as management fees in the general and administrative expenses. The below details the fees and amounts due to Mr. daCosta. Mr. DaCosta resigned on June 16, 2019.
- The Chief Operating Officer, Mr. Kris Sammy, ("COO") of the Company is the President of Compass Investments TC ("Compass") and Compass (and by extension the COO) has a contract with the Company. Fees and outstanding amounts due to Compass relating to consulting services as expensed and capitalized as exploration and evaluation assets are detailed below.

Avalon Investment Holdings Limited

Notes to Consolidated Financial Statements

Year Ended December 31, 2019 and Period from Incorporation (February 22, 2018) to December 31, 2018

(Expressed in United States Dollars)

15. Related party transactions (continued)

Related party payables

	December 31, 2019	December 31, 2018
Chief Executive Officer	\$ 114,145	\$ 37,375
Chief Financial Officer	26,411	5,411
Chief Operating Officer	130,285	21,978
	\$ 270,841	\$ 64,764

Compensation of key management personnel of the Company

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company.

	Year Ended December 31, 2019	Period from incorporation February 22, 2018 to December 31, 2018
Management fees and other short-term benefits	\$ 405,000	\$ 280,000

Avalon Investment Holdings Limited

Notes to Consolidated Financial Statements

Year Ended December 31, 2019 and Period from Incorporation (February 22, 2018) to December 31, 2018
(Expressed in United States Dollars)

16. Risk management

Introduction

Risk is inherent in the Company's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability. The Company is exposed to mineral exploration risk, country risk, commodity price fluctuations, uninsured risk, risk of dilution, currency risk and liquidity risk.

Board of directors

The Board of Directors of the Company is responsible for the overall risk management approach and for approving the risk strategies, principles, policies and procedures. Day to day adherence to risk principles is carried out by the Chief Financial Officer of the Company in compliance with the policies approved by the Board of Directors.

Risk factors

The Company is subject to a number of risks due to the nature of the business of mineral exploration and the early stage of its development. The following risk factors are provided from the perspective of the Company.

Mineral exploration risks

The successful exploration of exploration and evaluation assets is speculative. Such activities are subject to a number of uncertainties, which even a combination of careful evaluation, experience and knowledge may not eliminate. Most exploration projects do not result in the discovery of commercially mineable deposits. There is no certainty that the expenditures made or to be made by the Company in the exploration of the exploration and evaluation assets in which it may have an interest will result in the discovery of base metals or other mineralized materials in commercial quantities. While discovery of a base metal deposit may result in substantial rewards, few exploration and evaluation assets that are explored are ultimately developed into producing mines. Significant expenditures may be required to establish reserves by drilling and to construct mining and processing facilities at a site. No assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations. Whether a mineral deposit will be commercially viable depends on a number of factors, including the particular attributes of the deposit (i.e. size, grade, access and proximity to infrastructure), financing costs, the cyclical nature of commodity prices and government regulations (including those relating to prices, taxes, currency controls, royalties, land tenure, land use, importing and exporting of mineral products, and environmental protection). Although substantial benefits may be derived from the discovery of a major deposit, it is impossible to ensure that the current exploration programmes of the Company will result in profitable commercial mining operations or that funds required for development can be obtained on a timely basis. The implementation of certain aspects of the Company's strategy in respect of the exploration and evaluation asset is subject to the completion of detailed feasibility studies. The Company is not able to predict the outcome of such studies and unfavorable results may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Avalon Investment Holdings Limited

Notes to Consolidated Financial Statements

Year Ended December 31, 2019 and Period from Incorporation (February 22, 2018) to December 31, 2018
(Expressed in United States Dollars)

16. Risk management (continued)

Country risk

The Company could be at risk regarding any political developments in the countries which it operates. At present, the Company is active in Barbados and Guyana. The Company's mineral exploration may be adversely affected by political instability, legal and economic uncertainty in the countries where the Corporation operates or has plans to operate. These risks may include: political unrest; labor disputes; invalidation of governmental orders and permits; corruption; war and civil disturbances; terrorist activities; arbitrary changes in laws; regulations; policies; taxation; price controls; exchange controls; delays in or the inability to obtain necessary permits; opposition to mining from environmental activists or other non-governmental organizations; limitations on foreign ownership; limitations on the repatriation of earnings; limitation on mineral exports and increase financing costs. These risks may limit or disrupt the Company's projects, restrict the movement of funds or result in the deprivation of contractual rights.

Failure to raise capital when needed would have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Commodity price fluctuations

The price of the Company's securities, its financial results and exploration activities may be significantly adversely affected by declines in the price of base metals demand and price are determined by numerous factors beyond the control of the Company including the demand for electricity, international exchange rates, political and economic conditions and production costs in mining regions, production and consumption patterns, speculative activities, increased production due to improved mining and production methods, government regulations relating to prices, taxes, royalties, land tenure, land use, environmental protection and the degree to which a dominant producer uses its market strength to bring supply into equilibrium with demand. The combined effects of any or all of these factors on metal prices or volumes are impossible for the Company to predict. If realized metal prices fall below the full cost of production of any of the Company's operations and remain at such level for any sustained period, the Company will experience losses, which may be significant, and may decide to discontinue affected operations, forcing the Company to incur closure or care and maintenance costs, as the case may be. In addition, declining metal prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

Uninsured risks

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fire, flooding and earthquakes may occur. It is not always possible to fully insure against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs, have a material adverse effect on the Company's results and a decline in the value of the securities of the Company.

Avalon Investment Holdings Limited

Notes to Consolidated Financial Statements

Year Ended December 31, 2019 and Period from Incorporation (February 22, 2018) to December 31, 2018
(Expressed in United States Dollars)

16. Risk management (continued)

Risk of dilution

Under applicable Barbados law, shareholder approval may not be required for the Company to issue additional Company Shares. Moreover, the Company has commitments that could require the issuance of a substantial number of additional Company Shares, in particular options to acquire Company Shares under the Company's stock option plan and property option agreements. The business of the Company will require substantial additional financing which will likely involve the sale of equity capital. The Company can also be expected to issue additional options, warrants and other financial instruments, which may include debt. Future issuances of equity capital may have a substantial dilutive effect on existing shareholders of the Company. The Company is not able at this time to predict the future amount of such issuances or dilution.

Currency fluctuations

Currency fluctuations may affect some of the Company's future operations, financial positions and results. The Company's financial results are reported in United States dollars and the majority of its funds are held in United States dollars accounts. The majority of the Company's costs to date are in United States dollars. However, if the Company expands its activities in Guyana or Canada the Company will have increased exposure to fluctuations in the United States dollar against foreign currencies.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and accounts receivable. To mitigate exposure to the credit risk, which is deemed low, the Company has established a policy to ensure counterparties demonstrate minimum acceptable worthiness, and to ensure liquidity of available funds. Cash and cash equivalents are held with select major chartered banks.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall due under normal and stress circumstances. The Company monitors its liquidity risk by considering the maturity of its financial assets and projected cash flows from operations. Where possible the Company utilises surplus internal funds to a large extent to finance its operations and ongoing projects. However, the Company also utilises available credit facilities such as loans and other financing options where required.

Avalon Investment Holdings Limited

Notes to Consolidated Financial Statements

Year Ended December 31, 2019 and Period from Incorporation (February 22, 2018) to December 31, 2018
(Expressed in United States Dollars)

16. Risk management (continued)

Liquidity risk (continued)

The table below summarises the maturity profile of the Company's financial liabilities based on contractual payments.

December 31, 2019	Up to 1 year	1 to 5 years	>5 years	Total
Other liabilities	\$ -	\$ 1,050,000	\$ -	\$ 1,050,000
Debt purchased	-	539,443	-	539,443
Trade and other payables	1,699,456	-	-	1,699,456
Promissory notes payable	18,295	-	-	18,295
	\$ 1,717,751	\$ 1,589,443	\$ -	\$ 3,307,194

December 31, 2018	Up to 1 year	1 to 5 years	>5 years	Total
Other liabilities	\$ -	\$ 1,050,000	\$ -	\$ 1,050,000
Debt purchased	-	1,255,224	-	1,255,224
Trade and other payables	211,713	-	-	211,713
Promissory notes payable	12,000	-	-	12,000
	\$ 223,713	\$ 2,305,224	\$ -	\$ 2,528,937

Capital management

The primary objectives of the Company's capital management policy are to ensure that the Company maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value.

When managing capital, which is a broader concept than the 'equity' in the interim consolidated statement of financial position, the objectives of the Company are:

- To safeguard the Company's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

There have been no changes in the Company's capital management when compared to the prior period.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body.

Avalon Investment Holdings Limited

Notes to Consolidated Financial Statements

Year Ended December 31, 2019 and Period from Incorporation (February 22, 2018) to December 31, 2018

(Expressed in United States Dollars)

17. Proposed transaction

On October 9, 2019, Anconia Resources Corp. ("Anconia") and Avalon entered into a definitive acquisition agreement (the "RTO"), in respect of a proposed transaction (the "Transaction"), whereby Anconia has agreed to acquire all of the issued and outstanding securities of Avalon, by way of three-cornered amalgamation, share exchange or such other form of business combination as the parties may determine. The entity that would result from the completion of the Transaction (the "Resulting Issuer"), will continue to carry on base and precious metals exploration and development, focused primarily on the exploration of Avalon's Omai Gold Mine project in Guyana.

The transaction constitutes a "reverse takeover" of Anconia under the policies of the TSX Venture Exchange (the "Exchange"), and its completion is subject to the approval of the Exchange and certain other conditions. Anconia intends to apply to the Exchange to have the common shares of the Resulting Issuer listed and posted for trading on the Exchange. The Transaction is an arm's length transaction.

18. Events after the reporting period

Subsequent to December 31, 2019, the Company entered into an investment agreement (the "Sandstorm Investment Agreement") with Sandstorm Gold Ltd. ("Sandstorm"), whereby Sandstorm agreed to subscribe for 20,000,000 common shares in Avalon at a price of \$0.10 per common share and Avalon would grant Sandstorm a 1% net smelter returns royalty (the "Royalty") with respect to the sale of all economic marketable material on the Omai Gold Project. As a result, Avalon issued 20,000,000 common shares for gross proceeds of \$2,000,000.

Subsequent to December 31, 2019, the Company completed non-brokered private placements and issued an aggregate of 56,371,229 units at a price of \$0.10 per unit for aggregate gross proceeds of \$5,637,123. Each unit consist of one common share and one-half common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at an exercise price of \$0.35 and expires two years from the date of closing. As part of the financing, the Company paid certain eligible finders a cash payment of \$198,447 and issued 1,984,466 broker warrants exercisable for common shares at an exercise price of \$0.35 and expiring on May 1, 2022.

Subsequent to December 31, 2019, the Company issued 6,000,000 shares, valued at \$0.10 per share, to enter into an Exclusivity Agreement that allows Avalon to exclusively investigate a property that may be a potential acquisition target in the future.

Subsequent to December 31, 2019, the Company issued 30,000,000 shares at \$0.15 per share for \$4,500,000.

Subsequent to December 31, 2019, the Company issued 7,741,668 stock options to consultants of the Company with an exercise price of \$0.10 and expiring five years from the date of issuance.

AVALON INVESTMENT HOLDINGS LIMITED
CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
THREE AND SIX MONTHS ENDED
JUNE 30, 2020
(EXPRESSED IN UNITED STATES DOLLARS)
(UNAUDITED)

Notice To Reader

The accompanying unaudited condensed interim consolidated financial statements of Avalon Investment Holdings Limited (the "Company") have been prepared by and are the responsibility of management.

Avalon Investment Holdings Limited

Condensed Interim Consolidated Statements of Financial Position

(Expressed in United States Dollars)

Unaudited

	As at June 30, 2020	As at December 31, 2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,855,920	\$ 2,908
Accounts receivable and prepayments (note 4)	364,407	39,300
	2,220,327	42,208
Mining properties (note 5)	6,975,851	5,942,362
Total assets	\$ 9,196,178	\$ 5,984,570
EQUITY AND LIABILITIES		
Current liabilities		
Trade and other payables (notes 6 and 15)	\$ 316,489	\$ 1,699,456
Debt purchased (note 7)	319,176	539,443
Promissory notes payable (note 8)	-	18,295
Total current liabilities	635,665	2,257,194
Non-current liabilities		
Long term liability (note 9)	827,684	826,944
Total liabilities	1,463,349	3,084,138
Equity		
Stated capital (note 10)	11,071,740	5,105,067
Share-based payments (note 11)	703,000	56,000
Warrants (note 12)	790,000	166,000
Deficit	(4,831,911)	(2,426,635)
Total equity	7,732,829	2,900,432
Total equity and liabilities	\$ 9,196,178	\$ 5,984,570

The accompanying notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

Nature of operations and going concern (note 1)

Events after the reporting date (note 17)

Avalon Investment Holdings Limited

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in United States Dollars)

Unaudited

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Operating expenses				
Administrative costs (note 13)	\$ 1,527,835	\$ 177,159	\$ 2,399,741	\$ 323,887
Finance costs	5,501	380	5,535	380
Total comprehensive loss for the period	\$ (1,533,336)	\$ (177,539)	\$ (2,405,276)	\$ (324,267)
Basic and diluted net loss per share (note 14)	\$ (0.01)	\$ (0.00)	\$ (0.02)	\$ (0.00)
Weighted average number of common shares outstanding	124,325,102	67,759,670	112,336,654	66,717,569

The accompanying notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

Avalon Investment Holdings Limited

Condensed Interim Consolidated Statements of Cash Flows

(Expressed in United States Dollars)

Unaudited

	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Operating activities		
Net loss for the period	\$ (2,405,276)	\$ (324,267)
Adjustments for:		
Share-based payments	647,000	-
Accretion on long term liability	50,740	45,148
Changes in non-cash working capital items:		
Accounts receivable and prepayments	(325,107)	(31,800)
Trade and other payables	(1,382,967)	139,927
Net cash used in operating activities	(3,415,610)	(170,992)
Investing activities		
Additions to mineral properties	(1,033,489)	(105,738)
Net cash used in investing activities	(1,033,489)	(105,738)
Financing activities		
Proceeds from sale of shares	6,590,673	268,800
(Decrease) increase in promissory notes payable	(68,295)	6,295
Decrease in debt purchased	(220,267)	(6,924)
Net cash provided by financing activities	6,302,111	268,171
Net change in cash and cash equivalents	1,853,012	(8,559)
Cash and cash equivalents, beginning of period	2,908	12,180
Cash and cash equivalents, end of period	\$ 1,855,920	\$ 3,621

The accompanying notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

Avalon Investment Holdings Limited

Condensed Interim Consolidated Statements of Changes in Equity (Expressed in United States Dollars)

Unaudited

	Share capital	Share-based payments	Warrants	Deficit	Total
Balance, December 31, 2018	\$ 4,068,410	\$ 53,000	\$ 19,000	\$ (1,736,288)	\$ 2,404,122
Shares issued for cash	290,000	-	-	-	290,000
Share issuance cost	(27,700)	-	6,500	-	(21,200)
Warrant valuation	(34,500)	-	34,500	-	-
Net loss for the period	-	-	-	(324,267)	(324,267)
Balance, June 30, 2019	\$ 4,296,210	\$ 53,000	\$ 60,000	\$ (2,060,555)	\$ 2,348,655

Balance, December 31, 2019	\$ 5,105,067	\$ 56,000	\$ 166,000	\$ (2,426,635)	\$ 2,900,432
Shares issued for cash	7,019,123	-	-	-	7,019,123
Share issuance cost	(459,450)	-	31,000	-	(428,450)
Warrant valuation	(593,000)	-	593,000	-	-
Share-based payments	-	647,000	-	-	647,000
Net loss for the period	-	-	-	(2,405,276)	(2,405,276)
Balance, June 30, 2020	\$ 11,071,740	\$ 703,000	\$ 790,000	\$ (4,831,911)	\$ 7,732,829

The accompanying notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

Avalon Investment Holdings Limited

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2020

(Expressed in United States Dollars)

Unaudited

1. Nature of operations and going concern

Avalon Investment Holdings Ltd. ("Avalon" or the "Company") was incorporated under the Companies Act in Barbados on February 22, 2018 and its registered office is located at Venture Two, Dayrells Road, Christ Church, Barbados. Avalon is a holding company for Avalon Gold Exploration Inc; a company registered in Guyana.

Avalon Gold Exploration Inc. has acquired the necessary prospecting license needed to perform mineral exploration in Guyana. Based on exploration results, the Board of Directors will decide on whether to pursue a mining license to retrieve the minerals or sell the company's rights to the prospecting land.

These unaudited condensed interim consolidated financial statements were prepared on a going concern basis of presentation, which assumes that the Company will continue operations for the foreseeable future and be able to realize the carrying value of its assets and discharge its liabilities and commitments in the normal course of business. To date, the Company has not earned revenue and has an accumulated deficit of \$4,831,911 as at June 30, 2020 (December 31, 2019 - \$2,426,635). As at June 30, 2020, the Company had cash and cash equivalents of \$1,855,920 (December 31, 2019 - \$2,908) and a working capital deficit of \$(1,584,662) (December 31, 2019 - \$2,214,986). These conditions and events raise a material doubts about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to obtain additional financing and or achieve profitable operations in the future. Management is aware, in making its assessment, of material uncertainties related to events or conditions that cast substantial doubt upon the Company's ability to continue as a going concern, as described in the following paragraph. These unaudited interim consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. These adjustments could be material. Management is actively pursuing funding options, being financing and alternative funding options, required to meet the Company's requirements on an ongoing basis. To meet the challenges of the current climate in the financial markets, the Company is minimizing its expenditures.

These unaudited condensed interim consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and the settlement of liabilities in the normal course of business for the foreseeable future as they come due. The financial statements do not reflect adjustments to the carrying amounts of assets and liabilities, the reported revenues and expenses and the statement of financial position classification used that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material. Management is of the opinion that additional funding is available and may be sourced in time to allow the Company to acquire exploration and evaluation assets. While it has been successful in the past, there can be no assurance that it will be able to raise sufficient funds in the future.

In March 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy, capital markets and the Company's financial position cannot be reasonably estimated at this time. The Company is monitoring developments and will adapt its business plans accordingly. The actual and threatened spread of COVID-19 globally could adversely impact the Company's ability to carry out its plans and raise capital.

Avalon Investment Holdings Limited

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2020

(Expressed in United States Dollars)

Unaudited

2. Significant accounting policies

Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRSs issued and outstanding as of August 24, 2020, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual financial statements as at and for the year ended December 31, 2019. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2020 could result in restatement of these unaudited condensed interim consolidated financial statements.

3. Significant accounting judgments and estimates

The preparation of these unaudited condensed interim consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These unaudited condensed interim consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates:

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, relate to, but are not limited to, the following:

- the recoverability of accounts receivable which are included in the consolidated statements of financial position;
- Income taxes – measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only become final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the consolidated financial statements;
- the inputs used in accounting for share-based payment transactions; and
- the determination of the interest rate used in the calculation of the long term liability's discounted value requires judgment. The interest rate is management's best estimate of the cost of borrowing based on comparable entities and historical data.

Avalon Investment Holdings Limited

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2020

(Expressed in United States Dollars)

Unaudited

3. Significant accounting judgments and estimates (continued)

Critical accounting judgments:

- management assessment of going concern and uncertainties of the Company's ability to raise additional capital and/or obtain financing to advance the lithium properties;
- management determination of no material restoration, rehabilitation and environmental exposure, based on the facts and circumstances that existed during the period; and
- management determination of whether it is likely that costs incurred for mineral properties will be recovered through successful exploration and development or sale of the asset under review and management's assessment as to whether economically recoverable reserves exist is itself an estimation process.

4. Accounts receivable and prepayments

	June 30, 2020	December 31, 2019
Trade (net of provisions)	\$ 114,259	\$ 36,700
Prepayments	250,148	2,600
	\$ 364,407	\$ 39,300

There were no trade receivables impaired and provided for as at June 30, 2020 and December 31, 2019.

Avalon Investment Holdings Limited

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2020

(Expressed in United States Dollars)

Unaudited

5. Mineral properties

	Omai Mines	Kaburi South	Total
Balance, December 31, 2018	\$ 4,489,950	\$ 113,500	\$ 4,603,450
Acquisition costs	1,335,112	-	1,335,112
Lease payments	-	3,800	3,800
Balance, December 31, 2019	\$ 5,825,062	\$ 117,300	\$ 5,942,362
Acquisition costs	1,033,489	-	1,033,489
Balance, June 30, 2020	\$ 6,858,551	\$ 117,300	\$ 6,975,851

Omai Mines

Avalon, through Avalon Gold, holds a 100% interest in a newly issued prospecting license in Guyana, which cover 4,590 acres of licensed area, including the site of the past producing Omai Gold Mine, and provides for an exclusive right to use certain existing infrastructure at the Omai Gold Mine for any future mining operations, subject to entering into specific lease agreements therefor.

The Omai Mines Project was acquired through a third-party debt purchase agreement between Avalon Gold and Mahdia Gold Corporation (Guyana) Inc. (see note 7). On April 26, 2019, the Guyana Geology & Mines Commission ("GGMC") issued Prospecting License to Avalon Gold for the exclusive right of occupation and exploration for gold, precious minerals and precious stones, on 4,590 acres of licensed area, including the site of the past producing Omai Gold Mine, Potaro Mining District, Guyana. Avalon has the sole right to prospect on the Prospecting License which expires on April 25, 2022 and may be renewed for a further two-year period. Avalon Gold has agreed to pay the GGMC a payment of \$1,000,000 during the first year, \$1,000,000 during the second year and \$2,000,000 on October 1, 2020 addition to the annual rental fees and the Prospecting License provides for an exclusive right to use certain existing infrastructure at the Omai Gold Mine for any future mining operations, subject to entering into specific lease agreements therefor.

In April 2020, the payment date for the \$2,000,000 originally due on October 1, 2020 was extended to October 1, 2021.

Kaburi South

On December 24, 2018, Avalon entered into an option deed and prospecting agreement (the "Option Agreement") with certain vendors for five (5) prospecting permits owned by the vendors in the Mazruni Mining District No. 3, Guyana. The option period expires on December 23, 2028. Avalon issued an aggregate of 600,000 common shares to the vendors (valued at \$60,000) and paid a further \$50,000 on execution of the Option Agreement. Avalon has the sole right to explore and prospect on the five prospecting permits. Avalon may exercise its rights to acquire one or more of the five prospecting permits at any time during the option period by paying the consideration of \$1.00 per prospecting permit.

Avalon Investment Holdings Limited

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2020

(Expressed in United States Dollars)

Unaudited

6. Trade and other payables

	June 30, 2020	December 31, 2019
Trade and other payables	\$ 316,489	\$ 1,699,456

7. Debt purchase accounts

The company purchased from various creditors, debts owed by Mahdia Gold Corporation (Guyana) Inc. ("MGCG") to them associated with agreements they had previously entered into with MGCG to provide goods and services to MGCG's Guyana operation. The Company entered into a loan agreement and general security agreement with MGCG as principal creditor. MGCG subsequently defaulted on the loan agreement and the Company exercised its rights under the general security agreement to acquire 100% of MGCG's interest in Avalon Gold Exploration Inc. which resulted in the Company becoming the sole shareholder in Avalon Gold Exploration Inc. The debt purchase agreements and the balances on these individual accounts are recorded in this account.

During the six months ended, the Company repaid several debts owed to various creditors totalling \$220,267 (six months ended June 30, 2019 - \$6,924).

	June 30, 2020	December 31, 2019
Debt purchased	\$ 319,176	\$ 539,443

8. Promissory notes payable

During the year ended December 31, 2018, the Company issued a promissory note of \$12,000 to a third party. The promissory note bears no interest and is due on April 30, 2019.

During the year ended December 31, 2019, the Company issued an additional promissory note of \$6,295 to a third party.

During the six months ended June 30, 2020, the promissory notes were fully repaid.

Avalon Investment Holdings Limited

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2020

(Expressed in United States Dollars)

Unaudited

9. Long term liability

On August 1, 2018, the Company assumed a vendor agreement between a third party and MGCG with a principal amount of \$2.1M. During the year ended December 31, 2018, the Company issued 10,500,000 shares with deemed price of \$0.10 per share to settle \$1,050,000 of the principal amount. The outstanding US\$1,050,000 bears no interest and is payable on December 31, 2021.

During the six months ended June 30, 2020, the Company repaid \$50,000 of the principal amount.

As at June 30, 2020, the principal amount outstanding is \$1,000,000.

Accretion expense for the three and six months ended June 30, 2020 was \$25,682 and \$50,740, respectively (three and six months ended June 30, 2019 - \$22,911 and \$45,148, respectively).

Given that the long term liability is non-interest bearing, the Company accounted for its estimated fair value using a discount rate of 12%. The balance of the long term liability was determined as follows:

Balance, December 31, 2018	733,871
Accretion for the year	93,073
Balance, December 31, 2019	826,944
Repayment	(50,000)
Accretion for the year	50,740
Balance, June 30, 2020	\$ 827,684

10. Share capital

(a) Authorized share capital

The authorized share capital consisted of an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

(b) Common shares issued

	Number of common shares	Amount
Balance, December 31, 2018	65,330,000	\$ 4,068,410
Shares issued for cash (i)	2,900,000	290,000
Share issuance cost (i)	-	(27,700)
Warrants valuation (i)	-	(34,500)
Balance, June 30, 2019	68,230,000	\$ 4,296,210
Balance, December 31, 2019	77,498,570	\$ 5,105,067
Shares issued for cash (ii)(iii)	70,191,229	7,019,123
Share issuance cost (iii)	-	(459,450)
Warrant valuation (iii)	-	(593,000)
Balance, June 30, 2020	147,689,799	\$ 11,071,740

Avalon Investment Holdings Limited

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2020

(Expressed in United States Dollars)

Unaudited

10. Share capital (continued)

(b) Common shares issued (continued)

- (i) During the six months ended June 30, 2019, the Company completed non-brokered private placements and issued an aggregate of 2,900,000 units at \$0.10 per unit for aggregate gross proceeds of \$290,000. Each unit was comprised of one common share and one-half common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at an exercise price of \$0.35 and expires two years from the date of closing. As part of the financing, the Company paid certain eligible finders a cash payment of \$21,200, issued 136,000 broker warrants exercisable for common shares at an exercise price of \$0.35 and expiring two years from the date of closing, and issued 76,000 broker warrants exercisable for common shares at an exercise price of \$0.35 and expiring on May 1, 2022.

The 1,450,000 warrants and 212,000 broker warrants issued were assigned values of \$34,500 and \$6,500, respectively, as estimated by using the Black-Scholes valuation model with the following assumptions: exercise price of \$0.35, share price of \$0.10, expected dividend yield of 0%, expected volatility of 100%, risk-free rate of return ranging from 1.45% to 1.79%, and an expected maturity ranging from 2 to 3 years.

- (ii) On January 10, 2020, the Company entered into an investment agreement (the "Sandstorm Investment Agreement") with Sandstorm Gold Ltd. ("Sandstorm"), whereby Sandstorm agreed to subscribe for 20,000,000 common shares in Avalon at a price of \$0.10 per common share and Avalon would grant Sandstorm a 1% net smelter returns royalty (the "Royalty") with respect to the sale of all economic marketable material on the Omai Gold Project. As a result, Avalon issued 20,000,000 common shares for gross proceeds of \$2,000,000. As of January 10, 2020, there is no estimated timeline as to when the Royalty will be paid, or if the Company is to pay any royalty distributions at all. Due to the uncertainties, management has considered the Royalty to have nominal value. As a result, the Company has not record a gain on sale of the Royalty.

- (iii) During the six months ended June 30, 2020, the Company completed non-brokered private placements and issued an aggregate of 50,191,229 units at \$0.10 per unit for aggregate gross proceeds of \$5,019,123. Each unit was comprised of one common share and one-half common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at an exercise price of \$0.35 and expires two years from the date of closing. As part of the financing, the Company paid certain eligible finders a cash payment of \$428,450, issued 1,300,386 broker warrants exercisable for common shares at an exercise price of \$0.35 and expiring two years from the date of closing.

The 25,045,614 warrants and 1,300,386 broker warrants issued were assigned values of \$593,000 and \$31,000, respectively, as estimated by using the Black-Scholes valuation model with the following assumptions: exercise price of \$0.35, share price of \$0.10, expected dividend yield of 0%, expected volatility of 100%, risk-free rate of return ranging from 0.29% to 1.65%, and an expected maturity of 2 years.

Avalon Investment Holdings Limited

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2020

(Expressed in United States Dollars)

Unaudited

11. Stock options

	Number of stock options	Weighted average exercise price
Balance, December 31, 2018 and June 30, 2019	1,000,008	\$ 0.10
Balance, December 31, 2019	1,050,008	\$ 0.10
Granted (i)(ii)(iii)	7,691,668	0.10
Balance, June 30, 2020	8,741,676	\$ 0.10

(i) On March 12, 2020, the Company issued 5,500,000 stock options to certain consultants of the Company with an exercise price of \$0.10 and expiring five years from the date of issuance. The options granted were assigned values of \$407,000 as estimated by using the Black-Scholes valuation model with the following assumptions: exercise price of \$0.10, share price of \$0.10, expected dividend yield of 0%, expected volatility of 100%, risk-free rate of return of 0.52%, and an expected maturity of 5 years.

(ii) On April 29, 2020, the Company issued 204,169 stock options to a consultant of the Company with an exercise price of \$0.10 and expiring five years from the date of issuance. The options granted were assigned values of \$15,000 as estimated by using the Black-Scholes valuation model with the following assumptions: exercise price of \$0.10, share price of \$0.10, expected dividend yield of 0%, expected volatility of 100%, risk-free rate of return of 0.41%, and an expected maturity of 5 years.

(iii) On June 1, 2020, the Company issued 1,987,499 stock options to certain consultants of the Company with an exercise price of \$0.10 and expiring five years from the date of issuance. The options granted were assigned values of \$147,000 as estimated by using the Black-Scholes valuation model with the following assumptions: exercise price of \$0.10, share price of \$0.10, expected dividend yield of 0%, expected volatility of 100%, risk-free rate of return of 0.39%, and an expected maturity of 5 years.

The following table reflects the stock options issued and outstanding as of June 30, 2020:

Expiry date	Exercise price (\$)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)
April 29, 2025 (iv)	0.10	4.83	1,000,008	1,000,008
April 29, 2025 (v)	0.10	4.83	50,000	50,000
March 12, 2025	0.10	4.70	5,500,000	5,500,000
April 29, 2025	0.10	4.83	204,169	204,169
June 1, 2025	0.10	4.92	1,987,499	1,987,499
	0.10	4.77	8,741,676	8,741,676

Avalon Investment Holdings Limited

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2020

(Expressed in United States Dollars)

Unaudited

11. Stock options (continued)

(iv) On April 29, 2020, the Company extended the expiry date of the 1,000,008 options from June 1, 2020 to April 29, 2025. As a result, the Company recognized \$74,000 of share-based payments as estimated by using the Black-Scholes valuation model with the following assumptions: exercise price of \$0.10, share price of \$0.10, expected dividend yield of 0%, expected volatility of 100%, risk-free rate of return of 0.41%, and an expected maturity of 5 years.

(v) On April 29, 2020, the Company extended the expiry date of the 50,000 options from September 5, 2021 to April 29, 2025. As a result, the Company recognized \$4,000 of share-based payments as estimated by using the Black-Scholes valuation model with the following assumptions: exercise price of \$0.10, share price of \$0.10, expected dividend yield of 0%, expected volatility of 100%, risk-free rate of return of 0.41%, and an expected maturity of 5 years.

12. Warrants

	Number of warrants	Weighted average exercise price
Balance, December 31, 2018	771,400	\$ 0.35
Issued	1,662,000	0.35
Balance, June 30, 2019	2,433,400	\$ 0.70
Balance, December 31, 2019	6,807,685	\$ 0.35
Issued	26,346,000	0.35
Balance, June 30, 2020	33,153,685	\$ 0.35

During the six months ended June 30, 2020, the expiry dates of all issued and outstanding warrants were extended to July 3, 2022.

Avalon Investment Holdings Limited

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2020

(Expressed in United States Dollars)

Unaudited

13. Administrative expenses

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Exploration expenses	\$ 812,181	\$ -	\$ 1,211,925	\$ -
Share-based payments	407,000	-	647,000	-
Management fees	95,000	112,500	196,000	225,000
Legal and professional fees	87,410	13,416	138,070	13,416
Consultancy fees	62,500	-	62,500	-
Accretion	25,682	22,911	50,740	45,148
Rent	19,800	3,900	25,800	7,800
General expenses	11,068	679	23,548	1,625
Travel	332	-	20,402	3,521
Advertising	7,372	4,000	18,529	5,540
Investor relations	14,690	18,080	14,690	18,080
Meals and entertainment	79	-	3,281	1,997
Dues and subscriptions	1,438	1,673	3,118	1,760
Utilities	1,640	-	1,640	-
Exchange gain	(18,357)	-	(17,502)	-
	\$ 1,527,835	\$ 177,159	\$ 2,399,741	\$ 323,887

14. Net loss per share

The calculation of basic and diluted loss per share for the three and six months ended June 30, 2020 was based on the loss attributable to common shareholders of \$1,533,336 and \$2,405,276, respectively (three and six months ended June 30, 2019 - \$177,539 and \$324,267, respectively) and the weighted average number of common shares outstanding of 124,325,102 and 112,336,654, respectively (three and six months ended June 30, 2019 - 67,759,670 and 66,717,569, respectively). Diluted loss per share did not include the effect of stock options and warrants as they are anti-dilutive.

Avalon Investment Holdings Limited

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2020

(Expressed in United States Dollars)

Unaudited

15. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party in making financial or operating decisions or by virtue of common ownership. Related parties include the Board of Directors, officers, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions. In accordance with IAS 24 - Related Party Disclosure, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executives and non-executive) of the Company.

The key management personnel of the company are:

<u>Name</u>	<u>Designation</u>
Michael Smith	Chief Executive Officer/Director
Robert deCastro	Director
Kester Da Costa	Former Chief Financial Officer (resigned June 16, 2019)
Kris Sammy	Chief Operating Officer

The terms and conditions of the transactions with key management personnel and their related parties were no more favorable than those available, or which might reasonably be expected to be available, to similar transactions to non-key management personnel related entities on an arm's length basis.

The Company entered into the following transactions with related parties:

- The President and Chief Executive Officer, Mr. Michael Smith, ("CEO") of the Company is an employee of 4739 Holdings Ltd ("4739"). 4739 has a consulting contract with Avalon to provide his services as CEO to the Company. Fees and outstanding amounts due to 4739 relating to consulting services as expensed and capitalized as exploration and evaluation assets are detailed below.
- One of the directors, Robert deCastro, of the Company provides business advisory services from (time to time) and as such is compensated for these services when provided.
- The Chief Financial Officer, Mr. Kester daCosta, ("CFO") has a service contract and is entitled to fees based on this contract relating to consulting services in the normal course of business. These fees are expensed as management fees in the general and administrative expenses. The below details the fees and amounts due to Mr. daCosta. Mr. DaCosta resigned on June 16, 2019.
- The Chief Operating Officer, Mr. Kris Sammy, ("COO") of the Company is the President of Compass Investments TC ("Compass") and Compass (and by extension the COO) has a contract with the Company. Fees and outstanding amounts due to Compass relating to consulting services as expensed and capitalized as exploration and evaluation assets are detailed below.

Avalon Investment Holdings Limited

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2020

(Expressed in United States Dollars)

Unaudited

15. Related party transactions (continued)

Related party payables

	June 30, 2020	December 31, 2019
Chief Executive Officer	\$ 64,144	\$ 114,145
Chief Financial Officer	-	26,411
Chief Operating Officer	80,285	130,285
	\$ 144,429	\$ 270,841

Compensation of key management personnel of the Company

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company.

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Management fees and other short-term benefits	\$ 95,000	\$ 112,500	\$ 196,000	\$ 225,000

Avalon Investment Holdings Limited

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2020

(Expressed in United States Dollars)

Unaudited

16. Proposed transaction

On October 9, 2019, Anconia Resources Corp. ("Anconia") and Avalon entered into a definitive acquisition agreement (the "RTO"), in respect of a proposed transaction (the "Transaction"), whereby Anconia has agreed to acquire all of the issued and outstanding securities of Avalon, by way of three-cornered amalgamation, share exchange or such other form of business combination as the parties may determine. The entity that would result from the completion of the Transaction (the "Resulting Issuer"), will continue to carry on base and precious metals exploration and development, focused primarily on the exploration of Avalon's Omai Gold Mine project in Guyana.

The transaction constitutes a "reverse takeover" of Anconia under the policies of the TSX Venture Exchange (the "Exchange"), and its completion is subject to the approval of the Exchange and certain other conditions. Anconia intends to apply to the Exchange to have the common shares of the Resulting Issuer listed and posted for trading on the Exchange. The Transaction is an arm's length transaction.

17. Events after the reporting period

Subsequent to June 30, 2020, the Company completed non-brokered private placements and issued an aggregate of 6,180,000 units at a price of \$0.10 per unit for aggregate gross proceeds of \$618,000. Each unit consist of one common share and one-half common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at an exercise price of \$0.35 and expires two years from the date of closing.

Subsequent to June 30, 2020, the Company issued 6,000,000 shares, valued at \$0.10 per share, to enter into an Exclusivity Agreement that allows Avalon to exclusively investigate a property that may be a potential acquisition target in the future.

Subsequent to June 30, 2020, the Company issued 30,000,000 shares at \$0.15 per share for \$4,500,000.

SCHEDULE “F”

AVALON MANAGEMENT DISCUSSION & ANALYSIS

Avalon Investment Holdings Ltd

(An Exploration Stage Company)

MANAGEMENT'S DISCUSSION & ANALYSIS OF THE AUDITED CONSOLIDATED FINANCIAL POSITION
AND CONSOLIDATED RESULTS OF OPERATIONS

For the Year Ended December 31th 2018

This MD&A is dated August 17th 2020

Avalon Investment Holdings Ltd. (an exploration stage Company)

Management Discussion & Analysis; for the year ended December 31, 2018

Introduction

This Management Discussion and Analysis (“MD&A”), dated August 17th 2020 provides a review of the financial position and the results of operations of Avalon Investment Holdings Ltd. (the “Corporation”, “Avalon” or the “Company”) and constitutes management review of the factors that affected the Company’s financial and operating performance for the three and twelve months ended December 31st, 2019. This MD&A has been prepared in compliance with the requirements of National Instrument 51- 102 – Continuous Disclosure Obligations. The review is provided to enable the reader to assess the significant changes in the financial condition of the Company as at and for the three and twelve months ended December 31, 2018. This MD&A should be read in conjunction with the audited condensed interim consolidated financial statements for the three and twelve months ended December 31st, 2019 with the notes thereto. The Company’s financial statements and the financial information reported in this MD&A have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”). All amounts presented are stated in United States dollars, unless otherwise indicated. Information contained herein is presented as of December 31st, 2018, unless otherwise indicated.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the value of Avalon’s common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Cautionary Note Regarding Forward-Looking Information

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as “forward-looking statements”). These statements relate to future events or the Company’s future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “continues”, “forecasts”, “projects”, “predicts”, “intends”, “anticipates” or “believes”, or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward-looking statements.

Avalon Investment Holdings Ltd. (an exploration stage Company)

Management Discussion & Analysis; for the year ended December 31, 2018

Forward-looking statements	Assumptions	Risk factors
Potential of the Company's properties to contain economic deposits of precious and base metals.	Financing should be available for future exploration of the Company's properties; the actual results of the Company's exploration activities will be favourable; operating and exploration costs will not exceed the Company's expectations; the Company will be able to retain and attract skilled staff; all requisite regulatory and governmental approvals for exploration projects and other operations will be received on a timely basis upon terms acceptable to the Company, and applicable political and economic conditions are favourable to the Company; the price of precious and base metals and applicable interest and exchange rates will be favourable to the Company; no title disputes exist with respect to the Company's exploration and evaluation assets.	Precious and base metals price volatility; uncertainties involved in interpreting geological data and confirming title to acquired exploration and evaluation assets; the possibility that future exploration results will not be consistent with the Company's expectations; availability of financing for and actual results of the Company's exploration activities; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic and political conditions; the Company's ability to retain and attract skilled staff; availability of permits.
The Company's ability to meet its working capital needs at the current level for the twelve-month period ending December 31, 2019. The Company expects to incur further losses in the development of its business.	The operating and exploration activities of the Company for the twelve-month period ending December 31, 2020 and beyond, and the costs associated therewith, will be dependent on raising sufficient additional capital consistent with the Company's current expectations.	Changes in debt and equity markets; timing and availability of external financing on acceptable terms; changes in the operations currently planned for the next twelve months; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions.
The Company's ability to carry out anticipated exploration on its exploration and evaluation assets.	The exploration activities of the Company for the next twelve months ending December 31, 2020, and the costs associated therewith, will be consistent with the Company's current expectations.	Changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; changes in the operations currently planned for the next twelve months; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions; receipt of applicable permits.

Avalon Investment Holdings Ltd. (an exploration stage Company)

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Management's outlook regarding future trends, including the future price of precious and base metals and availability of future financing.	Financing will be available for the Company's exploration and operating activities; the price of precious and base metals will be favourable to the Company.	Precious and base metals price volatility; changes in debt and equity markets; interest rate and exchange rate fluctuations; changes in economic and political conditions; availability of financing.
The Company will continue to focus its exploration efforts on existing targets located at the Omai Gold Mine in Guyana	The Company will focus its budget on the exploration work program at the Omai Gold Mine.	Management may change its plans based on future exploration results.
The Company will complete the Reverse Take Over transaction with Anconia Resources Corp.	On October 10, 2019, Anconia Resources Corp. ("Anconia") the Company announced that they have entered into a definitive amalgamation agreement. See section below "Subsequent Events"	
Sensitivity analysis of financial instruments.	Based on management's knowledge and experience of the financial markets, the Company has no significant risk as a result of a change in the foreign currency exchange rates or interest rates.	Changes in debt and equity markets; interest rate and exchange rate fluctuations.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. Please also make reference to those risk factors referenced in the "Risks Factors" section below. Readers are cautioned that the above chart does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

Avalon Investment Holdings Ltd. (an exploration stage Company)

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Background

Avalon is an exploration and development focused company specializing in the highly prospective but under prospected Guiana Shield. Avalon is a privately held Barbados corporation, based in Christ Church, Barbados, with a wholly owned operating subsidiary, Avalon Gold Exploration Inc. ("Avalon Exploration"), which is engaged in the acquisition, exploration and potential development of precious metal mineral properties in Guyana. Avalon was incorporated on February 22, 2018 and is currently operated by its President, Michael Smith, of Naples, Florida.

Avalon holds an option to acquire a 100% interest in a prospecting license known as "Kaburi South", covering approximately 5,235 acres, located adjacent to Troy Resources Limited's Karouni mine in Guyana

Events during the reporting period ended December 31 2018.

In August 2018, the Company acquired from creditors of Mahdia Gold Corporation (Guyana) Inc. ("MGCG") \$2,696,822 in debts owed by MGCG to them. In addition, the Company assumed the liability for a vendor agreement owed by MGCG to the vendor (\$2,100,000). The Company and MGCG subsequently entered into a Loan and General Security Agreement covering all of MGCG's assets including its interest in Avalon Gold Exploration Inc.

On November 2nd, 2018 The Company exercised its rights under the loan and general security agreements causing MGCG to transfer 100% of its interest in Avalon Gold Exploration Inc. to the Company thereby making Avalon Gold Exploration Inc. a wholly owned subsidiary of the Company.

On December 24th, 2018, The Company entered into a Deed Agreement with the Guyana Geology and Mines Commission ("GGMC") relating to the future issuance of the Prospecting License to Avalon Gold Exploration Inc. (See Subsequent Events below)

On December 24th, 2018, the Company entered into an Option Deed and Prospecting Agreement (the "Option Agreement") with Mr. Sheldon Carew and Mr. Dexter Charles for five (5) Prospecting Permits ("Property") owned by Mr. Carew and Mr. Charles in the Mazruni Mining District No. 3, Guyana. The licensed area is adjacent to Troy Resources' Karouni mine in Guyana.

Exploration and Evaluation Assets

Kaburi South Property

On December 24th, 2018, the Company entered into an Option Deed and Prospecting Agreement (the "Option Agreement") with Mr. Sheldon Carew and Mr. Dexter Charles for five (5) Prospecting Permits ("Property") owned by Mr. Carew and Mr. Chalres in the Mazruni Mining District No. 3, Guyana. The licensed area is adjacent to Troy Resources' Karouni mine in Guyana.

The Term of the Option Agreement

Option Period expires on December 23rd 2028 (10-years). The Company has issued 300,000 common shares to Mr. Carew and 300,000 common shares to Mr. Dexter and has agreed to pay a further US\$50,000 for the Option Agreement.

The Company has the sole right to explore and prospect on the five Prospecting Permits.

The Company may Exercise its rights to acquire one or more of the five Prospecting Permits at any time during the Option Period by paying the Exercise Consideration of US\$1.00 per Prospecting Permits.

Proposed Exploration Activity

The Company has not conducted any technical work on the Property.

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The Company considers this property a pipeline exploration property that is located in an interesting area and may choose to explore the property or sell its interest in the Property at a future date.

Other than paying the annual rental fees, the Company does not anticipate committing financial resources to the exploration of the Property.

Exploration Costs

The Company was incorporated in February 22, 2018

The following table represents the Company's Exploration and Evaluation assets as at the fiscal year end.

Exploration and Evaluation assets as at	December 31, 2018
Omai Mine	\$44,960
Omai Mine Licence	\$0
Kabouri South; acquisition cost (See Note 2 below)	\$110,000
Kabouri South; rental lease payments	\$3,500
Total	\$158,460

Avalon Exploration holds a 100% interest in a newly issued prospecting license in Guyana, which covers 4,590 acres of licensed area, including the site of the past producing Omai Gold Mine, and provides for an exclusive right to use certain existing infrastructure at the Omai Gold Mine for any future mining operations, subject to entering into specific lease agreements therefor.

In the prior year, the company entered into an Option Deed and Prospecting agreement with Sheldon Carew and Dexter Charles to purchase their prospecting and exploration rights on a property located in Kabouri South. Payment is made via cash and the issuance of shares.

The following table represent the exploration and evaluation assets for the 10 month period ended December 31, 2018

Exploration and Evaluation assets for the	December 31, 2018
Omai Mine	\$4,489,950
Omai Mine Licence	\$0
Kabouri South; acquisition cost (See Note 2 below)	\$110,000
Kabouri South; rental lease payments	\$3,000
Total	\$4,603,450

Financial Statements Going Concern Assumption

The financial statements have been prepared on the basis of accounting principles applicable to a going concern under IFRS. The use of these principles under IFRS assumes that the Company will continue in operation for the foreseeable future and will be able to realize assets and discharge its liabilities in the normal course of operations.

The business of exploration involves a high degree of risk, as such there is no assurance that the Company's expected exploration programs will result in profitable mining operations. Until it is determined that the E&E assets can be economically mined, they are classified as exploration and evaluation assets using the full cost method allowed under IFRS 6. The Company's continued existence is dependent upon the discovery of economically recoverable reserves and resources, securing and maintaining title and beneficial interest in its E&E, and making the required payments pursuant to E&E purchase agreements. The Company has yet to generate income and cash flows from its operations.

There is no assurance that the Company will be able to obtain the external financing necessary to explore, develop if E&E are proven successful and bring to commercial production its E&E. The Company has no proven history of profitability, which casts doubt as to whether the Company will be able to continue as a going concern should it not be able to obtain the necessary financing to fund working capital and capital expenditures. The ability of the Company to arrange such financing in the future depends in part upon the prevailing capital market conditions as well as the business performance of the Company. If additional financing is raised by the issuance of shares from the treasury of the Company existing shareholders may have their interest diluted. If adequate financing is not available, the Company may be required to relinquish rights to certain of its interests or terminate its operations.

As at December 31st 2018, the Company has not generated revenues from operations and had an accumulated deficit of \$1,736,288 and Cash and cash equivalents of \$12,180 working capital deficit of, \$1,465,457. Please refer to Events after the reporting period below

The Company is actively seeking additional sources of financing. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern that these uncertainties are material and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore to realize its assets and discharge its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements. These adjustments could be material.

Avalon Investment Holdings Ltd. (an exploration stage Company)

Management Discussion & Analysis; for the year ended December 31, 2018

Consolidated Financial Position

This section should be read in conjunction with the audited Consolidated statement of financial position and the audited Consolidated Statement of Changes in Shareholder's Equity as at December 31, 2018 and the audited Consolidated statements of Cash Flows for the ten months ended December 31, 2018.

Results of Operations

Ten months ended December 31, 2018

For the fiscal period ended December 30, 2018 the Company incurred a loss and comprehensive loss of \$1,736,288

The operating results for the ten months ended December 31, 2018 as follows:

Item Description	December 31, 2018
Advertising & Marketing	\$1,485
Bank Charges & Fees	\$300
Building Rent: Guyana Office	\$3,900
Consultancy Fees	\$1,333,842
Dues & subscriptions	\$1,711
Licences	\$1,500
Management Fees: Executives	\$280,000
Meals & Entertainment: Entertainment Meals	\$745
Office Supplies & Software	\$130
Other Business Expenses	\$2,000
Professional Services: Accounting & Audit Fees	\$7,530
Professional Services: Legal Fees	\$300
Registered Corporate Office Expense	
Telephone & Wireless Services	\$1,035
Travel: Car Rental & Taxi	\$180
Travel: Hotels & Lodging	\$7,756
Other Miscellaneous Expense	\$5,086
Postage & Freight	\$170
Share based payments	\$53,000
Accretion	\$35,618
TOTAL	\$1,736,288

Results of Operations: Consolidated

Avalon Investment Holdings Ltd. (an exploration stage Company)

Management Discussion & Analysis; for the year ended December 31, 2018

	Year Ended Dec 31, 2018
Net Gain (Loss)	(\$1,736,288)
Cash & Cash Equivalents	\$12,180
Mineral Property	\$4,603,450
Total Assets	\$4,616,930
Shareholders' Equity	\$2,404,122

Consolidated Assets:

- The Company's cash and cash equivalents as at December 31, 2018 were \$12,180
- Consolidated current assets of the Company as at December 31, 2018 were \$13,480 comprising of cash and cash equivalents, accounts receivable and prepaid expenses.
- Total consolidated assets as at December 31, 2018 were \$4,616,930 which are comprised of current assets of \$13,480 and Mineral Property assets of \$4,603,450

Consolidated Liabilities

Consolidated current liabilities as at December 31, 2018, were \$1,478,937 which are comprised largely of accounts payable and accrued liabilities of \$211,713 and debt purchased of \$1,255,224 and notes payable of \$12,000

Consolidated Cash Flows

The net cash used in operating activities during the fiscal period ended December 31, 2018, was \$387,257 comprising of Net Loss for the fiscal period 1,736,288), an increase in Accounts Payable of \$1,261,713 and an increase in Accounts receivable of \$13,000 and share based payments of 53,000 and accretion of 35,618.

There was no revenue during the period.

Net cash used in investing activities during the fiscal period ended December 31, 2018 was \$4,959, which is mainly attributable to mineral property assets in 2018.

Liquidity

The Company's activities have been funded to date through equity financing and the Company expects that it will continue to be able to utilize this source of financing until it develops cash flows from operations. There 938 be no assurance, however, that the Company will be successful in its efforts. If such funds are not available or other sources of finance cannot be obtained, then the Company will be forced to curtail such proposed activities to a level for which funding is available and can be obtained.

As at December 31, 2018, the Company's current assets are comprised of Cash and cash equivalents of \$12,180 and other receivables and prepaid expenses of \$1,300.

As at December 21, 2018, the Company had working capital deficit of \$1,465,457 and shareholders' equity of \$2,444,122.

Related Party Disclosure

Related parties include the Board of Directors, officers, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions. In accordance with International Accounting Standards 24 - Related Party Disclosure, key management personnel are those having authority and responsibility for

Avalon Investment Holdings Ltd. (an exploration stage Company)

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planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and nonexecutive) of the Company.

The terms and conditions of the transactions with key management personnel and their related parties were no more favorable than those available, or which might reasonably be expected to be available, to similar transactions to non-key management personnel related entities on an arm's length basis.

The Company entered into the following transactions with related parties:

The President and Chief Executive Officer, Mr. Michael Smith, ("CEO") of the Company is an employee of 4739 Holdings Ltd ("4739"). 4739 has a consulting contract with Avalon to provide his services as CEO to the Company. Fees and outstanding amounts due to 4739 relating to consulting services as expensed and capitalized as exploration and evaluation assets are detailed below.

One of the directors, Robert deCastro, of the Company provides business advisory services from (time to time) and as such is compensated for these services when provided. For details of the fees and outstanding amounts due relating to business advisory services provided, re Mr. deCastro, see table below.

The Chief Financial Officer, Mr. Kester daCosta, ("CFO") has a service contract and is entitled to fees based on this contract relating to consulting services in the normal course of business. These fees are expensed as consulting fees in the general and administrative expenses. The table below details the fees and amounts due to Mr. daCosta. Mr. DaCosta resigned on June 16th, 2019.

The Chief Operating Officer, Mr. Kris Sammy, ("COO") of the Company is the President of Compass Investments TC ("Compass") and Compass (and by extension the COO) has a contract with the Company. Fees and outstanding amounts due to Compass relating to consulting services as expensed and capitalized as exploration and evaluation assets are detailed in the table below.

Related Party fees For the year ended in US\$	December 31, 2018
CEO	\$70,000
CFO	\$30,000
COO	\$40,000

Amounts due to Related Parties in US\$	As at December 31, 2018
CEO	\$172,220
CFO	\$142,548
COO	\$180,908
Total	\$495,676

Directors are entitled to director fees and stock options for their services and officers are entitled to stock options and cash remuneration for their services as outlined in their service contracts with the Company.

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Management Discussion & Analysis; for the year ended December 31, 2018

Outstanding Share Data

- Authorized Share capital: unlimited common shares without par value.
- Issued and outstanding: 189,869,799 common shares as of the date of this MD&A The following table sets out the fully diluted share capital of the Company.

Total shares outstanding as at February 22, 2018 (date of Incorporation)	100
Shares issued by the Company in 2018	65,329,900
Total shares outstanding as at December 31, 2018	65,330,000
Total warrants outstanding as at February 22, 2018 (date of Incorporation)	0
Warrants by the Company in 2018	771,400
Total warrants outstanding as at December 31, 2018	771,400
Total Options outstanding as at February 22, 2018 (date of Incorporation)	0
Options issued in June 2018	1,000,008
Total Options outstanding as at December 31, 2018	1,000,008
Total Number of Diluted Securities as at December 31, 2018	67,101,408
Securities Issued subsequent to December 31st 2018	
Common Shares	124,539,799
Warrants	36,156,365
Options	7,741,668
	168,437,832
Total Number of Diluted Securities as at August 17th 2020	235,539,240

- (i) The Company was incorporated on February 22, 2018 issuing 100 shares for \$1.00 per share
- (ii) During the period from incorporation (February 22, 2018) to December 31, 2018, the Company issued 63,399,900 shares at deemed prices ranging from \$0.038 to \$0.10 per share to settle \$3,904,950 of debt.
- (iii) During the period from incorporation (February 22, 2018) to December 31, 2018, the Company completed non- brokered private placements and issued an aggregate of 1,330,000 units at \$0.10 per unit for aggregate gross proceeds of \$133,000. Each unit was comprised of one common share and one-half common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at an exercise price of \$0.35 and expires two years from the date of closing. As part of the financing, the Company paid certain eligible finders a cash payment of \$10,640 and issued 106,400 broker warrants exercisable for common shares at an exercise price of \$0.35 and expiring two years from the date of closing.

As at the date of this MD&A (August 17, 2020), 189,869,799 common shares are issued and outstanding; 36,927,765 warrants are outstanding, and 8,741,676 stock options are outstanding. See Subsequent Events below for additional information on securities issued subsequent to December 31st 2018.

Significant Accounting Policies

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Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), effective for the Company's reporting for the year ended December 31, 2018. These consolidated financial statements were approved and authorized for issuance by the Board on August 17, 2020.

Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis, with the exception of financial instruments classified at fair value through profit or loss ("FVTPL"). In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

In the preparation of these consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of expenses during the period. Actual results could differ from these estimates.

Functional and presentation currency

These consolidated financial statements have been prepared in United States dollars, which is the Company's functional and presentation currency.

Basis of consolidation

Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continues to be consolidated until the date that such control ceases. Control is achieved when an investor has power over an investee to direct its activities, exposure to variable returns from an investee, and the ability to use the power to affect the investor's returns.

The results of subsidiaries acquired or disposed of during the periods presented are included in the consolidated statements of comprehensive loss from the effective date of control and up to the effective date of disposal or loss of control, as appropriate. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

Cash and cash equivalents

Cash in the statements of financial position and cash flows comprise of cash at bank and on hand. As at December 31, 2019 and 2018, the Company had no cash equivalents.

Mineral properties

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Acquisition costs related to mineral properties are capitalized at fair value at the time the legal right to prospect and explore the property has been acquired. The acquisition costs are written off when a mineral property is disposed of through sale or abandonment.

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous periods.

Deferred tax is recognized in respect of taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to taxable temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Share-based payment transactions

The fair value of stock options granted to employees and non-employees is recognized as an expense over the vesting period with a corresponding increase in shareholders' equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Decommissioning liability

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the Company's exploration and evaluation activities. Discount rates using

Avalon Investment Holdings Ltd. (an exploration stage Company)

Management Discussion & Analysis; for the year ended December 31, 2018

a pretax rate that reflects the risk and the time value of money are used to calculate the net present value. These costs are charged against profit or loss as exploration and evaluation expenditures and the related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

The Company has no restoration, rehabilitation and environment costs as at December 31, 2019 and 2018.

Provision

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using pretax rate that reflects current market assessments of the time value of money and the risk specific to the obligation.

Loss per share

Loss per common share have been determined by dividing net loss attributable to common shareholders by the weighted average number of common shares outstanding during the year, excluding shares securing employee share purchase loans and shares in escrow, if any. The Company follows the "treasury stock" method in the calculation of diluted earnings per share. Under this method, the calculation of diluted earnings per share assumes that outstanding options and warrants that are dilutive to earnings per share are exercised and the proceeds are used to repurchase shares of the Company at the average market price of the shares for the period. The treasury stock method is not used to calculate diluted loss per share because the result would be anti-dilutive. Loss per share per share (diluted) are equivalent measures and calculated on a non-dilutive basis.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Financial instruments

Recognition

The Company recognizes a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value, and are derecognized either when the Company has transferred substantially all the risks and rewards

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of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

Classification and measurement

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

- i) those to be measured subsequently at fair value, either through profit or loss ("FVTPL") or through other comprehensive income ("FVTOCI"); and
- ii) those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

After initial recognition at fair value, financial liabilities are classified and measured at either:

- i) amortized cost;
- ii) FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or,
- iii) FVTOCI, when the change in fair value is attributable to changes in the Company's credit risk.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at amortized cost are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at fair value through profit or loss are expensed in profit or loss.

The Company's financial asset consists of cash and cash equivalents and accounts receivable, which are classified and subsequently measured at amortized cost.

The Company's financial liabilities trade and other payables, debt purchased, promissory notes payable and long-term liability, which are classified and measured at amortized cost using the effective interest method. Interest expense is reported in net loss.

Impairment

The Company assesses all information available, including on a forward-looking basis the expected credit loss associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information.

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Financial instruments recorded at fair value

The Company categorizes its financial assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs used in the measurement.

- Level 1: This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date.
- Level 2: This level includes valuations determined using directly or indirectly observable inputs other than quoted prices included within Level 1. Derivative instruments in this category are valued using models or other standard valuation techniques derived from observable market inputs.
- Level 3: This level includes valuations based on inputs which are less observable, unavailable or where the observable data does not support a significant portion of the instruments' fair value.

Significant accounting judgments and estimates

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates:

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, relate to, but are not limited to, the following:

- the recoverability of accounts receivable which are included in the consolidated statements of financial position;
- Income taxes – measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only become final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the consolidated financial statements; and
- the inputs used in accounting for share-based payment transactions.

Critical accounting judgments:

- management assessment of going concern and uncertainties of the Company's ability to raise additional capital and/or obtain financing to advance the lithium properties; and
- management determination of no material restoration, rehabilitation and environmental exposure, based on the facts and circumstances that existed during the period.

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements at the date of this MD&A.

Commitment

There are no commitments at the date of this MD&A.

Management's Responsibility for Financial Statements

The information provided in this MD&A, including the consolidated financial statements, is the responsibility of management. In the preparation of these consolidated financial statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying consolidated financial statements.

Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

Risk Factors

Anconia is subject to a number of risks due to the nature of the business of mineral exploration and the early stage of its development. The following risk factors are provided from the perspective of the Company.

Mineral Exploration Risks

The successful exploration of exploration and evaluation assets is speculative. Such activities are subject to a number of uncertainties, which even a combination of careful evaluation, experience and knowledge may not eliminate. Most exploration projects do not result in the discovery of commercially mineable deposits. There is no certainty that the expenditures made or to be made by the Company in the exploration of the exploration and evaluation assets in which it may have an interest will result in the discovery of base metals or other mineralized materials in commercial quantities. While discovery of a base metal deposit may result in substantial rewards, few exploration and evaluation assets that are explored are ultimately developed into producing mines. Significant expenditures may be required to establish reserves by drilling and to construct mining and processing facilities at a site. No assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations. Whether a mineral deposit will be commercially viable depends on a number of factors, including the particular attributes of the deposit (i.e. size, grade, access and proximity to infrastructure), financing costs, the cyclical nature of commodity prices and government regulations (including those relating to prices, taxes, currency controls, royalties, land tenure, land use, importing and exporting of mineral products, and environmental protection). Although substantial benefits may be derived from the discovery of a major deposit, it is impossible to ensure that the current exploration programmes of the Company will result in profitable commercial mining operations or that funds required for development can be obtained on a timely basis. The implementation of certain aspects of the Company's strategy in respect of the exploration and evaluation asset is subject to the completion of detailed feasibility studies. The Company is not able to predict the outcome of such studies and unfavorable results may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Country Risk

The Company could be at risk regarding any political developments in the countries which it operates. At present, the Company is active in Barbados and Guyana. The Company's mineral exploration in Guyana, may be adversely affected by political instability, legal and economic uncertainty in the countries where the Corporation operates or has plans to operate. These risks may include: political unrest; labor disputes; invalidation of governmental orders and permits; corruption; war and civil disturbances; terrorist activities; arbitrary changes in laws; regulations; policies; taxation; price controls; exchange controls; delays in or the inability to obtain necessary permits; opposition to mining from environmental activists or other non-governmental organizations; limitations on foreign ownership; limitations on the

Avalon Investment Holdings Ltd. (an exploration stage Company)

Management Discussion & Analysis; for the year ended December 31, 2018

repatriation of earnings; limitation on mineral exports and increase financing costs. These risks may limit or disrupt the Company's projects, restrict the movement of funds or result in the deprivation of contractual rights.

Failure to raise capital when needed would have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Regulatory Requirements

Mining operations, development and exploration activities are subject to extensive laws and regulations governing prospecting, development, production, exports, taxes, labor standards, occupational health, waste disposal, environmental protection and remediation, protection of endangered and protected species, mine safety, toxic substances and other matters. Changes in these regulations or in their application are beyond the control of the Company and could adversely affect its operations, business and results of operations.

Government approvals and permits are currently, and may in the future be, required in connection with the exploration and evaluation assets. To the extent such approvals are required and not obtained, the Company may be restricted or prohibited from proceeding with planned exploration or development activities. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may be liable for civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permitting requirements, or more stringent application of existing laws, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or require abandonment or delays in development of properties or reductions in levels of production at producing properties.

Reliability of Historical Information

The Company has relied upon historical data compiled by previous parties involved with the properties. To the extent that any of such historical data may be inaccurate or incomplete, the Company's exploration plans may be adversely affected.

Title Matters

The acquisition of title to exploration and evaluation assets is a very detailed and time-consuming process. Title to, and the area of, mineral concessions may be disputed. Although the Company believes it has taken reasonable measures to ensure proper title to its properties, there is no guarantee that title to the property will not be challenged or impaired. Third parties may have valid claims underlying portions of the Company's interests. Further, there can be no assurance that any pending applications for mineral rights in which the Company holds an interest (including in respect of the properties) will be granted in whole or in part. If a title defect exists, it is possible that the Company may lose all or part of its interest in the properties or any other property subsequently acquired to which such title defect exists.

Licenses and Permits

The current and proposed exploration activities of the Company require certain permits and licenses from various governmental authorities and such operations are and will be governed by laws and regulations governing exploration, development and production, labor standards, occupational health, waste disposal, toxic substances, land use, environmental protection, safety, mine permitting and other matters. Companies engaged in exploration activities generally experience increased costs and delays as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that all licenses and permits which the Company may require to carry out exploration of its projects will be obtainable on reasonable terms or on a timely basis, or that such laws and regulations would not have an adverse effect on any project that the Company may undertake.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions.

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Parties engaged in exploration operations may be required to compensate those suffering loss or damage by reason of the exploration activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Commodity Price Fluctuations

The price of the Company's securities, its financial results and exploration activities may be significantly adversely affected by declines in the price of base metals demand and price are determined by numerous factors beyond the control of the Company including the demand for electricity, international exchange rates, political and economic conditions and production costs in mining regions, production and consumption patterns, speculative activities, increased production due to improved mining and production methods, government regulations relating to prices, taxes, royalties, land tenure, land use, environmental protection and the degree to which a dominant producer uses its market strength to bring supply into equilibrium with demand. The combined effects of any or all of these factors on metal prices or volumes are impossible for the Company to predict. If realized metal prices fall below the full cost of production of any of the Company's operations and remain at such level for any sustained period, the Company will experience losses, which may be significant, and may decide to discontinue affected operations, forcing the Company to incur closure or care and maintenance costs, as the case may be. In addition, declining metal prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

Current Global Financial Conditions

Recent events in global financial markets have had a profound impact on worldwide economies. Many industries have been impacted by the changes in market conditions to varying degrees. Some of the key impacts of the current financial market turmoil include contraction in credit markets and resulting widening of credit risk as well as enhanced volatility in commodity, equity and foreign exchange markets. A continued or worsened slowdown in financial markets or other economic conditions, including without limitation, constraints in credit or surety markets, a sustained slump in economic activity in the mining industry in general and in Canada in particular, the availability of private and public sector funding for mineral exploration projects, pressure on margins arising from an altered competitive landscape or an increased risk of corporate bankruptcy in the markets in which the Company operates, may adversely affect the Company in ways which are not possible to predict given the unprecedented nature of the current crisis.

Currency Fluctuations

Currency fluctuations may affect some of the Company's future operations, financial positions and results. The Company's financial results are reported in United States dollars and the majority of its funds are held in United States dollars accounts. The majority of the Company's costs to date are in United States dollars. However, if the Company expands its activities in Guyana or Canada the Company will have increased exposure to fluctuations in the United States dollar against foreign currencies.

Uninsured Risks

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fire, flooding and earthquakes may occur. It is not always possible to fully insure against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs, have a material adverse effect on the Company's results and a decline in the value of the securities of the Company.

Environmental Regulations

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The activities of the Company are subject to laws and regulations controlling not only mineral exploration and exploitation activities themselves but also possible effects of such activities upon the environment. Environmental legislation generally provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission of environmental impact assessments and approval thereof by government authorities.

Environmental legislation is evolving in a manner which means stricter standards, and enforcement, increased fines and penalties for non-compliance, and more stringent environmental assessments of proposed projects. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. Permits from a variety of regulatory authorities are required for many aspects of mineral exploration activities including closure and reclamation. Future environmental legislation could cause additional expense, capital expenditure, restrictions liabilities and delays in the development of the Company's properties, the extent of which cannot be predicted. In the context of environmental permits, including the approval of closure and reclamation plans, the Company must comply with standards and laws and regulations which may entail costs and delays depending on the nature of the activity to be permitted and how stringently the regulations are implemented by the permitting authority. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. There may be unforeseen environmental liabilities resulting from exploration and/or mining activities and these may be costly to remedy. The Company does not maintain environmental liability insurance.

Access to Transportation Infrastructure

Access to the Omai Gold Mine is available through public roads which requires a ferry boat river crossing. If the ferry service ceases to operate the Company may face additional expenses related to transportation.

Competition

The mining industry is competitive in all its phases. The Company will compete with many companies and individuals that have substantially greater financial and technical resources than the Company in the search for, and the acquisition of, mineral concessions as well as for the recruitment and retention of qualified employees. The Company's ability to identify and increase reserves in the future will depend not only on its ability to explore and develop the properties, but also on its ability to select, acquire and develop suitable properties or prospects. In addition, the mining industry is facing a shortage of equipment and skilled personnel and there may be intense competition for experienced geologists, field personnel and contractors. There is no assurance that the Company will be able to compete successfully with others in acquiring such prospects, equipment or personnel.

Limited Operating History and Financial Resources

The Company has a limited operating history, has no operating revenue and is unlikely to generate any revenues from operations in the foreseeable future. The Company anticipates that its existing cash resources, together with the net proceeds from private placements, will be sufficient to cover its projected funding requirements for the ensuing year. If its exploration program is successful, additional funds will be required for further exploration to determine if any deposits are economic and if economic, to bring such deposits to production. Additional funds will also be required for the Company to acquire and explore other mineral interests. The Company has limited financial resources and there is no assurance that sufficient additional funding will be available to enable it to fulfill its obligations or for further exploration on acceptable terms or at all. Failure to obtain additional funding on a timely basis could result in delay or indefinite postponement of further exploration and could cause the Company to forfeit its interests in some or all of its exploration and evaluation assets, or to reduce or terminate its operations. Sources of funds now available to the Company are limited and may include the sale of equity capital, exploration and evaluation assets, royalty interests, the entering into of future joint ventures and the exercise of outstanding options. Additional financing may not be available when needed or, if available, the terms of such financing might not be favorable to the Company and might involve substantial dilution to existing shareholders.

Dependence upon Key Management Personnel and Executives

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Management Discussion & Analysis; for the year ended December 31, 2018

The Company will be dependent upon the continued support and involvement of a small number of key management personnel. The loss of the services of one or more of such personnel could have a material adverse effect on the Company. The Company's ability to manage its exploration activities and, hence, its success, will depend in large part on the efforts of these individuals. The Company faces intense competition for qualified personnel and there can be no assurance that the Company will be able to attract and retain such personnel. The number of persons skilled in the acquisition of, exploration of exploration and evaluation assets is limited and competition for such persons is intense.

Possible Conflicts of Interest of Directors and Officers of the Company

Certain of the directors and officers of the Company also serve as directors, officers and/or advisors of and to other companies involved in natural resource exploration and supporting services. Consequently, there exists the possibility for such directors and officers to be in a position of conflict. The Company expects that any decision made by any of such directors and officers involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders, but there can be no assurance in this regard. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest with or which are governed by the procedures set forth in the OBCA and any other applicable law.

Absence of Dividends

The Company does not expect to pay any dividends in the foreseeable future.

Source of Future Funds

The only source of future funds for further exploration programs, or if such exploration programs are successful for the development of economic ore bodies and commencement of commercial production thereon, which are presently available to the Company are the sale of equity capital or the offering by the Company of an interest in its exploration and evaluation assets to be earned by another party carrying out further exploration. Management has been successful in accessing equity markets in the past, but there is no assurance that such sources will be available on acceptable terms in the future.

Risk of Dilution

Under applicable Barbados law, shareholder approval may not be required for the Company to issue additional Company Shares. Moreover, the Company has commitments that could require the issuance of a substantial number of additional Company Shares, in particular options to acquire Company Shares under the Company's stock option plan and property option agreements. The business of the Company will require substantial additional financing which will likely involve the sale of equity capital. The Company can also be expected to issue additional options, warrants and other financial instruments, which may include debt. Future issuances of equity capital may have a substantial dilutive effect on existing shareholders of the Company. The Company is not able at this time to predict the future amount of such issuances or dilution.

Price Volatility and Lack of Active Market

The Company is a private company and its Shares are not listed on any quoted market. The Company anticipates completing the RTO with Anconia in Q3 2020. However, there is no assurance that an active market for the Company's securities will develop or be sustained after the RTO. If an active market does not develop, the liquidity of the investment may be limited, and the market price of such securities may decline.

In recent years, the securities markets in Canada and elsewhere have experienced a high level of price and volume volatility, and the market prices of securities of many public companies have experienced significant fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. It may be anticipated that any quoted market for the Company's securities will be subject to such market trends and that the value of such securities may be affected accordingly.

Avalon Investment Holdings Ltd. (an exploration stage Company)

Management Discussion & Analysis; for the year ended December 31, 2018

Financial and Other Instruments

The Company's financial instruments and liabilities consist of cash and cash equivalents, amounts receivable, and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these instruments approximates their carrying value due to the short-term nature of their maturity.

Exploration & Operations

Since the issuance of the Prospecting License, the company has increased its operational activities on the Omai property. The ongoing work which is being done with the database of historic work, has led the Company to enter into an agreement with a third party, Mine Development of Reno Nevada, to begin work on a new comprehensive geological model of the Omai deposit. Additionally, the Company has recovered and remediated approximately 3,500m of drill core from the property, which was drilled in 2012 and has been in a secure government facility since operations ceased in 2012. This core, which has never been sampled, is being inventoried by Company geologists and will be transported to the Omai site for logging and sampling. At the Omai itself, the Company has rehabilitated the remaining two buildings to be a fully equipped 40 man camp. The camp includes full exploration offices, and facilities for core handling, logging, sampling, and storage. The Company now has full time security on site resident in the camp. Additionally, the Company completed a 4000 line kilometer airborne Magnetics, and Radiometrics geophysics survey. The survey was flown by Terraquest Airborne Geophysics of Markham, Ontario.

Subsequent Financial Events

During the year ended December 31, 2019, the Company completed non-brokered private placements and issued an aggregate of 11,568,750 units at \$0.10 per unit for aggregate gross proceeds of \$1,156,875. Each unit was comprised of one common share and one-half common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at an exercise price of \$0.35 and expires two years from the date of closing. As part of the financing, the Company paid certain eligible finders a cash payment of \$33,200, issued 136,000 broker warrants exercisable for common shares at an exercise price of \$0.35 and expiring two years from the date of closing, and issued 116,000 broker warrants exercisable for common shares at an exercise price of \$0.35 and expiring on May 1, 2022.

During the year ended December 31, 2019, the Company issued 600,000 shares at a deemed price of \$0.10 per share to settle \$60,000 of debt.

Subsequent to December 31, 2019, the Company issued 50,000 stock options to consultants of the Company with an exercise price of \$0.10 and expiring two years from the date of issuance.

Subsequent to December 31, 2019, the Company entered into an investment agreement (the "Sandstorm Investment Agreement") with Sandstorm Gold Ltd. ("Sandstorm"), whereby Sandstorm agreed to subscribe for 20,000,000 common shares in Avalon at a price of \$0.10 per common share and Avalon would grant Sandstorm a 1% net smelter returns royalty (the "Royalty") with respect to the sale of all economic marketable material on the Omai Gold Project. As a result, Avalon issued 20,000,000 common shares for gross proceeds of \$2,000,000.

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Subsequent to December 31, 2019, the Company completed non-brokered private placements and issued an aggregate of 56,371,229 units at a price of \$0.10 per unit for aggregate gross proceeds of \$5,637,123. Each unit consist of one common share and one-half common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at an exercise price of \$0.35 and expires two years from the date of closing. As part of the financing, the Company paid certain eligible finders a cash payment of \$198,447 and issued 1,984,466 broker warrants exercisable for common shares at an exercise price of \$0.35 and expiring on May 1, 2022.

Subsequent to December 31, 2019, the Company issued 6,000,000 shares, valued at \$0.10 per share, to enter into an Exclusivity Agreement that allows Avalon to exclusively investigate a property that may be a potential acquisition target in the future.

Subsequent to December 31, 2019, the Company issued 30,000,000 shares at \$0.15 per share for \$4,500,000.

Subsequent to December 31, 2019, the Company issued 7,691,668 stock options to consultants of the Company with an exercise price of \$0.10 and expiring five years from the date of issuance.

Other Information

Additional information about the Company is available on the Company's website (www.omaigoldmines.com)

Avalon Investment Holdings Ltd
(An Exploration Stage Company)

MANAGEMENT'S DISCUSSION & ANALYSIS OF THE AUDITED CONSOLIDATED FINANCIAL POSITION AND CONSOLIDATED
RESULTS OF OPERATIONS

For the Year Ended December 31st, 2019

This MD&A is dated August 17th 2020

Avalon Investment Holdings Ltd. (an exploration stage Company)

Management Discussion & Analysis; for the year ended December 31st, 2019

Introduction

This Management Discussion and Analysis (“MD&A”), dated August 17th 2020 provides a review of the financial position and the results of operations of Avalon Investment Holdings Ltd. (the “Corporation”, “Avalon” or the “Company”) and constitutes management review of the factors that affected the Company’s financial and operating performance for the three and twelve months ended December 31st, 2019. This MD&A has been prepared in compliance with the requirements of National Instrument 51- 102 – Continuous Disclosure Obligations. The review is provided to enable the reader to assess the significant changes in the financial condition of the Company as at and for the three and twelve months ended December 31, 2019. This MD&A should be read in conjunction with the audited condensed interim consolidated financial statements for the three and twelve months ended December 31st, 2019 with the notes thereto. The Company’s financial statements and the financial information reported in this MD&A have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”). All amounts presented are stated in United States dollars, unless otherwise indicated. Information contained herein is presented as of December 31st, 2019, unless otherwise indicated.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the value of Avalon’s common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Cautionary Note Regarding Forward-Looking Information

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as “forward-looking statements”). These statements relate to future events or the Company’s future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “continues”, “forecasts”, “projects”, “predicts”, “intends”, “anticipates” or “believes”, or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward-looking statements.

Avalon Investment Holdings Ltd. (an exploration stage Company)

Management Discussion & Analysis; for the year ended December 31st, 2019

Forward-looking statements	Assumptions	Risk factors
Potential of the Company's properties to contain economic deposits of precious and base metals.	Financing should be available for future exploration of the Company's properties; the actual results of the Company's exploration activities will be favorable; operating and exploration costs will not exceed the Company's expectations; the Company will be able to retain and attract skilled staff; all requisite regulatory and governmental approvals for exploration projects and other operations will be received on a timely basis upon terms acceptable to the Company, and applicable political and economic conditions are favorable to the Company; the price of precious and base metals and applicable interest and exchange rates will be favorable to the Company; no title disputes exist with respect to the Company's exploration and evaluation assets.	Precious and base metals price volatility; uncertainties involved in interpreting geological data and confirming title to acquired exploration and evaluation assets; the possibility that future exploration results will not be consistent with the Company's expectations; availability of financing for and actual results of the Company's exploration activities; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic and political conditions; the Company's ability to retain and attract skilled staff; availability of permits.
The Company's ability to meet its working capital needs at the current level for the twelve-month period ending September 30, 2020. The Company expects to incur further losses in the development of its business.	The operating and exploration activities of the Company for the twelve-month period ending December 31, 2020 and beyond, and the costs associated therewith, will be dependent on raising sufficient additional capital consistent with the Company's current expectations.	Changes in debt and equity markets; timing and availability of external financing on acceptable terms; changes in the operations currently planned for the next twelve months; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions.
The Company's ability to carry out anticipated exploration on its exploration and evaluation assets.	The exploration activities of the Company for the next twelve months ending December 31 st 2020, and the costs associated therewith, will be consistent with the Company's current expectations.	Changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; changes in the operations currently planned for the next twelve months; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions; receipt of applicable permits.

Avalon Investment Holdings Ltd. (an exploration stage Company)

Management Discussion & Analysis; for the year ended December 31st, 2019

Management's outlook regarding future trends, including the future price of precious and base metals and availability of future financing.	Financing will be available for the Company's exploration and operating activities; the price of precious and base metals will be favorable to the Company.	Precious and base metals price volatility; changes in debt and equity markets; interest rate and exchange rate fluctuations; changes in economic and political conditions; availability of financing.
The Company will continue to focus its exploration efforts on existing targets located at the Omai Gold Mine in Guyana	The Company will focus its budget on the exploration work program at the Omai Gold Mine.	Management may change its plans based on future exploration results.
The Company will complete the Reverse Take Over transaction with Anconia Resources Corp.	On October 10, 2019, Anconia Resources Corp. ("Anconia") the Company announced that they have entered into a definitive amalgamation agreement.	Changes in the debt and equity markets including a general downturn in the world economy as a result of Covid-19 may delay the completion of the Reverse Take Over
Sensitivity analysis of financial instruments.	Based on management's knowledge and experience of the financial markets, the Company has no significant risk as a result of a change in the foreign currency exchange rates or interest rates.	Changes in debt and equity markets; interest rate and exchange rate fluctuations.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. Please also make reference to those risk factors referenced in the "Risks Factors" section below. Readers are cautioned that the above chart does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

Avalon Investment Holdings Ltd. (an exploration stage Company)

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Background

Avalon is an exploration and development focused company specializing in the highly prospective but under prospected Guiana Shield. Avalon is a privately held Barbados corporation, based in Christ Church, Barbados, with a wholly owned operating subsidiary, Avalon Gold Exploration Inc. ("Avalon Exploration"), which is engaged in the acquisition, exploration and potential development of precious metal mineral properties in Guyana. Avalon was incorporated on February 22, 2018 and is currently operated by its President, Michael Smith, of Naples, Florida.

Avalon Exploration holds a 100% interest in a newly issued prospecting license in Guyana, which covers 4,590 acres of licensed area, including the site of the past producing Omai Gold Mine, and provides for an exclusive right to use certain existing infrastructure at the Omai Gold Mine for any future mining operations, subject to entering into specific lease agreements therefor. In addition, Avalon holds an option to acquire a 100% interest in a prospecting license known as "Kaburi South", covering approximately 5,235 acres, located adjacent to Troy Resources Limited's Karouni mine in Guyana

On October 10th, 2019, Anconia Resources Corp. ("Anconia") and Avalon Investment Holdings Ltd. ("Avalon or the "Company") announced that they have entered into a definitive acquisition agreement dated October 9th, 2019 (the "RTO"), in respect of a proposed transaction (the "Transaction"), whereby Anconia has agreed to acquire all of the issued and outstanding securities of Avalon, by way of three-cornered amalgamation, share exchange or such other form of business combination as the parties may determine. The entity that would result from the completion of the Transaction (the "Resulting Issuer"), will continue to carry on base and precious metals exploration and development, focused primarily on the exploration of Avalon's Omai Gold Mine project in Guyana.

The Transaction constitutes a "reverse takeover" of Anconia under the policies of the TSX Venture Exchange (the "Exchange"), and its completion is subject to the approval of the Exchange and certain other conditions as described below. Anconia intends to apply to the Exchange to have the common shares of the Resulting Issuer listed and posted for trading on the Exchange. The Transaction is an arm's length transaction.

The Transaction

Pursuant to the Transaction, Anconia will issue common shares ("Anconia Shares") to the holders of common shares in the capital of Avalon ("Avalon Shares") on the basis of approximately one post-Consolidation (as defined below) Anconia Share for each one Avalon Share. Anconia and Avalon anticipate that approximately 108,000,000 million post-Consolidation Anconia Shares will be issued pursuant to the Transaction, based on the current capital structure of Avalon and assuming that Avalon has completed the equity financing described below on or prior to the closing of the Transaction. In addition, all securities convertible into Avalon Shares that are outstanding and unexercised immediately prior to closing are expected to be exchanged for economically equivalent and otherwise substantially similar securities convertible into Anconia post-Consolidation Shares. The parties anticipate that, upon completion of the Transaction, the Avalon shareholders will hold approximately 108,000,000 Anconia post-Consolidation Shares, representing 93% of the issued and outstanding Anconia post-Consolidation Shares on an undiluted basis, and 130,520,008 Anconia post-Consolidation Shares, representing approximately 94% of the issued and outstanding Anconia post-Consolidation Shares on a fully diluted basis. The foregoing shareholdings assume completion of a \$4.4 Million private placement transaction.

The Transaction is subject to a number of terms and conditions, including, but not limited to, the approval by the shareholders of Anconia and the Company; Avalon having completed an equity financing for gross proceeds of not less than U.S.\$4.4 million by way of a private placement whereby securities of Avalon will be offered at a price of \$0.10 (USD) per unit, where each unit will consist of one share and one half of one warrant resulting in the issuance of 44 million shares and 22 million warrants if the private placement is fully subscribed; the completion of the

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Consolidation by Anconia; and the approval of the Exchange and other applicable regulatory authorities. See also the Events After the reporting period below.

Trading in the Anconia Shares will remain halted pending the satisfaction of all applicable requirements of Policy 5.2 of the Exchange. There can be no assurance that trading of Anconia Shares will resume prior to the completion of the Transaction. Anconia will hold a meeting of its shareholders to vote on the Transaction and will require that a majority of the votes of its shareholders vote in favor of the Transaction in order to proceed with it. Further details concerning the Transaction (including additional financial information) and other matters will be announced if and when a definitive agreement is reached.

Name Change

Upon completion of the Transaction, Anconia intends to change its name to "Omai Gold Mines Corp." or such other name as Avalon and Anconia may otherwise determine, and the parties anticipate that the Exchange will assign a new trading symbol for the Resulting Issuer.

Consolidation

The completion of the Transaction is subject to the prior completion by Anconia of a consolidation of its share capital on the basis of one post-consolidation common share for each 15 pre-consolidation common shares (the "Consolidation").

Shareholder Meetings

Matters to be approved by Anconia's shareholders in connection with the Transaction, including the proposed name change and Consolidation will be sought from Anconia's shareholders at its annual and special meeting to be held on a date to be announced by Anconia and intended to be described in further detail in a management information circular relating to such meeting. Avalon has entered into voting agreements with holders of 24,131,452 Anconia Shares (or 20.5% of the current number of issued and outstanding Anconia Shares) to vote in favor of the Transaction.

Matters to be approved by Avalon's shareholders in connection with the Transaction will be sought from Avalon's shareholders at its annual and special meeting to be held on a date to be announced by Avalon and intended to be described in further detail in a management information circular relating to such meeting.

About Anconia

Anconia is an exploration and development focused company. Anconia currently has two exploration projects all of which are in Canada. One of the projects is in Nunavut is known as the Atlas project (which is the consolidation of two contiguous projects The Marce and Zac property). The second project is a gold project in the Kirkland Lake area of Ontario known as the Grenfell property, which is located approximately 5km away from the currently producing Macassa Mine owned by Kirkland Lake Gold.

Exploration & Operations During Q4

During the 4th Quarter the Company focussed on verification and interpretation of the extensive database in the Company's possession from previous operations at Omai and in the Omai region. This work will provide a greater understanding of the geology and geological processes related to the Omai deposit, and will ultimately lead to the development of a new geological model which will guide future exploration work.

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Exploration and Evaluation Assets

Avalon Investment Holdings Ltd / Omai Gold Mines

On April 26th 2019, the Guyana Geology & Mines Commission (“GGMC”) issued Prospecting License (PL #01/2019) to Avalon Gold Exploration Inc. for the exclusive right of occupation and exploration for Gold, Precious Minerals and Precious Stones, on 4,590 acres of licensed area, including the site of the past producing Omai Gold Mine, Potaro Mining District, Guyana.

The Term of the Prospecting Agreement

Avalon Exploration has the sole right to prospect on the Prospecting Agreement which expires on April 25th, 2022 and may be renewed for a further two-year period. Avalon Exploration has agreed to pay the GGMC US\$1M during the 1st year, US\$1M during the 2nd year and US\$2M during the 3rd year in addition to the annual rental fees and the agreement provides for an exclusive right to use certain existing infrastructure at the Omai Gold Mine for any future mining operations, subject to entering into specific lease agreements therefor.

Proposed Exploration Activity

Since obtaining the Prospecting License for the Omai Gold Mine area, Avalon has been active both on the property and working with the data generated during the life of the mine. This data is invaluable in developing new drill locations and is being thoroughly reinterpreted. The Company has also converted the data from mine grids to the standard coordinate system for Guyana. Working with the government, all the artisanal miners that were working on the property have been peacefully relocated, and now the mine site has no artisanal mining. The Company has begun the process of rehabilitating the living quarters on the site in preparation of commencement of drilling and other exploration activities. Additionally, the Company has located core stored by the GGMC, which was drilled into mineralized zones in the past but was not assayed or sampled. The Company is currently preparing this core for re-logging, sampling, and assaying, leading up to new drilling. Terraquest, a geophysics provider, has been contracted to fly a new airborne magnetics, radiometric and VLF survey over the property, which will assist in targeting upcoming drilling.

A 43-101 Technical Report has been prepared by Minroc Management Limited (Brian H Newton, P. Geo, Mark P. Wellstead, Mgeol, P. Geo, Francis R. Newton, BSc, P. Geo)

Kaburi South Property

On December 24th, 2018, the Company entered into an Option Deed and Prospecting Agreement (the “Option Agreement”) with Mr. Sheldon Carew and Mr. Dexter Charles for five (5) Prospecting Permits (“Property”) owned by Mr. Carew and Mr. Charles in the Mazruni Mining District No. 3, Guyana. The licensed area is adjacent to Troy Resources’ Karouni mine in Guyana.

The Term of the Option Agreement

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Option Period expires on December 23rd, 2028 (10-years). The Company has issued 300,000 common shares to Mr. Carew and 300,000 common shares to Mr. Dexter and has agreed to pay a further US\$50,000 for the Option Agreement.

The Company has the sole right to explore and prospect on the five Prospecting Permits.

The Company may Exercise its rights to acquire one or more of the five Prospecting Permits at any time during the Option Period by paying the Exercise Consideration of US\$1.00 per Prospecting Permits.

Exploration Activity

The Company has not conducted any technical work on the Property.

The Company considers this property a pipeline exploration property that is located in an interesting area and may choose to explore the property or sell its interest in the Property at a future date.

Other than paying the annual rental fees, the Company does not anticipate committing financial resources to the exploration of the Property.

The consolidated exploration activities for the nine months ended December 31, 2019 are as follows:

Exploration Costs

The Company was incorporated in February 22, 2018

The following table represents the Company's Exploration and Evaluation assets as at the fiscal year ended

Exploration and Evaluation assets as at	year ended December 31, 2019	Ten months ended December 31, 2018
Omai Mine	\$ 380,072	\$ 44,960
Omai Mine Licence	\$ 1,000,000	
Kabouri South; acquisition cost (See Note 2 below)	\$110,000	\$110,000
Kabouri South; rental lease payments	\$7,300	\$3,500
Total	\$1,497,372	\$158,460

Avalon Exploration holds a 100% interest in a newly issued prospecting license in Guyana, which covers 4,590 acres of licensed area, including the site of the past producing Omai Gold Mine, and provides for an exclusive right to use certain existing infrastructure at the Omai Gold Mine for any future mining operations, subject to entering into specific lease agreements therefor.

In the prior year, the company entered into an Option Deed and Prospecting agreement with Sheldon Carew and Dexter Charles to purchase their prospecting and exploration rights on a property located in Kaburi South. Payment is made via cash and the issuance of shares.

Avalon Investment Holdings Ltd. (an exploration stage Company)

Management Discussion & Analysis; for the year ended December 31st, 2019

The following table represent the exploration and evaluation assets for the year ended December 31, 2019 and the 10 month period ended December 31, 2018

Exploration and Evaluation assets for the	year ended December 31, 2019	Ten months ended December 31, 2018
Omai Mine	\$335,112	\$ 4,489,950
Omai Mine Licence	\$1,000,000	
Kabouri South; acquisition cost (See Note 2 below)		\$110,000
Kabouri South; rental lease payments	\$3,800	\$3,000
Total	\$1,338,912	\$4,603,450

The following table represents the Exploration and Evaluation assets since inception

Exploration and Evaluation assets since inception	December 31, 2019
Omai Mine exploration and evaluation	\$4,825,062
Omai Mine Licence	\$1,000,000
Kabouri South; acquisition cost (See Note 2 below)	\$110,000
Kabouri South; rental lease payments	\$7,300
Total	\$5,942,362

This table represents the exploration and Evaluation assets for the three months ended December 31, 2018

	Omai Mine	Kabouri South	Total
Acquisition Costs	\$56,423	-	\$56,423
Evaluation & Exploration	\$24,400	-	\$24,400
License	\$1,000,000	-	\$1,000,000
	\$1,080,823	-	\$1,080,823

There was no Exorploration and Evaluation activity for the three months ended December 31, 2019

Avalon Investment Holdings Ltd. (an exploration stage Company)

Management Discussion & Analysis; for the year ended December 31st, 2019

Financial Statements Going Concern Assumption

The financial statements have been prepared on the basis of accounting principles applicable to a going concern under IFRS. The use of these principles under IFRS assumes that the Company will continue in operation for the foreseeable future and will be able to realize assets and discharge its liabilities in the normal course of operations.

The business of exploration involves a high degree of risk, as such there is no assurance that the Company's expected exploration programs will result in profitable mining operations. Until it is determined that the E&E assets can be economically mined, they are classified as exploration and evaluation assets using the full cost method allowed under IFRS 6. The Company's continued existence is dependent upon the discovery of economically recoverable reserves and resources, securing and maintaining title and beneficial interest in its E&E, and making the required payments pursuant to E&E purchase agreements. The Company has yet to generate income and cash flows from its operations.

There is no assurance that the Company will be able to obtain the external financing necessary to explore, develop if E&E are proven successful and bring to commercial production its E&E. The Company has no proven history of profitability, which casts doubt as to whether the Company will be able to continue as a going concern should it not be able to obtain the necessary financing to fund working capital and capital expenditures. The ability of the Company to arrange such financing in the future depends in part upon the prevailing capital market conditions as well as the business performance of the Company. If additional financing is raised by the issuance of shares from the treasury of the Company existing shareholders may have their interest diluted. If adequate financing is not available, the Company may be required to relinquish rights to certain of its interests or terminate its operations.

To date, the Company had yet to generate revenues from operations and had an accumulated deficit of \$2,426,635 as at December 31, 2019 (December 31st, 2018 - \$1,736,288). As at December 31, 2019, the Company had Cash and Cash equivalents of \$2,908 (December 31st, 2018 - \$12,180) and a working capital deficit of, \$2,214,986 (December 31st, 2018 \$1,465,457). In the period subsequent to the year ended December 31, 2019 the Company raised Gross proceeds of approximately US\$ 12.1 million million. See Events after the reporting period (Year ended December 31, 2019) below.

The Company is actively seeking additional sources of financing. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern that these uncertainties are material and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore to realize its assets and discharge its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements. These adjustments could be material.

Avalon Investment Holdings Ltd. (an exploration stage Company)

Management Discussion & Analysis; for the year ended December 31st, 2019

Consolidated Results of Operations

A summary of selected financial information of the Company for recently completed periods is provided below:

Selected quarterly information

The following table sets forth selected financial information of the Company for the three and twelve months ended December 31, 2019 and quarters ended as noted below:

Result of Operations –
Consolidated

	3 Months Dec 31, 2019	3 Months Sep 30, 2019	3 Months June 30, 2019	3 Months March 31, 2019	Year Ended Dec. 31, 2018
Net Gain (Loss)	(\$216,162)	(\$148,532)	(\$178,012)	(\$147,641)	(\$1,736,288)
Cash & Cash Equivalents	\$2,850	\$58	\$3,622	\$111,569	\$12,180
Mining properties	\$1,363,312	\$24,400	\$0	\$0	\$4,603,450
Total Assets	\$217,824	\$20,836	\$942,661	\$186,319	\$4,616,930
Shareholders' Equity	\$607,393	(\$88,463)	(\$73,345)	\$50,725	\$2,404,122

		12 Months ended Dec. 31, 2019	10 Months ended Dec 31, 2018
Net Gain (Loss)		(\$690,347)	(\$1,736,288)
Cash & Cash Equivalents		\$2,908	\$12,180
Exploration and Evaluation Assets		\$5,942,362	\$158,460
Total Assets		\$5,984,570	\$4,616,930
Shareholders' Equity		\$2,900,432	\$2,404,122

(note the Company was incorporated in February 2018).

The major changes in the quarterly numbers can be explained as follows:

For the quarter ended December 31, 2019:

- Cash and Cash equivalents increased by \$2,842 from the previous quarter.
- Total assets increased by \$217,824 as a result of an increase in exploration and evaluation costs
- Shareholders equity increased by \$695,856 as a result of financing activities.

For the quarter ended September 30, 2019:

- Cash and Cash equivalents decreased by \$3,564 from the previous quarter.
- Total assets increased by \$20,836
- Shareholders' Equity declined by \$88,463 as a result of cumulative losses.

Avalon Investment Holdings Ltd. (an exploration stage Company)

Management Discussion & Analysis; for the year ended December 31st, 2019

For the quarter ended June 30, 2019:

- Cash and cash equivalents decreased by \$107,947 from the previous quarter. This (decrease) was as a result of an increase in expenses.
- Total assets increased by \$942,661 as a result of an increase in Mineral Properties.
- The decrease in shareholders equity is as a result of the cumulative losses.

For the quarter ended March 31, 2019:

Total Assets increased by \$186,319 as a result of increases in cash and exploration and evaluation assets.

	12 Months ended Dec 31, 2019	12 Months ended Dec 31, 2018
Net Gain (Loss)	(\$690,347)	(\$1,736,288)
Cash & Cash Equivalents	\$2,908	\$12,180
Exploration and Evaluation Assets	\$5,942,362	\$158,460
Total Assets	\$5,984,570	\$4,616,930
Shareholders' Equity	\$2,900,432	\$2,404,122

Consolidated Financial Position and results of operations

This section should be read in conjunction with the audited Consolidated statement of financial position and the audited Consolidated Statement of Changes in Shareholder's Equity as at December 31, 2019 and the audited Consolidated statements of Cash Flows for the twelve months ended December 31, 2019.

For the twelve months ended December 31, 2019 the Company incurred a loss and comprehensive loss of \$624,972.

The operating results for the twelve months ended December 31, 2019 is compared to those for the periods ended June 30, 2019, March 31, 2019 and December 31, 2018 as follows:

Item Description	3 Mths Ended Dec 31, 2019	3 Mths Ended Sep, 30, 2019	3 Mths Ended June 30, 2019	3 Mths Ended Mar 31, 2019	10 mths Ended Dec 31, 2018
Advertising & Marketing	\$14,116	-	-	\$1,540	\$1,485
Advertising & Marketing:Public Relations	\$3,000	\$3,000	\$4,000	-	-
Finance costs	\$25	\$10	\$380	-	\$300
Building Rent & Lease:Guyana Office	\$7,815	\$3,900	\$3,900	\$3,900	\$3,900
Consultancy Fees	--	-	-	-	\$1,333,842
Dues & subscriptions	\$659	\$263	\$1,673	\$87	\$1,711
Foreign Currency Permit - Barbados	\$1,500	-	\$0	-	
Investor Relations	-	-	\$18,080		
Licences	-	-	-	-	\$1,500

Avalon Investment Holdings Ltd. (an exploration stage Company)

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Management Fees:Executives	\$90,000	\$90,000	\$112,500	\$112,500	\$280,000
Meals & Entertainment	\$28,045	\$46	-	\$1,997	\$745
Office Supplies & Software	\$3,319	-	\$91	\$828	\$130
Other Business Expenses	\$2,396	\$6,483	-	-	\$2,000
Accounting & Audit Fees	\$5,000	\$3,500	\$8,000	-	\$7,530
Professional Services:Legal Fees	\$3,683	\$16,709	\$5,416	-	\$300
Registered Corporate Office Expense	\$2,000	-	-	-	-
Telephone & Wireless Services	\$673		\$642	-	\$1,035
Travel	\$15,346	\$300		\$356	\$180
Travel:Hotels & Lodging	\$6,911	-	-	\$3,165	\$7,756
Utilities	\$4,604	-	-	-	-
Other Miscellaneous Expense	\$588	\$253	-	-	\$5,086
Accretion	\$23,268	\$23,268	\$23,268	\$23,268	\$35,618
Share based payment		\$3,000	-	-	\$53,000
Postage & Freight	\$710	-	\$62	-	\$170
TOTAL	\$213,658	\$147,731	\$178,013	\$147,641	\$1,736,288

Results of Operations: Consolidated

	3 Mths Ended Dec 31, 2019	3 Mths Ended Sep, 30, 2019	3 Mths Enged June 30, 2019	3 Mths Ended Mar 31, 2019	10 mths Ended Dec 31, 2018
Net Gain (Loss)	(\$216,162)	(\$148,532)	(\$178,012)	(\$147,641)	(\$1,736,288)
Cash & Cash Equivalents	\$2,850	\$58	\$3,622	\$111,569	\$12,180
Mining properties	\$1,363,312	\$24,400	\$0	\$0	\$4,603,450
Total Assets	\$217,824	\$20,836	\$942,661	\$186,319	\$4,616,930
Shareholders' Equity	\$607,393	(\$88,463)	(\$73,345)	\$50,725	\$2,404,122

Consolidated Assets:

- The Company's cash and cash equivalents as at December 31, 2019 were \$42,208

Avalon Investment Holdings Ltd. (an exploration stage Company)

Management Discussion & Analysis; for the year ended December 31st, 2019

- Consolidated current assets of the Company as at December 31, 2019 were \$42,208 comprising of cash and cash equivalents, accounts receivable and prepaid expenses.
- Total consolidated assets as at December 31, 2019 were \$5,984,570 which are comprised of current assets of \$42,208, and exploration and evaluation assets of \$5,942,362

Consolidated Liabilities

Consolidated current liabilities as at December 31, 2019, were \$2,257,194 which are comprised largely of accounts payable and accrued liabilities of \$1,699,456 and debt purchased of \$539,443 and notes payable of \$18,295

Consolidated Cash Flows

The net cash from operating activities during the year ended December 31, 2019, was \$855,469 comprising of Net Loss for the twelve months (\$690,347) , an increase in Accounts Payable of \$1,487,743 and an increase in Accounts receivable of \$38,000.

There was no revenue during the period.

Net cash used in investing activities during the twelve months ended December 31, 2019 was \$1,338,912 which is attributable to expenditures on exploration and evaluation assets in 2019.

Liquidity

The Company's activities have been funded to date through equity financing and the Company expects that it will continue to be able to utilize this source of financing until it develops cash flows from operations. There can be no assurance, however, that the Company will be successful in its efforts. If such funds are not available or other sources of finance cannot be obtained, then the Company will be forced to curtail such proposed activities to a level for which funding is available and can be obtained.

As at December 31, 2019, the Company's current assets are comprised of: Cash and cash equivalents of \$2,908 and other receivables of \$39,300 (mainly comprising of HST receivable)

As at December 31, 2019 the Company had a working capital deficiency of \$2,196,691 and Shareholders equity of \$3,033,864. As at December 21, 2018, the Company had working capital deficit of \$1,453,457 and shareholders' equity of \$2,444,481. However subsequent to December 31, 2019 the company was able to raise approximately 12.1 million US dollars, see events after the reporting period (December 31, 2019) below.

Related Party Disclosure

Related parties include the Board of Directors, officers, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions. In accordance with International Accounting Standards 24 - Related Party Disclosure, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and nonexecutive) of the Company.

The terms and conditions of the transactions with key management personnel and their related parties were no more favorable than those available, or which might reasonably be expected to be available, to similar transactions to non-key management personnel related entities on an arm's length basis.

The Company entered into the following transactions with related parties:

The President and Chief Executive Officer, Mr. Michael Smith, ("CEO") of the Company is an employee of 4739 Holdings Ltd ("4739"). 4739 has a consulting contract with Avalon to provide his services as CEO to the Company. Fees and outstanding amounts due to 4739 relating to consulting services as expensed and capitalized as exploration and evaluation assets are detailed below.

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One of the directors, Robert deCastro, of the Company provides business advisory services from (time to time) and as such is compensated for these services when provided. For details of the fees and outstanding amounts due relating to business advisory services provided, re Mr. deCastro, see table below.

The Chief Financial Officer, Mr. Kester daCosta, ("CFO") has a service contract and is entitled to fees based on this contract relating to consulting services in the normal course of business. These fees are expensed as consulting fees in the general and administrative expenses. The table below details the fees and amounts due to Mr. daCosta. Mr. DaCosta resigned on June 16th, 2019.

The Chief Operating Officer, Mr. Kris Sammy, ("COO") of the Company is the President of Compass Investments TC ("Compass") and Compass (and by extension the COO) has a contract with the Company. Fees and outstanding amounts due to Compass relating to consulting services as expensed and capitalized as exploration and evaluation assets are detailed in the table below.

Related Party fees For the year ended in US\$	December 31, 2019	Devcember 31, 2018
CEO	\$120,000	\$70,000
CFO	\$45,000	\$30,000
COO	\$120,000	\$40,000

Amounts due to Related Parties in US\$	As at December 31, 2019	As at December 31, 2018
CEO	\$114,145	\$172,220
CFO	\$26,411	\$142,548
COO	\$130,285	\$180,908
Total	\$270,841	\$495,676

Directors are entitled to director fees and stock options for their services and officers are entitled to stock options and cash remuneration for their services as outlined in their service contracts with the Company.

Avalon Investment Holdings Ltd. (an exploration stage Company)

Management Discussion & Analysis; for the year ended December 31st, 2019

Outstanding Share Data

- Authorized Share capital: unlimited common shares without par value.
- Issued and outstanding: 189,869,799 common shares as of the date of this MD&A.
- The following table sets out the fully diluted share capital of the Company.

Total shares outstanding as at February 22, 2018 (date of Incorporation)	100
Shares issued by the Company in 2018	65,329,900
Shares issued by the Company in 2019	12,168,570
Total shares outstanding as at December 31, 2019	77,498,570
Total warrants outstanding as at February 22, 2018 (date of Incorporation)	0
Warrants by the Company in 2018	771,400
Warrants by the Company in 2019	6,036,285
Total warrants outstanding as at December 31, 2019	6,807,685
Total Options outstanding as at February 22, 2018 (date of Incorporation)	0
Options issued by the Company in 2018	1,000,008
Options issued by the Company in 2019	50,000
Total Options outstanding as at December 31, 2019	1,050,008
Total Number of Diluted Securities as at December 31, 2019	85,356,263
Securities Issued subsequent to December 31st 2019	
Common Shares	112,371,229
Warrants	30,120,080
Options	7,691,668
	150,182,977
Total Number of Diluted Securities as at August 17th 2020	235,539,240

Securities issued:

- (i) The Company was incorporated on February 22, 2018 issuing 100 shares for \$1.00 per share.
- (ii) During the period from incorporation (February 22, 2018) to December 31, 2018, the Company issued 63,399,900 shares at deemed prices ranging from \$0.038 to \$0.10 per share to settle \$3,904,950 of debt.
- (iii) During the period from incorporation (February 22, 2018) to December 31, 2018, the Company completed non- brokered private placements and issued an aggregate of 1,330,000 units at \$0.10 per unit for aggregate gross proceeds of \$133,000. Each unit was comprised of one common share and one-half common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at an exercise price of \$0.35 and expires two years from the date of closing. As part of the financing, the Company paid certain eligible finders a cash payment of \$10,640 and issued 106,400 broker warrants exercisable for common shares at an exercise price of \$0.35 and expiring two years from the date of closing.
- (i) During the year ended December 31, 2019, the Company completed non-brokered private placements

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and issued an aggregate of 11,568,750 units at \$0.10 per unit for aggregate gross proceeds of \$1,156,875. Each unit was comprised of one common share and one-half common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at an exercise price of \$0.35 and expires two years from the date of closing. As part of the financing, the Company paid certain eligible finders a cash payment of \$33,200, issued 136,000 broker warrants exercisable for common shares at an exercise price of \$0.35 and expiring two years from the date of closing, and issued 116,000 broker warrants exercisable for common shares at an exercise price of \$0.35 and expiring two years from the closing date.

- (ii) During the year ended December 31, 2019, the Company issued 600,000 shares at a deemed price of \$0.10 per share to settle \$60,000 of debt.
- (iii) During the year ended December 31, 2019, the Company issued 50,000 stock options to a consultant of the Company with an exercise price of \$0.10 and expiring two years from the date of issuance.

As at the date of this MD&A (August 17, 2020), 189,869,799 common shares are issued and outstanding; 36,927,765 warrants are outstanding, and 8,741,676 stock options are outstanding. The increase / (decrease) in shares, warrants and options outstanding, are identified in the table above. See subsequent events for additional information relating the securities issued subsequent to December 31st 2019.

Significant Accounting Policies

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), effective for the Company's reporting for the year ended December 31, 2019. These consolidated financial statements were approved and authorized for issuance by the Board on August 17, 2020.

Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis, with the exception of financial instruments classified at fair value through profit or loss ("FVTPL"). In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

In the preparation of these consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of expenses during the period. Actual results could differ from these estimates.

Functional and presentation currency

These consolidated financial statements have been prepared in United States dollars, which is the Company's functional and presentation currency.

Avalon Investment Holdings Ltd. (an exploration stage Company)

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Basis of consolidation

Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continues to be consolidated until the date that such control ceases. Control is achieved when an investor has power over an investee to direct its activities, exposure to variable returns from an investee, and the ability to use the power to affect the investor's returns.

The results of subsidiaries acquired or disposed of during the periods presented are included in the consolidated statements of comprehensive loss from the effective date of control and up to the effective date of disposal or loss of control, as appropriate. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

Cash and cash equivalents

Cash in the statements of financial position and cash flows comprise of cash at bank and on hand. As at December 31, 2019 and 2018, the Company had no cash equivalents.

Mineral properties

Acquisition costs related to mineral properties are capitalized at fair value at the time the legal right to prospect and explore the property has been acquired. The acquisition costs are written off when a mineral property is disposed of through sale or abandonment.

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous periods.

Deferred tax is recognized in respect of taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to taxable temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the

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related tax benefit will be realized.

Share-based payment transactions

The fair value of stock options granted to employees and non-employees is recognized as an expense over the vesting period with a corresponding increase in shareholders' equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Decommissioning liability

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the Company's exploration and evaluation activities. Discount rates using a pretax rate that reflects the risk and the time value of money are used to calculate the net present value. These costs are charged against profit or loss as exploration and evaluation expenditures and the related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

The Company has no restoration, rehabilitation and environment costs as at December 31, 2019 and 2018.

Provision

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using pretax rate that reflects current market assessments of the time value of money and the risk specific to the obligation.

Loss per share

Loss per common share have been determined by dividing net loss attributable to common shareholders by the weighted average number of common shares outstanding during the year, excluding shares securing employee share purchase loans and shares in escrow, if any. The Company follows the "treasury stock" method in the calculation of diluted earnings per share. Under this method, the calculation of diluted earnings per share assumes that outstanding options and warrants that are dilutive to earnings per share are exercised and the proceeds are used to repurchase shares of the Company at the average market price of the shares for the period. The treasury stock method is not used to calculate diluted loss per share because the result would be anti-dilutive. Loss per share per share (diluted) are equivalent measures and calculated on a non-dilutive basis.

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Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Financial instruments

Recognition

The Company recognizes a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value, and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

Classification and measurement

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

- i) those to be measured subsequently at fair value, either through profit or loss ("FVTPL") or through other comprehensive income ("FVTOCI"); and
- ii) those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

After initial recognition at fair value, financial liabilities are classified and measured at either:

- i) amortized cost;
- ii) FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or,
- iii) FVTOCI, when the change in fair value is attributable to changes in the Company's credit risk.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

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Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at amortized cost are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at fair value through profit or loss are expensed in profit or loss.

The Company's financial asset consists of cash and cash equivalents and accounts receivable, which are classified and subsequently measured at amortized cost.

The Company's financial liabilities trade and other payables, debt purchased, promissory notes payable and long term liability, which are classified and measured at amortized cost using the effective interest method. Interest expense is reported in net loss.

Impairment

The Company assesses all information available, including on a forward-looking basis the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information.

Financial instruments recorded at fair value

The Company categorizes its financial assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs used in the measurement.

- Level 1: This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date.
- Level 2: This level includes valuations determined using directly or indirectly observable inputs other than quoted prices included within Level 1. Derivative instruments in this category are valued using models or other standard valuation techniques derived from observable market inputs.
- Level 3: This level includes valuations based on inputs which are less observable, unavailable or where the observable data does not support a significant portion of the instruments' fair value.

Significant accounting judgments and estimates

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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Critical accounting estimates:

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, relate to, but are not limited to, the following:

- the recoverability of accounts receivable which are included in the consolidated statements of financial position;
- Income taxes – measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only become final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the consolidated financial statements; and
- the inputs used in accounting for share-based payment transactions.

Critical accounting judgments:

- management assessment of going concern and uncertainties of the Company's ability to raise additional capital and/or obtain financing to advance the lithium properties; and
- management determination of no material restoration, rehabilitation and environmental exposure, based on the facts and circumstances that existed during the period.

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements at the date of this MD&A.

Commitment

There are no commitments at the date of this MD&A.

Management's Responsibility for Financial Statements

The information provided in this MD&A, including the consolidated financial statements, is the responsibility of management. In the preparation of these consolidated financial statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying consolidated financial statements.

Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

Risk Factors

Anconia is subject to a number of risks due to the nature of the business of mineral exploration and the early stage of its development. The following risk factors are provided from the perspective of the Company.

Mineral Exploration Risks

The successful exploration of exploration and evaluation assets is speculative. Such activities are subject to a number of uncertainties, which even a combination of careful evaluation, experience and knowledge may not eliminate. Most exploration projects do not result in the discovery of commercially mineable deposits. There is no certainty that the expenditures made or to be made by the Company in the exploration of the exploration and evaluation

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Management Discussion & Analysis; for the year ended December 31st, 2019

assets in which it may have an interest will result in the discovery of base metals or other mineralized materials in commercial quantities. While discovery of a base metal deposit may result in substantial rewards, few exploration and evaluation assets that are explored are ultimately developed into producing mines. Significant expenditures may be required to establish reserves by drilling and to construct mining and processing facilities at a site. No assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations. Whether a mineral deposit will be commercially viable depends on a number of factors, including the particular attributes of the deposit (i.e. size, grade, access and proximity to infrastructure), financing costs, the cyclical nature of commodity prices and government regulations (including those relating to prices, taxes, currency controls, royalties, land tenure, land use, importing and exporting of mineral products, and environmental protection). Although substantial benefits may be derived from the discovery of a major deposit, it is impossible to ensure that the current exploration programmes of the Company will result in profitable commercial mining operations or that funds required for development can be obtained on a timely basis. The implementation of certain aspects of the Company's strategy in respect of the exploration and evaluation asset is subject to the completion of detailed feasibility studies. The Company is not able to predict the outcome of such studies and unfavorable results may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Country Risk

The Company could be at risk regarding any political developments in the countries which it operates. At present, the Company is active in Barbados and Guyana. The Company's mineral exploration in Guyana, may be adversely affected by political instability, legal and economic uncertainty in the countries where the Corporation operates or has plans to operate. These risks may include: political unrest; labor disputes; invalidation of governmental orders and permits; corruption; war and civil disturbances; terrorist activities; arbitrary changes in laws; regulations; policies; taxation; price controls; exchange controls; delays in or the inability to obtain necessary permits; opposition to mining from environmental activists or other non-governmental organizations; limitations on foreign ownership; limitations on the repatriation of earnings; limitation on mineral exports and increase financing costs. These risks may limit or disrupt the Company's projects, restrict the movement of funds or result in the deprivation of contractual rights.

Failure to raise capital when needed would have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Regulatory Requirements

Mining operations, development and exploration activities are subject to extensive laws and regulations governing prospecting, development, production, exports, taxes, labor standards, occupational health, waste disposal, environmental protection and remediation, protection of endangered and protected species, mine safety, toxic substances and other matters. Changes in these regulations or in their application are beyond the control of the Company and could adversely affect its operations, business and results of operations.

Government approvals and permits are currently, and may in the future be, required in connection with the exploration and evaluation assets. To the extent such approvals are required and not obtained, the Company may be restricted or prohibited from proceeding with planned exploration or development activities. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may be liable for civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permitting requirements, or more stringent application of existing laws, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or require abandonment or delays in development of properties or reductions in levels of production at producing properties.

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Reliability of Historical Information

The Company has relied upon historical data compiled by previous parties involved with the properties. To the extent that any of such historical data may be inaccurate or incomplete, the Company's exploration plans may be adversely affected.

Title Matters

The acquisition of title to exploration and evaluation assets is a very detailed and time-consuming process. Title to, and the area of, mineral concessions may be disputed. Although the Company believes it has taken reasonable measures to ensure proper title to its properties, there is no guarantee that title to the property will not be challenged or impaired. Third parties may have valid claims underlying portions of the Company's interests. Further, there can be no assurance that any pending applications for mineral rights in which the Company holds an interest (including in respect of the properties) will be granted in whole or in part. If a title defect exists, it is possible that the Company may lose all or part of its interest in the properties or any other property subsequently acquired to which such title defect exists.

Licenses and Permits

The current and proposed exploration activities of the Company require certain permits and licenses from various governmental authorities and such operations are and will be governed by laws and regulations governing exploration, development and production, labor standards, occupational health, waste disposal, toxic substances, land use, environmental protection, safety, mine permitting and other matters. Companies engaged in exploration activities generally experience increased costs and delays as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that all licenses and permits which the Company may require to carry out exploration of its projects will be obtainable on reasonable terms or on a timely basis, or that such laws and regulations would not have an adverse effect on any project that the Company may undertake.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in exploration operations may be required to compensate those suffering loss or damage by reason of the exploration activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Commodity Price Fluctuations

The price of the Company's securities, its financial results and exploration activities may be significantly adversely affected by declines in the price of base metals demand and price are determined by numerous factors beyond the control of the Company including the demand for electricity, international exchange rates, political and economic conditions and production costs in mining regions, production and consumption patterns, speculative activities, increased production due to improved mining and production methods, government regulations relating to prices, taxes, royalties, land tenure, land use, environmental protection and the degree to which a dominant producer uses its market strength to bring supply into equilibrium with demand. The combined effects of any or all of these factors on metal prices or volumes are impossible for the Company to predict. If realized metal prices fall below the full cost of production of any of the Company's operations and remain at such level for any sustained period, the Company will experience losses, which may be significant, and may decide to discontinue affected operations, forcing the Company to incur closure or care and maintenance costs, as the case may be. In addition, declining metal prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct

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such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

Current Global Financial Conditions

Recent events in global financial markets have had a profound impact on worldwide economies. Many industries have been impacted by the changes in market conditions to varying degrees. Some of the key impacts of the current financial market turmoil include contraction in credit markets and resulting widening of credit risk as well as enhanced volatility in commodity, equity and foreign exchange markets. A continued or worsened slowdown in financial markets or other economic conditions, including without limitation, constraints in credit or surety markets, a sustained slump in economic activity in the mining industry in general and in Canada in particular, the availability of private and public sector funding for mineral exploration projects, pressure on margins arising from an altered competitive landscape or an increased risk of corporate bankruptcy in the markets in which the Company operates, may adversely affect the Company in ways which are not possible to predict given the unprecedented nature of the current crisis.

Currency Fluctuations

Currency fluctuations may affect some of the Company's future operations, financial positions and results. The Company's financial results are reported in United States dollars and the majority of its funds are held in United States dollars accounts. The majority of the Company's costs to date are in United States dollars. However, if the Company expands its activities in Guyana or Canada the Company will have increased exposure to fluctuations in the United States dollar against foreign currencies.

Uninsured Risks

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fire, flooding and earthquakes may occur. It is not always possible to fully insure against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs, have a material adverse effect on the Company's results and a decline in the value of the securities of the Company.

Environmental Regulations

The activities of the Company are subject to laws and regulations controlling not only mineral exploration and exploitation activities themselves but also possible effects of such activities upon the environment. Environmental legislation generally provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission of environmental impact assessments and approval thereof by government authorities.

Environmental legislation is evolving in a manner which means stricter standards, and enforcement, increased fines and penalties for non-compliance, and more stringent environmental assessments of proposed projects. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. Permits from a variety of regulatory authorities are required for many aspects of mineral exploration activities including closure and reclamation. Future environmental legislation could cause additional expense, capital expenditure, restrictions liabilities and delays in the development of the Company's properties, the extent of which cannot be predicted. In the context of environmental permits, including the approval of closure and reclamation plans, the Company must comply with standards and laws and regulations which may entail costs and delays depending on the nature of the activity to be permitted and how stringently the regulations are implemented by the permitting authority. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. There may be unforeseen environmental liabilities resulting

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from exploration and/or mining activities and these may be costly to remedy. The Company does not maintain environmental liability insurance.

Access to Transportation Infrastructure

Access to the Omai Gold Mine is available through public roads which requires a ferry boat river crossing. If the ferry service ceases to operate the Company may face additional expenses related to transportation.

Competition

The mining industry is competitive in all its phases. The Company will compete with many companies and individuals that have substantially greater financial and technical resources than the Company in the search for, and the acquisition of, mineral concessions as well as for the recruitment and retention of qualified employees. The Company's ability to identify and increase reserves in the future will depend not only on its ability to explore and develop the properties, but also on its ability to select, acquire and develop suitable properties or prospects. In addition, the mining industry is facing a shortage of equipment and skilled personnel and there may be intense competition for experienced geologists, field personnel and contractors. There is no assurance that the Company will be able to compete successfully with others in acquiring such prospects, equipment or personnel.

Limited Operating History and Financial Resources

The Company has a limited operating history, has no operating revenue and is unlikely to generate any revenues from operations in the foreseeable future. The Company anticipates that its existing cash resources, together with the net proceeds from private placements, will be sufficient to cover its projected funding requirements for the ensuing year. If its exploration program is successful, additional funds will be required for further exploration to determine if any deposits are economic and if economic, to bring such deposits to production. Additional funds will also be required for the Company to acquire and explore other mineral interests. The Company has limited financial resources and there is no assurance that sufficient additional funding will be available to enable it to fulfill its obligations or for further exploration on acceptable terms or at all. Failure to obtain additional funding on a timely basis could result in delay or indefinite postponement of further exploration and could cause the Company to forfeit its interests in some or all of its exploration and evaluation assets, or to reduce or terminate its operations. Sources of funds now available to the Company are limited and may include the sale of equity capital, exploration and evaluation assets, royalty interests, the entering into of future joint ventures and the exercise of outstanding options. Additional financing may not be available when needed or, if available, the terms of such financing might not be favorable to the Company and might involve substantial dilution to existing shareholders.

Dependence upon Key Management Personnel and Executives

The Company will be dependent upon the continued support and involvement of a small number of key management personnel. The loss of the services of one or more of such personnel could have a material adverse effect on the Company. The Company's ability to manage its exploration activities and, hence, its success, will depend in large part on the efforts of these individuals. The Company faces intense competition for qualified personnel and there can be no assurance that the Company will be able to attract and retain such personnel. The number of persons skilled in the acquisition of, exploration of exploration and evaluation assets is limited and competition for such persons is intense.

Possible Conflicts of Interest of Directors and Officers of the Company

Certain of the directors and officers of the Company also serve as directors, officers and/or advisors of and to other companies involved in natural resource exploration and supporting services. Consequently, there exists the possibility for such directors and officers to be in a position of conflict. The Company expects that any decision made by any of such directors and officers involving the Company will be made in accordance with their duties and

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obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders, but there can be no assurance in this regard. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest with or which are governed by the procedures set forth in the OBCA and any other applicable law.

Absence of Dividends

The Company does not expect to pay any dividends in the foreseeable future.

Source of Future Funds

The only source of future funds for further exploration programs, or if such exploration programs are successful for the development of economic ore bodies and commencement of commercial production thereon, which are presently available to the Company are the sale of equity capital or the offering by the Company of an interest in its exploration and evaluation assets to be earned by another party carrying out further exploration. Management has been successful in accessing equity markets in the past, but there is no assurance that such sources will be available on acceptable terms in the future.

Risk of Dilution

Under applicable Barbados law, shareholder approval may not be required for the Company to issue additional Company Shares. Moreover, the Company has commitments that could require the issuance of a substantial number of additional Company Shares, in particular options to acquire Company Shares under the Company's stock option plan and property option agreements. The business of the Company will require substantial additional financing which will likely involve the sale of equity capital. The Company can also be expected to issue additional options, warrants and other financial instruments, which may include debt. Future issuances of equity capital may have a substantial dilutive effect on existing shareholders of the Company. The Company is not able at this time to predict the future amount of such issuances or dilution.

Price Volatility and Lack of Active Market

The Company is a private company and its Shares are not listed on any quoted market. The Company anticipates completing the RTO with Anconia in Q1 2020. However, there is no assurance that an active market for the Company's securities will develop or be sustained after the RTO. If an active market does not develop, the liquidity of the investment may be limited, and the market price of such securities may decline.

In recent years, the securities markets in Canada and elsewhere have experienced a high level of price and volume volatility, and the market prices of securities of many public companies have experienced significant fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. It may be anticipated that any quoted market for the Company's securities will be subject to such market trends and that the value of such securities may be affected accordingly.

Events after the reporting period (Year ended December 31, 2019)

Exploration & Operations

Since January 1 2020, the company has increased its exploration and operational activities on the Omai property. The ongoing work which is being done with the database of historic work, has led the Company to enter into an agreement with a third party, Mine Development of Reno Nevada, to begin work on a new comprehensive geological model of the Omai deposit. Additionally the Company has recovered and remediated approximately 3,500m of drill core from the property, which was drilled in 2012, and has been in a secure government facility since operations ceased in 2012. This core, which has never been sampled, is being inventoried by Company geologists and will be

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transported to the Omai site for logging and sampling. At the Omai itself, the Company has rehabilitated the remaining two buildings to be a fully equipped 40 man camp. The camp includes full exploration offices, and facilities for core handling, logging, sampling, and storage. The Company now has full time security on site resident in the camp. Additionally the Company completed a 4000 line kilometre airborne Magnetics, and Radiometrics geophysics survey. The survey was flown by Terraquest Airborne Geophysics of Markham, Ontario.

Financial

Subsequent to December 31, 2019, the Company entered into an investment agreement (the "Sandstorm Investment Agreement") with Sandstorm Gold Ltd. ("Sandstorm"), whereby Sandstorm agreed to subscribe for 20,000,000 common shares in Avalon at a price of \$0.10 per common share and Avalon would grant Sandstorm a 1% net smelter returns royalty (the "Royalty") with respect to the sale of all economic marketable material on the Omai Gold Project. As a result, Avalon issued 20,000,000 common shares for gross proceeds of \$2,000,000.

Subsequent to December 31, 2019, the Company issued 7,691,668,668 stock options to consultants of the Company with an exercise price of \$0.10 and expiring five years from the date of issuance.

Subsequent to December 31, 2019, the Company completed non-brokered private placements and issued an aggregate of 56,371,229 units at a price of \$0.10 per unit for aggregate gross proceeds of \$5,637,123. Each unit consist of one common share and one-half common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at an exercise price of \$0.35 and expires two years from the date of closing. As part of the financing, the Company paid certain eligible finders a cash payment of \$198,447 and issued 1,984,466 broker warrants exercisable for common shares at an exercise price of \$0.35 and expiring on July 3rd, 2022. The Company has extended the expiration of all Warrants issued prior to the date of this MDA to July 3rd 2022.

Subsequent to December 31, 2019, the Company issued 6,000,000 shares, valued at \$0.10 per share, to enter into an Exclusivity Agreement that allows Avalon to exclusively investigate a property that may be a potential acquisition target in the future.

Subsequent to December 31, 2019, the Company completed non-brokered private placements and issued an aggregate of 30,000,000 units at a price of \$0.15 per share for aggregate gross proceeds of \$4,500,000.

Other Information

Additional information about the Company is available on the Company's website (www.omaigoldmines.com)

Avalon Investment Holdings Ltd
(An Exploration Stage Company)

MANAGEMENT'S DISCUSSION & ANALYSIS OF THE UNUNAUDITED CONDENSED CONSOLIDATED FINANCIAL POSITION
AND CONSOLIDATED RESULTS OF OPERATIONS

For the six Months ended June 30, 2020

This MD&A is dated August 17, 2020

Avalon Investment Holdings Ltd. (an exploration stage Company)

Management Discussion & Analysis for the Three and six Months ended June 30, 2020

Introduction

This Management Discussion and Analysis ("MD&A"), dated August 17th, 2020 provides a review of the financial position and the results of operations of Avalon Investment Holdings Ltd. (the "Corporation", "Avalon" or the "Company") and constitutes management review of the factors that affected the Company's financial and operating performance for the six months ended June 30, 2020. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. The review is provided to enable the reader to assess the significant changes in the financial condition of the Company as at and for the six months ended June 30, 2020. This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements for the six months ended June 30, 2020 with the notes thereto and the audited consolidated financial statements of the Company for the years ended December 31, 2019 and 2018 together with the notes thereto. The Company's financial statements and the financial information reported in this MD&A have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). All amounts presented are stated in United States dollars, unless otherwise indicated. Information contained herein is presented as of June 30, 2020, unless otherwise indicated.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the value of Avalon's common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Cautionary Note Regarding Forward-Looking Information

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward-looking statements.

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Forward-looking statements	Assumptions	Risk factors
Potential of the Company's properties to contain economic deposits of precious and base metals.	Financing should be available for future exploration of the Company's properties; the actual results of the Company's exploration activities will be favorable; operating and exploration costs will not exceed the Company's expectations; the Company will be able to retain and attract skilled staff; all requisite regulatory and governmental approvals for exploration projects and other operations will be received on a timely basis upon terms acceptable to the Company, and applicable political and economic conditions are favorable to the Company; the price of precious and base metals and applicable interest and exchange rates will be favorable to the Company; no title disputes exist with respect to the Company's exploration and evaluation assets.	Precious and base metals price volatility; uncertainties involved in interpreting geological data and confirming title to acquired exploration and evaluation assets; the possibility that future exploration results will not be consistent with the Company's expectations; availability of financing for and actual results of the Company's exploration activities; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic and political conditions; the Company's ability to retain and attract skilled staff; availability of permits.
The Company's ability to meet its working capital needs at the current level for the twelve-month period ending June 30, 2021. The Company expects to incur further losses in the development of its business.	The operating and exploration activities of the Company for the twelve-month period ending June 30, 2021 and beyond, and the costs associated therewith, will be dependent on raising sufficient additional capital consistent with the Company's current expectations.	Changes in debt and equity markets; timing and availability of external financing on acceptable terms; changes in the operations currently planned for the next twelve months; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions.
The Company's ability to carry out anticipated exploration on its exploration and evaluation assets.	The exploration activities of the Company for the next twelve months ending June 30, 2021, and the costs associated therewith, will be consistent with the Company's current expectations.	Changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; changes in the operations currently planned for the next twelve months; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions; receipt of applicable permits.

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Management's outlook regarding future trends, including the future price of precious and base metals and availability of future financing.	Financing will be available for the Company's exploration and operating activities; the price of precious and base metals will be favorable to the Company.	Precious and base metals price volatility; changes in debt and equity markets; interest rate and exchange rate fluctuations; changes in economic and political conditions; availability of financing.
The Company will continue to focus its exploration efforts on existing targets located at the Omai Gold Mine in Guyana	The Company will focus its budget on the exploration work program at the Omai Gold Mine.	Management may change its plans based on future exploration results.
The Company will complete the Reverse Take Over transaction with Anconia Resources Corp.	On October 10, 2019, Anconia Resources Corp. ("Anconia") the Company announced that they have entered into a definitive amalgamation agreement.	Changes in the debt and equity markets including a general downturn in the world economy as a result of Covid-19 may delay the completion of the Reverse Take Over
Sensitivity analysis of financial instruments.	Based on management's knowledge and experience of the financial markets, the Company has no significant risk as a result of a change in the foreign currency exchange rates or interest rates.	Changes in debt and equity markets; interest rate and exchange rate fluctuations.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. Please also make reference to those risk factors referenced in the "Risks Factors" section below. Readers are cautioned that the above chart does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

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Background

Avalon is an exploration and development focused company specializing in the highly prospective but under prospected Guiana Shield. Avalon is a privately held Barbados corporation, based in Christ Church, Barbados, with a wholly owned operating subsidiary, Avalon Gold Exploration Inc. ("Avalon Exploration"), which is engaged in the acquisition, exploration and potential development of precious metal mineral properties in Guyana. Avalon was incorporated on February 22, 2018 and is currently operated by its President, Michael Smith, of Naples, Florida.

Avalon Exploration holds a 100% interest in a newly issued prospecting license in Guyana, which covers 4,590 acres of licensed area, including the site of the past producing Omai Gold Mine, and provides for an exclusive right to use certain existing infrastructure at the Omai Gold Mine for any future mining operations, subject to entering into specific lease agreements therefor. In addition, Avalon holds an option to acquire a 100% interest in a prospecting license known as "Kaburi South", covering approximately 5,235 acres, located adjacent to Troy Resources Limited's Karouni mine in Guyana

On October 10th, 2019, Anconia Resources Corp. ("Anconia") and Avalon Investment Holdings Ltd. ("Avalon or the "Company") announced that they have entered into a definitive acquisition agreement dated October 9th, 2019 (the "RTO"), in respect of a proposed transaction (the "Transaction"), whereby Anconia has agreed to acquire all of the issued and outstanding securities of Avalon, by way of three-cornered amalgamation, share exchange or such other form of business combination as the parties may determine. The entity that would result from the completion of the Transaction (the "Resulting Issuer"), will continue to carry on base and precious metals exploration and development, focused primarily on the exploration of Avalon's Omai Gold Mine project in Guyana.

The Transaction constitutes a "reverse takeover" of Anconia under the policies of the TSX Venture Exchange (the "Exchange"), and its completion is subject to the approval of the Exchange and certain other conditions as described below. Anconia intends to apply to the Exchange to have the common shares of the Resulting Issuer listed and posted for trading on the Exchange. The Transaction is an arm's length transaction.

The Transaction

Pursuant to the Transaction, Anconia will issue common shares ("Anconia Shares") to the holders of common shares in the capital of Avalon ("Avalon Shares") on the basis of approximately one post-Consolidation (as defined below) Anconia Share for each one Avalon Share. Anconia and Avalon anticipate that approximately 108,000,000 million post-Consolidation Anconia Shares will be issued pursuant to the Transaction, based on the current capital structure of Avalon and assuming that Avalon has completed the equity financing described below on or prior to the closing of the Transaction. In addition, all securities convertible into Avalon Shares that are outstanding and unexercised immediately prior to closing are expected to be exchanged for economically equivalent and otherwise substantially similar securities convertible into Anconia post-Consolidation As at the date of this MD&A and upon completion of the Transaction, the Avalon shareholders will hold approximately 190 million of Anconia post-Consolidation Shares, representing 96% of the issued and outstanding Anconia post-Consolidation Shares on an undiluted basis,.

The Transaction is subject to a number of terms and conditions, including, but not limited to, the approval by the shareholders of Anconia. and the Company; ; the completion of the Consolidation by Anconia; and the approval of the Exchange and other applicable regulatory authorities.

Trading in the Anconia Shares will remain halted pending the satisfaction of all applicable requirements of Policy 5.2 of the Exchange. There can be no assurance that trading of Anconia Shares will resume prior to the completion of the Transaction. Anconia will hold a meeting of its shareholders to vote on the Transaction and will require that a majority of the votes of its shareholders vote in favor of the Transaction in order to proceed with it. Further details concerning the Transaction (including additional financial information) and other matters will be announced if and when a definitive agreement is reached.

Name Change

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Upon completion of the Transaction, Anconia intends to change its name to “Omai Gold Mines Corp.” or such other name as Avalon and Anconia may otherwise determine, and the parties anticipate that the Exchange will assign a new trading symbol for the Resulting Issuer.

Consolidation

The completion of the Transaction is subject to the prior completion by Anconia of a consolidation of its share capital on the basis of one post-consolidation common share for each 15 pre-consolidation common shares (the “Consolidation”).

Shareholder Meetings

Matters to be approved by Anconia’s shareholders in connection with the Transaction, including the proposed name change and Consolidation will be sought from Anconia’s shareholders at its annual and special meeting to be held on a date to be announced by Anconia and intended to be described in further detail in a management information circular relating to such meeting. Avalon has entered into voting agreements with holders of 24,131,452 Anconia Shares (or 20.5% of the current number of issued and outstanding Anconia Shares) to vote in favor of the Transaction.

Matters to be approved by Avalon’s shareholders in connection with the Transaction will be sought from Avalon’s shareholders at its annual and special meeting to be held on a date to be announced by Avalon and intended to be described in further detail in a management information circular relating to such meeting.

About Anconia

Anconia is an exploration and development focused company. Anconia currently has two exploration projects all of which are in Canada. Anconia’s project is a gold project in the Kirkland Lake area of Ontario known as the Grenfell property, which is located approximately 5km away from the currently producing Macassa Mine owned by Kirkland Lake Gold.

Exploration & Operations During the six months ended June 30, 2020

Since January 1 2020, the company has increased its exploration and operational activities on the Omai property. The ongoing work which is being done with the database of historic work, has led the Company to enter into an agreement with a third party, Mine Development of Reno Nevada, to begin work on a new comprehensive geological model of the Omai deposit. Additionally the Company has recovered and remediated approximately 3,500m of drill core from the property, which was drilled in 2012, and has been in a secure government facility since operations ceased in 2012. This core, which has never been sampled, is being inventoried by Company geologists and will be transported to the Omai site for logging and sampling. At the Omai itself, the Company has rehabilitated the remaining two buildings to be a fully equipped 40 man camp. The camp includes full exploration offices, and facilities for core handling, logging, sampling, and storage. The Company now has full time security on site resident in the camp. Additionally the Company completed a 4000 line kilometre airborne Magnetics, and Radiometrics geophysics survey. The survey was flown by Terraquest Airborne Geophysics of Markham, Ontario.

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Exploration and Evaluation Assets

Avalon Investment Holdings Ltd / Omai Gold Mines

On April 26th 2019, the Guyana Geology & Mines Commission (“GGMC”) issued Prospecting License (PL #01/2019) to Avalon Gold Exploration Inc. for the exclusive right of occupation and exploration for Gold, Precious Minerals and Precious Stones, on 4,590 acres of licensed area, including the site of the past producing Omai Gold Mine, Potaro Mining District, Guyana.

The Term of the Prospecting Agreement

Avalon Exploration has the sole right to prospect on the Prospecting Agreement which expires on April 25th, 2022 and may be renewed for a further two-year period. Avalon Exploration has agreed to pay the GGMC US\$1M during the 1st year, US\$1M during the 2nd year and US\$2M on October 1, 2021 in addition to the annual rental fees and the agreement provides for an exclusive right to use certain existing infrastructure at the Omai Gold Mine for any future mining operations, subject to entering into specific lease agreements therefor.

Proposed Exploration Activity

Since obtaining the Prospecting License for the Omai Gold Mine area, Avalon has been active both on the property and working with the data generated during the life of the mine. This data is invaluable in developing new drill locations and is being thoroughly reinterpreted. The Company has also converted the data from mine grids to the standard coordinate system for Guyana. Working with the government, all the artisanal miners that were working on the property have been peacefully relocated, and now the mine site has no artisanal mining. The Company has begun the process of rehabilitating the living quarters on the site in preparation of commencement of drilling and other exploration activities. Additionally, the Company has located core stored by the GGMC, which was drilled into mineralized zones in the past but was not assayed or sampled. The Company is currently preparing this core for re-logging, sampling, and assaying, leading up to new drilling. Terraquest, a geophysics provider, has been contracted to fly a new airborne magnetics, radiometric and VLF survey over the property, which will assist in targeting upcoming drilling.

A 43-101 Technical Report has been prepared by Minroc Management Limited (Brian H Newton, P. Geo, Mark P. Wellstead, Mgeol, P. Geo, Francis R. Newton, BSc, P. Geo)

Kaburi South Property

On December 24th, 2018, the Company entered into an Option Deed and Prospecting Agreement (the “Option Agreement”) with Mr. Sheldon Carew and Mr. Dexter Charles for five (5) Prospecting Permits (“Property”) owned by Mr. Carew and Mr. Charles in the Mazruni Mining District No. 3, Guyana. The licensed area is adjacent to Troy Resources’ Karouni mine in Guyana.

The Term of the Option Agreement

Option Period expires on December 23rd, 2028 (10-years). The Company has issued 300,000 common shares to Mr. Carew and 300,000 common shares to Mr. Dexter and has paid a further US\$50,000 for the Option Agreement.

The Company has the sole right to explore and prospect on the five Prospecting Permits.

The Company may Exercise its rights to acquire one or more of the five Prospecting Permits at any time during the Option Period by paying the Exercise Consideration of US\$1.00 per Prospecting Permits.

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Exploration Activity

The Company has not conducted any technical work on the Property.

The Company considers this property a pipeline exploration property that is located in an interesting area and may choose to explore the property or sell its interest in the Property at a future date.

Other than paying the annual rental fees, the Company does not anticipate committing financial resources to the exploration of the Property at this time.

The consolidated exploration activities for the three months ended March 31, 2020 are as follows:

Exploration Costs

The Company was incorporated on February 22, 2018

The following table represents the Exploration and Evaluation assets since inception to June 30, 2020

Exploration and Evaluation assets since inception	June 30, 2020
Omai Mine exploration and evaluation	\$4,741,251
Omai Mine Licence	\$2,000,000
Kabouri South; acquisition cost (See Note 2 below)	\$110,000
Kabouri South; rental lease payments	\$7,300
Total	\$6,858,551

This table represents the exploration and Evaluation assets for the three months ended June 30, 2020

	Omai Mine	Kabouri South	Total
Acquisition Costs	-	-	-
Evaluation & Exploration	\$38,393	-	\$38,393
License	\$1,000,000	-	\$1,000,000

This table represents the exploration and Evaluation assets for the three months ended June 30, 2019.

	Omai Mine	Kabouri South	Total
Acquisition Costs	\$96,476	\$113,500	\$209,976
Evaluation & Exploration	-	-	-
License	-	-	-
TOTAL	\$96,476	\$113,500	\$209,976

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Financial Statements Going Concern Assumption

The financial statements have been prepared on the basis of accounting principles applicable to a going concern under IFRS. The use of these principles under IFRS assumes that the Company will continue in operation for the foreseeable future and will be able to realize assets and discharge its liabilities in the normal course of operations.

The business of exploration involves a high degree of risk, as such there is no assurance that the Company's expected exploration programs will result in profitable mining operations. Until it is determined that the E&E assets can be economically mined, they are classified as exploration and evaluation assets using the full cost method allowed under IFRS 6. The Company's continued existence is dependent upon the discovery of economically recoverable reserves and resources, securing and maintaining title and beneficial interest in its E&E, and making the required payments pursuant to E&E purchase agreements. The Company has yet to generate income and cash flows from its operations.

There is no assurance that the Company will be able to obtain the external financing necessary to explore, develop if E&E are proven successful and bring to commercial production its E&E. The Company has no proven history of profitability, which casts doubt as to whether the Company will be able to continue as a going concern should it not be able to obtain the necessary financing to fund working capital and capital expenditures. The ability of the Company to arrange such financing in the future depends in part upon the prevailing capital market conditions as well as the business performance of the Company. If additional financing is raised by the issuance of shares from the treasury of the Company existing shareholders may have their interest diluted. If adequate financing is not available, the Company may be required to relinquish rights to certain of its interests or terminate its operations.

To date, the Company has not earned revenue and has an accumulated deficit of \$4,831,911 as at June 30, 2020 (December 31, 2019 - \$2,426,635). As at June 30, 2020, the Company had cash and cash equivalents of \$1,855,920 (December 31, 2019 - \$2,908) and a working capital deficit of \$(1,584,662) (December 31, 2019 - \$2,214,986).

The Company is actively seeking additional sources of financing. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern that these uncertainties are material and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore to realize its assets and discharge its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements. These adjustments could be material.

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Consolidated Results of Operations

A summary of selected financial information of the Company for recently completed periods is provided below:

Selected quarterly information

The following table sets forth selected financial information of the Company for the three and six months ended June 30, 2020 and quarters ended as noted below:

RESULTS OF OPERATIONS	June 30, 2020	March 31, 2020	Dec 31, 2019	Sep 30, 2019	June 30, 2019	March 31, 2019	Year Ended Dec. 31, 2018
Net Gain (Loss)	(\$4,831,911)	(\$3,298,575)	(2,426,635)	(\$2,356,377)	(\$1,958,748)	(\$1,707,281)	(\$1,736,288)
Cash & Cash Equivalents	\$1,855,920	\$1,490,295	\$2,908	\$58	\$3,622	\$111,569	\$12,180
Exploration and Evaluation Assets	\$6,975,851	6,301,050	\$5,942,362	\$5,821,210	\$5,887,432	\$4,956,446	\$4,603,450
Total Assets	\$9,196,178	\$7,585,930	\$5,984,570	\$5,854,368	\$5,924,154	\$5,070,165	\$4,616,930
Shareholders' Equity	\$7,732,829	\$5,707,930	\$2,900,432	\$2,356,377	\$2,255,616	\$2,501,205	\$2,404,122

Item Description	6 months ended June 30, 2020	12 Months ended Dec. 31, 2019	12 Months ended Dec 31, 2018
Net Gain (Loss)	(\$4,831,911)	(\$2,426,635)	(\$1,736,288)
Cash & Cash Equivalents	\$1,855,920	\$2,908	\$12,180
Exploration and Evaluation Assets	\$6,975,851	\$5,942,362	4,603,450
Total Assets	\$9,196,178	\$5,984,570	\$4,616,930
Shareholders' Equity	\$7,732,829	\$2,900,432	\$2,404,122

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For the quarter ended 31 March 2019:

- the Net Loss was (\$138,092). Cash and Cash equivalents increased by \$100,689 from the previous quarter as a result of an increase in financing activities
- Exploration and Evaluation assets increased by \$85,630
- Total Assets increased by \$186,319 mostly as a result of an increase in Cash of \$100,689, and Exploration and Evaluation Assets \$85,630
- Share capital increased by \$194,817 but the loss of \$138,091 result in shareholders' equity increasing by only \$56,725.

For the quarter ending June 30, 2019:

- The net loss was (\$162,345).
- Cash and Cash equivalents was \$3,622 as compared to the previous quarter of \$111,569 due to payment of outstanding balances.
- Exploration and evaluation assets increased by \$20,108.
- Total Assets increased by \$942,661 mostly as a result of the \$1M Omai Licence.
- Shareholders' equity decreased by \$67,345 as a result of the loss of (\$162,345) offset by an increase in share capital of \$95,000

For the quarter ended September 30, 2019:

- Net loss was (\$130,463)
- Cash & Cash Equivalents declined to \$58.
- There was an increase of \$24,400 in Exploration and Evaluation Assets.
- Total assets increased by \$19,336 mostly as a result of the increase in Exploration and Evaluation Assets
- Shareholders' Equity declined by (\$80,263), because of the loss but this was offset by an increase in share capital of \$50,000.

For the quarter ended December 31, 2019:

- The net loss was (\$196,590).
- Cash and Cash equivalents increased by \$2,850.
- Exploration and evaluation assets increased by \$204,774.
- Total Assets increased by \$219,324 mostly as a result of the increase in Exploration and Evaluation Assets
- Shareholders' Equity increased by \$876,857 as a result of an increase in Share Capital comprising of : An increase of \$812,357 in debt converted to equity and shares sold for cash of \$64,500.

For the quarter ended March 31, 2020:

- Net Loss was (\$1,532,712)
- Cash & Cash Equivalents increased by \$1,487,445 as a result of financing activities.
- Total assets increased by \$1,601,360 as a result of the increase in Cash & Cash equivalents and an increase in Accounts Receivable & Prepayments.
- Shareholders' Equity increased by \$3,197,840, as a result of the increase in share capital from the sale of shares

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For the three months ended June 30, 2020:

- Net Loss was (\$872,564)
- Cash and Cash equivalents increased by \$365,625 from the previous quarter. This is as a result of funds raised of \$3.1M offset by payments to creditors and purchase of debt of \$1.9M and a payment of \$1M to the GMCC for year 2 of the Omai Licence.
- Total assets increased by \$1,610,248. This is mainly as a result of an increase in cash & cash equivalents and exploration and evaluation assets
- Shareholders equity increased by \$1,634,557 as a result of financing activities offset by losses of \$872,564 or the three months ending June 2020.

Consolidated Financial Position

This section should be read in conjunction with the unaudited Consolidated statement of financial position and the unaudited Consolidated Statement of Changes in Shareholder's Equity as at June 30, 2020 and the unaudited Consolidated statements of Cash Flows for the six months ended June 30, 2020.

Item Description	3 months ending June ,2020	3 months ending June 30, 2019	6 months ending June 30, 2020	6 months ending June 30, 2019
Marketing & Investor Relations	\$22,332	\$22,080	\$33,219	\$23,620
General & Administrative Expenses	\$15,155	\$6,252	\$39,186	\$13,182
Professional Fees	\$149,910	\$13,416	\$200,570	\$13,416
Travel Expenses	\$332	\$0	20,402	\$3,521
Management Fees	\$95,000	\$112,500	\$196,000	\$225,000
Exploration Expenses	\$812,181	\$0	\$1,211,925	\$0
Taxes & Licences	\$243	\$0	\$699	\$0
Accretion Expense	\$25,682	\$22,911	\$50,740	\$45,148
Share Based Payments	\$407,000	\$0	\$647,000	\$0
Total	\$879,641	\$177,159	\$1,527,211	\$323,887

Results of Operations:

Item Description	Change :3 Months ending June 30, 2020	Change:3 Months June 30, 2019	6 Months ending June 30, 2020	6 Months ending June 30, 2019
Net Gain (Loss)	(\$1,533,336)	(\$251,467)	(\$2,405,276)	(\$1,958,748)

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Cash & Cash Equivalents	\$1,855,920	\$107,947	\$1,855,920	\$3,622
Exploration and Evaluation Assets	\$670,801	\$930,986	\$6,975,851	\$5,887,432
Total Assets	\$1,610,248	\$853,989	\$9,196,178	\$5,924,154
Shareholders' Equity	\$2,024,899	(\$245,589)	\$7,732,829	\$2,255,616

Consolidated Assets:

- The Company's cash and cash equivalents as at June 30, 2020 were \$1,855,920 (March 31, 2020 \$1,490,295). The increase is as a result of the net proceeds of financing and repayment of debts.
- Consolidated current assets of the Company as at June 30, 2020 were \$2,220,327 (March 31, 2020 \$1,827,295) comprising of cash and cash equivalents, \$1,855,920 and accounts receivable and prepaid expenses \$370,407.
- Total consolidated assets as at 30 June 2020 were \$9,196,178 (March 31, 2020 \$7,585,930) which are comprised of current assets of \$2,220,327, and Mineral Properties of \$6,975,851. The increase of \$1,610,248 is mostly due to the increase in cash and cash equivalents and the \$1,000,000 second year Omai Licence.

Consolidated Liabilities

- Consolidated current liabilities as at June 30, 2020 were \$635,665 (March 31, 2020, \$889,680) which are comprised largely of accounts payable and accrued liabilities of \$316,489 and debt purchased of \$319,176.

Consolidated Cash Flows

- The net cash used in operating activities during the six months ended June 30, 2020, was \$3,415,610 comprising of Net Loss for the six months (\$2,405,276), a decrease in Accounts Payable of \$1,382,967 and an increase in Accounts receivable of \$325,107. An adjustment for share based payments and accretion for a total of \$697,740 was made during the six months.
- Net cash flows from investing activities was \$1,033,489 consisting primarily of the \$1M payment to the GGMC for the second year Omai Licence.
- Net Cash inflows from Financing was \$6,302,111 comprising of: Proceeds from the sale of shares and repayment of debt

There was no revenue during the period.

Liquidity

The Company's activities have been funded to date through equity financing and the Company expects that it will continue to be able to utilize this source of financing until it develops cash flows from operations. There can be no assurance, however, that the Company will be successful in its efforts. If such funds are not available or other sources of finance cannot be obtained, then the Company will be forced to curtail such proposed activities to a level for which funding is available and can be obtained.

As at June 30, 2020, the Company's current assets are comprised of: Cash and cash equivalents of \$1,855,920 and other receivables of \$364,407 (mainly comprising of HST receivable)

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- As at June 30, 2020 the Company had a working capital surplus of \$1,584,662 and Shareholders equity of \$7,732,829.

Related Party Disclosure

Related parties include the Board of Directors, officers, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions. In accordance with International Accounting Standards 24 - Related Party Disclosure, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and nonexecutive) of the Company.

The terms and conditions of the transactions with key management personnel and their related parties were no more favorable than those available, or which might reasonably be expected to be available, to similar transactions to non-key management personnel related entities on an arm's length basis.

The Company entered into the following transactions with related parties:

The President and Chief Executive Officer, Mr. Michael Smith, ("CEO") of the Company is an employee of 4739 Holdings Ltd ("4739"). 4739 has a consulting contract with Avalon to provide his services as CEO to the Company. Fees and outstanding amounts due to 4739 relating to consulting services as expensed and capitalized as exploration and evaluation assets are detailed below.

One of the directors, Robert deCastro, of the Company provides business advisory services from (time to time) and as such is compensated for these services when provided. For details of the fees and outstanding amounts due relating to business advisory services provided, re Mr. deCastro, see table below.

The previous Chief Financial Officer, Mr. Kester daCosta, ("CFO") had a service contract and is entitled to fees based on this contract relating to consulting services in the normal course of business. These fees are expensed as consulting fees in the general and administrative expenses. The table below details the fees and amounts due to Mr. daCosta. Mr. DaCosta resigned on June 16th, 2019.

The previous Chief Operating Officer, Mr. Kris Sammy, ("COO") of the Company is the President of Compass Investments TC ("Compass") and Compass (and by extension the COO) had a contract with the Company. Fees and outstanding amounts due to Compass relating to consulting services as expensed and capitalized as exploration and evaluation assets are detailed in the table below.

Related Party fees in USD	3 months ended June, 2020	3 months ended March 31, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
CEO	\$30,000	\$30,000	\$60,000	\$60,000
CFO	\$0	\$22,500	\$0	\$45,000
COO	\$30,000	\$30,000	\$60,000	\$60,000

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Amounts due to Related Parties in USD	As at June 30, 2020	As at March 31, 2020	As at December 31, 2019	As at June 30, 2019
CEO	\$54,145	\$99,145	\$114,145	\$60,645
CFO (see note above)	\$0	\$11,411	\$26,411	\$26,411
COO	\$70,285	\$115,286	\$130,285	\$42,839
Total	\$124,430	\$225,842	\$270,841	\$129,895

Directors are entitled to director fees and stock options for their services and officers are entitled to stock options and cash remuneration for their services as outlined in their service contracts with the Company.

Outstanding Share Data

Authorized Share capital: unlimited common shares without par value.

- Company Issued and outstanding: 189,869,799 common shares have been issued by the Company as of the date of this MD&A.
- The following table sets out the consolidated fully diluted share capital of the Company and Avalon Gold Exploration Inc.

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Total shares outstanding as at February 22, 2018 (date of Incorporation)	100
Shares issued by the Company in 2018	65,329,900
Shares issued by the Company in 2019	12,168,570
Shares issued by the Company for the 6-months ended June 30th 2020	70,191,229
Total shares outstanding as at June 30th 2020	147,689,799
Total warrants outstanding as at February 22, 2018 (date of Incorporation)	0
Warrants by the Company in 2018	771,400
Warrants by the Company in 2019	6,036,285
Warrants issued by the Company for the 6-months ended June 30th 2020	26,346,000
Total warrants outstanding as at June 30th 2020	33,153,685
Total Options outstanding as at February 22, 2018 (date of Incorporation)	0
Options issued by the Company in 2018	1,000,008
Options issued by the Company in 2019	50,000
Options issued by the Company for the 6-months ended June 30th 2020	7,691,668
Total options outstanding as at June 30th 2020	8,741,676
Total Number of Diluted Securities as at June 30th 2020	189,585,160
Securities Issued subsequent to June 30th 2020	
Common Shares	42,180,000
Warrants	3,774,080
Options	0
	45,954,080
Total Number of Diluted Securities as at August 17th 2020	235,539,240

Securities issued:

- (i) The Company was incorporated on February 22, 2018 issuing 100 shares for \$1.00 per share.
- (ii) During the period from incorporation (February 22, 2018) to December 31, 2018, the Company issued 63,399,900 shares at deemed prices ranging from \$0.038 to \$0.10 per share to settle \$3,904,950 of debt.
- (iii) During the period from incorporation (February 22, 2018) to December 31, 2018, the Company completed non- brokered private placements and issued an aggregate of 1,330,000 units at \$0.10 per unit for aggregate gross proceeds of \$133,000. Each unit was comprised of one common share and one-half common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at an exercise price of \$0.35 and expires two years from the date of closing. As part of the financing, the Company paid certain eligible finders a cash payment of \$10,640 and issued 106,400 broker warrants exercisable for common shares at an exercise price of \$0.35 and expiring two years from the date of closing.
- (i) During the year ended December 31, 2019, the Company completed non-brokered private placements and issued an aggregate of 11,568,750 units at \$0.10 per unit for aggregate gross proceeds of \$1,156,875. Each unit was comprised of one common share and one-half common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at an exercise price of \$0.35 and expires two years from the date of closing. As part of the financing, the Company paid certain

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eligible finders a cash payment of \$33,200, issued 136,000 broker warrants exercisable for common shares at an exercise price of \$0.35 and expiring two years from the date of closing, and issued 116,000 broker warrants exercisable for common shares at an exercise price of \$0.35 and expiring two years from the closing date.

- (ii) During the year ended December 31, 2019, the Company issued 600,000 shares at a deemed price of \$0.10 per share to settle \$60,000 of debt.
- (iii) During the year ended December 31, 2019, the Company issued 50,000 stock options to a consultant of the Company with an exercise price of \$0.10 and expiring two years from the date of issuance.
- (iv) On January 10, 2020, the Company entered into an investment agreement (the "Sandstorm Investment Agreement") with Sandstorm Gold Ltd. ("Sandstorm"), whereby Sandstorm agreed to subscribe for 20,000,000 common shares in Avalon at a price of \$0.10 per common share and Avalon would grant Sandstorm a 1% net smelter returns royalty (the "Royalty") with respect to the sale of all economic marketable material on the Omai Gold Project. As a result, Avalon issued 20,000,000 common shares for gross proceeds of \$2,000,000.
- (v) During the six months ended June 30, 2020, the Company completed non-brokered private placements and issued an aggregate of 50,191,229 units at \$0.10 per unit for aggregate gross proceeds of \$5,019,123. Each unit was comprised of one common share and one-half common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at an exercise price of \$0.35 and expires two years from the date of closing. As part of the financing, the Company paid certain eligible finders a cash payment of \$428,450, issued 1,300,386 broker warrants exercisable for common shares at an exercise price of \$0.35 and expiring two years from the date of closing.
- (vi) During the six months ended June 30, 2020, the Company issued 7,691,668 stock options to certain consultants of the Company with an exercise price of \$0.10 and expiring five years from the date of issuance.

As of the date of this MD&A (August 17th 2020) the Company has 189,869,799 shares issued and outstanding; 36,927,765 warrants outstanding and 8,741,676 options outstanding. The details are identified in the table above. See subsequent events for additional information relating the securities issued subsequent to June 30th 2020.

Significant Accounting Policies

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), effective for the Company's reporting for the period ended June 30th 2020. These consolidated financial statements were approved and authorized for issuance by the Board on August 17, 2020.

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Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis, with the exception of financial instruments classified at fair value through profit or loss ("FVTPL"). In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

In the preparation of these consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of expenses during the period. Actual results could differ from these estimates.

Functional and presentation currency

These consolidated financial statements have been prepared in United States dollars, which is the Company's functional and presentation currency.

Basis of consolidation

Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continues to be consolidated until the date that such control ceases. Control is achieved when an investor has power over an investee to direct its activities, exposure to variable returns from an investee, and the ability to use the power to affect the investor's returns.

The results of subsidiaries acquired or disposed of during the periods presented are included in the consolidated statements of comprehensive loss from the effective date of control and up to the effective date of disposal or loss of control, as appropriate. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

Cash and cash equivalents

Cash in the statements of financial position and cash flows comprise of cash at bank and on hand. As at June 30 2020, the Company had no cash equivalents.

Mineral properties

Acquisition costs related to mineral properties are capitalized at fair value at the time the legal right to prospect and explore the property has been acquired. The acquisition costs are written off when a mineral property is disposed of through sale or abandonment.

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or

substantively enacted at period end, adjusted for amendments to tax payable with regards to previous periods.

Deferred tax is recognized in respect of taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to taxable temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Share-based payment transactions

The fair value of stock options granted to employees and non-employees is recognized as an expense over the vesting period with a corresponding increase in shareholders' equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Decommissioning liability

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the Company's exploration and evaluation activities. Discount rates using a pretax rate that reflects the risk and the time value of money are used to calculate the net present value. These costs are charged against profit or loss as exploration and evaluation expenditures and the related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

The Company has no restoration, rehabilitation and environment costs as at December 31, 2019 and 2018.

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Provision

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pretax rate that reflects current market assessments of the time value of money and the risk specific to the obligation.

Loss per share

Loss per common share have been determined by dividing net loss attributable to common shareholders by the weighted average number of common shares outstanding during the year, excluding shares securing employee share purchase loans and shares in escrow, if any. The Company follows the "treasury stock" method in the calculation of diluted earnings per share. Under this method, the calculation of diluted earnings per share assumes that outstanding options and warrants that are dilutive to earnings per share are exercised and the proceeds are used to repurchase shares of the Company at the average market price of the shares for the period. The treasury stock method is not used to calculate diluted loss per share because the result would be anti-dilutive. Loss per share per share (diluted) are equivalent measures and calculated on a non-dilutive basis.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Financial instruments

Recognition

The Company recognizes a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value, and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

Classification and measurement

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

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- i) those to be measured subsequently at fair value, either through profit or loss ("FVTPL") or through other comprehensive income ("FVTOCI"); and
- ii) those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

After initial recognition at fair value, financial liabilities are classified and measured at either:

- i) amortized cost;
- ii) FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or,
- iii) FVTOCI, when the change in fair value is attributable to changes in the Company's credit risk.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at amortized cost are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at fair value through profit or loss are expensed in profit or loss.

The Company's financial asset consists of cash and cash equivalents and accounts receivable, which are classified and subsequently measured at amortized cost.

The Company's financial liabilities trade and other payables, debt purchased, promissory notes payable and long term liability, which are classified and measured at amortized cost using the effective interest method. Interest expense is reported in net loss.

Impairment

The Company assesses all information available, including on a forward-looking basis the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information.

Financial instruments recorded at fair value

The Company categorizes its financial assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs used in the measurement.

- Level 1: This level includes assets and liabilities measured at fair value based on unadjusted quoted

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prices for identical assets and liabilities in active markets that are accessible at the measurement date.

- Level 2: This level includes valuations determined using directly or indirectly observable inputs other than quoted prices included within Level 1. Derivative instruments in this category are valued using models or other standard valuation techniques derived from observable market inputs.
- Level 3: This level includes valuations based on inputs which are less observable, unavailable or where the observable data does not support a significant portion of the instruments' fair value.

Significant accounting judgments and estimates

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates:

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, relate to, but are not limited to, the following:

- the recoverability of accounts receivable which are included in the consolidated statements of financial position;
- Income taxes – measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only become final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the consolidated financial statements; and
- the inputs used in accounting for share-based payment transactions.

Critical accounting judgments:

- management assessment of going concern and uncertainties of the Company's ability to raise additional capital and/or obtain financing to advance the lithium properties; and
- management determination of no material restoration, rehabilitation and environmental exposure, based on the facts and circumstances that existed during the period.

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements at the date of this MD&A.

Commitment

There are no commitments at the date of this MD&A.

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Management's Responsibility for Financial Statements

The information provided in this MD&A, including the consolidated financial statements, is the responsibility of management. In the preparation of these consolidated financial statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying consolidated financial statements.

Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

Risk Factors

Anconia is subject to a number of risks due to the nature of the business of mineral exploration and the early stage of its development. The following risk factors are provided from the perspective of the Company.

Mineral Exploration Risks

The successful exploration of exploration and evaluation assets is speculative. Such activities are subject to a number of uncertainties, which even a combination of careful evaluation, experience and knowledge may not eliminate. Most exploration projects do not result in the discovery of commercially mineable deposits. There is no certainty that the expenditures made or to be made by the Company in the exploration of the exploration and evaluation assets in which it may have an interest will result in the discovery of base metals or other mineralized materials in commercial quantities. While discovery of a base metal deposit may result in substantial rewards, few exploration and evaluation assets that are explored are ultimately developed into producing mines. Significant expenditures may be required to establish reserves by drilling and to construct mining and processing facilities at a site. No assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations. Whether a mineral deposit will be commercially viable depends on a number of factors, including the particular attributes of the deposit (i.e. size, grade, access and proximity to infrastructure), financing costs, the cyclical nature of commodity prices and government regulations (including those relating to prices, taxes, currency controls, royalties, land tenure, land use, importing and exporting of mineral products, and environmental protection). Although substantial benefits may be derived from the discovery of a major deposit, it is impossible to ensure that the current exploration programmes of the Company will result in profitable commercial mining operations or that funds required for development can be obtained on a timely basis. The implementation of certain aspects of the Company's strategy in respect of the exploration and evaluation asset is subject to the completion of detailed feasibility studies. The Company is not able to predict the outcome of such studies and unfavorable results may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Country Risk

The Company could be at risk regarding any political developments in the countries which it operates. At present, the Company is active in Barbados and Guyana. The Company's mineral exploration in Guyana, may be adversely affected by political instability, legal and economic uncertainty in the countries where the Corporation operates or has plans to operate. These risks may include: political unrest; labor disputes; invalidation of governmental orders and permits; corruption; war and civil disturbances; terrorist activities; arbitrary changes in laws; regulations; policies; taxation; price controls; exchange controls; delays in or the inability to obtain necessary permits; opposition to mining from environmental activists or other non-governmental organizations; limitations on foreign ownership; limitations on the repatriation of earnings; limitation on mineral exports and increase financing costs. These risks may limit or disrupt the Company's projects, restrict the movement of funds or result in the deprivation of contractual rights.

Failure to raise capital when needed would have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

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Regulatory Requirements

Mining operations, development and exploration activities are subject to extensive laws and regulations governing prospecting, development, production, exports, taxes, labor standards, occupational health, waste disposal, environmental protection and remediation, protection of endangered and protected species, mine safety, toxic substances and other matters. Changes in these regulations or in their application are beyond the control of the Company and could adversely affect its operations, business and results of operations.

Government approvals and permits are currently, and may in the future be, required in connection with the exploration and evaluation assets. To the extent such approvals are required and not obtained, the Company may be restricted or prohibited from proceeding with planned exploration or development activities. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may be liable for civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permitting requirements, or more stringent application of existing laws, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or require abandonment or delays in development of properties or reductions in levels of production at producing properties.

Reliability of Historical Information

The Company has relied upon historical data compiled by previous parties involved with the properties. To the extent that any of such historical data may be inaccurate or incomplete, the Company's exploration plans may be adversely affected.

Title Matters

The acquisition of title to exploration and evaluation assets is a very detailed and time-consuming process. Title to, and the area of, mineral concessions may be disputed. Although the Company believes it has taken reasonable measures to ensure proper title to its properties, there is no guarantee that title to the property will not be challenged or impaired. Third parties may have valid claims underlying portions of the Company's interests. Further, there can be no assurance that any pending applications for mineral rights in which the Company holds an interest (including in respect of the properties) will be granted in whole or in part. If a title defect exists, it is possible that the Company may lose all or part of its interest in the properties or any other property subsequently acquired to which such title defect exists.

Licenses and Permits

The current and proposed exploration activities of the Company require certain permits and licenses from various governmental authorities and such operations are and will be governed by laws and regulations governing exploration, development and production, labor standards, occupational health, waste disposal, toxic substances, land use, environmental protection, safety, mine permitting and other matters. Companies engaged in exploration activities generally experience increased costs and delays as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that all licenses and permits which the Company may require to carry out exploration of its projects will be obtainable on reasonable terms or on a timely basis, or that such laws and regulations would not have an adverse effect on any project that the Company may undertake.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in exploration operations may be required to compensate those suffering loss or

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damage by reason of the exploration activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Commodity Price Fluctuations

The price of the Company's securities, its financial results and exploration activities may be significantly adversely affected by declines in the price of base metals demand and price are determined by numerous factors beyond the control of the Company including the demand for electricity, international exchange rates, political and economic conditions and production costs in mining regions, production and consumption patterns, speculative activities, increased production due to improved mining and production methods, government regulations relating to prices, taxes, royalties, land tenure, land use, environmental protection and the degree to which a dominant producer uses its market strength to bring supply into equilibrium with demand. The combined effects of any or all of these factors on metal prices or volumes are impossible for the Company to predict. If realized metal prices fall below the full cost of production of any of the Company's operations and remain at such level for any sustained period, the Company will experience losses, which may be significant, and may decide to discontinue affected operations, forcing the Company to incur closure or care and maintenance costs, as the case may be. In addition, declining metal prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

Current Global Financial Conditions

Recent events in global financial markets have had a profound impact on worldwide economies. Many industries have been impacted by the changes in market conditions to varying degrees. Some of the key impacts of the current financial market turmoil include contraction in credit markets and resulting widening of credit risk as well as enhanced volatility in commodity, equity and foreign exchange markets. A continued or worsened slowdown in financial markets or other economic conditions, including without limitation, constraints in credit or surety markets, a sustained slump in economic activity in the mining industry in general and in Canada in particular, the availability of private and public sector funding for mineral exploration projects, pressure on margins arising from an altered competitive landscape or an increased risk of corporate bankruptcy in the markets in which the Company operates, may adversely affect the Company in ways which are not possible to predict given the unprecedented nature of the current crisis.

Currency Fluctuations

Currency fluctuations may affect some of the Company's future operations, financial positions and results. The Company's financial results are reported in United States dollars and the majority of its funds are held in United States dollars accounts. The majority of the Company's costs to date are in United States dollars. However, if the Company expands its activities in Guyana or Canada the Company will have increased exposure to fluctuations in the United States dollar against foreign currencies.

Uninsured Risks

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fire, flooding and earthquakes may occur. It is not always possible to fully insure against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs, have a material adverse effect on the Company's results and a decline in the value of the securities of the Company.

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Environmental Regulations

The activities of the Company are subject to laws and regulations controlling not only mineral exploration and exploitation activities themselves but also possible effects of such activities upon the environment. Environmental legislation generally provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission of environmental impact assessments and approval thereof by government authorities.

Environmental legislation is evolving in a manner which means stricter standards, and enforcement, increased fines and penalties for non-compliance, and more stringent environmental assessments of proposed projects. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. Permits from a variety of regulatory authorities are required for many aspects of mineral exploration activities including closure and reclamation. Future environmental legislation could cause additional expense, capital expenditure, restrictions liabilities and delays in the development of the Company's properties, the extent of which cannot be predicted. In the context of environmental permits, including the approval of closure and reclamation plans, the Company must comply with standards and laws and regulations which may entail costs and delays depending on the nature of the activity to be permitted and how stringently the regulations are implemented by the permitting authority. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. There may be unforeseen environmental liabilities resulting from exploration and/or mining activities and these may be costly to remedy. The Company does not maintain environmental liability insurance.

Access to Transportation Infrastructure

Access to the Omai Gold Mine is available through public roads which requires a ferry boat river crossing. If the ferry service ceases to operate the Company may face additional expenses related to transportation.

Competition

The mining industry is competitive in all its phases. The Company will compete with many companies and individuals that have substantially greater financial and technical resources than the Company in the search for, and the acquisition of, mineral concessions as well as for the recruitment and retention of qualified employees. The Company's ability to identify and increase reserves in the future will depend not only on its ability to explore and develop the properties, but also on its ability to select, acquire and develop suitable properties or prospects. In addition, the mining industry is facing a shortage of equipment and skilled personnel and there may be intense competition for experienced geologists, field personnel and contractors. There is no assurance that the Company will be able to compete successfully with others in acquiring such prospects, equipment or personnel.

Limited Operating History and Financial Resources

The Company has a limited operating history, has no operating revenue and is unlikely to generate any revenues from operations in the foreseeable future. The Company anticipates that its existing cash resources, together with the net proceeds from private placements, will be sufficient to cover its projected funding requirements for the ensuing year. If its exploration program is successful, additional funds will be required for further exploration to determine if any deposits are economic and if economic, to bring such deposits to production. Additional funds will also be required for the Company to acquire and explore other mineral interests. The Company has limited financial resources and there is no assurance that sufficient additional funding will be available to enable it to fulfill its obligations or for further exploration on acceptable terms or at all. Failure to obtain additional funding on a timely basis could result in delay or indefinite postponement of further exploration and could cause the Company to forfeit its interests in some or all of its exploration and evaluation assets, or to reduce or terminate its operations. Sources of funds now available to the Company are limited and may include the sale of equity capital, exploration and

Avalon Investment Holdings Ltd. (an exploration stage Company)

Management Discussion & Analysis; for the Three and six Months ended June 30, 2020

evaluation assets, royalty interests, the entering into of future joint ventures and the exercise of outstanding options. Additional financing may not be available when needed or, if available, the terms of such financing might not be favorable to the Company and might involve substantial dilution to existing shareholders.

Dependence upon Key Management Personnel and Executives

The Company will be dependent upon the continued support and involvement of a small number of key management personnel. The loss of the services of one or more of such personnel could have a material adverse effect on the Company. The Company's ability to manage its exploration activities and, hence, its success, will depend in large part on the efforts of these individuals. The Company faces intense competition for qualified personnel and there can be no assurance that the Company will be able to attract and retain such personnel. The number of persons skilled in the acquisition of, exploration of exploration and evaluation assets is limited and competition for such persons is intense.

Possible Conflicts of Interest of Directors and Officers of the Company

Certain of the directors and officers of the Company also serve as directors, officers and/or advisors of and to other companies involved in natural resource exploration and supporting services. Consequently, there exists the possibility for such directors and officers to be in a position of conflict. The Company expects that any decision made by any of such directors and officers involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders, but there can be no assurance in this regard. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest with or which are governed by the procedures set forth in the OBCA and any other applicable law.

Absence of Dividends

The Company does not expect to pay any dividends in the foreseeable future.

Source of Future Funds

The only source of future funds for further exploration programs, or if such exploration programs are successful for the development of economic ore bodies and commencement of commercial production thereon, which are presently available to the Company are the sale of equity capital or the offering by the Company of an interest in its exploration and evaluation assets to be earned by another party carrying out further exploration. Management has been successful in accessing equity markets in the past, but there is no assurance that such sources will be available on acceptable terms in the future.

Risk of Dilution

Under applicable Barbados law, shareholder approval may not be required for the Company to issue additional Company Shares. Moreover, the Company has commitments that could require the issuance of a substantial number of additional Company Shares, in particular options to acquire Company Shares under the Company's stock option plan and property option agreements. The business of the Company will require substantial additional financing which will likely involve the sale of equity capital. The Company can also be expected to issue additional options, warrants and other financial instruments, which may include debt. Future issuances of equity capital may have a substantial dilutive effect on existing shareholders of the Company. The Company is not able at this time to predict the future amount of such issuances or dilution.

Price Volatility and Lack of Active Market

The Company is a private company and its Shares are not listed on any quoted market. The Company anticipates completing the RTO with Anconia in Q1 2020. However, there is no assurance that an active market for the

Avalon Investment Holdings Ltd. (an exploration stage Company)

Management Discussion & Analysis; for the Three and six Months ended June 30, 2020

Company's securities will develop or be sustained after the RTO. If an active market does not develop, the liquidity of the investment may be limited, and the market price of such securities may decline.

In recent years, the securities markets in Canada and elsewhere have experienced a high level of price and volume volatility, and the market prices of securities of many public companies have experienced significant fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. It may be anticipated that any quoted market for the Company's securities will be subject to such market trends and that the value of such securities may be affected accordingly.

Events after the reporting period ended June 30, 2020

Exploration & Operations

Subsequent to June 30 2020, the company has increased its exploration and operational activities on the Omai property. The ongoing work which is being done with the database of historic work. Additionally the Company has recovered and remediated approximately 5,000m of drill core from the property, which was drilled in 2012, and has been in a secure government facility since operations ceased in 2012. This core, which has never been sampled, is being inventoried by Company geologists and transported to the Omai site for logging and sampling. At the Omai itself, the Company has rehabilitated the remaining two buildings to be a fully equipped 40 man camp and facilities to house an additional 40 people are underway. The camp includes full exploration offices, and facilities for core handling, logging, sampling, and storage. The Company now has full time security on site resident in the camp.

Financial

Subsequent to June 30, 2020, the Company has issued an additional 42,180,000 shares comprised from:

Subsequent to June 30, 2020, the Company completed non-brokered private placements and issued an aggregate of 6,180,000 units at a price of \$0.10 per unit for aggregate gross proceeds of \$618,000. Each unit consist of one common share and one-half common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at an exercise price of \$0.35 and expires two years from the date of closing.

Subsequent to June 30, 2020, the Company issued 6,000,000 shares, valued at \$0.10 per share, to enter into an Exclusivity Agreement that allows Avalon to exclusively investigate a property that may be a potential acquisition target in the future.

Subsequent to June 30, 2020, the Company issued 30,000,000 shares at \$0.15 per share for \$4,500,000.

Other Information

Additional information about the Company is available on the Company's website (www.omaigoldmines.com)

SCHEDULE “G”

ANCONIA AUDIT COMMITTEE CHARTER

**CHARTER OF THE AUDIT COMMITTEE
OF
ANCONIA RESOURECES CORP.**

GENERAL

1. PURPOSE AND RESPONSIBILITIES OF THE COMMITTEE

1.1 Purpose

The primary purpose of the Committee is to assist Board oversight of:

- (a) the integrity of the Corporation's financial statements and of the accounting and financial reporting practices and procedures of the Corporation;
- (b) the adequacy of the internal and accounting controls and procedures of the Corporation;
- (c) the External Auditor's qualifications and independence;
- (d) the performance of the Corporation's internal audit function, if any, and the External Auditor; and
- (e) the Corporation's compliance with legal and regulatory requirements, to the extent that such requirements are relevant to the foregoing.

2. DEFINITIONS AND INTERPRETATION

2.1 Definitions

In this Charter:

- (a) “**Board**” means the Board of Directors of the Corporation;
- (b) “**Chair**” means the chair of the Committee;
- (c) “**Committee**” means the audit committee of the Board;
- (d) “**Corporation**” means Anconia Resources Corp. (formerly, Citadel Gold Mines Inc.);
- (e) “**Directors**” means the directors of the Corporation;
- (f) “**External Auditor**” means the Corporation's independent auditor; and
- (g) “**GAAP**” means Canadian generally accepted accounting principles.

Any words or terms with initial capital letters which are not defined herein shall have the meanings ascribed thereto in the charter of the Directors.

2.2 Interpretation

The provisions of this Charter are subject to any Applicable Laws.

CONSTITUTION AND FUNCTIONING OF THE COMMITTEE

3. ESTABLISHMENT AND COMPOSITION OF THE COMMITTEE

3.1 Establishment of the Audit Committee

The Committee is hereby continued with the constitution, function and responsibilities herein set forth.

3.2 Appointment and Removal of Members of the Committee

- (a) Board Appoints Members. The members of the Committee shall be appointed by the Board.

- (b) Annual Appointments. The appointment of members of the Committee shall take place annually at the first meeting of the Board after a meeting of the shareholders at which Directors are elected, provided that if the appointment of members of the Committee is not so made, the Directors who are then serving as members of the Committee shall continue as members of the Committee until their successors are appointed.
- (c) Vacancies. The Board may appoint a member to fill a vacancy which occurs in the Committee between annual elections of Directors.
- (d) Removal of Member. Any member of the Committee may be removed from the Committee by a resolution of the Board.

3.3 Number of Members

The Committee shall consist of two or more Directors, a majority of whom shall be Residents.

3.4 Independence of Members

Each member of the Committee shall be independent as defined under Applicable Laws.

3.5 Financial Literacy

- (a) Financial Literacy Requirement. Each member of the Committee shall be financially literate or must become financially literate within a reasonable period of time after his or her appointment to the Committee.
- (b) Definition of Financial Literacy. "Financially literate" means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

3.6 Audit Committee Financial Expert

- (a) Attributes of an Audit Committee Financial Expert. To the extent possible, the Board shall appoint to the Committee at least one Director who has the following attributes:
 - (i) an understanding of generally accepted accounting principles and financial statements;
 - (ii) ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;
 - (iii) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation's financial statements, or experience actively supervising one or more persons engaged in such activities;
 - (iv) an understanding of internal controls and procedures for financial reporting; and
 - (v) an understanding of audit committee functions.
- (b) Experience of the Audit Committee Financial Expert. To the extent possible, the Board shall appoint to the Committee at least one Director who acquired the attributes in (a) above through:
 - (i) education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions (or such other qualification as the Board interprets such qualification in its business judgment);
 - (ii) experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions;
 - (iii) experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or

- (iv) other relevant experience.

4. COMMITTEE CHAIR

4.1 Board to Appoint Chair

The Board shall appoint the Chair from the members of the Committee (or, if it fails to do so, the members of the Committee shall appoint the Chair from among its members).

4.2 Chair to be Appointed Annually

The appointment of the Committee's Chair shall take place annually at the first meeting of the Board after a meeting of the members at which Directors are elected, provided that if the designation of Chair is not so made, the Director who is then serving as Chair shall continue as Chair until his or her successor is appointed.

5. COMMITTEE MEETINGS

5.1 Quorum

A quorum of the Committee shall be a majority of its members provided that a majority of the members comprising the quorum shall be Residents.

5.2 Secretary

The Chair shall designate from time to time a person who may, but need not, be a member of the Committee, to be Secretary of the Committee.

5.3 Time and Place of Meetings

The time and place of the meetings of the Committee, the calling of meetings and the procedure in all things at such meetings shall be determined by the Committee in accordance with the by-laws of the Corporation; provided, however, the Committee shall meet at least quarterly.

5.4 In Camera Meetings

As part of each meeting of the Committee at which the Committee recommends that the Board approve the annual audited financial statements or at which the Committee approves the quarterly financial statements, the Committee shall meet separately with each of:

- (a) management;
- (b) the External Auditor; and
- (c) the internal auditor, if any.

5.5 Right to Vote

Each member of the Committee shall have the right to vote on matters that come before the Committee.

5.6 Invitees

The Committee may invite Directors, officers and employees of the Corporation or any other person to attend meetings of the Committee to assist in the discussion and examination of the matters under consideration by the Committee. The External Auditor shall receive notice of each meeting of the Committee and shall be entitled to attend any such meeting at the Corporation's expense.

5.7 Regular Reporting

The Committee shall report to the Board at the Board's next meeting the proceedings at the meetings of the Committee and all recommendations made by the Committee at such meetings.

6. AUTHORITY OF COMMITTEE

6.1 Retaining and Compensating Advisors

The Committee shall have the authority to engage independent counsel and other advisors as the Committee may deem appropriate in its sole discretion and to set and pay the compensation for any advisors employed by the Committee. The Committee shall not be required to obtain the approval of the Board in order to retain or compensate such consultants or advisors.

6.2 Subcommittees

The Committee may form and delegate authority to subcommittees if deemed appropriate by the Committee.

6.3 Recommendations to the Board

The Committee shall have the authority to make recommendations to the Board, but shall have no decision-making authority other than as specifically contemplated in this Charter.

7. REMUNERATION OF COMMITTEE MEMBERS

7.1 Remuneration of Committee Members

Members of the Committee and the Chair shall receive such remuneration for their service on the Committee as the Board may determine from time to time.

7.2 Directors' Fees

No member of the Committee may earn fees from the Corporation or any of its subsidiaries other than Directors' fees (which fees may include cash and/or securities or options or other in-kind consideration ordinarily available to Directors, as well as all of the regular benefits that other Directors receive). For greater certainty, no member of the Committee shall accept, directly or indirectly, any consulting, advisory or other compensatory fee from the Corporation or any of its subsidiaries.

SPECIFIC DUTIES AND RESPONSIBILITIES

8. INTEGRITY OF FINANCIAL STATEMENTS

8.1 Review and Approval of Financial Information

- (a) Annual Financial Statements. The Committee shall review and discuss with management and the External Auditor, the Corporation's audited annual financial statements and related MD&A together with the report of the External Auditor thereon and, when appropriate, shall recommend to the Board that the Board approve the audited annual financial statements and related MD&A.
- (b) Interim Financial Statements. The Committee shall review and discuss with management and the External Auditor and, when appropriate, shall recommend to the Board that the Board approve the Corporation's interim unaudited financial statements and related MD&A.
- (c) Material Public Financial Disclosure. The Committee shall discuss with management and the External Auditor:
 - (i) the types of information to be disclosed and the type of presentation to be made in connection with earnings press releases,
 - (ii) financial information and earnings guidance (if any) to be provided to analysts, investors and rating agencies, and
 - (iii) press releases containing financial information (paying particular attention to any use of "pro forma" or "adjusted" non-GAAP information),

and, when appropriate, shall recommend to the Board that the Board approve any such material financial disclosure prior to its release to the public.

- (d) Procedures for Review. The Committee shall be satisfied that adequate procedures are in place for the review of the Corporation's disclosure of financial information extracted or derived from the Corporation's financial statements (other than financial statements, MD&A and earnings press releases, which are dealt with elsewhere in this Charter) and shall periodically assess the adequacy of those procedures.
- (e) Accounting Treatment. The Committee shall review and discuss with management and the External Auditor:
 - (i) major issues regarding accounting principles and financial statement presentations including any significant changes in the Corporation's selection or application of accounting principles and major issues as to the adequacy of the Corporation's internal controls and any special audit steps adopted in light of material control deficiencies;
 - (ii) analyses prepared by management and/or the External Auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements;
 - (iii) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures on the Corporation's financial statements;
 - (iv) the management certifications of the financial statements as required by applicable securities laws in Canada or otherwise; and
 - (v) pension plan financial statements, if any.

9. EXTERNAL AUDITOR

9.1 External Auditor

- (a) Authority with Respect to External Auditor. The Committee shall be directly responsible for the nomination, compensation and oversight of the work of the External Auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation. In the discharge of this responsibility, the Committee shall:
 - (i) have sole responsibility for recommending to the Board the person to be proposed to the Corporation's shareholders for appointment as External Auditor for the above-described purposes as well as the responsibility for recommending such External Auditor's compensation and determining at any time whether the Board should recommend to the Corporation's shareholders whether the incumbent External Auditor should be removed from office;
 - (ii) review the terms of the External Auditor's engagement, discuss the audit fees with the External Auditor and be solely responsible for approving such audit fees; and
 - (iii) require the External Auditor to confirm in its engagement letter each year that the External Auditor is accountable to, and shall report directly to, the Committee as the representative of shareholders.
- (b) Independence. The Committee shall satisfy itself as to the independence of the External Auditor. As part of this process the Committee shall:
 - (i) assure the regular rotation of the lead audit partner as required by law and consider whether, in order to ensure continuing independence of the External Auditor, the Corporation should rotate periodically, the audit firm that serves as External Auditor;
 - (ii) require the External Auditor to submit, on a periodic basis to the Committee, a formal written statement delineating all relationships between the External Auditor and the Corporation and its subsidiaries and that the Committee is responsible for actively engaging in a dialogue with the External Auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the External Auditor and for recommending that the Board take

appropriate action in response to the External Auditor's report to satisfy itself of the External Auditor's independence;

- (iii) address non-audit services provided by the External Auditor as described in clause (d) below; and
- (iv) review and approve the policy setting out the restrictions on the Corporation and its subsidiaries hiring partners, employees and former partners and employees of the Corporation's current or former External Auditor.

(c) Issues Between External Auditor and Management. The Committee shall:

- (i) review any problems experienced by the External Auditor in conducting the audit, including any restrictions on the scope of the External Auditor's activities or in access to requested information;
- (ii) review any disagreements with management and, to the extent possible, resolve any disagreements between management and the External Auditor regarding financial reporting; and
- (iii) review with the External Auditor:
 - (A) any accounting adjustments that were proposed by the External Auditor, but were not made by management;
 - (B) any communications between the audit team and audit firm's national office respecting significant auditing or accounting issues presented by the engagement;
 - (C) any management or internal control letter issued, or proposed to be issued by the External Auditor to the Corporation; and
 - (D) the performance of the Corporation's internal audit function and internal auditors.

(d) Non-Audit Services.

- (i) The Committee shall either:
 - (A) approve any non-audit services provided by the External Auditor or the external auditor of any subsidiary of the Corporation to the Corporation (including its subsidiaries); or
 - (B) adopt specific policies and procedures for the engagement of non-audit services, provided that such pre-approval policies and procedures are detailed as to the particular service, the Committee is informed of each non-audit service and the procedures do not include delegation of the Committee's responsibilities to management.
- (ii) The Committee may delegate to one or more members of the Committee the authority to pre-approve non-audit services in satisfaction of the requirement in the previous section, provided that such member or members must present any non-audit services so approved to the full Committee at its first scheduled meeting following such pre-approval.
- (iii) The Committee shall instruct management to promptly bring to its attention any services performed by the External Auditor which were not recognized by the Corporation at the time of the engagement as being non-audit services.

(e) Evaluation of External Auditor. The Committee shall evaluate the External Auditor each year, and present its conclusions to the Board. In connection with this evaluation, the Committee shall:

- (i) review and evaluate the performance of the lead partner of the External Auditor;
- (ii) obtain the opinions of management and of the persons responsible for the Corporation's internal audit function with respect to the performance of the External Auditor; and
- (iii) obtain and review a report by the External Auditor describing:
 - (A) the External Auditor's internal quality-control procedures;

- (B) to the extent permitted by Applicable Laws and by the Canadian Public Accountability Board, any material issues raised by the most recent internal quality-control review, or peer review, of the External Auditor's firm or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the External Auditor's firm, and any steps taken to deal with any such issues; and
 - (C) all relationships between the External Auditor and the Corporation (for the purposes of assessing the External Auditor's independence).
- (f) Review of Management's Evaluation and Response. The Committee shall:
 - (i) review management's evaluation of the External Auditor's audit performance;
 - (ii) review the External Auditor's recommendations, and review management's response to and subsequent follow-up on any identified weaknesses;
 - (iii) review management's response to significant internal control recommendations of the internal audit staff and the External Auditor;
 - (iv) receive regular reports from management and receive comments from the External Auditor, if any, on:
 - (A) the Corporation's principal financial risks;
 - (B) the systems implemented to monitor those risks; and
 - (C) the strategies (including hedging strategies) in place to manage those risks; and
- (g) Recommend to the Board whether any new material strategies presented by management should be considered appropriate and approved.

10. INTERNAL AUDIT FUNCTION

10.1 Internal Auditor

In connection with the Corporation's internal audit function, if any the Committee shall:

- (a) review the terms of reference of the internal auditor, if any, and meet with the internal auditor as the Committee may consider appropriate to discuss any concerns or issues;
- (b) in consultation with the External Auditor and the internal audit group, review the adequacy of the Corporation's internal control structure and procedures designed to ensure compliance with laws and regulations and any special audit steps adopted in light of material deficiencies and controls;
- (c) review the internal control report prepared by management, including management's assessment of the effectiveness of the Corporation's internal control structure and procedures for financial reporting; and
- (d) periodically review with the internal auditor, if any, any significant difficulties, disagreements with management or scope restrictions encountered in the course of the work of the internal auditor.

11. COMPLIANCE WITH LEGAL AND REGULATORY REQUIREMENTS

11.1 Risk Assessment and Risk Management

The Committee shall discuss the Corporation's major financial risk exposures and the steps management has taken to monitor and control such exposures and shall report to the Board with respect thereto.

11.2 Related Party Transactions

The Committee shall review and approve all related party transactions in which the Corporation is involved or which the Corporation proposes to enter into.

12. ANNUAL PERFORMANCE REVIEW

On an annual basis, the Committee shall follow the process established by the Board and overseen by the Nominating and Governance Committee for reviewing the performance of the Committee.

13. CHARTER REVIEW

The Committee shall review and assess the adequacy of this Charter annually and recommend to the Board any changes it deems appropriate.

SCHEDULE “H”
ANCONIA FINANCIAL STATEMENTS

ANCONIA RESOURCES CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

(Expressed in Canadian Dollars)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Anconia Resources Corp. (the "Company") are the responsibility of management and the Board of Directors.

The consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes, which are in place to provide it with sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the consolidated financial statements and (ii) the consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

/s/ Jason Brewster
President and Chief Executive Officer

/s/ Harvey McKenzie
Chief Financial Officer

Toronto, Canada
January 28, 2019



Independent Auditor's Report

To the Shareholders of

Anconia Resources Corp.

We have audited the accompanying consolidated financial statements of Anconia Resources Corp. and its subsidiaries, which comprise the consolidated statements of financial position as at September 30, 2018 and 2017, and the consolidated statements of comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Anconia Resources Corp. and its subsidiaries as at September 30, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matters

Without qualifying our opinion, we draw attention to Note 1 to the consolidated financial statements, which describes conditions and matters that indicate the existence of a material uncertainty that may cast doubt about the Company's ability to continue as a going concern.



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Other Matter

The financial statements for the year ended September 30, 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements on January 29, 2018.

January 28, 2019
Mississauga, Canada

SDVC LLP

Chartered Professional Accountants
Licensed Public Accountants

ANCONIA RESOURCES CORP.

Consolidated Statements of Financial Position (Expressed in Canadian Dollars)

	September 30, 2018	September 30, 2017
Assets		
Current assets		
Cash and cash equivalents	\$ 5,811	\$ 8,265
Accounts receivable and other assets (note 6)	6,663	4,470
Total Current assets	12,474	12,735
Non-Current assets		
Exploration and evaluation assets (note 7)	5,865,003	5,893,477
Total Assets	\$ 5,877,477	\$ 5,906,212
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 8)	\$ 1,133,033	\$ 821,002
Loan from related party (note 9)	34,380	30,630
Total Liabilities	1,167,413	851,632
Shareholders' Equity		
Share capital (note 10(b))	5,924,278	5,913,778
Reserves for share-based payments (note 12(b))	1,112,307	1,112,307
Reserves for warrants (note 11)	208,015	384,015
Other reserves	2,692,620	2,516,620
Accumulated deficit	(5,227,156)	(4,872,140)
Total Shareholders' Equity	4,710,064	5,054,580
Total Liabilities and Shareholders' Equity	\$ 5,877,477	\$ 5,906,212

Nature of operations and going concern (note 1)
Subsequent events (note 17)

The notes to the consolidated financial statements are an integral part of these statements.

Approved by the Board of Directors:

Director: Jason Brewster

Director: Michael Florence

ANCONIA RESOURCES CORP.

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars, except number of shares)

	Year Ended September 30,	
	2018	2017
Expenses		
General and administrative (note 16)	\$ 354,361	\$ 393,673
Foreign exchange loss	655	2
Interest income	-	(29)
Net loss and comprehensive loss for the year	\$ 355,016	\$ 393,646
Basic and diluted loss per share (note 13)	\$ 0.00	\$ 0.00
Weighted average number of shares outstanding - basic and diluted	105,488,470	101,764,485

The notes to the consolidated financial statements are an integral part of these statements.

ANCONIA RESOURCES CORP.

Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Reserves					Total
	Share capital	Share-based payments	Warrants	Other reserves ⁽¹⁾	Accumulated deficit	
Balance, September 30, 2016	\$ 5,743,384	\$ 1,112,307	\$ 358,128	\$ 2,516,620	\$ (4,478,494)	\$ 5,251,945
Common shares and warrants issued in private placements (note 10(b))	9,894	-	25,887	-	-	35,781
Common shares issued for exploration and evaluation assets (note 10(b))	160,500	-	-	-	-	160,500
Net loss and comprehensive loss for the year	-	-	-	-	(393,646)	(393,646)
Balance, September 30, 2017	\$ 5,913,778	\$ 1,112,307	\$ 384,015	\$ 2,516,620	\$ (4,872,140)	\$ 5,054,580
Common shares issued for exploration and evaluation assets (note 10(b))	10,500	-	-	-	-	10,500
Expiry of warrants (note 11)	-	-	(176,000)	176,000	-	-
Net loss and comprehensive loss for the year	-	-	-	-	(355,016)	(355,016)
Balance, September 30, 2018	\$ 5,924,278	\$ 1,112,307	\$ 208,015	\$ 2,692,620	\$ (5,227,156)	\$ 4,710,064

The notes to the consolidated financial statements are an integral part of these statements.

⁽¹⁾ Other reserves include the value of the warrants that had expired unexercised.

ANCONIA RESOURCES CORP.

Consolidated Statements of Cash Flows (Expressed in Canadian Dollars)

	Year Ended September 30,	
	2018	2017
Operating Activities		
Net loss for the year	\$ (355,016)	\$ (393,646)
Accrued interest on loan from related party (note 9)	3,750	3,750
Net change in non-cash working capital:		
Accounts receivable and other assets	(2,193)	28,511
Accounts payable and accrued liabilities	312,031	248,531
Cash used in operating activities	(41,428)	(112,854)
Investing Activities		
Expenditures on exploration and evaluation assets	38,974	(15,745)
Cash provided by (used in) investing activities	38,974	(15,745)
Financing Activities		
Issuance of common shares and warrants	-	40,449
Share issue cost	-	(4,668)
Cash provided by financing activities	-	35,781
Net change in cash and cash equivalents	(2,454)	(92,818)
Cash and cash equivalents, beginning of the year	8,265	101,083
Cash and cash equivalents, end of the year	\$ 5,811	\$ 8,265
Supplemental cash flow information:		
Common shares issued for exploration and evaluation assets	\$ 10,500	\$ 160,500

The notes to the consolidated financial statements are an integral part of these statements.

ANCONIA RESOURCES CORP.

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

(Expressed in Canadian Dollars)

1. Nature of operations and going concern

Anconia Resources Corp. ("Anconia" or the "Company") was incorporated under the Business Corporations Act (Ontario) on March 22, 1962 and its activities were directed toward locating exploration and evaluation assets. The primary office of the Company is located at 65 Front Street East, Suite 200, Toronto, Ontario, M5E 1B5, Canada.

These consolidated financial statements were prepared on a going concern basis of presentation, which assumes that the Company will continue operations for the foreseeable future and be able to realize the carrying value of its assets and discharge its liabilities and commitments in the normal course of business. To date, the Company has not earned revenue and has an accumulated deficit of \$5,227,156 as at September 30, 2018 (September 30, 2017 - \$4,872,140). As at September 30, 2018, the Company had cash and cash equivalents of \$5,811 (September 30, 2017 - \$8,265) and a working capital deficit of \$1,154,939 (September 30, 2017 - \$838,897). The Company's ability to continue as a going concern is dependent upon its ability to obtain additional financing and or achieve profitable operations in the future. Management is aware, in making its assessment, of material uncertainties related to events or conditions that cast substantial doubt upon the Company's ability to continue as a going concern, as described in the following paragraph. These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. These adjustments could be material. Management is actively pursuing funding options, being financing and alternative funding options, required to meet the Company's requirements on an ongoing basis. To meet the challenges of the current climate in the financial markets, the Company is minimizing its expenditures.

These consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS"), which contemplates the realization of assets and the settlement of liabilities in the normal course of business for the foreseeable future as they come due. Management is of the opinion that additional funding is available and may be sourced in time to allow the Company to acquire exploration and evaluation assets. While it has been successful in the past, there can be no assurance that it will be able to raise sufficient funds in the future.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of operations of such exploration and evaluation assets, these procedures do not guarantee the Company has a perfected title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, and renegotiation of contracts.

2. Significant accounting policies

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC") of the IASB as of January 28, 2019, the date the Board of Directors approved the statements.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of Anconia Resource Corp. and its wholly owned subsidiaries (2215107 Ontario Inc. ("221"), Bulwark Gold Mills Inc. and Cadillac Ventures (Spain) S.L.U.). All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

Subsidiaries are those entities which Anconia controls by having the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether Anconia controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by Anconia and are de-consolidated from the date that control ceases.

ANCONIA RESOURCES CORP.

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

(Expressed in Canadian Dollars)

2. Summary of significant accounting policies (continued)

(c) Foreign currency translation

The functional currency, as determined by management, of Anconia and its subsidiaries is the Canadian Dollar. For the purpose of the consolidated financial statements, the results and financial position are presented in Canadian Dollars.

Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period end exchange rates are recognized in the consolidated statement of comprehensive loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(d) Financial instruments

The Company's financial instruments consist of the following:

Financial assets:

All financial assets are recognized and derecognized on the trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned. Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified at fair value through profit or loss for which transaction costs are expensed.

Financial assets are classified into the following categories: 'at fair value through profit or loss' ("FVTPL"), 'held-to-maturity', 'available-for-sale' and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(i) Financial assets and liabilities at FVTPL: A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges. Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the consolidated statement of comprehensive loss. Gains and losses arising from changes in fair value are presented in the consolidated statement of comprehensive loss within other gains and losses in the period in which they arise. Financial assets and liabilities at FVTPL are classified as current except for the portion expected to be realized or paid beyond twelve months of the reporting date, which is classified as non-current.

(ii) Available-for-sale investments: Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income. Available-for-sale investments are classified as noncurrent, unless the investment matures within twelve months, or management expects to dispose of them within twelve months. Interest on available-for-sale investments, calculated using the effective interest method, is recognized in the consolidated statement of comprehensive loss as part of interest income. Dividends on available-for-sale equity instruments are recognized in the consolidated statement of comprehensive loss as part of other gains and losses when the Company's right to receive payment is established. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from other comprehensive income to the consolidated statement of comprehensive loss and are included in other gains and losses.

(iii) Held-to-maturity: Financial assets that have a fixed maturity date and which the Company has positive intention and the ability to hold to maturity are classified as held-to-maturity and are initially recognized at fair value and subsequently at amortized cost using the effective interest rate method. Transaction costs incurred to acquire held to-maturity financial instruments are included in the underlying balance.

ANCONIA RESOURCES CORP.

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

(Expressed in Canadian Dollars)

2. Summary of significant accounting policies (continued)

(d) Financial instruments (continued)

(iv) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at fair value plus transaction costs. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less impairment, if any.

Financial liabilities:

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities: Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition.

Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

The Company's financial instruments consist of the following:

Financial assets:	Classification:
Cash and cash equivalents	Fair value through profit or loss
Accounts receivable	Loans and receivables

Financial liabilities:	Classification:
Accounts payable and accrued liabilities	Other financial liabilities
Loan from related party	Other financial liabilities

Impairment of financial assets:

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been negatively impacted. Examples include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- the likelihood that the borrower will enter bankruptcy or financial re-organization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amounts receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the statements of comprehensive loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the statement of comprehensive loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

ANCONIA RESOURCES CORP.

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

(Expressed in Canadian Dollars)

2. Summary of significant accounting policies (continued)

(d) Financial instruments (continued)

Financial instruments recorded at fair value:

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs). As of September 30, 2018 and 2017, cash and cash equivalents was the Company's only financial instrument that was recorded at fair value on the consolidated statements of financial position and is categorized as level 1 under the fair value hierarchy.

(e) Exploration and evaluation assets

The Company is in the exploration stage with respect to its investment in mineral properties. The Company capitalizes costs directly related to the acquisition, exploration and evaluation of mineral properties. Such costs include, but are not restricted to, geological, geophysical, drilling, trenching and sampling costs including the support costs and supplies required in relation thereto. These assets are recorded at cost as adjusted for impairments in value. Impairment is assessed when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. In assessing impairment, exploration and evaluation assets are grouped into Cash Generating Units, ("CGU's"), on the basis of areas of interest. Management groups mineral claims that are contiguous and specific to an area that encompasses the same prospective minerals, into one area of interest and assigns a name to this mineral property. Each named mineral property is considered an area of interest and a CGU.

Although not an exhaustive list, one or more of the following facts and circumstances indicate that a specific CGU should be tested for impairment:

- The period for which the entity has the right to explore in the specific area has expired during the financial statement period or will expire in the near future and is not expected to be renewed.
- Substantive expenditures on further exploration for, and evaluation of, mineral resources in the specific area is neither budgeted nor planned.
- Exploration for and evaluation of mineral resources in the specific area has not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.
- Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or sale.

An impairment loss may be reversed in a situation where there is a change in the circumstances that had initially dictated that impairment had occurred. An example of such a situation might include, but not be limited to, the re-commencement of exploration activity on a mineral property due to a significant change in commodity prices.

ANCONIA RESOURCES CORP.

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

(Expressed in Canadian Dollars)

2. Summary of significant accounting policies (continued)

(e) Exploration and evaluation assets (continued)

Where the Company's exploration commitments for a CGU are performed under option agreements with a third party, the proceeds of any option payments under such agreements are applied to the CGU to the extent of costs incurred. The excess, if any, is credited to operations. Option payments made by the Company are recorded as exploration and evaluation assets. Options are exercisable entirely at the discretion of the optionee and accordingly, are recorded as exploration and evaluation assets or recoveries when the payments are made or received. The proceeds on the sale of exploration and evaluation assets are applied to the area of interest to the extent of costs incurred and the excess, if any, is credited to operations. In some circumstances option payments received by or made by the Company are made in whole or in part through the issuance of common shares. The value of these payments in shares is calculated using the fair value of the shares on the date of issue.

(f) Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets with finite lives to determine whether there is any indication that those assets are impaired. Where such an indication exists, the recoverable amount of the asset is estimated. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels of CGU. The recoverable amount is the higher of an asset's fair value less costs to dispose and value in use (being the present value of the expected future cash flows of the relevant CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

(g) Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of financial position comprise cash at banks and guaranteed investment certificates with the maturity term of 90 days or less from the date of acquisition or investment. The Company's cash is invested with major financial institutions in business accounts that are available on demand by the Company for its programs. The Company does not invest in any asset backed deposits/investments.

(h) Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the time value effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

The Company had no provisions at September 30, 2018 and 2017.

ANCONIA RESOURCES CORP.

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

(Expressed in Canadian Dollars)

2. Summary of significant accounting policies (continued)

(i) Share based payments

The fair value of share options granted is recognized as an expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value of share-based payments to employees is measured at the grant date and recognized over the period during which the options vest. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted with consideration of forfeiture rate to reflect the actual number of share options that are expected to vest. The Company has no share-based payments capitalized in exploration and evaluation assets. For those options that expire after vesting, the recorded value is retained in the reserve.

(j) Flow-through shares

Flow-through shares are a unique Canadian tax incentive. Using IAS 8 '*Accounting Policies, Changes in Accounting Estimates and Errors*', the Company has adopted a policy whereby flow-through proceeds are allocated between the offering of the common shares and the sale of tax benefits when the common shares are offered. The allocation is made based on the difference between the quoted price of the common shares and the amount the investor pays for the flow-through shares. A flow-through share premium liability is recognized for the premium paid by the investors and is then recognized in the statement of comprehensive loss in the period expenditure requirements are met.

(k) Income taxes

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in the statements of comprehensive loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to taxable temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

ANCONIA RESOURCES CORP.

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

(Expressed in Canadian Dollars)

2. Summary of significant accounting policies (continued)

(l) Restoration, rehabilitation and environmental provisions

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by exploration and evaluation activities by the Company. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pretax rate that reflects the time value of money are used to calculate the net present value. These costs are charged to the statements of comprehensive loss over the economic life of the related asset, through depreciation using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage that is created on an ongoing basis during production are provided for at their net present values and charged to the statements of comprehensive loss as extraction progresses.

The Company has no restoration, rehabilitation and environmental costs as at September 30, 2018 and 2017.

(m) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the net loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by dividing the net loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares. As at September 30, 2018, all outstanding options and warrants were considered anti-dilutive and were therefore excluded from the diluted loss per share calculation.

(n) Equipment

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, borrowing costs directly associated with the item and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is recognized based on the cost of an item of equipment, less its estimated residual value, over its estimated useful life at the following rate:

Detail	Percentage	Method
Furniture and office equipment	10 years	Straight-line

An asset's residual value, useful life and depreciation method are reviewed and adjusted if appropriate on an annual basis.

(o) Significant accounting judgments and estimates

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

ANCONIA RESOURCES CORP.

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

(Expressed in Canadian Dollars)

2. Summary of significant accounting policies (continued)

(o) Significant accounting judgments and estimates (continued)

Critical accounting estimates

Significant assumptions about the estimates that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- the recoverability of amounts receivable that are included in the statements of financial position;
- valuation and recoverability of exploration and evaluation assets. Management considers the economics of the project, including the latest resources prices and the long-term forecasts, and the overall economic viability of the project;
- management assessment of no material restoration, rehabilitation and environmental provisions, based on the facts and circumstances that existed during the period.;
- the valuation of share-based payments. Black-Scholes valuation model is used for the valuation of the share-based payments granted and the assumptions used for the valuation include volatility of the share price, risk-free interest rate and the life of the stock options granted. These assumptions are highly subjective and materially affect the calculated fair value; and
- the determination of deferred income tax assets and liabilities is inherently complex and requires making certain estimates and assumptions about future events and the probability that future taxable profit will be available against which deductible temporary differences can be utilized. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes.

Critical accounting judgments

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether there are indicators of impairment. When such indicators exist, an impairment loss is recognized for the amount by which the exploration and evaluation assets carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less costs to dispose and their value in use.

The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its operations and working capital requirements as discussed in note 1.

ANCONIA RESOURCES CORP.

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

(Expressed in Canadian Dollars)

2. Significant accounting policies (continued)

(p) Changes in accounting policies

There were no changes in accounting policies for the year ended September 30, 2018.

(q) New accounting standards and interpretations

(i) IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 and will replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. This standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

In October 2010, the IASB added requirements for financial liabilities to IFRS 9. These requirements were largely carried forward from the existing requirements in IAS 39, however, fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income.

In November 2013, the IASB amended IFRS 9 to include a new general hedge accounting model.

In July 2014, the IASB issued the final version IFRS 9 that supersedes the requirements of earlier versions of the standard. The new standard will replace both IAS 39 and IFRIC 9 - Reassessment of Embedded Derivatives. The standard will retain the classification and measurements requirements and new hedge accounting model introduced by the previous versions while introducing a single forward-looking expected credit loss impairment model. The final version of this new standard is effective for annual periods beginning on or after January 1, 2018. The Company is still in the process of assessing the impact of this pronouncement.

(ii) IFRS 16 Leases ("IFRS 16") was issued on January 13, 2016 to require lessees to recognize assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17 Leases. The IASB issued its standard as part of a joint project with the Financial Accounting Standards Board ("FASB"). The FASB has not yet issued its new standard, but it is also expected to require lessees to recognize most leases on their statement of financial position.

The new standard will be effective for annual periods beginning on or after January 1, 2019. Early application is permitted, provided the new revenue standard, IFRS 15 Revenue from Contracts with Customers, has been applied or is applied at the same date as IFRS 16. The Company is still in the process of assessing the impact of this pronouncement on the consolidated financial statements

ANCONIA RESOURCES CORP.

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

(Expressed in Canadian Dollars)

3. Capital risk management

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions of exploration and evaluation assets; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company considers its capital to be equity, which comprises share capital, reserves and deficit. As at September 30, 2018, the Company's capital resources amounted to an equity of \$4,710,064 (September 30, 2017 - \$5,054,580).

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is updated based on activities related to its exploration and evaluation assets. Selected information is provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the year ended September 30, 2018.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than Policy 2.5 of the TSX-V which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of September 30, 2018, the Company is not compliant with Policy 2.5. The impact of this violation is not known and is ultimately dependent on the discretion of the TSX-V.

4. Financial risk management

Financial risk

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, foreign currency risk and commodity and equity price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

ANCONIA RESOURCES CORP.

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

(Expressed in Canadian Dollars)

4. Financial risk management (continued)

(i) Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and amounts receivable. Cash and cash equivalents are held with select major Canadian chartered banks. The amounts receivable consists of sale tax recoverable that are due from Government of Canada, from which management believes the risk of loss to be minimal.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities. The Company prepares annual capital expenditure budgets, which are monitored and updated as required. In addition, the Company requires authorization from the Board of Directors for expenditures on projects to assist with the management of capital. The Company's financial liabilities comprise accounts payable and accrued liabilities, which are due within 12 months. As at September 30, 2018, the Company has a working capital deficit of \$1,154,939 (September 30, 2017 - \$838,897).

(iii) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and commodity and equity prices.

(a) Interest rate risk

The Company currently does not have any short-term or long-term debt that is interest bearing and, as such, the Company's current exposure to interest rate risk is minimal.

(b) Foreign currency risk

The Company's functional and presentation currency is the Canadian dollar and the Company holds certain cash balances and accounts payable and accrued liabilities in Euros, which are subject to foreign exchange risk. The Company has not entered into any foreign currency contracts to mitigate this risk.

(c) Commodity and equity price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, as they relate to precious and base metals and other minerals, and the stock market to determine the appropriate course of action to be taken by the Company.

Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depend upon the world market price of precious and base metals and other minerals. Precious and base metals and other mineral prices have fluctuated widely in recent years. There is no assurance that, even if commercial quantities of precious and base metals and other minerals are produced in the future, a profitable market will exist for them. As of September 30, 2018, the Company was not a precious mineral, base metals and other minerals producer. Even so, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

ANCONIA RESOURCES CORP.

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

(Expressed in Canadian Dollars)

5. Categories of financial instruments

	September 30, 2018	September 30, 2017
Financial assets:		
Fair value through profit or loss		
Cash and cash equivalents	\$ 5,811	\$ 8,265
Loans and receivables		
Accounts receivable	\$ 6,168	\$ 3,975
Financial liabilities:		
Other financial liabilities		
Accounts payable and accrued liabilities	\$ 1,133,033	\$ 821,002
Loan from related party	\$ 34,380	\$ 30,630

The carrying amounts of the short-term receivable and payable amounts are a reasonable approximation of their fair values.

6. Accounts receivable and other assets

	September 30, 2018	September 30, 2017
Sales tax receivable (i)	\$ 6,168	\$ 3,975
Prepaid expenses	495	495
	\$ 6,663	\$ 4,470

(i) Sales tax receivable is not past due.

7. Exploration and evaluation assets

	Acquisition	Exploration	Total
Balance, September 30, 2016	\$ 242,046	\$ 5,475,186	\$ 5,717,232
Additions	160,500	15,745	176,245
Balance, September 30, 2017	402,546	5,490,931	5,893,477
Additions	10,500	1,500	12,000
Recovery	-	(40,474)	(40,474)
Balance, September 30, 2018	\$ 413,046	\$ 5,451,957	\$ 5,865,003

ANCONIA RESOURCES CORP.

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

(Expressed in Canadian Dollars)

7. Exploration and evaluation assets (continued)

(a) Nunavut Properties

Nunavut - Atlas

On October 22, 2010 the Company entered into an option agreement whereas:

- A. Hauseux and Surmacz (as "Optionors") are the recorded and/or beneficial owners of a 100% undivided interest in certain mining claims located in the Territory of Nunavut, (the "Nunavut Property").
- B. Pursuant to a letter of intent dated June 11, 2009 (the "Letter of Intent"), the Optionors agreed to grant to Elen Enterprises (Ontario) Inc. ("Elen") and Nominex Ltd. ("Nominex") (as "Optionees") an option to acquire a 100% undivided interest in the Nunavut Property.
- C. On October 22, 2010, the Company entered into an assignment agreement (the "Nunavut Agreement"). Pursuant to the Nunavut Agreement, the Optionees (the "Assignors") assigned the option to the Company (the "Assignee"). For consideration the Assignors shall retain a two percent net smelter return royalty from the Assignee. The Assignee shall have the right to purchase from the Assignors the additional royalty, at a price equal to one million dollars for each 0.5% of royalty.

The terms of the agreement are as follows:

- A. The Optionors granted to the Optionees an exclusive and irrevocable right and option (the "Option") to acquire a 100% undivided interest in the Nunavut Property by paying to the Optionors, in aggregate, two hundred and fifty thousand dollars (\$250,000), to be satisfied as follows:
 - (i) a cash payment of \$10,000 within 30 days of signing the Letter of Intent. This obligation has been paid;
 - (ii) a cash payment of \$10,000 within 60 days of signing the Letter of Intent. This obligation has been paid;
 - (iii) \$20,000 on or before December 11, 2010; This obligation was paid in October 2010;
 - (iv) \$30,000 on or before the first anniversary of the Nunavut Agreement (paid);
 - (v) \$40,000 on or before the second anniversary of the Nunavut Agreement (paid);
 - (vi) \$60,000 on or before the third anniversary of the Nunavut Agreement (paid);
 - (vii) \$80,000 on or before the fourth anniversary of the Nunavut Agreement. \$30,000 has been paid in fiscal 2016 through issuance of shares. The remaining \$50,000 is extended until further notice.
- B. In lieu of up to 50% of each of the payments listed above, the Optionees are entitled, at their sole election, to satisfy such payments by way of common shares of a company listed on the Exchange, which shares shall be valued at a price per share equal to the average closing price of the Company's common shares on the Exchange for the five trading days ending two trading days before the applicable payment date (or at such greater price per share as may be required by the Exchange).
- C. The Optionees can elect to accelerate and pay any and all of the above amounts at any time before the applicable payment deadline and upon satisfaction of all payment amounts, the Optionees shall have exercised the Option and shall have acquired a 100% undivided interest in the Property.

ANCONIA RESOURCES CORP.

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

(Expressed in Canadian Dollars)

7. Exploration and evaluation assets (continued)

(a) Nunavut Properties (continued)

Nunavut - RB and Arni

The Company owned four staked claims known as the RB property that was previously held by Noble Peak Resources and which was subsequently abandoned by Noble Peak Resources. The property is a potential Gold prospect and over the years the Company has incurred \$131,037 of exploration and evaluation work on this property.

The Arni property is a Copper Nickel prospect on the Baker Lake region. The Company has incurred a total of \$33,142 on the property.

During the year ended September 30, 2016, management decided that future financing pertaining to the Nunavut properties will only be spent on the Atlas property and that the Company decided that they will not be renewing any claims pertaining to the RB and Arni properties when they expire in the near future. Hence, Management decided to impair all of the costs incurred in the RB and the Arni properties in amount of \$131,037 and \$33,142 respectively.

(b) Grenfell Property

On September 2, 2014, the Company entered into an option agreement (the "Agreement") with Cadillac Ventures Inc. ("Cadillac") whereby the Company will have the option to acquire up to a 100% interest in Cadillac's Grenfell Property (the "Property") in the Kirkland Lake area.

Under the terms of the agreement, Anconia can acquire a 60% interest (the "Option") upon (i) incurring expenditures on the Property of at least \$275,000 by September 1, 2016, and (ii) issuing 2,000,000 common shares of Anconia to Cadillac (1,000,000 common shares issued as of September 30, 2014 at a fair value of \$60,000 and 1,000,000 common shares were issued on June 17, 2015 at a fair value of \$15,000).

Upon acquisition of the 60% interest, Anconia will have the option to acquire the remaining 40% interest in the Property for (i) \$300,000 (\$200,000 of which shall be paid in cash and \$100,000 of which shall be paid by the issuance of common shares of Anconia at a deemed price of the average of the 20 days closing price prior to the day upon which Cadillac is notified the interest is to be earned), and (ii) Cadillac retaining a 2% net smelter return royalty ("NSR") in the Property, 1% of the NSR can be purchased by Anconia for a period of up to 2 years after achieving commercial production for the sum of \$1,000,000.

On May 17, 2017, the Company issued 5,000,000 common shares of the Company to obtain a 100% ownership interest in the Grenfell Gold property in Kirkland Lake, Ontario. The shares were valued for \$150,000 with \$0.03 per share based on the fair market value of the Company's shares on the date of issuance.

(c) Sault Ste. Marie

On July 18, 2016, the Company entered into an option agreement (the "Agreement") with three individuals (the "Owners") whereby Anconia will have the option to acquire up to a 100% interest in certain claims in the Sault Ste. Marie area (the "SSM Property"). The Agreement was approved by the TSX Venture Exchange on August 15, 2016.

Under the terms of the Agreement the Company can acquire a 100% interest (the "Option") upon: (i) making cash payments of \$210,000 (\$15,000 has been paid as of September 30, 2018), and (ii) issuing 1,200,000 common shares of the Company (1,000,000 common shares have been issued as of September 30, 2018) to the Owners over the next three years. The Owners retain a 3% net smelter returns royalty on the Property, of which Anconia is entitled to purchase 1.5% at any time, for \$1,500,000. In the event that the Company files a technical report on or prior to the issuance of a feasibility study in respect of the Property, which delineates at least 1,500,000 ounces of gold in the "measured" category, pursuant to National Instrument 43-101, the Owners shall be entitled to a bonus payment of \$1,000,000 in cash or common shares of the Company. The form of payment of any bonus, as between cash or shares shall be at the Company's option.

ANCONIA RESOURCES CORP.

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

(Expressed in Canadian Dollars)

7. Exploration and evaluation assets (continued)

Exploration activities for the year ended September 30, 2018 are as follows:

	Grenfell Property	Sault Ste. Marie (Note 1)	Nunavut Atlas	Total
Acquisition costs	\$ -	\$ 10,500	\$ -	\$ 10,500
Mining claims		1,500		1,500
Recovery	(40,474)	-	-	(40,474)
	\$ (40,474)	\$ 12,000	\$ -	\$ (28,474)

Note 1: The Company issued 700,000 common shares of the Company for acquiring the Sault Ste. Marie Property with \$0.015 per share based on the fair market value of the Company's shares on the date of issuance. These shares were issued in accordance of the terms of the option agreement.

Exploration activities for the year ended September 30, 2017 are as follows:

	Grenfell Property	Sault Ste. Marie (Note 2)	Nunavut Atlas	Total
Geology	\$ -	\$ 15,245	\$ -	\$ 15,245
Others	-	-	500	500
Acquisition costs	150,000	10,500	-	160,500
	\$ 150,000	\$ 25,745	\$ 500	\$ 176,245

Note 2: The Company issued 300,000 common shares of the Company for acquiring the Sault Ste. Marie Property with \$0.035 per share based on the fair market value of the Company's shares on the date of issuance. These shares were issued in accordance of the terms of the option agreement.

Exploration and acquisition activities and impairment from inception to September 30, 2018 are as follows:

	Grenfell Property	Sault Ste. Marie	Nunavut Atlas	Total
Geology	\$ 279,066	\$ 66,791	\$ 2,244,837	\$ 2,590,694
Drilling	112,163	-	2,252,012	2,364,175
Planning	-	-	73,956	73,956
Drafting	-	-	24,658	24,658
Mining claims	-	2,500	278,282	280,782
Others	123,999	-	144,213	268,212
Acquisition costs	225,000	48,000	30,000	303,000
Recovery	(40,474)	-	-	(40,474)
	\$ 699,754	\$ 117,291	\$ 5,047,958	\$ 5,865,003

ANCONIA RESOURCES CORP.

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

(Expressed in Canadian Dollars)

8. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities of the Company are principally comprised of amounts outstanding for purchases relating to exploration costs on exploration and evaluation assets, general operating activities and amounts payable for professional fees activities.

	September 30, 2018	September 30, 2017
Accounts payable	\$ 710,540	\$ 614,072
Accrued liabilities	422,493	206,930
Total accounts payable and accrued liabilities	\$ 1,133,033	\$ 821,002

9. Loan from related party

On March 31, 2016, the Company received a loan of \$25,000 from the Estate of Dr. Bernard Sherman (deceased), a shareholder of the Company. The loan bears an annual interest rate of 15% and matures on or before March 31, 2017. As at September 30, 2018, the maturity date of the loan has been extended and \$9,380 of interest expense had been accrued on the loan.

10. Share capital

(a) Authorized

Unlimited number of common shares without par value

(b) Common shares issued

	Number of common shares	Stated value
Balance, September 30, 2016	99,047,709	\$ 5,743,384
Common shares issued in private placements (1)	808,980	35,781
Common shares issued for exploration and evaluation assets (2)(3)	5,300,000	160,500
Valuation of warrants issued (1)	-	(25,887)
Balance, September 30, 2017	105,156,689	\$ 5,913,778
Common shares issued for exploration and evaluation assets (4)	700,000	10,500
Balance, September 30, 2018	105,856,689	\$ 5,924,278

(1) On December 23, 2016, the Company closed a non-brokered private placement offering with gross proceeds of \$40,449, issuing 808,980 units. The units were issued at \$0.05 per unit. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of Anconia at a price of \$0.07 for a period of 36 months following the date of issuance. The fair value of the warrants was determined to be \$25,887 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%, expected volatility of 210.5% based on the Company's historical volatility, risk-free interest rate of 0.89% and an expected life of 36 months. The Company also incurred issuance cost of \$4,668 related to the private placement.

ANCONIA RESOURCES CORP.

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

(Expressed in Canadian Dollars)

10. Share capital (continued)

(2) On December 23, 2016, the Company issued 300,000 common shares of the Company for acquiring the Sault Ste. Marie Property. The shares were valued for \$10,500 with \$0.035 per share based on the fair market value of the Company's shares on the date of issuance.

(3) On May 17, 2017, the Company issued 5,000,000 common shares of the Company to obtain a 100% ownership interest in the Grenfell Gold property in Kirkland Lake, Ontario. The shares were valued for \$150,000 with \$0.03 per share based on the fair market value of the Company's shares on the date of issuance. The shares will be subject to a hold period of 4 months and one day from the date of issuance.

(4) On April 10, 2018, the Company issued 700,000 common shares of the Company for acquiring the Sault Ste. Marie Property. The shares were valued at \$10,500 which is based on \$0.015 per share, the fair market value of the Company's shares on the date of issue.

11. Warrants

	Number of warrants	Fair value
Balance, September 30, 2016	25,950,000	\$ 358,128
Issued (note 10(b)(1))	808,980	25,887
Balance, September 30, 2017	26,758,980	\$ 384,015
Expired (i)	(18,400,000)	(176,000)
Balance, September 30, 2018	8,358,980	\$ 208,015

(i) Value of expired warrants is transferred to the other reserves.

Details of the warrants outstanding at September 30, 2018 are as follows:

Number of warrants	Amount (\$)	Exercise price (\$)	Expiry date
2,000,000	48,148	0.07	July 4, 2019
4,300,000	104,032	0.07	July 27, 2019
1,250,000	29,948	0.07	August 3, 2019
808,980	25,887	0.07	December 23, 2019
8,358,980	208,015	0.07	

ANCONIA RESOURCES CORP.

Notes to Consolidated Financial Statements
September 30, 2018 and 2017
(Expressed in Canadian Dollars)

12. Share-based payments

(a) Stock options

	Number of stock options	Weighted average exercise price
Balance, September 30, 2016	3,150,000	\$ 0.08
Expired	(850,000)	0.15
Balance, September 30, 2017 and September 30, 2018	2,300,000	\$ 0.05

Details of the stock options outstanding at September 30, 2018 are as follows:

Fair value (\$)	Weighted average remaining contractual life (years)	Exercisable options	Number of options	Weighted average exercise price (\$)	Expiry date
106,687	0.88	2,300,000	2,300,000	0.05	August 18, 2019

(b) Reserves for share-based payments

Reserves for share-based payments include the accumulated fair value of vested options. The reserve for share-based payments records items recognized as share-based payments in the form of stock option grants and vesting of such options until such time that these stock options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire unexercised, the amount recorded will stay in the share-based payment reserve.

13. Loss per share

The calculation of basic and diluted loss per share for the year ended September 30, 2018 was based on the loss attributable to common shareholders of \$355,016 (year ended September 30, 2017 - \$393,646) and the weighted average number of common shares outstanding of 105,488,470, respectively (year ended September 30, 2017 - and 101,764,485, respectively). Diluted loss per share did not include the effect of 2,300,000 options (year ended September 30, 2017 - 2,300,000 options) and 8,358,980 warrants and broker warrants (year ended September 30, 2017 - 26,758,980 warrants and broker warrants) as they are anti-dilutive.

ANCONIA RESOURCES CORP.

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

(Expressed in Canadian Dollars)

14. Income taxes

The income tax allowance differs from the amount resulting from the application of the combined Canadian income tax rate as follows:

	2018	2017
Loss before income taxes	\$ (355,016)	\$ (393,646)
Combined statutory income tax rate	26.5%	26.5%
Income tax benefit at the combined Canadian statutory income tax rate	(94,079)	(104,316)
Share issue cost through equity	(1,979)	(8,664)
Tax benefits not recognized	96,058	112,980
Actual income tax provision	\$ -	\$ -

	2018	2017
Deferred income tax assets:		
Non-capital loss carry forward	\$ 1,827,933	\$ 1,730,590
Share issue costs	2,863	4,842
Others	16,646	17,406
	1,847,442	1,752,838
Applied against deferred tax liabilities from exploration and evaluation	(965,337)	(1,037,470)
Unrecognized deductible temporary differences and unused tax losses	882,105	715,368

	2018	2017
Deferred income tax liabilities:		
Exploration and evaluation	\$ (965,337)	\$ (1,037,470)
Applied against deferred tax assets	965,337	1,037,470
Net deferred income tax liabilities	\$ -	\$ -

ANCONIA RESOURCES CORP.

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

(Expressed in Canadian Dollars)

14. Income taxes (continued)

The Company has consolidated Canadian capital losses of approximately \$48,482 (2017 - \$48,482) and consolidated Canadian non-capital losses of approximately \$6,897,860 (2017 - \$6,530,800) available to apply against the future taxable income, and these expire in various years from 2026 to 2038 as follows:

Year	Amount
2026	\$ 684,762
2027	72,660
2028	606,670
2029	372,370
2030	167,935
2031	615,786
2032	1,029,948
2033	882,778
2034	676,109
2035	534,107
2036	446,507
2037	446,399
2038	<u>361,829</u>
Total	<u>\$ 6,897,860</u>

The Company also has cumulative Canadian exploration and development expenses, available to apply against future taxable income, of \$2,222,220, which can be carried forward indefinitely.

15. Related party disclosures

Related parties include the Board of Directors, officers, close family members and entities which are controlled by these individuals as well as certain persons performing similar functions. In accordance with International Accounting Standards 24 - Related Party Disclosure, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, to similar transactions to non-key management personnel related entities on an arm's length basis.

The Company entered into the following transactions with related parties:

The President and Chief Executive Officer, Mr. Jason Brewster, ("CEO") of the Company is the President of 2181038 Ontario Inc. ("218 Inc."), and 218 Inc. (and by extension the CEO and President) has a contract with the Company. Fees and outstanding amounts due to 218 Inc. relating to consulting services as expensed and capitalized as exploration and evaluation assets are detailed in the table below.

One of the directors, Denis Clement, of the Company provides business advisory services from (time to time) and as such is compensated for these services when provided.

The Chief Financial Officer, Mr. Harvey McKenzie, ("CFO") has a service contract and is entitled to fees based on this contract relating to consulting services in the normal course of business.

ANCONIA RESOURCES CORP.

Notes to Consolidated Financial Statements
September 30, 2018 and 2017
(Expressed in Canadian Dollars)

15. Related party disclosures (continued)

		Year Ended September 30,	
		2018	2017
2181038 Ontario Inc. (Jason Brewster)	\$	96,000	\$ 96,000
CFO consulting fees - Harvey McKenzie		57,600	57,600
Business advisory fees - Denis Clement		-	24,000
Directors fees		40,000	42,376
Total related party transactions	\$	193,600	\$ 219,976

Related party payables	As at September 30, 2018	As at September 30, 2017
2181038 Ontario Inc. (Jason Brewster)	\$ 309,160	\$ 213,160
CFO Harvey McKenzie	166,103	108,503
Denis Clement	55,630	55,630
Directors	97,500	57,500
Total Related party payables	\$ 628,393	\$ 434,793

To the knowledge of the directors and senior officers of the Company, as at September 30, 2018, no person or corporation beneficially owns or exercises control or direction over common shares of the Company carrying more than 10% of the voting rights attached to all common shares of the Company other than the Estate of Dr. Bernard Sherman, a major shareholder who owns 30% of all the issued and outstanding shares of the Company. The remaining 70% of the shares are widely held. These holdings can change at any time at the discretion of the owners.

None of the Company's major shareholders have different voting rights other than holders of the Company's common shares.

The Company is not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of the Company. To the knowledge of the Company, it is not directly or indirectly owned or controlled by another corporation, by any government or by any natural or legal person severally or jointly.

16. General and administrative

		Year Ended September 30,	
		2018	2017
Salaries and benefits (note 15)	\$	40,000	\$ 42,376
Professional fees		59,678	72,264
Consulting fees (note 15)		153,600	177,200
Shareholder and investor relations		1,010	5,248
Reporting issuer costs		30,600	33,333
Administrative expense		69,473	63,252
	\$	354,361	\$ 393,673

ANCONIA RESOURCES CORP.

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

(Expressed in Canadian Dollars)

17. Subsequent events

(i) On October 24, the Company announced that it has completed the share for debt transaction (the "Shares for Debt Transaction"). The total amount of debt extinguished pursuant to the Shares for Debt Transaction was \$586,636 for 11,732,720 common shares (the "Common Shares") of the Company at \$0.05 per share. The Common Shares are subject to a four month plus one day hold period.

The directors and/or officers of the Company, being Jason Brewster, Denis Clement, Harvey McKenzie, Jim Franklin, John Sadowski, and Mike Florence, have converted an aggregate amount of \$243,750 into Common Shares.

(ii) During the period subsequent to fiscal year ended September 30, 2018, the Company secured a loan from a private company (owned by a director) secured by some of the exploration and evaluation assets of the Company. The amount loaned was \$35,000 and was advanced in October 2018. The interest on this loan is 15% and is due in April 2020.

(iii) Subsequent to September 30, 2018, the Company used up most of its tax loss carryforward and as a result generated an aggregate net cash of \$146,355 all of which was received in fiscal 2019.

ANCONIA RESOURCES CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

(Expressed in Canadian Dollars)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Anconia Resources Corp. (the "Company") are the responsibility of management and the Board of Directors.

The consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards which are appropriate in the circumstances.

Management has established processes, which are in place to provide it with sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the consolidated financial statements and (ii) the consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

/s/ Jason Brewster
President and Chief Executive Officer

/s/ Harvey McKenzie
Chief Financial Officer

Toronto, Canada
January 28, 2020

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Anconia Resources Corp.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Anconia Resources Corp. (the Company), which comprise the consolidated statements of financial position as at September 30, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2019 and 2018, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Relating to Going Concern

We draw your attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a comprehensive loss of \$4,981,629 during the year ended September 30, 2019. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the annual management's discussion and analysis, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Pat Kenney.

Clearhouse LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
January 28, 2020

ANCONIA RESOURCES CORP.

Consolidated Statements of Financial Position (Expressed in Canadian Dollars)

	September 30, 2019	September 30, 2018
Assets		
Current assets		
Cash and cash equivalents	\$ 3,810	\$ 5,811
Accounts receivable and other assets (note 6)	1,898	6,663
Total Current assets	5,708	12,474
Non-Current assets		
Exploration and evaluation assets (note 7)	701,823	5,865,003
Total Assets	\$ 707,531	\$ 5,877,477
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 8)	\$ 743,949	\$ 1,133,033
Loan payable (note 9)	39,685	-
Loans from related parties (note 10)	78,135	34,380
Total Liabilities	861,769	1,167,413
Shareholders' (Deficiency) Equity		
Share capital (note 11(b))	6,041,605	5,924,278
Reserves for share-based payments (note 13(b))	1,112,307	1,112,307
Reserves for warrants (note 12)	25,887	208,015
Other reserves	2,874,748	2,692,620
Accumulated deficit	(10,208,785)	(5,227,156)
Total Shareholders' Equity	(154,238)	4,710,064
Total Liabilities and Shareholders' Equity	\$ 707,531	\$ 5,877,477

Nature of operations and going concern (note 1)

Subsequent event (note 19)

The notes to the consolidated financial statements are an integral part of these statements.

Approved by the Board of Directors:

Director: Jason Brewster

Director: Michael Florence

ANCONIA RESOURCES CORP.

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars, except number of shares)

	Year Ended September 30,	
	2019	2018
Expenses		
General and administrative (note 17)	\$ 358,419	\$ 354,361
Other items		
Foreign exchange gain (loss)	1,374	(655)
Gain on debt settlement (note 11(b))	469,309	-
Impairment of exploration and evaluation assets (note 7)	(5,240,248)	-
Other income (note 17)	146,355	-
Net income (loss) and comprehensive income (loss) for the year	\$ (4,981,629)	\$ (355,016)
Basic and diluted income (loss) per share (note 14)	\$ (0.04)	\$ (0.00)
Weighted average number of shares outstanding - basic and diluted	116,817,942	105,488,470

The notes to the consolidated financial statements are an integral part of these statements.

ANCONIA RESOURCES CORP.

Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Reserves					Total
	Share capital	Share-based payments	Warrants	Other reserves ⁽¹⁾	Accumulated deficit	
Balance, September 30, 2017	\$ 5,913,778	\$ 1,112,307	\$ 384,015	\$ 2,516,620	\$ (4,872,140)	\$ 5,054,580
Common shares issued for exploration and evaluation assets (note 11(b))	10,500	-	-	-	-	10,500
Expiry of warrants (note 12)	-	-	(176,000)	176,000	-	-
Net loss and comprehensive loss for the year	-	-	-	-	(355,016)	(355,016)
Balance, September 30, 2018	\$ 5,924,278	\$ 1,112,307	\$ 208,015	\$ 2,692,620	\$ (5,227,156)	\$ 4,710,064
Common shares issued for debt (note 11(b))	117,327	-	-	-	-	117,327
Expiry of warrants (note 12)	-	-	(182,128)	182,128	-	-
Net loss and comprehensive loss for the year	-	-	-	-	(4,981,629)	(4,981,629)
Balance, September 30, 2019	\$ 6,041,605	\$ 1,112,307	\$ 25,887	\$ 2,874,748	\$ (10,208,785)	\$ (154,238)

The notes to the consolidated financial statements are an integral part of these statements.

⁽¹⁾ Other reserves include the value of the warrants that had expired unexercised.

ANCONIA RESOURCES CORP.

Consolidated Statements of Cash Flows (Expressed in Canadian Dollars)

	Year Ended September 30,	
	2019	2018
Operating Activities		
Net loss for the year	\$ (4,981,629)	\$ (355,016)
Impairment of exploration and evaluation assets (note 7)	5,240,248	-
Accrued interest on loan from related party (note 10)	8,756	3,750
Gain on debt settlement	(469,308)	-
Net change in non-cash working capital:		
Accounts receivable and other assets	4,765	(2,193)
Accounts payable and accrued liabilities	122,551	312,031
Cash provided by (used in) operating activities	(74,617)	(41,428)
Investing Activities		
Expenditures on exploration and evaluation assets	(2,069)	38,974
Cash (used in) provided by investing activities	(2,069)	38,974
Financing Activities		
Proceeds from loan payable	39,685	-
Proceeds from loan from related party	35,000	-
Cash provided by financing activities	74,685	-
Net change in cash and cash equivalents	(2,001)	(2,454)
Cash and cash equivalents, beginning of the year	5,811	8,265
Cash and cash equivalents, end of the year	\$ 3,810	\$ 5,811
Supplemental cash flow information:		
Common shares issued for exploration and evaluation assets	\$ 75,000	\$ 10,500
Common shares issued for debt settlement	\$ 117,327	\$ -

The notes to the consolidated financial statements are an integral part of these statements.

ANCONIA RESOURCES CORP.

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(Expressed in Canadian Dollars)

1. Nature of operations and going concern

Anconia Resources Corp. ("Anconia" or the "Company") was incorporated under the Business Corporations Act (Ontario) on March 22, 1962 and its activities were directed toward locating exploration and evaluation assets. The primary office of the Company is located at 82 Richmond Street East, Toronto, Ontario, M5C 1P1, Canada.

These consolidated financial statements were prepared on a going concern basis of presentation, which assumes that the Company will continue operations for the foreseeable future and be able to realize the carrying value of its assets and discharge its liabilities and commitments in the normal course of business. To date, the Company has not earned revenue and has an accumulated deficit of \$10,208,785 as at September 30, 2019 (September 30, 2018 - \$5,227,156). As at September 30, 2019, the Company had cash and cash equivalents of \$3,810 (September 30, 2018 - \$5,811) and a working capital deficit of \$856,061 (September 30, 2018 - \$1,154,939). These conditions and events raise a material doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to obtain additional financing and or achieve profitable operations in the future. Management is aware, in making its assessment, of material uncertainties related to events or conditions that cast substantial doubt upon the Company's ability to continue as a going concern, as described in the following paragraph. These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. These adjustments could be material. Management is actively pursuing funding options, being financing and alternative funding options, required to meet the Company's requirements on an ongoing basis. To meet the challenges of the current climate in the financial markets, the Company is minimizing its expenditures.

These consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS"), which contemplates the realization of assets and the settlement of liabilities in the normal course of business for the foreseeable future as they come due. Management is of the opinion that additional funding is available and may be sourced in time to allow the Company to acquire exploration and evaluation assets. While it has been successful in the past, there can be no assurance that it will be able to raise sufficient funds in the future.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of operations of such exploration and evaluation assets, these procedures do not guarantee the Company has a perfected title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, and renegotiation of contracts.

2. Significant accounting policies

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC") of the IASB as of January 28, 2020, the date the Board of Directors approved the statements.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of Anconia Resource Corp. and its wholly owned subsidiaries (2215107 Ontario Inc. ("221"), Bulwark Gold Mills Inc. and Cadillac Ventures (Spain) S.L.U.). All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

Subsidiaries are those entities which Anconia controls by having the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether Anconia controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by Anconia and are de-consolidated from the date that control ceases.

ANCONIA RESOURCES CORP.

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(Expressed in Canadian Dollars)

2. Summary of significant accounting policies (continued)

(c) Foreign currency translation

The functional currency, as determined by management, of Anconia and its subsidiaries is the Canadian Dollar. For the purpose of the consolidated financial statements, the results and financial position are presented in Canadian Dollars.

Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period end exchange rates are recognized in the consolidated statement of comprehensive loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(d) Financial instruments

Recognition

The Company recognizes a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value, and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectations of recovering the contractual cash flows on a financial asset.

Classification and measurement

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

- i) those to be measured subsequently at fair value, either through profit or loss ("FVTPL") or through other comprehensive income ("FVTOCI"); and
- ii) those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

After initial recognition at fair value, financial liabilities are classified and measured at either:

- i) amortized cost;
- ii) FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or,
- iii) FVTOCI, when the change in fair value is attributable to changes in the Company's credit risk.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

ANCONIA RESOURCES CORP.

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(Expressed in Canadian Dollars)

2. Summary of significant accounting policies (continued)

(d) Financial Instruments (continued)

Classification and measurement (continued)

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at amortized cost are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at fair value through profit or loss are expensed in profit or loss.

The Company's financial asset consists of cash and cash equivalents, which are classified and measured at FVTPL, with realized and unrealized gains or losses related to changes in fair value reported in net loss, and accounts receivable, which is classified and subsequently measured at amortized cost.

The Company's financial liabilities consist of accounts payable and accrued liabilities, loan payable and loan from related party, which are classified and measured at amortized cost using the effective interest method. Interest expense is reported in net loss.

Impairment

The Company assesses all information available, including on a forward-looking basis the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information.

Financial instruments recorded at fair value

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs). As of September 30, 2019 and 2018, cash and cash equivalents was the Company's only financial instrument that was recorded at fair value on the consolidated statements of financial position and is categorized as level 1 under the fair value hierarchy.

ANCONIA RESOURCES CORP.

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(Expressed in Canadian Dollars)

2. Summary of significant accounting policies (continued)

(e) Exploration and evaluation assets

The Company is in the exploration stage with respect to its investment in mineral properties. The Company capitalizes costs directly related to the acquisition, exploration and evaluation of mineral properties. Such costs include, but are not restricted to, geological, geophysical, drilling, trenching and sampling costs including the support costs and supplies required in relation thereto. These assets are recorded at cost as adjusted for impairments in value. Impairment is assessed when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. In assessing impairment, exploration and evaluation assets are grouped into Cash Generating Units, ("CGU's"), on the basis of areas of interest. Management groups mineral claims that are contiguous and specific to an area that encompasses the same prospective minerals, into one area of interest and assigns a name to this mineral property. Each named mineral property is considered an area of interest and a CGU.

Although not an exhaustive list, one or more of the following facts and circumstances indicate that a specific CGU should be tested for impairment:

- The period for which the entity has the right to explore in the specific area has expired during the financial statement period or will expire in the near future and is not expected to be renewed.
- Substantive expenditures on further exploration for, and evaluation of, mineral resources in the specific area is neither budgeted nor planned.
- Exploration for and evaluation of mineral resources in the specific area has not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.
- Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or sale.

An impairment loss may be reversed in a situation where there is a change in the circumstances that had initially dictated that impairment had occurred. An example of such a situation might include, but not be limited to, the re-commencement of exploration activity on a mineral property due to a significant change in commodity prices.

Where the Company's exploration commitments for a CGU are performed under option agreements with a third party, the proceeds of any option payments under such agreements are applied to the CGU to the extent of costs incurred. The excess, if any, is credited to operations. Option payments made by the Company are recorded as exploration and evaluation assets. Options are exercisable entirely at the discretion of the optionee and accordingly, are recorded as exploration and evaluation assets or recoveries when the payments are made or received. The proceeds on the sale of exploration and evaluation assets are applied to the area of interest to the extent of costs incurred and the excess, if any, is credited to operations. In some circumstances option payments received by or made by the Company are made in whole or in part through the issuance of common shares. The value of these payments in shares is calculated using the fair value of the shares on the date of issue.

ANCONIA RESOURCES CORP.

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(Expressed in Canadian Dollars)

2. Summary of significant accounting policies (continued)

(f) Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets with finite lives to determine whether there is any indication that those assets are impaired. Where such an indication exists, the recoverable amount of the asset is estimated. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels of CGU. The recoverable amount is the higher of an asset's fair value less costs to dispose and value in use (being the present value of the expected future cash flows of the relevant CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

(g) Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of financial position comprise cash at banks and guaranteed investment certificates with the maturity term of 90 days or less from the date of acquisition or investment. The Company's cash is invested with major financial institutions in business accounts that are available on demand by the Company for its programs. The Company does not invest in any asset backed deposits/investments.

(h) Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the time value effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

The Company had no provisions at September 30, 2019 and 2018.

(i) Share based payments

The fair value of share options granted is recognized as an expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value of share-based payments to employees is measured at the grant date and recognized over the period during which the options vest. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted with consideration of forfeiture rate to reflect the actual number of share options that are expected to vest. The Company has no share-based payments capitalized in exploration and evaluation assets. For those options that expire after vesting, the recorded value is retained in the reserve.

ANCONIA RESOURCES CORP.

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(Expressed in Canadian Dollars)

2. Summary of significant accounting policies (continued)

(j) Flow-through shares

Flow-through shares are a unique Canadian tax incentive. Using IAS 8 '*Accounting Policies, Changes in Accounting Estimates and Errors*', the Company has adopted a policy whereby flow-through proceeds are allocated between the offering of the common shares and the sale of tax benefits when the common shares are offered. The allocation is made based on the difference between the quoted price of the common shares and the amount the investor pays for the flow-through shares. A flow-through share premium liability is recognized for the premium paid by the investors and is then recognized in the statement of comprehensive loss in the period expenditure requirements are met.

(k) Income taxes

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in the statements of comprehensive loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to taxable temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(l) Restoration, rehabilitation and environmental provisions

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by exploration and evaluation activities by the Company. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pretax rate that reflects the time value of money are used to calculate the net present value. These costs are charged to the statements of comprehensive loss over the economic life of the related asset, through depreciation using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage that is created on an ongoing basis during production are provided for at their net present values and charged to the statements of comprehensive loss as extraction progresses.

The Company has no restoration, rehabilitation and environmental costs as at September 30, 2019 and 2018.

ANCONIA RESOURCES CORP.

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(Expressed in Canadian Dollars)

2. Summary of significant accounting policies (continued)

(m) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the net loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by dividing the net loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares. As at September 30, 2019, all outstanding options and warrants were considered anti-dilutive and were therefore excluded from the diluted loss per share calculation.

(n) Equipment

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, borrowing costs directly associated with the item and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is recognized based on the cost of an item of equipment, less its estimated residual value, over its estimated useful life at the following rate:

Detail	Percentage	Method
Furniture and office equipment	10 years	Straight-line

An asset's residual value, useful life and depreciation method are reviewed and adjusted if appropriate on an annual basis.

(o) Significant accounting judgments and estimates

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

ANCONIA RESOURCES CORP.

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(Expressed in Canadian Dollars)

2. Summary of significant accounting policies (continued)

(o) Significant accounting judgments and estimates (continued)

Critical accounting estimates

Significant assumptions about the estimates that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- the recoverability of amounts receivable that are included in the statements of financial position;
- valuation and recoverability of exploration and evaluation assets. Management considers the economics of the project, including the latest resources prices and the long-term forecasts, and the overall economic viability of the project;
- management assessment of no material restoration, rehabilitation and environmental provisions, based on the facts and circumstances that existed during the period.;
- the valuation of share-based payments. Black-Scholes valuation model is used for the valuation of the share-based payments granted and the assumptions used for the valuation include volatility of the share price, risk-free interest rate and the life of the stock options granted. These assumptions are highly subjective and materially affect the calculated fair value; and
- the determination of deferred income tax assets and liabilities is inherently complex and requires making certain estimates and assumptions about future events and the probability that future taxable profit will be available against which deductible temporary differences can be utilized. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes.

Critical accounting judgments

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether there are indicators of impairment. When such indicators exist, an impairment loss is recognized for the amount by which the exploration and evaluation assets carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less costs to dispose and their value in use.

The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its operations and working capital requirements as discussed in note 1.

ANCONIA RESOURCES CORP.

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(Expressed in Canadian Dollars)

2. Summary of significant accounting policies (continued)

(p) Changes in accounting policies

Certain pronouncements were issued by IASB and IFRIC that are mandatory for accounting periods after September 30, 2018. The following new standards have been adopted:

IFRS 9 - Financial Instruments ("IFRS 9")

Effective October 1, 2018, the Company adopted IFRS 9. In July 2014, the IASB issued the final publication of the IFRS 9 standard, which supersedes IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance. The Company has adopted IFRS 9 on a retrospective basis, however, this guidance had no material impact to the Company's financial statements.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains the primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVTOCI) and fair value through profit and loss (FVTPL).

The new hedge accounting guidance had no impact on the Company's financial statements.

Below is a summary showing the classification and measurement bases of the Company's financial instruments as at October 1, 2018 as a result of adopting IFRS 9, along with comparison to IAS 39.

Classification	IAS 39	IFRS 9
Cash and cash equivalents	FVTPL	FVTPL
Accounts receivable	Loans receivable	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities (amortized cost)	Amortized cost
Loan payable	Other financial liabilities (amortized cost)	Amortized cost
Loan from related parties	Other financial liabilities (amortized cost)	Amortized cost

(q) New accounting standards and interpretations

IFRS 16 - Leases ("IFRS 16")

IFRS 16 was issued on January 13, 2016 to require lessees to recognize assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS17 Leases. The IAS issued its standard as part of a joint project with the Financial Accounting Standards Board ("FASB"). The FASB has not yet issued its new standard, but it is also expected to require lessees to recognize most leases on their statement of financial position.

The new standard will be effective for annual periods beginning on or after January 1, 2019. Early application is permitted, provided the new revenue standard, IFRS 15 Revenue from Contracts with Customers, has been applied or is applied at the same date as IFRS 16. The adoption of IFRS 16 is not expected to have a material impact on the consolidated financial statements.

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3. Capital risk management

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions of exploration and evaluation assets; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company considers its capital to be equity, which comprises share capital, reserves and deficit. As at September 30, 2019, the Company's capital resources amounted to an deficiency of \$154,238 (September 30, 2018 - equity of \$4,710,064).

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is updated based on activities related to its exploration and evaluation assets. Selected information is provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the year ended September 30, 2019.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than Policy 2.5 of the TSX-V which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of September 30, 2019, the Company is not compliant with Policy 2.5. The impact of this violation is not known and is ultimately dependent on the discretion of the TSX-V.

4. Financial risk management

Financial risk

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, foreign currency risk and commodity and equity price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

(i) Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and amounts receivable. Cash and cash equivalents are held with select major Canadian chartered banks. The amounts receivable consists of sale tax recoverable that are due from Government of Canada, from which management believes the risk of loss to be minimal.

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4. Financial risk management (continued)

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities. The Company prepares annual capital expenditure budgets, which are monitored and updated as required. In addition, the Company requires authorization from the Board of Directors for expenditures on projects to assist with the management of capital. The Company's financial liabilities comprise accounts payable and accrued liabilities, which are due within 12 months. As at September 30, 2019, the Company has a working capital deficit of \$856,061 (September 30, 2018 - \$1,154,939).

(iii) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and commodity and equity prices.

(a) Interest rate risk

The Company currently does not have any short-term or long-term debt that is interest bearing and, as such, the Company's current exposure to interest rate risk is minimal.

(b) Foreign currency risk

The Company's functional and presentation currency is the Canadian dollar. The Company has not entered into any foreign currency contracts to mitigate this risk.

(c) Commodity and equity price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, as they relate to precious and base metals and other minerals, and the stock market to determine the appropriate course of action to be taken by the Company.

Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depend upon the world market price of precious and base metals and other minerals. Precious and base metals and other mineral prices have fluctuated widely in recent years. There is no assurance that, even if commercial quantities of precious and base metals and other minerals are produced in the future, a profitable market will exist for them. As of September 30, 2019, the Company was not a precious mineral, base metals and other minerals producer. Even so, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

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5. Categories of financial instruments

	September 30, 2019	September 30, 2018
Financial assets:		
Fair value through profit or loss		
Cash and cash equivalents	\$ 3,810	\$ 5,811
Amortized cost		
Accounts receivable	\$ 1,403	\$ 6,168
Financial liabilities:		
Amortized cost		
Accounts payable and accrued liabilities	\$ 743,949	\$ 1,133,033
Loan payable	\$ 39,685	\$ -
Loan from related party	\$ 78,135	\$ 34,380

The carrying amounts of the short-term receivable and payable amounts are a reasonable approximation of their fair values.

6. Accounts receivable and other assets

	September 30, 2019	September 30, 2018
Sales tax receivable (i)	\$ 1,403	\$ 6,168
Prepaid expenses	495	495
	\$ 1,898	\$ 6,663

(i) Sales tax receivable is not past due.

7. Exploration and evaluation assets

	Acquisition	Exploration	Total
Balance, September 30, 2017	\$ 292,500	\$ 5,600,977	\$ 5,893,477
Additions	10,500	1,500	12,000
Recovery	-	(40,474)	(40,474)
Balance, September 30, 2018	303,000	5,562,003	5,865,003
Additions	75,000	2,068	77,068
Impairment	-	(5,240,248)	(5,240,248)
Balance, September 30, 2019	\$ 378,000	\$ 323,823	\$ 701,823

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7. Exploration and evaluation assets (continued)

(a) Nunavut Properties

Nunavut - Atlas

On October 22, 2010 the Company entered into an option agreement whereas:

- A. Hauseux and Surmacz (as "Optionors") are the recorded and/or beneficial owners of a 100% undivided interest in certain mining claims located in the Territory of Nunavut, (the "Nunavut Property").
- B. Pursuant to a letter of intent dated June 11, 2009 (the "Letter of Intent"), the Optionors agreed to grant to Elen Enterprises (Ontario) Inc. ("Elen") and Nominex Ltd. ("Nominex") (as "Optionees") an option to acquire a 100% undivided interest in the Nunavut Property.
- C. On October 22, 2010, the Company entered into an assignment agreement (the "Nunavut Agreement"). Pursuant to the Nunavut Agreement, the Optionees (the "Assignors") assigned the option to the Company (the "Assignee"). For consideration the Assignors shall retain a two percent net smelter return royalty from the Assignee. The Assignee shall have the right to purchase from the Assignors the additional royalty, at a price equal to one million dollars for each 0.5% of royalty.

During the year ended September 30, 2019, management decided not to pursue future financing pertaining to the Nunavut-Atlas property as the the project is considered not viable. Hence, Management decided to impair all of the costs incurred in the Atlas property in amount of \$5,047,958.

The terms of the agreement are as follows:

- A. The Optionors granted to the Optionees an exclusive and irrevocable right and option (the "Option") to acquire a 100% undivided interest in the Nunavut Property by paying to the Optionors, in aggregate, two hundred and fifty thousand dollars (\$250,000), to be satisfied as follows:
 - (i) a cash payment of \$10,000 within 30 days of signing the Letter of Intent. This obligation has been paid;
 - (ii) a cash payment of \$10,000 within 60 days of signing the Letter of Intent. This obligation has been paid;
 - (iii) \$20,000 on or before December 11, 2010; This obligation was paid in October 2010;
 - (iv) \$30,000 on or before the first anniversary of the Nunavut Agreement (paid);
 - (v) \$40,000 on or before the second anniversary of the Nunavut Agreement (paid);
 - (vi) \$60,000 on or before the third anniversary of the Nunavut Agreement (paid);
 - (vii) \$80,000 on or before the fourth anniversary of the Nunavut Agreement. \$30,000 has been paid in fiscal 2016 through issuance of shares. The remaining \$50,000 is extended until further notice.
- B. In lieu of up to 50% of each of the payments listed above, the Optionees are entitled, at their sole election, to satisfy such payments by way of common shares of a company listed on the Exchange, which shares shall be valued at a price per share equal to the average closing price of the Company's common shares on the Exchange for the five trading days ending two trading days before the applicable payment date (or at such greater price per share as may be required by the Exchange).
- C. The Optionees can elect to accelerate and pay any and all of the above amounts at any time before the applicable payment deadline and upon satisfaction of all payment amounts, the Optionees shall have exercised the Option and shall have acquired a 100% undivided interest in the Property.

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7. Exploration and evaluation assets (continued)

(a) Nunavut Properties (continued)

Nunavut - RB and Arni

The Company owned four staked claims known as the RB property that was previously held by Noble Peak Resources and which was subsequently abandoned by Noble Peak Resources. The property is a potential Gold prospect and over the years the Company has incurred \$131,037 of exploration and evaluation work on this property.

The Arni property is a Copper Nickel prospect on the Baker Lake region. The Company has incurred a total of \$33,142 on the property.

During the year ended September 30, 2016, management decided that future financing pertaining to the Nunavut properties will only be spent on the Atlas property and that the Company decided that they will not be renewing any claims pertaining to the RB and Arni properties when they expire in the near future. Hence, Management decided to impair all of the costs incurred in the RB and the Arni properties in amount of \$131,037 and \$33,142 respectively.

(b) Grenfell Property

On September 2, 2014, the Company entered into an option agreement (the "Agreement") with Cadillac Ventures Inc. ("Cadillac") whereby the Company will have the option to acquire up to a 100% interest in Cadillac's Grenfell Property (the "Property") in the Kirkland Lake area.

Under the terms of the agreement, Anconia can acquire a 60% interest (the "Option") upon (i) incurring expenditures on the Property of at least \$275,000 by September 1, 2016, and (ii) issuing 2,000,000 common shares of Anconia to Cadillac (1,000,000 common shares issued as of September 30, 2014 at a fair value of \$60,000 and 1,000,000 common shares were issued on June 17, 2015 at a fair value of \$15,000).

Upon acquisition of the 60% interest, Anconia will have the option to acquire the remaining 40% interest in the Property for (i) \$300,000 (\$200,000 of which shall be paid in cash and \$100,000 of which shall be paid by the issuance of common shares of Anconia at a deemed price of the average of the 20 days closing price prior to the day upon which Cadillac is notified the interest is to be earned), and (ii) Cadillac retaining a 2% net smelter return royalty ("NSR") in the Property, 1% of the NSR can be purchased by Anconia for a period of up to 2 years after achieving commercial production for the sum of \$1,000,000.

On May 17, 2017, the Company issued 5,000,000 common shares of the Company to obtain a 100% ownership interest in the Grenfell Gold property in Kirkland Lake, Ontario. The shares were valued for \$150,000 with \$0.03 per share based on the fair market value of the Company's shares on the date of issuance.

(c) Sault Ste. Marie

On July 18, 2016, the Company entered into an option agreement (the "Agreement") with three individuals (the "Owners") whereby Anconia will have the option to acquire up to a 100% interest in certain claims in the Sault Ste. Marie area (the "SSM Property"). The Agreement was approved by the TSX Venture Exchange on August 15, 2016.

Under the terms of the Agreement the Company can acquire a 100% interest (the "Option") upon: (i) making cash payments of \$210,000 (\$15,000 has been paid as of September 30, 2019), and (ii) issuing 1,200,000 common shares of the Company (1,000,000 common shares have been issued as of September 30, 2019) to the Owners over the next three years. The Owners retain a 3% net smelter returns royalty on the Property, of which Anconia is entitled to purchase 1.5% at any time, for \$1,500,000. In the event that the Company files a technical report on or prior to the issuance of a feasibility study in respect of the Property, which delineates at least 1,500,000 ounces of gold in the "measured" category, pursuant to National Instrument 43-101, the Owners shall be entitled to a bonus payment of \$1,000,000 in cash or common shares of the Company. The form of payment of any bonus, as between cash or shares shall be at the Company's option.

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7. Exploration and evaluation assets (continued)

During the year ended September 30, 2019, management decided not to pursue future financing pertaining to the Sault Ste. Marie property as the the project is considered not viable. Hence, Management decided to impair all of the costs incurred in the Atlas property in amount of \$192,290.

Exploration activities for the year ended September 30, 2019 are as follows:

	Grenfell Property	Sault Ste. Marie (Note 1)	Nunavut Atlas (Note 1)	Total
Acquisition costs	\$ -	\$ 75,000	\$ -	\$ 75,000
Others	2,068	-	-	2,068
Impairment	-	(192,290)	(5,047,958)	(5,240,248)
	\$ 2,068	\$ (117,290)	\$ (5,047,958)	\$ (5,163,180)

Note 1: During the year ended September 30, 2019, the Company has decided to no longer pursue the Sault Ste. Marie and Nunavut Atlas properties and has written off the values of the properties to \$nil.

Exploration activities for the year ended September 30, 2018 are as follows:

	Grenfell Property	Sault Ste. Marie (Note 2)	Nunavut Atlas	Total
Acquisition costs	\$ -	\$ 10,500	\$ -	\$ 10,500
Mining claims	-	1,500	-	1,500
Recovery	(40,474)	-	-	(40,474)
	\$ (40,474)	\$ 12,000	\$ -	\$ (28,474)

Note 2: The Company issued 700,000 common shares of the Company for acquiring the Sault Ste. Marie Property with \$0.015 per share based on the fair market value of the Company's shares on the date of issuance. These shares were issued in accordance of the terms of the option agreement.

Exploration and acquisition activities and impairment from inception to September 30, 2019 are as follows:

	Grenfell Property	Sault Ste. Marie	Nunavut Atlas	Total
Geology	\$ 279,067	\$ 66,790	\$ 2,244,837	\$ 2,590,694
Drilling	112,163	-	2,252,012	2,364,175
Planning	-	-	73,956	73,956
Drafting	-	-	24,658	24,658
Mining claims	-	2,500	278,282	280,782
Others	126,067	-	144,213	270,280
Acquisition costs	225,000	123,000	30,000	378,000
Impairment	-	(192,290)	(5,047,958)	(5,240,248)
Recovery	(40,474)	-	-	(40,474)
	\$ 701,823	\$ -	\$ -	\$ 701,823

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8. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities of the Company are principally comprised of amounts outstanding for purchases relating to exploration costs on exploration and evaluation assets, general operating activities and amounts payable for professional fees activities.

	September 30, 2019	September 30, 2018
Accounts payable	\$ 525,440	\$ 710,540
Accrued liabilities	218,509	422,493
Total accounts payable and accrued liabilities	\$ 743,949	\$ 1,133,033

9. Loan payable

During the year ended September 30, 2019, the Company received a loan of \$39,685 (US\$30,500) from Avalon Investments Holdings Ltd. ("Avalon"). The loan bears no interest and is due on demand.

10. Loans from related parties

(i) On March 31, 2016, the Company received a loan of \$25,000 from the Estate of Dr. Bernard Sherman (deceased), a shareholder of the Company. The loan bears an annual interest rate of 15% and matured on or before March 31, 2017. As at September 30, 2019, the maturity date of the loan has been extended and \$13,130 (2018 - \$9,380) of interest expense had been accrued on the loan.

(ii) On November 22, 2018, the Company entered into a loan arrangement with a company owned by a director of the Company, secured against the Grenfell property. The loan bears an annual interest rate of 15% and matures in April 2020. As at September 30, 2019, the amount due is \$40,005 (2018 - \$nil), which includes \$5,005 (2018 - \$nil) of accrued interest expense.

11. Share capital

(a) Authorized

Unlimited number of common shares without par value

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11. Share capital (continued)

(b) Common shares issued

	Number of common shares	Stated value
Balance, September 30, 2017	105,156,689	\$ 5,913,778
Common shares issued for exploration and evaluation assets (i)	700,000	10,500
Balance, September 30, 2018	105,856,689	\$ 5,924,278
Common shares issued for debt (ii)	11,732,720	117,327
Balance, September 30, 2019	117,589,409	\$ 6,041,605

(i) On April 10, 2018, the Company issued 700,000 common shares of the Company for acquiring the Sault Ste. Marie Property. The shares were valued at \$10,500 which is based on \$0.015 per share, the fair market value of the Company's shares on the date of issue.

(ii) On October 24, 2018, the Company completed a share for debt transaction (the "Shares for Debt Transaction"). The total amount of debt extinguished pursuant to the Shares for Debt Transaction was \$586,636 for 11,732,720 common shares (the "Common Shares") of the Company. The Common Shares have a deemed fair value of \$117,327, and as a result, the Company recorded a gain on debt settlement of \$469,309. The Common Shares are subject to a four month plus one day hold period.

The directors and/or officers of the Company, being Jason Brewster, Denis Clement, Harvey McKenzie, Jim Franklin, John Sadowski, and Mike Florence, have converted an aggregate amount of \$243,750 into Common Shares.

12. Warrants

	Number of warrants	Fair value
Balance, September 30, 2017	26,758,980	\$ 384,015
Expired (i)	(18,400,000)	(176,000)
Balance, September 30, 2018	8,358,980	\$ 208,015
Expired (i)	(7,550,000)	(182,128)
Balance, September 30, 2019	808,980	\$ 25,887

(i) Value of expired warrants is transferred to the other reserves.

Details of the warrants outstanding at September 30, 2019 are as follows:

Number of warrants	Amount (\$)	Exercise price (\$)	Expiry date
808,980	25,887	0.07	December 23, 2019 (ii)

(ii) Subsequent to September 30, 2019, 808,980 warrants expired unexercised.

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13. Share-based payments

(a) Stock options

	Number of stock options	Weighted average exercise price
Balance, September 30, 2017 and September 30, 2018	2,300,000	\$ 0.05
Expired	(2,300,000)	0.05
Balance, September 30, 2019	-	\$ -

There were no stock options outstanding as at September 30, 2019.

(b) Reserves for share-based payments

Reserves for share-based payments include the accumulated fair value of vested options. The reserve for share-based payments records items recognized as share-based payments in the form of stock option grants and vesting of such options until such time that these stock options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire unexercised, the amount recorded will stay in the share-based payment reserve.

14. Loss per share

The calculation of basic and diluted loss per share for the year ended September 30, 2019 was based on the net loss attributable to common shareholders of \$4,981,629 (year ended September 30, 2018 - loss of \$355,016) and the weighted average number of common shares outstanding of 116,817,942 (year ended September 30, 2018 - 105,488,470). Diluted loss per share did not include the effect of options (year ended September 30, 2018 - 2,300,000 options) and 808,980 warrants and broker warrants (year ended September 30, 2018 - 8,358,980 warrants and broker warrants) as they are anti-dilutive.

15. Income taxes

The income tax allowance differs from the amount resulting from the application of the combined Canadian income tax rate as follows:

	2019	2018
Loss before income taxes	\$ (4,981,629)	\$ (355,016)
Combined statutory income tax rate	26.5%	26.5%
Income tax benefit at the combined Canadian statutory income tax rate	(1,320,132)	(94,079)
Non-deductible items and other	5,194	-
Non-taxable gain on debt settlement	(124,367)	-
Non-capital losses utilized in partnership arrangement	1,480,883	-
Share issue cost through equity	(1,731)	(1,979)
Tax benefits not recognized	(39,847)	96,058
Actual income tax provision	\$ -	\$ -

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15. Income taxes (continued)

	2019	2018
Deferred income tax assets:		
Non-capital loss carry forward	\$ 401,152	\$ 1,827,933
Share issue costs	1,131	2,863
Exploration and evaluation	423,329	-
Others	16,646	16,646
	842,258	1,847,442
Applied against deferred tax liabilities from exploration and evaluation	-	(965,337)
Unrecognized deductible temporary differences and unused tax losses	842,258	882,105
	2019	2018
Deferred income tax liabilities:		
Exploration and evaluation	\$ -	\$ (965,337)
Applied against deferred tax assets	-	965,337
Net deferred income tax liabilities	\$ -	\$ -

The Company has consolidated Canadian capital losses of approximately \$48,482 (2018 - \$48,482) and consolidated Canadian non-capital losses of approximately \$1,513,781 (2018 - \$6,897,860) available to apply against the future taxable income, and these expire in various years from 2026 to 2038 as follows:

Year	Amount
2026	\$ 22,084
2030	16,588
2031	145,293
2036	317,429
2037	446,399
2038	361,829
2039	204,159
Total	<u>\$ 1,513,781</u>

During the year ended September 30, 2019, the Company disposed of \$5,588,238 of its non-capital tax losses carry forward and received a net cash consideration of \$146,355 (see note 17).

The Company also has cumulative Canadian exploration and development expenses, available to apply against future taxable income, of \$2,299,288, which can be carried forward indefinitely.

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16. Related party disclosures

Related parties include the Board of Directors, officers, close family members and entities which are controlled by these individuals as well as certain persons performing similar functions. In accordance with International Accounting Standards 24 - Related Party Disclosure, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, to similar transactions to non-key management personnel related entities on an arm's length basis.

The Company entered into the following transactions with related parties:

The President and Chief Executive Officer, Mr. Jason Brewster, ("CEO") of the Company is the President of 2181038 Ontario Inc. ("218 Inc."), and 218 Inc. (and by extension the CEO and President) has a contract with the Company. Fees and outstanding amounts due to 218 Inc. relating to consulting services as expensed and capitalized as exploration and evaluation assets are detailed in the table below.

One of the directors, Denis Clement, of the Company provides business advisory services from (time to time) and as such is compensated for these services when provided.

The Chief Financial Officer, Mr. Harvey McKenzie, ("CFO") has a service contract and is entitled to fees based on this contract relating to consulting services in the normal course of business.

		Year Ended September 30,	
		2019	2018
2181038 Ontario Inc. (Jason Brewster)	\$	96,000	\$ 96,000
CFO consulting fees - Harvey McKenzie		57,600	57,600
Directors fees		40,000	40,000
Total related party transactions	\$	193,600	\$ 193,600

Related party payables	As at September 30, 2019	As at September 30, 2018
2181038 Ontario Inc. (Jason Brewster)	\$ 289,900	\$ 309,160
CFO Harvey McKenzie	144,562	166,103
Denis Clement	-	55,630
Directors	67,783	97,500
Total Related party payables	\$ 502,245	\$ 628,393

To the knowledge of the directors and senior officers of the Company, as at September 30, 2019, no person or corporation beneficially owns or exercises control or direction over common shares of the Company carrying more than 10% of the voting rights attached to all common shares of the Company other than the Estate of Dr. Bernard Sherman, a major shareholder who owns 21% of all the issued and outstanding shares of the Company. The remaining 79% of the shares are widely held. These holdings can change at any time at the discretion of the owners.

None of the Company's major shareholders have different voting rights other than holders of the Company's common shares.

The Company is not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of the Company. To the knowledge of the Company, it is not directly or indirectly owned or controlled by another corporation, by any government or by any natural or legal person severally or jointly.

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17. General and administrative and other items

	Year Ended September 30,	
	2019	2018
Salaries and benefits (note 16)	\$ 40,000	\$ 40,000
Professional fees	72,641	59,678
Consulting fees (note 16)	164,000	153,600
Shareholder and investor relations	1,590	1,010
Reporting issuer costs	29,621	30,600
Travel	16,483	-
Administrative expense	34,084	69,473
	\$ 358,419	\$ 354,361

During the year ended September 30, 2019, the Company entered into an agreement with Renforth Resources Inc. and Nuinsco Resources Ltd. to form a limited partnership known as Vermillion FX Partnership. Subsequent to the limited partnership formation, the following series of events occurred as impacting the company's non-capital losses:

- The partnership carried on activity and reported partnership income of \$22,353,065, of which \$5,588,238 was allocated to Anconia
- Anconia utilized its non-capital loss carry-forward balances to apply against the partnership income allocation
- Anconia entered into an agreement to dispose its units in the partnership for cash consideration in the amount of \$146,355.

The purpose of the series of transactions was to monetize the Company's non-capital losses. Other income of \$146,355 represents the resulting net cash proceeds from all related transaction.

18. Proposed transaction

On May 24, 2019, the Company entered into a binding letter of intent ("LOI") with Avalon Investment Holdings Ltd. ("Avalon") in respect of a proposed transaction (the "Transaction"), whereby Anconia has agreed to acquire all of the issued and outstanding securities of Avalon, by way of three-cornered amalgamation, share exchange or such other form of business combination as the parties may determine. The entity that would result from the completion of the Transaction (the "Resulting Issuer"), will continue to carry on base and precious metals exploration and development, focused primarily on the exploration of Avalon's Omai Gold Mine project in Guyana.

The Transaction constitutes a "reverse takeover" of Anconia under the policies of the TSX Venture Exchange (the "Exchange"), and its completion is subject to the approval of the Exchange and certain other conditions as described below. Anconia intends to apply to the Exchange to have the common shares of the Resulting Issuer listed and posted for trading on the Exchange. The Transaction is an arm's length transaction.

Pursuant to the Transaction, Anconia will issue common shares ("Anconia Shares") to the holders of common shares in the capital of Avalon ("Avalon Shares") on the basis of approximately one post-Consolidation (as defined below) Anconia Share for each one Avalon Share. In addition, all securities convertible into Avalon Shares that are outstanding and unexercised immediately prior to closing are expected to be exchanged for economically equivalent and otherwise substantially similar securities convertible into Anconia post-Consolidation Shares.

The Transaction is subject to a number of terms and conditions, including, but not limited to, the parties entering into a definitive agreement with respect to the Transaction, which shall include representations, warranties, conditions and covenants typical for a transaction of this nature; the completion of satisfactory due diligence investigations; Avalon having completed an equity financing for gross proceeds of not less than U.S.\$4.4 million by way of a private placement whereby securities of Avalon will be offered at a price of \$0.10 (USD) per unit, where each unit will consist of one share and one half of one warrant resulting in the issuance of 44 million shares and 22 million warrants if the private placement is fully subscribed; the completion of the Consolidation; the completion of the Transaction on or before September 30, 2019 and the approval of the Exchange and other applicable regulatory authorities.

ANCONIA RESOURCES CORP.

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(Expressed in Canadian Dollars)

18. Proposed transaction (continued)

Upon completion of the Transaction, Anconia intends to change its name to “Omai Gold Mines Corp.” or such other name as Avalon and Anconia may otherwise determine, and the parties anticipate that the Exchange will assign a new trading symbol for the Resulting Issuer.

The completion of the Transaction is subject to the prior completion by Anconia of a consolidation of its share capital on the basis of one post-consolidation common share for each 15 pre-consolidation common shares (the “Consolidation”).

19. Subsequent events

Subsequent to September 30, 2019, 808,980 warrants expired unexercised.

On October 10, 2019, the Company signed a definitive acquisition agreement with Avalon Investment Holdings Ltd. The agreement affirms the LOI terms under which Anconia will acquire all of the issued and outstanding securities of Avalon, by means of a three-cornered amalgamation between Anconia, Avalon, and a subsidiary to be incorporated under the Companies Act of Barbados which will be wholly owned by Anconia.

ANCONIA RESOURCES CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE THREE AND NINE MONTHS ENDED
JUNE 30, 2020**

(Expressed in Canadian Dollars)

(UNAUDITED)

Notice to Reader

The accompanying unaudited condensed interim consolidated financial statements of Anconia Resources Corp. (the "Company") have been prepared by and are the responsibility of management.



REVIEW REPORT ON CONDENSED INTERIM FINANCIAL INFORMATION

To the Audit Committee of the Board of Directors of
Anconia Resources Corp.

In accordance with our engagement letter dated July 17, 2020, we have performed an interim review of the statement of financial position of Anconia Resources Corp. (the "Company") as at June 30, 2020, and the statement of comprehensive of loss, statement of changes in equity and statement of cash flows for the three and nine month periods then ended. These financial statements are the responsibility of the Company's management.

We performed our interim review in accordance with Canadian generally accepted standards for a review of interim financial statements by an entity's auditor.

An interim review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements. Accordingly, we do not express such an opinion. An interim review does not provide assurance that we would become aware of any or all significant matters that might be identified in an audit.

Based on our interim review, we are not aware of any material modification that needs to be made for these interim financial statements to be in accordance with International Financing Reporting Standards.

This report is solely for the use of the Audit Committee of the Company to assist it in discharging its regulatory obligation to review these financial statements and should not be used for any other purpose.

Clearhouse LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
July 28, 2020

ANCONIA RESOURCES CORP.

Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

	June 30, 2020	September 30, 2019
Assets		
Current assets		
Cash and cash equivalents	\$ 3,778	\$ 3,810
Accounts receivable and other assets (note 3)	3,600	1,898
Total Current assets	7,378	5,708
Non-Current assets		
Exploration and evaluation assets (note 4)	702,916	701,823
Total Assets	\$ 710,294	\$ 707,531
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	\$ 905,650	\$ 743,949
Loan payable (note 6)	107,346	39,685
Loans from related parties (note 7)	84,892	78,135
Total Liabilities	1,097,888	861,769
Shareholders' Deficiency		
Share capital (note 8(b))	6,041,605	6,041,605
Reserves for share-based payments (note 10(b))	1,112,307	1,112,307
Reserves for warrants (note 9)	-	25,887
Other reserves	2,900,635	2,874,748
Accumulated deficit	(10,442,141)	(10,208,785)
Deficiency	(387,594)	(154,238)
Total Liabilities and Shareholders' Deficiency	\$ 710,294	\$ 707,531

Nature of operations and going concern (note 1)

The notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

Approved by the Board of Directors:

Director: Jason Brewster

Director: Michael Florence

ANCONIA RESOURCES CORP.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2020	2019	2020	2019
Expenses				
General and administrative (note 13)	\$ 52,536	\$ 99,174	\$ 233,356	\$ 314,307
Other items				
Foreign exchange gain	-	272	-	313
Gain on debt settlement (note 4 and 8(b))	-	-	-	469,309
Impairment of exploration and evaluation assets (note 4)	-	(5,240,248)	-	(5,240,248)
Other income (note 13)	-	-	-	146,355
Net loss and comprehensive loss for the period	\$ (52,536)	\$ (5,339,150)	\$ (233,356)	\$ (4,938,578)
Basic and diluted loss per share (note 11)	\$ (0.00)	\$ (0.05)	\$ (0.00)	\$ (0.04)
Weighted average number of shares outstanding - basic and diluted	117,589,409	117,589,409	117,589,409	116,600,938

The notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

ANCONIA RESOURCES CORP.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)
(Unaudited)

	Reserves					Total
	Share capital	Share-based payments	Warrants	Other reserves ⁽¹⁾	Accumulated deficit	
Balance, September 30, 2018	\$ 5,924,278	\$ 1,112,307	\$ 208,015	\$ 2,692,620	\$ (5,227,156)	\$ 4,710,064
Common shares issued for debt (note 8(b))	117,327	-	-	-	-	117,327
Net loss and comprehensive loss for the period	-	-	-	-	(4,938,578)	(4,938,578)
Balance, June 30, 2019	\$ 6,041,605	\$ 1,112,307	\$ 208,015	\$ 2,692,620	\$ (10,165,734)	\$ (111,187)
Balance, September 30, 2019	\$ 6,041,605	\$ 1,112,307	\$ 25,887	\$ 2,874,748	\$ (10,208,785)	\$ (154,238)
Expiry of warrants (note 9)	-	-	(25,887)	25,887	-	-
Net loss and comprehensive loss for the period	-	-	-	-	(233,356)	(233,356)
Balance, June 30, 2020	\$ 6,041,605	\$ 1,112,307	\$ -	\$ 2,900,635	\$ (10,442,141)	\$ (387,594)

The notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

⁽¹⁾ Other reserves include the value of the warrants that had expired unexercised.

ANCONIA RESOURCES CORP.

Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	Nine Months Ended June 30,	
	2020	2019
Operating Activities		
Net loss for the period	\$ (233,356)	\$ (4,938,578)
Impairment of exploration and evaluation assets (note 4)	-	5,240,248
Accrued interest on loan from related party (note 7)	6,757	6,488
Gain on debt settlement	-	(469,309)
Net change in non-cash working capital:		
Accounts receivable and other assets	(1,702)	2,705
Accounts payable and accrued liabilities	161,701	86,056
Cash provided by (used in) operating activities	(66,600)	(72,390)
Investing Activities		
Expenditures on exploration and evaluation assets	(1,093)	(2,069)
Cash used in investing activities	(1,093)	(2,069)
Financing Activities		
Proceeds from loan payable	67,661	39,685
Proceeds from loan from related party	-	35,000
Cash provided by financing activities	67,661	74,685
Net change in cash and cash equivalents	(32)	226
Cash and cash equivalents, beginning of the period	3,810	5,811
Cash and cash equivalents, end of the period	\$ 3,778	\$ 6,037

The notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

ANCONIA RESOURCES CORP.

Notes to Condensed Interim Consolidated Financial Statements
For the three and nine months ended June 30, 2020
(Expressed in Canadian Dollars)
(Unaudited)

1. Nature of operations and going concern

Anconia Resources Corp. ("Anconia" or the "Company") was incorporated under the Business Corporations Act (Ontario) on March 22, 1962 and its activities were directed toward locating exploration and evaluation assets. The primary office of the Company is located at 82 Richmond Street East, Toronto, Ontario, M5C 1P1, Canada.

These unaudited condensed interim consolidated financial statements were prepared on a going concern basis of presentation, which assumes that the Company will continue operations for the foreseeable future and be able to realize the carrying value of its assets and discharge its liabilities and commitments in the normal course of business. To date, the Company has not earned revenue and has an accumulated deficit of \$10,442,141 as at June 30, 2020 (September 30, 2019 - \$10,208,785). As at June 30, 2020, the Company had cash and cash equivalents of \$3,778 (September 30, 2019 - \$3,810) and a working capital deficit of \$1,090,510 (September 30, 2019 - \$856,061). These conditions and events raise a material doubts about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to obtain additional financing and or achieve profitable operations in the future. Management is aware, in making its assessment, of material uncertainties related to events or conditions that cast substantial doubt upon the Company's ability to continue as a going concern, as described in the following paragraph. These unaudited condensed interim consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. These adjustments could be material. Management is actively pursuing funding options, being financing and alternative funding options, required to meet the Company's requirements on an ongoing basis. To meet the challenges of the current climate in the financial markets, the Company is minimizing its expenditures.

These unaudited condensed interim consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and the settlement of liabilities in the normal course of business for the foreseeable future as they come due. The financial statements do not reflect adjustments to the carrying amounts of assets and liabilities, the reported revenues and expenses and the statement of financial position classification used that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material. Management is of the opinion that additional funding is available and may be sourced in time to allow the Company to acquire exploration and evaluation assets. While it has been successful in the past, there can be no assurance that it will be able to raise sufficient funds in the future.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of operations of such exploration and evaluation assets, these procedures do not guarantee the Company has a perfected title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, and renegotiation of contracts.

In March 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy, capital markets and the Company's financial position cannot be reasonably estimated at this time. The Company is monitoring developments and will adapt its business plans accordingly. The actual and threatened spread of COVID-19 globally could adversely impact the Company's ability to carry out its plans and raise capital.

ANCONIA RESOURCES CORP.

Notes to Condensed Interim Consolidated Financial Statements
For the three and nine months ended June 30, 2020
(Expressed in Canadian Dollars)
(Unaudited)

2. Significant accounting policies

(a) Statement of compliance

The Company applies IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS issued and outstanding as of July 28, 2020, the date the Board of Directors approved the statements. Other than changes in accounting policies discussed below, the same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended September 30, 2019. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ended September 30, 2020 could result in restatement of these unaudited condensed interim consolidated financial statements.

(b) Changes in accounting policies

Certain pronouncements were issued by IASB and IFRIC that are mandatory for accounting periods after September 30, 2019. The following new standards have been adopted:

Effective October 1, 2019, the Company adopted IFRS 16 - Leases ("IFRS 16"). IFRS 16 was issued in January 2016 and replaces IAS 17 - Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. The adoption of IFRS 16 had no impact to the Company's consolidated financial statements.

3. Accounts receivable and other assets

	June 30, 2020	September 30, 2019
Sales tax receivable (i)	\$ 2,109	\$ 1,403
Prepaid expenses	1,491	495
	<u>\$ 3,600</u>	<u>\$ 1,898</u>

(i) Sales tax receivable is not past due.

ANCONIA RESOURCES CORP.

Notes to Condensed Interim Consolidated Financial Statements
For the three and nine months ended June 30, 2020
(Expressed in Canadian Dollars)
(Unaudited)

4. Exploration and evaluation assets

	Acquisition	Exploration	Total
Balance, September 30, 2018	\$ 303,000	\$ 5,562,003	\$ 5,865,003
Additions	75,000	2,068	77,068
Impairment	-	(5,240,248)	(5,240,248)
Balance, September 30, 2019	378,000	323,823	701,823
Additions	-	1,093	1,093
Balance, June 30, 2020	\$ 378,000	\$ 324,916	\$ 702,916

Grenfell Property

On September 2, 2014, the Company entered into an option agreement (the "Agreement") with Cadillac Ventures Inc. ("Cadillac") whereby the Company will have the option to acquire up to a 100% interest in Cadillac's Grenfell Property (the "Property") in the Kirkland Lake area.

Under the terms of the agreement, Anconia can acquire a 60% interest (the "Option") upon (i) incurring expenditures on the Property of at least \$275,000 by September 1, 2016, and (ii) issuing 2,000,000 common shares of Anconia to Cadillac (1,000,000 common shares issued as of September 30, 2014 at a fair value of \$60,000 and 1,000,000 common shares were issued on June 17, 2015 at a fair value of \$15,000).

Upon acquisition of the 60% interest, Anconia will have the option to acquire the remaining 40% interest in the Property for (i) \$300,000 (\$200,000 of which shall be paid in cash and \$100,000 of which shall be paid by the issuance of common shares of Anconia at a deemed price of the average of the 20 days closing price prior to the day upon which Cadillac is notified the interest is to be earned), and (ii) Cadillac retaining a 2% net smelter return royalty ("NSR") in the Property, 1% of the NSR can be purchased by Anconia for a period of up to 2 years after achieving commercial production for the sum of \$1,000,000.

On May 17, 2017, the Company issued 5,000,000 common shares of the Company to obtain a 100% ownership interest in the Grenfell Gold property in Kirkland Lake, Ontario. The shares were valued for \$150,000 with \$0.03 per share based on the fair market value of the Company's shares on the date of issuance.

ANCONIA RESOURCES CORP.

Notes to Condensed Interim Consolidated Financial Statements
For the three and nine months ended June 30, 2020
(Expressed in Canadian Dollars)
(Unaudited)

4. Exploration and evaluation assets (continued)

Exploration activities for the nine months ended June 30, 2020 are as follows:

	Grenfell Property	Sault Ste. Marie	Nunavut Atlas	Total
Others	\$ 1,093	\$ -	\$ -	\$ 1,093

Exploration activities for the nine months ended June 30, 2019 are as follows:

	Grenfell Property	Sault Ste. Marie	Nunavut Atlas	Total
Acquisition costs	\$ -	\$ 75,000	\$ -	\$ 75,000
Others	2,068	-	-	2,068
	\$ 2,068	\$ 75,000	\$ -	\$ 77,068

Note 1: During the year ended September 30, 2019, the Company has decided to no longer pursue the Sault Ste. Marie and Nunavut Atlas properties and has written off the values of the properties to \$nil.

Exploration and acquisition activities and impairment from inception to June 30, 2020 are as follows:

	Grenfell Property	Sault Ste. Marie	Nunavut Atlas	Total
Geology	\$ 279,067	\$ 66,790	\$ 2,244,837	\$ 2,590,694
Drilling	112,163	-	2,252,012	2,364,175
Planning	-	-	73,956	73,956
Drafting	-	-	24,658	24,658
Mining claims	-	2,500	278,282	280,782
Others	127,160	-	144,213	271,373
Acquisition costs	225,000	123,000	30,000	378,000
Impairment	-	(192,290)	(5,047,958)	(5,240,248)
Recovery	(40,474)	-	-	(40,474)
	\$ 702,916	\$ -	\$ -	\$ 702,916

ANCONIA RESOURCES CORP.

Notes to Condensed Interim Consolidated Financial Statements
For the three and nine months ended June 30, 2020
(Expressed in Canadian Dollars)
(Unaudited)

5. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities of the Company are principally comprised of amounts outstanding for purchases relating to exploration costs on exploration and evaluation assets, general operating activities and amounts payable for professional fees activities.

	June 30, 2020	September 30, 2019
Accounts payable	\$ 535,031	\$ 525,440
Accrued liabilities	370,619	218,509
Total accounts payable and accrued liabilities	\$ 905,650	\$ 743,949

6. Loan payable

During the nine months ended June 30, 2020, the Company received a loan of \$67,661 from Avalon Investments Holdings Ltd. ("Avalon"). See note 14. The balance of the loan as at June 30, 2020 is \$107,346 (September 30, 2019 - \$39,685). The loan bears no interest and is due on demand.

7. Loans from related parties

(i) On March 31, 2016, the Company received a loan of \$25,000 from Dr. Bernard Sherman (deceased), a shareholder of the Company. The loan bears an annual interest rate of 15% and matured on or before March 31, 2017. As at June 30, 2020, the maturity date of the loan has been extended and \$15,945 (September 30, 2019 - \$13,130) of interest expense had been accrued on the loan.

(ii) On November 22, 2018, the Company entered into a loan arrangement with a company owned by a director of the Company, secured against the Grenfell property. The loan bears an annual interest rate of 15% and matures in April 2020. As at June 30, 2020, the amount due is \$43,947 (September 30, 2019 - \$40,005), which includes \$8,947 (September 30, 2019 - \$5,005) of accrued interest expense. This loan has been extended by the director who owns this loan, to the completion of the RTO.

8. Share capital

(a) Authorized

Unlimited number of common shares without par value

(b) Common shares issued

	Number of common shares	Stated value
Balance, September 30, 2018	105,856,689	\$ 5,924,278
Common shares issued for debt (i)	11,732,720	117,327
Balance, June 30, 2019, September 30, 2019 and June 30, 2020	117,589,409	\$ 6,041,605

ANCONIA RESOURCES CORP.

Notes to Condensed Interim Consolidated Financial Statements
For the three and nine months ended June 30, 2020
(Expressed in Canadian Dollars)
(Unaudited)

8. Share capital (continued)

(b) Common shares issued (continued)

(i) On October 24, 2018, the Company completed a share for debt transaction (the "Shares for Debt Transaction"). The total amount of debt extinguished pursuant to the Shares for Debt Transaction was \$586,636 for 11,732,720 common shares (the "Common Shares") of the Company. The Common Shares have a deemed fair value of \$117,327, and as a result, the Company recorded a gain on debt settlement of \$469,309. The Common Shares are subject to a four month plus one day hold period.

The directors and/or officers of the Company, being Jason Brewster, Denis Clement, Harvey McKenzie, Jim Franklin, John Sadowski, and Mike Florence, have converted an aggregate amount of \$243,750 into Common Shares.

9. Warrants

	Number of warrants	Fair value
Balance, September 30, 2018 and June 30, 2019	8,358,980	\$ 208,015
Balance, September 30, 2019	808,980	\$ 25,887
Expired (i)	(808,980)	(25,887)
Balance, June 30, 2020	-	\$ -

(i) Value of expired warrants is transferred to the other reserves.

There were no warrants outstanding as at June 30, 2020.

10. Share-based payments

(a) Stock options

	Number of stock options	Weighted average exercise price
Balance, September 30, 2018 and June 30, 2019	2,300,000	\$ 0.05
Balance, September 30, 2019 and June 30, 2020	-	\$ -

There were no stock options outstanding as at June 30, 2020.

(b) Reserves for share-based payments

Reserves for share-based payments include the accumulated fair value of vested options. The reserve for share-based payments records items recognized as share-based payments in the form of stock option grants and vesting of such options until such time that these stock options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire unexercised, the amount recorded will stay in the share-based payment reserve.

ANCONIA RESOURCES CORP.

Notes to Condensed Interim Consolidated Financial Statements
For the three and nine months ended June 30, 2020
(Expressed in Canadian Dollars)
(Unaudited)

11. Loss per share

The calculation of basic and diluted loss per share for the three and nine months ended June 30, 2020 was based on the net loss attributable to common shareholders of \$52,536 and \$233,356, respectively (three and nine months ended June 30, 2019 - \$5,339,150 and \$4,938,578, respectively) and the weighted average number of common shares outstanding of 117,589,409 and 117,589,409, respectively (three and nine months ended June 30, 2019 - 117,589,409 and 116,600,938, respectively). Diluted loss per share did not include the effect of options (three and nine months ended June 30, 2019 - 2,300,000 options) and nil warrants and broker warrants (three and nine months ended June 30, 2019 - 8,358,980 warrants and broker warrants) as they are anti-dilutive.

12. Related party disclosures

Related parties include the Board of Directors, officers, close family members and entities which are controlled by these individuals as well as certain persons performing similar functions. In accordance with International Accounting Standards 24 - Related Party Disclosure, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, to similar transactions to non-key management personnel related entities on an arm's length basis.

The Company entered into the following transactions with related parties:

The President and Chief Executive Officer, Mr. Jason Brewster, ("CEO") of the Company is the President of 2181038 Ontario Inc. ("218 Inc."), and 218 Inc. (and by extension the CEO and President) has a contract with the Company. Fees and outstanding amounts due to 218 Inc. relating to consulting services as expensed and capitalized as exploration and evaluation assets are detailed in the table below. During the nine months period ended June 30, 2020, Mr. Brewster spent all of his time and effort on fund raising efforts and related items for Avalon and was compensated as such by Avalon. As a result, the Company recorded no expense for Mr. Brewster in this period.

One of the directors, Denis Clement, of the Company provides business advisory services from (time to time) and as such is compensated for these services when provided. From the period dated April 1, 2019 to June 30, 2020 and for the future until the completion of the RTO, Mr. Clement has decided to waive all of his director fees and his outstanding receivables from the Company.

The Chief Financial Officer, Mr. Harvey McKenzie, ("CFO") has a service contract and is entitled to fees based on this contract relating to consulting services in the normal course of business. During the three months ended March 31, 2020, Mr. McKenzie has spent most of his time working on the Avalon deal and as such has been compensated by them. As a result, the Company recorded no expense for Mr. McKenzie in this period.

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2020	2019	2020	2019
2181038 Ontario Inc. (Jason Brewster)	\$ -	\$ 24,000	\$ -	\$ 72,000
CFO consulting fees - Harvey McKenzie	-	14,400	14,400	43,200
Directors fees	450	10,000	11,800	30,000
Total related party transactions	\$ 450	\$ 48,400	\$ 26,200	\$ 145,200

Related party payables	As at June 30, 2020	As at September 30, 2019
2181038 Ontario Inc. (Jason Brewster)	\$ 289,900	\$ 289,900
CFO Harvey McKenzie	158,962	144,562
Directors	79,583	67,783
Total Related party payables	\$ 528,445	\$ 502,245

ANCONIA RESOURCES CORP.

Notes to Condensed Interim Consolidated Financial Statements
For the three and nine months ended June 30, 2020
(Expressed in Canadian Dollars)
(Unaudited)

12. Related party disclosures (continued)

To the knowledge of the directors and senior officers of the Company, as at June 30, 2020, no person or corporation beneficially owns or exercises control or direction over common shares of the Company carrying more than 10% of the voting rights attached to all common shares of the Company other than the Estate of Dr. Bernard Sherman, a major shareholder who owns 21% of all the issued and outstanding shares of the Company. The remaining 79% of the shares are widely held. These holdings can change at any time at the discretion of the owners.

None of the Company's major shareholders have different voting rights other than holders of the Company's common shares.

The Company is not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of the Company. To the knowledge of the Company, it is not directly or indirectly owned or controlled by another corporation, by any government or by any natural or legal person severally or jointly. See note 14.

13. General and administrative and other items

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2020	2019	2020	2019
Salaries and benefits (note 12)	\$ 450	\$ 10,000	\$ 11,800	\$ 30,000
Professional fees	39,693	23,128	140,323	60,501
Consulting fees (note 12)	-	48,800	14,400	125,600
Shareholder and investor relations	-	199	99	1,415
Reporting issuer costs	6,595	6,567	18,579	28,134
Travel	-	-	-	16,437
Administrative expense	5,798	10,480	48,155	52,220
	\$ 52,536	\$ 99,174	\$ 233,356	\$ 314,307

During the nine months ended June 30, 2019, the Company entered into an agreement with Renforth Resources Inc. and Nuinsco Resources Ltd. to form a limited partnership known as Vermillion FX Partnership. Subsequent to the limited partnership formation, the following series of events occurred as impacting the company's non-capital losses:

- The partnership carried on activity and reported partnership income of \$22,353,065, of which \$5,588,238 was allocated to Anconia
- Anconia utilized its non-capital loss carry-forward balances to apply against the partnership income allocation
- Anconia entered into an agreement to dispose its units in the partnership for cash consideration in the amount of \$146,355.

The purpose of the series of transactions was to monetize the Company's non-capital losses. Other income of \$146,355 represents the resulting net cash proceeds from all related transactions.

ANCONIA RESOURCES CORP.

Notes to Condensed Interim Consolidated Financial Statements
For the three and nine months ended June 30, 2020
(Expressed in Canadian Dollars)
(Unaudited)

14. Proposed transaction

On May 24, 2019, the Company entered into a binding letter of intent ("LOI") with Avalon Investment Holdings Ltd. ("Avalon") in respect of a proposed transaction (the "Transaction"), whereby Anconia has agreed to acquire all of the issued and outstanding securities of Avalon, by way of three-cornered amalgamation, share exchange or such other form of business combination as the parties may determine. The entity that would result from the completion of the Transaction (the "Resulting Issuer"), will continue to carry on base and precious metals exploration and development, focused primarily on the exploration of Avalon's Omai Gold Mine project in Guyana.

The Transaction constitutes a "reverse takeover" of Anconia under the policies of the TSX Venture Exchange (the "Exchange"), and its completion is subject to the approval of the Exchange and certain other conditions as described below. Anconia intends to apply to the Exchange to have the common shares of the Resulting Issuer listed and posted for trading on the Exchange. The Transaction is an arm's length transaction.

Pursuant to the Transaction, Anconia will issue common shares ("Anconia Shares") to the holders of common shares in the capital of Avalon ("Avalon Shares") on the basis of approximately one post-Consolidation (as defined below) Anconia Share for each one Avalon Share. In addition, all securities convertible into Avalon Shares that are outstanding and unexercised immediately prior to closing are expected to be exchanged for economically equivalent and otherwise substantially similar securities convertible into Anconia post-Consolidation Shares.

The Transaction is subject to a number of terms and conditions, including, but not limited to, the parties entering into a definitive agreement with respect to the Transaction, which shall include representations, warranties, conditions and covenants typical for a transaction of this nature; the completion of satisfactory due diligence investigations; Avalon having completed an equity financing for gross proceeds of not less than U.S.\$4.4 million by way of a private placement whereby securities of Avalon will be offered at a price of \$0.10 (USD) per unit, where each unit will consist of one share and one half of one warrant resulting in the issuance of 44 million shares and 22 million warrants if the private placement is fully subscribed; the completion of the Consolidation; the completion of the Transaction on or before September 30, 2019 and the approval of the Exchange and other applicable regulatory authorities.

Upon completion of the Transaction, Anconia intends to change its name to "Omai Gold Mines Corp." or such other name as Avalon and Anconia may otherwise determine, and the parties anticipate that the Exchange will assign a new trading symbol for the Resulting Issuer.

The completion of the Transaction is subject to the prior completion by Anconia of a consolidation of its share capital on the basis of one post-consolidation common share for each 15 pre-consolidation common shares (the "Consolidation").

On October 10, 2019, the Company signed a definitive acquisition agreement with Avalon. The agreement affirms the LOI terms under which Anconia will acquire all of the issued and outstanding securities of Avalon, by means of a three-cornered amalgamation between Anconia, Avalon, and a subsidiary to be incorporated under the Companies Act of Barbados which will be wholly owned by Anconia.

During the nine months ended June 30, 2020, the Board approved a settlement of debt by assigning approximately 49.94% of the book value of the Grenfell property to be used against a settlement of debt. The amount of debt to be settled is approximately \$586,700 for \$350,500 of the book value of the Grenfell property. It is anticipated that this transaction will be completed soon after the Transaction is completed. In addition, the Grenfell property is subject to a mortgage on the property, details are explained in note 7 above.

SCHEDULE “I”
ANCONIA MD&A

Anconia Resources Corp.

(An Exploration Stage Company)

MANAGEMENT'S DISCUSSION & ANALYSIS OF THE AUDITED CONSOLIDATED FINANCIAL POSITION AND CONSOLIDATED RESULTS OF OPERATIONS

For the Year Ended September 30, 2019

This MD&A is dated January 28, 2020

Anconia Resources Corp. (an exploration stage Company)

Management Discussion & Analysis; for the year ended September 30, 2019

Introduction

This Management Discussion and Analysis ("MD&A"), dated January 28th, 2020 provides a review of the financial position and the results of operations of Anconia Resources Corp. (the "Corporation", "Anconia" or the "Company") and constitutes management review of the factors that affected the Company's financial and operating performance for the year ended September 30, 2019. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. The review is provided to enable the reader to assess the significant changes in the financial condition of the Company as at and for the year ended September 30, 2019. This MD&A should be read in conjunction with the audited consolidated financial statements of the Company for the years ended September 30, 2019 and 2018 together with the notes thereto. The Company's financial statements and the financial information reported in this MD&A have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). All amounts presented are stated in Canadian dollars, unless otherwise indicated. Information contained herein is presented as of January 28th, 2020, unless otherwise indicated.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of Anconia's common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Cautionary Note Regarding Forward-Looking Information

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward-looking statements.

Anconia Resources Corp. (an exploration stage Company)

Management Discussion & Analysis; for the year ended September 30, 2019

Forward-looking statements	Assumptions	Risk factors
Potential of the Company's properties to contain economic deposits of precious and base metals.	Financing should be available for future exploration of the Company's properties; the actual results of the Company's exploration activities will be favourable; operating and exploration costs will not exceed the Company's expectations; the Company will be able to retain and attract skilled staff; all requisite regulatory and governmental approvals for exploration projects and other operations will be received on a timely basis upon terms acceptable to the Company, and applicable political and economic conditions are favourable to the Company; the price of precious and base metals and applicable interest and exchange rates will be favourable to the Company; no title disputes exist with respect to the Company's exploration and evaluation assets.	Precious and base metals price volatility; uncertainties involved in interpreting geological data and confirming title to acquired exploration and evaluation assets; the possibility that future exploration results will not be consistent with the Company's expectations; availability of financing for and actual results of the Company's exploration activities; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic and political conditions; the Company's ability to retain and attract skilled staff; availability of permits.
The Company's ability to meet its working capital needs at the current level for the twelve-month period ending September 30, 2020. The Company expects to incur further losses in the development of its business.	The operating and exploration activities of the Company for the twelve-month period ending September 30, 2020 and beyond, and the costs associated therewith, will be dependent on raising sufficient additional capital consistent with the Company's current expectations.	Changes in debt and equity markets; timing and availability of external financing on acceptable terms; changes in the operations currently planned for the next twelve months; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions.
The Company's ability to carry out anticipated exploration on its exploration and evaluation assets.	The exploration activities of the Company for the next twelve months ending September 30, 2020, and the costs associated therewith, will be consistent with the Company's current expectations.	Changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; changes in the operations currently planned for the next twelve months; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions; receipt of applicable permits.
Asset values for the year ended September 30, 2019.	Management believes that no further write-down is required for its exploration and evaluation assets resulting from	If the Company does not obtain equity or debt financing (or a combination of both) on terms favourable to the

Anconia Resources Corp. (an exploration stage Company)

Management Discussion & Analysis; for the year ended September 30, 2019

	continuing efforts to raise capital (debt or equity, or a combination of both) to implement planned work programmes on the Company's projects.	Company or at all, a decline in asset values that could be determined to be other than temporary, may result in future impairment losses.
Management's outlook regarding future trends, including the future price of precious and base metals and availability of future financing.	Financing will be available for the Company's exploration and operating activities; the price of precious and base metals will be favourable to the Company.	Precious and base metals price volatility; changes in debt and equity markets; interest rate and exchange rate fluctuations; changes in economic and political conditions; availability of financing.
The Company will continue to focus its exploration efforts on existing targets located in Nunavut (known as the Atlas property) and its properties in Ontario known as the Grenfell property located in the Kirkland lake area, and the SSM 2016 property located in the Sault Ste. Marie area	New targets that are not discovered will not take precedence over existing targets.	Management may change its plans based on future exploration results.
Sensitivity analysis of financial instruments.	Based on management's knowledge and experience of the financial markets, the Company has no significant risk as a result of a change in the foreign currency exchange rates or interest rates.	Changes in debt and equity markets; interest rate and exchange rate fluctuations.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. Please also make reference to those risk factors referenced in the "Risks Factors" section below. Readers are cautioned that the above chart does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

Anconia Resources Corp. (an exploration stage Company)

Management Discussion & Analysis; for the year ended September 30, 2019

Background

Anconia Resources Corp. (formerly Citadel Gold Mines Inc.) was incorporated under the Ontario Business Corporation Act ("OBCA") on March 22, 1962. The fiscal year end of the Company is September 30.

On June 15, 2011 Anconia completed a reverse takeover transaction (the "Transaction") pursuant to which Anconia (then Citadel) acquired all of the issued and outstanding common shares (the "Purchased Shares") in the capital of 2215107 Ontario Inc. ("221"), a private Ontario company with an interest in a mineral property in Nunavut (the "Property"), from the shareholders of 221 (the "221 Shareholders"), and completed a private placement financing for gross proceeds of approximately \$3,510,100.

221 was incorporated under the OBCA on August 18, 2009 for the purpose of acquiring the Property. The Property was 221's sole material asset.

Concurrently with the closing of the Transaction, Anconia: changed its name from Citadel Gold Mines Inc. to Anconia Resources Corp.; consolidated its common shares on the basis of one (1) post-consolidation common share for every five (5) pre-consolidation common shares (the "Consolidation"); and completed a private placement of units and flow-through units for gross proceeds of approximately \$3,510,100 (the "Financing").

On closing of the Transaction: the 221 Shareholders were issued 12,276,000 Anconia Shares (on a post-Consolidation basis); MO-KAR Holdings Inc. received 613,800 Anconia Shares (on a post-Consolidation basis) as a finder's fee in connection with the acquisition of the Property, and 1,650,000 Anconia Shares (on a post-Consolidation basis) were issued to Dr. Bernard Sherman and to a company controlled by Dr. Sherman pursuant to the conversion of \$625,000 aggregate principal amount of convertible debentures previously issued to them.

Anconia is an exploration and development focused company. The Company currently has four exploration projects all of which are in Canada. Two of the projects are in Nunavut and are known as the Atlas project (which is the consolidation of two contiguous projects The Marce and Zac property) and the RB project. The third project is a recent acquisition known as the Grenfell property which is located in the Kirkland Lake area. The fourth project is the Sault Ste. Marie ("SSM 2016") property located in the Sault Ste Marie area which the Company acquired during fiscal 2016.

Exploration and Evaluation Assets

The Company completed the reverse takeover transaction to which Anconia acquired 221, a private Ontario company holding an option to acquire a 100% interest in certain mining claims – the Atlas properties (formerly known as the "ZAC property" and the "Marce property") – located in the Territory of Nunavut. The Atlas properties are located approximately 170 kilometres south of Baker Lake.

The following table is a list of Claim Units currently held in Nunavut

Record Number	Holder	Name of the property	Status
K13627 – 2020-05-18	Anconia resources Corp.	Atlas property	In Good Standing
K13628 – 2020-05-18	Anconia resources Corp.	Atlas property	In Good Standing
K13559 – 2020-05-18	Anconia resources Corp.	Atlas property	In Good Standing
K13560 – 2020-05-18	Anconia resources Corp.	Atlas property	In Good Standing
K15896 – 2019-05-18	Anconia resources Corp.	Atlas property	In Good Standing
K15897 – 2019-05-18	Anconia resources Corp.	Atlas property	In Good Standing
K15898 – 2021-05-18	Anconia resources Corp.	Atlas property	In Good Standing
K15899 – 2019-05-18	Anconia resources Corp.	Atlas property	In Good Standing
K15900 – 2021-05-18	Anconia resources Corp.	Atlas property	In Good Standing
K15901 – 2014-10-18*	Anconia resources Corp.	Atlas property	In Good Standing
F85323 - 2017-09-24	Marcelle Hauseux (assigned to Anconia)	Atlas property	In Good Standing
F85324 - 2017-09-24	Marcelle Hauseux (assigned to Anconia)	Atlas property	In Good Standing
F85325 - 2017-09-24	Minroc Management (assigned to Anconia)	Atlas property	In Good Standing

** Based on a confirmation received from the mining recorder of Nunavut this claim is held in good standing as they have an outstanding report in their office awaiting approval. This claim will be advanced by the report.*

*** During the year ended September 30, 2016, management and the Board of the Company decided not to renew these claims and impair the amounts capitalized in exploration and evaluation assets, regarding these claims*

Anconia Resources Corp. (an exploration stage Company)

Management Discussion & Analysis; for the year ended September 30, 2019

Atlas Properties

On May 30, 2011, Anconia filed a technical report on SEDAR titled "Technical Report on the Victory Lake Project District of Kivalliq Nunavut" authored by Howard Lahti and John C. Archibald dated October 20, 2010 and revised May 25, 2011, which examines the staked claims ZAC 1, 2 and 3. The present claim group is comprised of three unpatented mining claims of roughly four square kilometres each, for more than 7,231 acres. The claims are held in good standing and are registered in the name of Marcelle Hauseux.

The Marce property is located approximately 18 kilometers Southwest of the ZAC property and consists of four staked claims covering an area of approximately 23.4 square kilometers, encompassing a geophysical target (identified by large gravity, magnetic and electromagnetic anomalies) with an indicated strike length of approximately 1.3 kilometers which is open along strike.

221 holds an option to acquire a 100% undivided interest in the ZAC and Marce properties. The option is exercisable upon payment of \$250,000 (in staged payments over four years) and prior to exercise, 221 is responsible for incurring all costs, payments and expenses in order to keep these properties in good standing and to file all assessment work in a timely fashion.

On October 10, 2012 and October 30, 2012 the Company released its Assay results for core samples from the Company's fiscal 2012 1790m drilling program on its VMS occurrence (ATLAS-1). These press releases are filed on SEDAR (www.SEDAR.com) which show the details of the Assay results.

On February 19, 2013, the Company announced it was retrieving the entire core (~1790m) from the 2012 drilling campaign from the field and transporting it to a secondary location for re-logging and resampling. The purpose of this is two-fold. First, the Company is going to re-examine the core to determine if there is additional evidence of the presence of the second mineralizing event, which may exist outside the boundaries of the VMS zone. Secondly, core from outside the boundaries of the VMS sulfide zones will be sampled to determine the extent of the VMS-associated alteration. This will enable the Company to determine what additional surface sampling might be done to outline VMS potential in other parts of the property. The results of this re-sampling were announced on March 22, 2013. All of these press releases are available on SEDAR.

On November 22, 2013, the Company announced the completion of its (calendar) 2013 drilling program which consisted of 5 holes totaling 1306m, and was focused on the ZAC occurrence. This is located in the northeast portion of the Company's claim block, approximately 22km northeast of the ATLAS-1 base metal discovery, announced in 2012 (see press release dated October 10, 2012). The current program confirmed the existence of a second distinct VMS district within the Company's ATLAS Group of claims.

The 5 drill holes were designed to test the extension of a historically known area of surface zinc mineralization, discovered by Comaplex (the previous holder of the ZAC occurrence claims), the "West Zone" mineralization, as well as to test local geophysical (gravity and electromagnetic) anomalies.

During the last 42 months no work of a significant nature was carried out on the Marce and Zac properties. However, Management will maintain these claims for the future.

On June 30, 2019, the Board of Directors and Management decided in light of the recent announcement with regards to the new direction that the Company is pursuing, the Company will no longer seek financing to develop the Nunavut/Atlas project in that this project is no longer considered viable. As a result, the Company has written off this project.

Grenfell Property

On September 2, 2014, the Company entered into an option agreement (the "Grenfell Agreement") with Cadillac Ventures Inc. ("Cadillac") whereby the Company will have the option to acquire up to 100% interest in Cadillac's Grenfell Property (the "Property") in the Kirkland Lake area.

Under the terms of the agreement, Anconia can acquire a 60% interest (the "Option") upon: (i) incurring expenditures on the Property of at least \$275,000 by September 1, 2016, and (ii) issuing 2,000,000 common shares of Anconia to Cadillac. As of September 30, 2015, the Company has completed these conditions and now has a 60% interest in the Grenfell property.

Anconia Resources Corp. (an exploration stage Company)

Management Discussion & Analysis; for the year ended September 30, 2019

Upon acquisition of the 60% interest, Anconia will have the option to acquire the remaining 40% interest in the Property for \$300,000 (\$200,000 of which shall be paid in cash and \$100,000 of which shall be paid by the issuance of common shares of Anconia at a deemed price of the average of the 20 days closing price prior to the day upon which Cadillac is notified the interest is to be earned), in fiscal 2017 the Company renegotiated this part of the original agreement and acquired the additional 40% for the issuance of 5,000,000 common shares of the Company to Cadillac. This has been recorded in the books of the Company as at September 30, 2017.

Cadillac retains a 2% net smelter return royalty ("NSR") in the Property, 1% of the NSR can be can be purchased by Anconia for a period of up to 2 years after achieving commercial production for the sum of \$1,000,000.

The Grenfell property consists of 16 patented claims and two staked claims for a total land position of approximately 4.3 square kilometers. The two staked claims are 67% owned by Cadillac, the remaining 33% being registered to a company that no longer exists. Cadillac will use its best efforts to obtain the remaining 33%, which upon completion will become part of the earn-in option agreement at no additional cost to Anconia. The Property is located west of the Town of Kirkland Lake, Ontario, and approximately four kilometers west of the currently producing Macassa Mine.

A preliminary review of Ontario Assessment records and a technical report filed on SEDAR under the profile of Richview Resources (which was acquired by Cadillac), has led to the following initial conclusions:

- The Kirkland Lake Main Break (04) has been mapped to approximately 500m from the eastern boundary of the property.
- The Larder Lake Break is within 100 meters of the southern boundary of the property.
- The southern portion of the property is underlain by Timiskaming-Type Clastic Meta-sedimentary rocks, the same rock type which underlies many of the mines and deposits of the Kirkland Main Break.
- Previous work on the southern portion of the property included detailed mapping uncovered the contact between the Timiskaming and Huronian sediments, which is interpreted to be a fault. This is located about 150m south of and parallel to Highway 568. This feature may relate to reactivation the Kirkland Main Break (04) to the east, with a similar strike.
- The property encompasses the historic Four Nations Shaft. The Four Nations area has undergone several exploration campaigns, which included the deepening of the shaft to 536 feet (163 m), with lateral development on several levels between 1926 and 1928, along with surface trenching.
- Since 1934, when the Four Nations Shaft closed, the property has had sporadic exploration with a total of only 34 drill holes totaling 6842m having been completed in 4 campaigns between 1934 and 2004.

The Company has completed a grab sample and a drill programme of 6 holes for a total of 663 meters drilled. The results of which are published on SEDAR.

During the year ended September 30, 2018 the Company was able to sell some of the lumber on the property. This resulted in a net generation of cash in the amount of \$40,474. Since the Company is in the exploration stage this cash was applied to reduce the exploration and evaluation asset.

Sault Ste. Marie Property ("SSM 2016")

On July 15, 2016, the Company entered into an option agreement (the "SSM 2016 Agreement") with three individuals (the "Owners") whereby Anconia will have the option to acquire up to a 100% interest in certain claims in the Sault Ste. Marie area (the "SSM 2016 Property"). The Agreement was approved by the TSX Venture Exchange on August 15, 2016. On October 24 the Company paid \$75,000 of the outstanding amount due by way of a share for debt exchange. As off the date on this MD&A \$30,000 is outstanding as the final payment on the option agreement. This will be settled when the Company is adequately funded.

Under the terms of the Agreement the Company can acquire a 100% interest (the "Option") upon: (i) making cash payments of \$210,000 (\$15,000 has been paid as of March 31, 2018), and (ii) issuing 1,200,000 common shares of the Company (the remaining 700,000 common shares were issued in fiscal 2018; 500,000 common shares were issued prior to September 30, 2017) to the Owners over the next three years. The Owners retain a 3% net smelter returns royalty on the SSM 2016 Property, of which Anconia is entitled to purchase 1.5% at any time, for \$1,500,000. In the event that the Company files a technical report on or prior to the issuance of a feasibility study in respect of the SSM 2016 Property, which delineates at least 1,500,000 ounces of gold in the "measured" category, pursuant

Anconia Resources Corp. (an exploration stage Company)

Management Discussion & Analysis; for the year ended September 30, 2019

to National Instrument 43101, the Owners shall be entitled to a bonus payment of \$1,000,000 in cash or common shares of the Company. The form of payment of any bonus, as between cash or shares shall be at the Company's option.

The Property consists of 22 staked claims consisting of 314 claim units for a total land package of approximately 60 square kilometres. The Property is located approximately 65km north of the city of Sault Ste. Marie, Ontario in the Batchawana Greenstone Belt. The Property is accessible by road on a combination of paved highway and gravel logging roads which run right through the middle of the claim block. A preliminary review of Ontario Assessment records and other public records has indicated that there has been very little exploration carried out on this section of the Batchawana Greenstone Belt, which hosts the past producing Tribag Mine (approximately 40km west of the Sault claims). From the data which is publicly available from the Government of Ontario archives, Anconia notes that there is a base metal showing on the Property with the following characteristics:

- 18 grab samples taken from trenches excavated on surface in 1982 returned an average of 4.9% Zn. Follow up surface grab sampling from the trenches in 1989 returned; 9.68% Zn, 7.50% Zn, 10.23% Zn, 1.43% Zn, and 7.05%Zn.
- Public records indicate that drilling completed by Noranda, below the above noted trenches, in 1990 returned an intersection of 15.7m containing 5.3% Zn, and 0.015% Cu in one drill-hole. The depth of this intersection is not known, however the total length of the drill-hole is known to be 177.93m. Another drill-hole, which was drilled to a total depth of 149.86m had a 12.58m intersection averaging 0.19% Zn and 0.022% Cu.

All the above information is taken from the Province of Ontario Mineral Deposit Inventory, record # "MDI41004SW00027".

The Company has done some grab sampling and the results have been published on SEDAR.

On June 30, 2019, the Board of Directors and Management decided in light of the recent announcement with regards to the new direction that the Company is pursuing, the Company will no longer pursue or develop this property. As a result, the Company has written off this project.

Anconia Resources Corp. (an exploration stage Company)

Management Discussion & Analysis; for the year ended September 30, 2019

The exploration activities for the year ended September 30, 2019 are as follows:

All amounts in \$	Grenfell Property	SSM 2016 Property	Nunavut Atlas Properties	Total
Acquisition costs	-	75,000	-	75,000
Other	2,068	-	-	2,068
Impairment	-	(192,290)	(5,047,958)	(5,240,248)
	2,068	(117,290)	(5,047,958)	(5,163,180)

During the year ended September 30, 2019, the Company has decided to no longer pursue the Sault Ste. Marie and Nunavut Atlas properties and has written off the values of the properties to \$nil.

The exploration activities for the year ended September 30, 2018 are as follows:

All amounts in \$	Grenfell Property	SSM 2016 Property	Nunavut Atlas Properties	Total
Acquisition costs	-	10,500	-	10,500
Mining claims	-	1,500	-	1,500
Recovery	(40,474)		-	(40,474)
	(40,474)	12,000		(28,474)

The exploration activities from inception to September 30, 2019 are as follows:

All amounts in \$	Grenfell Property	SSM 2016 Property	Nunavut Atlas Properties	Total
Geology	279,067	66,790	2,244,837	2,590,694
Drilling	112,163	-	2,252,012	2,364,175
Planning	-	-	73,956	73,956
Drafting	-	-	24,658	24,658
Mining claims	-	2,500	278,282	280,782
Others	126,067	-	144,213	270,280
Acquisition costs	225,000	123,000	30,000	378,000
Impairment	-	(192,290)	(5,047,958)	(5,240,248)
Recovery	(40,474)	-	-	(40,474)
	701,823	-	-	701,823

Anconia Resources Corp. (an exploration stage Company)

Management Discussion & Analysis; for the year ended September 30, 2019

Financial Statements Going Concern Assumption

The financial statements have been prepared on the basis of accounting principles applicable to a going concern under IFRS. The use of these principles under IFRS assumes that the Company will continue in operation for the foreseeable future and will be able to realize assets and discharge its liabilities in the normal course of operations.

The business of exploration involves a high degree of risk, as such there is no assurance that the Company's expected exploration programs will result in profitable mining operations. Until it is determined that the E&E assets can be economically mined, they are classified as exploration and evaluation assets using the full cost method allowed under IFRS 6. The Company's continued existence is dependent upon the discovery of economically recoverable reserves and resources, securing and maintaining title and beneficial interest in its E&E, and making the required payments pursuant to E&E purchase agreements. The Company has yet to generate income and cash flows from its operations.

There is no assurance that the Company will be able to obtain the external financing necessary to explore, develop if E&E are proven successful and bring to commercial production its E&E. The Company has no proven history of profitability, which casts doubt as to whether the Company will be able to continue as a going concern should it not be able to obtain the necessary financing to fund working capital and capital expenditures. The ability of the Company to arrange such financing in the future depends in part upon the prevailing capital market conditions as well as the business performance of the Company. If additional financing is raised by the issuance of shares from the treasury of the Company existing shareholders may have their interest diluted. If adequate financing is not available, the Company may be required to relinquish rights to certain of its interests or terminate its operations.

As at September 30, 2019, the Company had yet to generate revenues from operations and had an accumulated deficit of \$10,208,785, (September 30, 2018 - \$5,227,156). As at September 30, 2019, the Company had Cash and cash equivalents of \$3,810 (September 30, 2018 - \$5,811) and a working capital deficit of, \$856,061 (September 30, 2018 - \$1,154,939)

The Company is actively seeking additional sources of financing. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern that these uncertainties are material and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore to realize its assets and discharge its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements. These adjustments could be material.

Proposed Transaction

On October 10, 2019, Anconia Resources Corp. (TSXV: ARA) ("Anconia" or the "Company") and Avalon Investment Holdings Ltd. ("Avalon") announced the execution of a definitive amalgamation agreement dated October 9, 2019 (the "Agreement"). The proposed transaction contemplated by the Agreement (the "Transaction"), affirms Anconia's agreement to acquire all of the issued and outstanding securities of Avalon, by means of a three-cornered amalgamation between Anconia, Avalon, and a subsidiary to be incorporated under the Companies Act of Barbados which will be wholly owned by Anconia ("Anconia Subco"). The resulting entity from this completed Transaction (the "Resulting Issuer"), will continue domestic activities and precious metals exploration and development, focused primarily on the exploration of Avalon's Omai Gold Mine project in Guyana.

The Transaction constitutes a "reverse takeover ("RTO")" of Anconia under the policies of the TSX Venture Exchange (the "Exchange"), and its completion is subject to the approval of the Exchange and certain other conditions as described below. Anconia intends to apply to the Exchange to have the common shares of the Resulting Issuer listed and posted for trading on the Exchange. The Transaction is an arm's length transaction. Completion of the Transaction is subject to certain conditions including the approval of shareholders of Anconia ("Anconia Shareholders"), and is expected to close in early 2020. Matters to be approved by Anconia Shareholders will be

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described in further detail in a management information circular (the “Circular”) of Anconia relating to an annual and special meeting of Anconia Shareholders expected to be held in early 2020.

Avalon is a privately held Barbados corporation, based in Christ Church, Barbados, with a wholly-owned operating subsidiary, Avalon Gold Exploration Inc. (“Avalon Exploration”), which is engaged in the acquisition, exploration and potential development of precious metal mineral properties in Guyana. Avalon was incorporated on February 22, 2018 and is currently operated by its President, Michael Smith, of Naples, Florida. There are no Control Persons of Avalon as defined in the Securities Act (Ontario). Avalon Exploration holds a 100% interest in a newly issued prospecting license in Guyana, which covers 4,590 acres of licensed area, including the site of the past producing Omai Gold Mine, and provides for an exclusive right to use certain existing infrastructure at the Omai Gold Mine for any future mining operations, subject to entering into specific lease agreements therefor. In addition, Avalon also holds an option to acquire a 100% interest in a prospecting license known as “Kaburi South”, covering approximately 5,235 acres, located adjacent to Troy Resources Limited’s Karouni mine in Guyana.

The Transaction

Pursuant to the Transaction, Anconia will issue common shares (“Anconia Shares”) to the holders of common shares in the capital of Avalon (“Avalon Shares”) on the basis of one post-Consolidation (as defined below) Anconia Share for each one Avalon Share. Anconia and Avalon anticipate that approximately 108,000,000 million post-Consolidation Anconia Shares will be issued pursuant to the Transaction, based on the current capital structure of Avalon. In addition, all securities convertible into Avalon Shares that are outstanding and unexercised immediately prior to closing are to be exchanged for economically equivalent and otherwise substantially similar securities convertible into Anconia post-Consolidation Shares. Anconia, Avalon, and Anconia Subco will amalgamate to form the Resulting Issuer. The parties anticipate that, upon completion of the Transaction, the Avalon shareholders will hold approximately 108,000,000 Anconia post-Consolidation Shares, representing 93% of the issued and outstanding Anconia post-Consolidation Shares on an undiluted basis, and 139,069,900 Anconia post Consolidation Shares, representing approximately 94% of the issued and outstanding Anconia post-Consolidation Shares on a fully diluted basis. The foregoing shareholdings contemplate the closing of Avalon’s private placement financing on October 17, 2019.

The Transaction is subject to a number of terms and conditions, including, but not limited to, the approval of Anconia Shareholders in connection with the Transaction, including the Consolidation; the completion of the Transaction in early 2020 and the approval of the Exchange and other applicable regulatory authorities.

Trading in the Anconia Shares will remain halted pending the satisfaction of all applicable requirements of Policy 5.2 of the Exchange. There can be no assurance that trading of Anconia Shares will resume prior to the completion of the Transaction. Anconia will hold a meeting of its shareholders to vote on the Transaction and will require that a majority of the votes of its shareholders vote in favour of the Transaction in order to proceed with it. Further details concerning the Transaction (including additional financial information) and other matters will be announced if and when a definitive agreement is reached.

Name Change

Upon completion of the Transaction, Anconia will change its name to “Omai Gold Mines Corp.” or such other name as Avalon and Anconia may otherwise determine, and the parties anticipate that the Exchange will assign a new trading symbol for the Resulting Issuer.

Consolidation

The completion of the Transaction is subject to the prior completion by Anconia of a consolidation of its share capital on the basis of one post-consolidation common share for each 15 pre-consolidation common shares.

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Results of operations

A summary of selected financial information of the Company for recently completed periods is provided below:

Selected annual information

Years ended September 30	2019	2018	2017
Revenue	\$ Nil	\$ Nil	\$ Nil
Income from operations	\$ Nil	\$ Nil	\$ Nil
Net (loss) for the period	\$ (4,981,629)	\$ (355,016)	\$ (393,646)
Basic & diluted (loss) per share	\$ (0.04)	\$ (0.00)	\$ (0.00)
Cash and cash equivalents	\$ 3,810	\$ 5,811	\$ 8,265
Exploration and evaluation assets	\$ 701,823	\$ 5,865,003	\$ 5,893,477
Total Assets	\$ 707,531	\$ 5,877,477	\$ 5,906,212
Accounts payable and accrued liabilities	\$ 743,949	\$ 1,133,033	\$ 851,632
Total Shareholder's equity	\$ (154,238)	\$ 4,710,064	\$ 5,054,580

Selected quarterly information

The following table sets forth selected financial information of the Company for the quarters ended as noted below:

For the quarter ended	Sept 30, 2019	June 30, 2019	Mar 31, 2019	Dec 31, 2018
Revenue	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Income from operations	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Net gain (loss) for the period	\$ (43,051)	\$ (5,339,150)	\$ (95,278)	\$ 493,300
Basic & diluted (loss) per share	\$ (0.00)	\$ (0.05)	\$ (0.00)	\$ (0.00)
Cash and cash equivalents	\$ 3,810	\$ 6,037	\$ 4,734	\$ 29,765
Exploration and evaluation assets	\$ 701,823	\$ 701,823	\$ 5,942,052	\$ 5,940,003
Total Assets	\$ 707,531	\$ 711,818	\$ 5,977,899	\$ 5,991,141
Shareholder's equity	\$ (154,238)	\$ (111,187)	\$ 5,227,963	\$ 5,320,691
For the quarter ended	Sept 30, 2018	June 30, 2018	Mar 31, 2018	Dec 31, 2017
Revenue	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Income from operations	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Net gain (loss) for the period	\$ (88,645)	\$ (84,267)	\$ (92,640)	\$ (89,464)
Basic & diluted (loss) per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Cash and cash equivalents	\$ 5,811	\$ 10,274	\$ 8,587	\$ 8,775
Exploration and evaluation assets	\$ 5,865,003	\$ 5,863,503	\$ 5,859,855	\$ 5,893,477
Total Assets	\$ 5,877,477	\$ 5,879,235	\$ 5,870,131	\$ 5,906,490
Shareholder's equity	\$ 4,710,064	\$ 4,798,709	\$ 4,872,476	\$ 4,965,116

The major changes in the quarterly numbers can be explained as follows:

For the quarter ended September 30, 2019: cash and cash equivalents decreased by \$2,227 from the previous quarter. Total assets decreased by \$4,287 as a result of a decrease in current assets. The decrease in Shareholders' equity of \$43,051 is mainly due to the loss for the period.

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For the quarter ended June 30, 2019: cash and cash equivalents increased by \$1,303 from the previous quarter. Total assets decreased by \$5,266,081 as a result of a decrease in current assets of \$2,479 and a decrease in exploration and evaluation assets of \$5,240,229. The major reason for the decrease in the exploration and evaluation assets is that the Board of Directors and the Management of the Company decided as at June 30, 2019, in light of the recent announcement with regards to the Company's new direction, the Company will no longer seek financing to develop the Nunavut/Atlas project and the SSM property in that these projects are no longer considered viable. As a result, the Company has recorded in the Company's books an impairment of 100% of these assets. The decrease in Shareholders' equity of \$5,339,150 is mainly as a result of the impairment noted above and the loss for the period.

For the quarter ended March 31, 2019: Cash and cash equivalents decreased by \$25,031 from the previous quarter. This (decrease) was as a result of a net (decrease) in cash used in operating activities of \$22,982 and net cash used in investing activities of \$2,049 primarily in exploration and evaluation assets. Total assets decreased by \$13,242 as a result of a decrease in current assets of \$15,264, and an increase in exploration and evaluation assets of \$2,049. The decrease in shareholders' equity of \$92,728 is as a result of the net loss for the period.

For the quarter ended December 31, 2018: cash and cash equivalents increased by \$23,954 from the previous quarter. This increase was mainly due to an increase from operating activities of \$63,954, cash used in investing activities of \$75,000 and proceeds from a loan from a related party of \$35,000. Total assets increased by \$113,664. This increase was due to an increase in current assets from the previous period of \$38,664, and an increase in exploration and evaluation assets of \$75,000. The shareholders equity increased from the previous period by \$610,627 which is mainly as a result of the net income and comprehensive income for the quarter ended March 31, 2018 of 493,300 and common shares issued for debt (at a market value of \$0.01 per share) in the amount of \$117,327.

For the quarter ended September 30, 2018: cash and cash equivalents decreased by \$4,463 from the previous quarter. This decrease was mainly due to a decrease from operating activities of (\$4,378). Total assets decreased by \$1,758. This decrease was due to a decrease in current assets from the previous period of \$3,258 offset by an increase of exploration and evaluation assets of \$1,503. The shareholders equity decreased from the previous period by \$88,645. This decrease is as a result of the net loss for the quarter ended September 30, 2018.

For the quarter ended June 30, 2018: Cash and cash equivalents increased by \$1,687 from the previous quarter. This increase was as a result of a net (decrease) in Cash provided by operating activities of (\$5,165) and net cash provided in investing activities of \$6,852 primarily in exploration and evaluation assets as a result of a sale of some lumber from the Grenfell property. Total assets increased by \$9,104 as a result of a increase in current assets of \$5,456, and an increase in exploration and evaluation assets of \$3,648. The decrease in Shareholders' equity of (\$73,767) is as a result of a net loss for the period of \$84,267 offset offset by shares issued as per the option agreement re the SSM2016 property valued at \$10,500.

For the quarter ended March 31, 2018: Cash and cash equivalents decreased by \$188 from the previous quarter. This (decrease) was as a result of a net (decrease) in Cash provided by operating activities of \$33,810 and net cash provided in investing activities of 33,622 primarily in exploration and evaluation assets as a result of a sale of some lumber from the Grenfell property. Total assets decreased by \$36,359 as a result of a decrease in current assets of \$2,737, and an decrease in exploration and evaluation assets of \$33,622. The decrease in Shareholders' equity of (\$92,640) is as a result of a net loss for the period.

For the quarter ended December 31, 2017: cash and cash equivalents increased by \$510 from the previous quarter. This increase was mainly due to a increase from operating activities of \$510. Total assets increased by \$276. All of this decrease was due to a small increase in current assets from the previous period. The shareholders equity decreased from the previous period by \$89,464 which is as a result of the net loss for the quarter ended December 31, 2017.

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Results of Operations

Consolidated Operating Results

This section should be read in conjunction with the audited Consolidated Statements of Comprehensive Loss for the year ended September 30, 2019, and 2018, and the notes associated therewith.

Year ended September 30, 2019

For the year ended September 30, 2019 the loss was \$4,891,629 compared with a loss of \$355,016 for the year ended September 30, 2018.

Years ended September 30	2019	2018
Salaries and benefits	\$ 40,000	\$ 40,000
Professional fees	72,641	59,678
Consulting fees	164,000	153,600
Shareholder and investor relations	1,590	1,010
Reporting issuer costs	29,621	30,600
Travel	16,483	-
Administrative expense	34,084	69,473
General and administrative costs	\$ 358,419	\$ 354,361

Other significant Items

Years ended September 30	2019	2018
Impairment of exploration and evaluation assets	\$ 5,240,248	\$ -
(Gain) on debt settlement	(469,309)	-
Foreign exchange loss (gain)	(1,374)	655
Other (Income)	(146,355)	-
Net loss and comprehensive loss for the year	\$ 4,981,629	\$ 355,016

The major items which resulted in these losses for the year ended September 30, 2019 (and compared with 2018) were;

General and administrative expenses of \$358,419 for 2018 (2017 - \$354,361). This is further broken down as follows:

- Professional fees of \$72,641 for 2019 (2018- \$59,678), (these fees are comprised of mainly legal, audit, accounting and corporate secretarial services), this increase was mainly due to an increase in legal fees and other items relating to the proposed RTO activity in the Company for the year ended September 30, 2019 when compared to that of 2018;
- Consulting fees of \$164,000 for 2019 (2018 - \$153,600). In 2018 and 2018, consulting fees mainly consist of fees billed by the President and CEO and the CFO. (see the section on related party below). The increase in the 2019 fees when compared to that of 2018 is mainly due fees charged by a consultant for services rendered in connection with the planned RTO transaction contemplated by the Company;
- Administrative expenses for 2019 of \$34,084 (2018 - \$69,473). These expenses consist of office rent, D&O insurance, travel and accommodation, Nunavut membership fees, telephone expenses, bank charges and other miscellaneous expenses. The decrease was mainly due to management effort to reduce expenses in 2019 as compared to 2018;
- Travel costs in 2019 represents all travel costs related to a site visit of the proposed RTO transaction.
- Reporting Issuer costs in 2019 amounted to \$29,621 (2018 - \$30,600). These fees comprise of fees to regulators and other filing fees.

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- Salaries and benefits are the fees due to directors. The fees for fiscal 2019 was \$40,000 (2018 - \$40,000).
- Shareholder and investor relations for 2019 was \$1,590 (2018 - \$1,010).

Other major items

- Gain on settlement of debt 2019 - \$469,309 (2018 \$nil). On October 24, 2018, the Company completed a share for debt transaction. The total amount of debt extinguished pursuant to this transaction was \$586,636 for 11,732,720 common shares of the Company at \$0.05 per share. The market value of the shares at October 24, 2018 was \$0.01 per share. The recorded value in shares Capital was based on market value on the transaction date with the difference being recorded as gain on settlement of debt.
- Impairment of exploration and evaluation assets 2019 - \$5,240,248 (2018 - \$nil). As a result of the decision by management and the board of directors to pursue a RTO with Avalon Investments Holdings Ltd. (see Proposed Transaction above) a decision was made to impair the Nunavut and SSM 216 properties.
- Other Income 2019 - \$146,355 (2018 - \$nil). As noted in Note 15 to the Audited Financial Statements for the year ended September 31, 2019, the Company disposed pf approximately \$5,588,238 of its non-capital losses carry forward and received a net cash consideration of \$146,355. this amount was recorded as other income. The details of this transaction is explained in Note 17 of the Audited Consolidated Financial Statements for the year ended September 30, 2019.

Quarter ended September 30, 2019

The operating result for the quarter ended September 30, 2019 is compared to those for the quarter ended September 30, 2018 as follows:

General and administrative costs

Quarter ended September 30,	2019	2018
Salaries and benefits	\$ 10,000	\$ 10,000
Professional fees	12,140	15,472
Consulting fees	38,400	38,400
Shareholder and investor relations	175	100
Reporting issuer costs	1,487	6,860
Administrative expense	(18,136)	18,617
	\$ 44,142	\$ 89,449

Other significant Items

Quarter ended September 30,	2019	2018
Foreign exchange (gain) loss	(1,061)	(804)
Net loss and comprehensive loss for the period	\$ 43,051	\$ 88,645

For the three months ended September 30, 2019 the Company incurred a net loss and comprehensive loss of \$43,051 compared with a loss of \$88,645 for the three months ended September 30, 2018.

The major items which resulted in these losses for the quarter ended September 30, 2019 were;

- Net (gain) loss from foreign exchange: 2019 (\$1,061) (2018 - (\$804));
- General and administrative costs for 2019 was \$44,142 (2018 - \$89,449) and the major items are discussed below:
 - Professional fees of \$12,140 for 2019 (2018 - \$15,472), (these fees are comprised of mainly legal, audit, accounting and corporate secretarial services).;

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- Consulting fees of \$38,400 for 2019 (2018 – \$38,400).;
- Reporting issuer costs for 2019 of \$1,487 (2018- \$6,860). The decrease was mainly due to no major fees for financing in 2019;
- Administrative expenses for 2019 were \$18,136 (2018 – \$18,617) the negative expense is as a result of management and the Company's Board of Directors to write off the Spanish subsidiary in that the Company has abandoned any pursuit of exploration assets in Spain. The amount of the write off was \$34,098 (mainly payables of this subsidiary);and
- Salaries and benefits (director fees) \$10,000 for 2019 (2018 - \$10,000)

Consolidated Financial position

This section should be read in conjunction with the audited Consolidated Statements of Financial Position and the audited Consolidated Statement of Changes in Shareholders' Equity as at September 30, 2019 and the audited Consolidated Statements of Cash Flows for the year ended September 30, 2019.

The Company's cash and cash equivalents as at September 30, 2019 were \$3,810 (2018 – \$5,811).

Consolidated current assets of the Company as at September 30, 2019 were \$5,708 (2018 - \$12,474), comprising of cash and cash equivalents, HST tax receivables and prepaid expenses. Total consolidated assets as at September 30, 2019 were \$707,531 (2018 - \$5,877,477), which are comprised of current assets of \$ 5,708 (2018 – \$12,474), and exploration and evaluation assets of \$701,823 (2017 - \$5,865,003).

The main reason for the decrease in exploration and evaluation assets is that as at June 30, 2019, the Board of Directors and Management has decided in light of the recent announcement with regards to the new direction that the Company is pursuing, the Company will no longer seek financing to develop the Nunavut/Atlas project and the SSM 2016 projects. As a result the Company has impaired these projects.

Consolidated Liabilities

Consolidated current liabilities as at September 30, 2019, were \$861,769 (2018 - \$1,167,413) which are comprised largely of accounts payable and accrued liabilities of \$743,949 (2018 - \$1,133,033), loans plus accrued interest from related parties of \$78,135 (2018 – \$34,380) and a loan payable of \$39,685 (2018 – \$Nil).

Consolidated Cash Flows

The net cash provided (used) in operating activities during the year ended September 30, 2019, was \$(74,617) (2018 – (\$41,428)). This amount was as a result of net loss for the year of \$4,981,629 (2018 - \$355,016). The net losses are comprised of general and administrative expenses \$358,419 (2018 - \$354,361), Gain on debt settlement of \$469,309 (2018 - \$nil); impairment of exploration and evaluation assets of \$5,240,248 (2018 - \$nil) and other income of \$146,355 (2018 - \$nil). This was offset by a net decrease (increase) in receivables and payables of \$266,992 (2018 – (\$309,838)). There was no revenue during the period.

Cash (used in) provided by investing activities during the year ended September 30, 2019, was (\$77,069) (2018 - \$38,974) which is attributable to its exploration and evaluation assets. In the year ended September 30, 2019 the Company financing activity comprised of loans totaling \$74,685 (2018 – \$nil).

Liquidity

The Company's activities have been funded to date through equity financing and the Company expects that it will continue to be able to utilize this source of financing until it develops cash flows from operations. There can be no assurance, however, that the Company will be successful in its efforts. If such funds are not available or other sources of finance cannot be obtained, then the Company will be forced to curtail such proposed activities to a level for which funding is available and can be obtained.

During the year ended September 30, 2019, the Company did not complete any equity financing. As at September 30, 2019 the Company's current assets are comprised of cash and cash equivalents of \$3,810 and other receivables of \$1,898 (mainly comprising of HST receivable). As at September 30, 2019, the Company had a working capital deficiency of \$856,061 and a negative shareholders' equity of (\$154,238).

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Related Party Disclosure

Related parties include the Board of Directors, officers, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions. In accordance with International Accounting Standards 24 - Related Party Disclosure, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and nonexecutive) of the Company.

The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, to similar transactions to non-key management personnel related entities on an arm's length basis.

The Company has entered into the following transactions with related parties:

The President and Chief Executive Officer, Mr. Jason Brewster, ("CEO") of the Company is the President of 2181038 Ontario Inc. ("218 Inc."), and 218 Inc. (and by extension the CEO and President) has a contract with the Company. The CEO and President has volunteered to take a reduction of 20% of his contract for the 2017 fiscal year and similarly for the 2016 and 2015 fiscal year until the Company has adequate funding. Fees and outstanding amounts due to 218 Inc. relating to consulting services as expensed and capitalized as exploration and evaluation assets are detailed in the table below.

The Chief Financial Officer, Mr. Harvey McKenzie, ("CFO") has a service contract and is entitled to fees based on this contract relating to consulting services in the normal course of business. Mr. McKenzie has volunteered to take a reduction of 20% of his contract for the fiscal years 2017, 2016 and 2015, this reduction in fees will continue until the Company has adequate funding. These fees are expensed as consulting fees in the general and administrative expenses. The table below details the fees and amounts due to Mr. McKenzie.

Related Party Fees	3 months ended September 30, 2019	3 months ended September 30, 2018	Year ended September 30, 2019	Year ended September 30, 2018
218 Inc. (Jason Brewster) consulting fees	\$ 24,000	\$ 24,000	\$ 96,000	\$ 96,000
CFO consulting fees - Harvey McKenzie	14,400	14,400	57,600	57,600
Directors fees	10,000	10,000	40,000	40,000
Total related party transactions	\$ 48,400	\$ 48,400	\$ 193,600	\$ 193,600
Related party payables			As at September 30, 2019	As at September 30, 2018
218 Inc. (Jason Brewster) all fees			\$ 289,900	\$ 309,160
CFO Harvey McKenzie			144,562	166,103
Business advisory fees Denis Clement			-	55,630
Directors fees			67,783	97,500
Total Related party payables			\$ 502,245	\$ 628,393

Directors are entitled to director fees and stock options for their services and officers are entitled to stock options and cash remuneration for their services as outlined in their service contracts with the Company. The table above details the directors' fees and the amounts due to them.

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To the knowledge of the directors and senior officers of the Company, as at September 30, 2019, no person or corporation beneficially owns or exercises control or direction over common shares of the Company carrying more than 10% of the voting rights to all common shares of the Company other than The Estate of Dr. Bernard C. Sherman, a major shareholder who owns 21% of all the issued and outstanding shares of the Company. The remaining 79% of the shares are widely held. These holdings can change at any time at the discretion of the owners.

On March 31, 2016, The Estate of Dr. Bernard Sherman loaned the Company \$25,000. This loan bears an annual interest rate of 15% and matures on March 31, 2017 and is subject to annual extensions. As of September 30, 2019, this loan has been extended and \$13,130 (2018-\$9,380) of interest expenses has been accrued on the loan.

On November 22, 2018, the Company entered into a loan arrangement with a company owned by a director of the Company, secured by some of the exploration and evaluation assets of the Company. The loan bears an annual interest rate of 15% and matures in April 2020. As at September 30, 2019, the amount due is \$40,005 (2018 -\$nil) which includes \$5,005 (2018 -\$nil) of accrued interest expense.

None of the Company's major shareholders have different voting rights other than holders of the Company's common shares.

The Company is not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of the Company. To the knowledge of the Company, it is not directly or indirectly owned or controlled by another corporation, by any government or by any natural or legal person severally or jointly.

Anconia Resources Corp. (an exploration stage Company)

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Outstanding Share Data

Authorized Share capital: unlimited common shares without par value.

- Issued and outstanding: 117,589,409 common shares as of the date of this MD&A.
- The following table sets out the fully diluted share capital of the Anconia.

Total shares outstanding as at September 30, 2016	99,047,709
Shares issued to purchasers of the December 23, 2016 private placement	808,980
Shares issued or exploration and evaluation assets on December 23, 2016	300,000
Shares issued for exploration and evaluation assets on May 17, 2017	5,000,000
Total shares outstanding as at September 30, 2017	105,156,689
Shares issued for exploration and evaluation assets on April 2018	700,000
Total shares outstanding as at September 30, 2018	105,856,689
Shares issued for settlement of debt on October 24, 2018	11,732,720
Total shares outstanding as at September 30, 2019	117,589,409
Total warrants outstanding as at September 30, 2016	25,950,000
Warrants associated with the December 23, 2016, placement and expire in December 23, , 2019	808,980
Total warrants outstanding as at September 30, 2017	26,758,980
The warrants expiring in March 2018, expired unexercised	(18,400,000)
Total warrants outstanding as at September 30	8,358,980
Warrants associated with the July 4, 2016, placement and expired unexercised on July 4, 2019	(2,000,000)
Warrants associated with the July 27, 2016, placement and expired unexercised on July 27, 2019	(4,300,000)
Warrants associated with the August 3, 2016, placement and expired unexercised on August 3, 2019	(1,250,000)
Total warrants outstanding as at September 30	808,980
Total options outstanding as at September 30, 2016	3,150,000
Options expired unexercised	(850,000)
Total Options outstanding as at September 30, 2017 and 2018	2,300,000
Options expired unexercised	(2,300,000)
Total Number of options outstanding as at September 30, 2019	NII
Total Number of Diluted Securities as at September 30, 2019	118,398,389
Warrants associated with a December 23, 2016 private placement, expired unexercised on December 23, 2019	(808,980)
Total Number of Diluted Securities as at August 15, 2019	117,589,409,

As at the date of this MD&A, January 28th 2019, 117,589,409 common shares are issued and outstanding. The increase / (decrease) in shares, warrants and options outstanding, are identified in the table above.

Anconia Resources Corp. (an exploration stage Company)

Management Discussion & Analysis; for the year ended September 30, 2019

Financial and Other Instruments

The Company's financial instruments and liabilities consist of cash and cash equivalents, amounts receivable, and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these instruments approximates their carrying value due to the short-term nature of their maturity.

Significant accounting judgments and estimates

The preparation of the Company's consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements of the Company include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates

Significant assumptions about the estimates that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- the recoverability of amounts receivable that are included in the statements of financial position;
- valuation and recoverability of exploration and evaluation assets. Management considers the economics of the project, including the latest resources prices and the long-term forecasts, and the overall economic viability of the project;
- management assessment of no material restoration, rehabilitation and environmental provisions, based on the facts and circumstances that existed during the period;
- the valuation of share-based payments. Black-Scholes valuation model is used for the valuation of the share-based payments granted and the assumptions used for the valuation include volatility of the share price, risk-free interest rate and the life of the stock options granted. These assumptions are highly subjective and materially affect the calculated fair value; and
- the determination of deferred income tax assets and liabilities is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes.

Critical accounting judgments

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether there are indicators of impairment. When such indicators exist, an impairment loss is recognized for the amount by which the exploration and evaluation assets carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less costs to dispose and their value in use.

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The amount of deferred tax assets to recognize and the extent of impairment allowance for the deferred tax asset also requires management to make judgments.

The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its operations and working capital requirements as discussed in note 1 of the audited consolidated financial statements for the year ended September 30, 2019.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the consolidated financial statements are:

Share-based payment transactions

The fair value of share options granted is recognized as an expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value of share-based payments to employees is measured at the grant date and recognized over the period during which the options vest. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted with consideration of forfeiture rate to reflect the actual number of share options that are expected to vest. The Company has no share-based payments capitalized in exploration and evaluation assets. For those options that expire after vesting, the recorded value is retained in the reserve.

Fair value of financial instruments

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

Taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Exploration and evaluation expenditures

Exploration and evaluation asset acquisition costs and related direct exploration costs may be deferred until the assets are placed into production, sold, abandoned, or written down, where appropriate. The Company's accounting policy is to capitalize exploration costs. The policy is consistent with other junior exploration companies which have not established mineral reserves objectively. An alternative policy would be to expense these costs until sufficient work has been done to determine that there is a probability a mineral reserve can be established; or alternatively, to expense such costs until a mineral reserve has been objectively established. Management is of the view that its current policy is appropriate for the Company at this time. Based on annual impairment reviews made by management, or earlier if circumstances warrant, in the event that the long-term expectation is that the net carrying amount of these capitalized exploration costs will not be recovered, then the carrying amount is written down accordingly and the write-down charged to operations. A write-down may be warranted in situations where an exploration and evaluation asset is to be sold or abandoned; or exploration activity ceases on an exploration and evaluation asset due to unsatisfactory results or insufficient available funding.

As the Company is in the exploration stage with respect to its investment in mineral properties. The Company capitalizes costs directly related to the acquisition, exploration and evaluation of mineral properties. Such costs include, but are not restricted to, geological, geophysical, drilling, trenching and sampling costs including the support costs and supplies required in relation thereto. These assets are recorded at cost as adjusted for impairments in

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value. Impairment is assessed when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. In assessing impairment, exploration and evaluation assets are grouped into Cash Generating Units, ("CGU's"), on the basis of areas of interest. Management groups mineral claims that are contiguous and specific to an area that encompasses the same prospective minerals, into one area of interest and assigns a name to this mineral property. Each named mineral property is considered an area of interest and a CGU.

Although not an exhaustive list, one or more of the following facts and circumstances indicate that a specific CGU should be tested for impairment:

- The period for which the entity has the right to explore in the specific area has expired during the financial statement period or will expire in the near future and is not expected to be renewed.
- Substantive expenditures on further exploration for, and evaluation of, mineral resources in the specific area is neither budgeted nor planned.
- Exploration for and evaluation of mineral resources in the specific area has not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.
- Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or sale.

An impairment loss may be reversed in a situation where there is a change in the circumstances that had initially dictated that impairment had occurred. An example of such a situation might include, but not be limited to, the recommencement of exploration activity on a mineral property due to a significant change in commodity prices.

Where the Company's exploration commitments for a CGU are performed under option agreements with a third party, the proceeds of any option payments under such agreements are applied to the CGU to the extent of costs incurred. The excess, if any, is credited to operations. Option payments made by the Company are recorded as exploration and evaluation assets. Options are exercisable entirely at the discretion of the optionee and accordingly, are recorded as exploration and evaluation assets or recoveries when the payments are made or received. The proceeds on the sale of exploration and evaluation assets are applied to the area of interest to the extent of costs incurred and the excess, if any, is credited to operations. In some circumstances option payments received by or made by the Company are made in whole or in part through the issuance of common shares. The value of these payments in shares is calculated using the fair value of the shares on the date of issue.

Impairment of nonfinancial assets

At the end of each reporting period, the Company reviews the carrying amounts of its nonfinancial assets with finite lives to determine whether there is any indication that those assets are impaired. Where such an indication exists, the recoverable amount of the asset is estimated. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels of CGU. The recoverable amount is the higher of an asset's fair value less costs to dispose and value in use (being the present value of the expected future cash flows of the relevant CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

Accounting Policies

The Company applies International Financial Reporting Standards as issued by the International Accounting Standards Board. The significant accounting policies and method of computation followed in Anconia's consolidated financial statements are set out in detail in Note 2 of the September 30, 2019 audited consolidated financial statements.

Changes in accounting policies

Certain new pronouncements were issued by the IASB or IFRIC that are mandatory for accounting periods after September 30, 2018. The following new standards have been adopted:

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IFRS 9 - Financial Instruments ("IFRS 9")

Effective October 1, 2018, the Company adopted IFRS 9. In July 2014, the IASB issued the final publication of the IFRS 9 standard, which supersedes IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance. The Company has adopted IFRS 9 on a retrospective basis, however, this guidance had no material impact to the Company's financial statements.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains the primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVTOCI) and fair value through profit and loss (FVTPL).

The new hedge accounting guidance had no impact on the Company's financial statements.

Below is a summary showing the classification and measurement bases of the Company's financial instruments as at October 1, 2018 as a result of adopting IFRS 9, along with comparison to IAS 39.

Classification	IAS 39	IFRS 9
Cash and cash equivalents	FVTPL	FVTPL
Accounts receivable	Loans receivable	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities (amortized cost)	Amortized cost
Loan from related party	Other financial liabilities (amortized cost)	Amortized cost

As a result of the adoption of IFRS 9, the accounting policy for financial instruments as disclosed in the Company's September 30, 2018 financial statements has been updated as follows:

Recognition

The Company recognizes a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value, and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectations of recovering the contractual cash flows on a financial asset.

Classification and Measurement

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

- I. those to be measured subsequently at fair value, either through profit or loss ("FVTPL") or through other comprehensive income ("FVTOCI"); and
- II. those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

After initial recognition at fair value, financial liabilities are classified and measured at either:

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- I. amortized cost;
- II. FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or,
- III. FVTOCI, when the change in fair value is attributable to changes in the Company's credit risk.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at amortized cost are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at fair value through profit or loss are expensed in profit or loss.

The Company's financial asset consists of cash and cash equivalents, which are classified and measured at FVTPL, with realized and unrealized gains or losses related to changes in fair value reported in net loss, and accounts receivable, which is classified and subsequently measured at amortized cost.

The Company's financial liabilities consist of accounts payable and accrued liabilities and loan from related party, which are classified and measured at amortized cost using the effective interest method. Interest expense is reported in net loss.

Impairment

The Company assesses all information available, including on a forward-looking basis the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information.

New accounting standards and interpretations

IFRS 16 - Leases ("IFRS 16") was issued on January 13, 2016 to require lessees to recognize assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS17 Leases. The IAS issued its standard as part of a joint project with the Financial Accounting Standards Board ("FASB"). The FASB has not yet issued its new standard, but it is also expected to require lessees to recognize most leases on their statement of financial position.

The new standard will be effective for annual periods beginning on or after January 1, 2019. Early application is permitted, provided the new revenue standard, IFRS 15 Revenue from Contracts with Customers, has been applied or is applied at the same date as IFRS 16. The Company is still in the process of assessing the impact of this pronouncement on the consolidated financial statements

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements at the date of this MD&A.

Commitment

There are no commitments at the date of this MD&A.

Management's Responsibility for Financial Statements

The information provided in this MD&A, including the consolidated financial statements, is the responsibility of management. In the preparation of these consolidated financial statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying consolidated financial statements.

Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

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Risk Factors

Anconia is subject to a number of risks due to the nature of the business of mineral exploration and the early stage of its development. The following risk factors are provided from the perspective of the Company.

Mineral Exploration Risks

The successful exploration of exploration and evaluation assets is speculative. Such activities are subject to a number of uncertainties, which even a combination of careful evaluation, experience and knowledge may not eliminate. Most exploration projects do not result in the discovery of commercially mineable deposits. There is no certainty that the expenditures made or to be made by the Company in the exploration of the exploration and evaluation assets in which it may have an interest will result in the discovery of base metals or other mineralized materials in commercial quantities. While discovery of a base metal deposit may result in substantial rewards, few exploration and evaluation assets that are explored are ultimately developed into producing mines. Significant expenditures may be required to establish reserves by drilling and to construct mining and processing facilities at a site. No assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations. Whether a mineral deposit will be commercially viable depends on a number of factors, including the particular attributes of the deposit (i.e. size, grade, access and proximity to infrastructure), financing costs, the cyclical nature of commodity prices and government regulations (including those relating to prices, taxes, currency controls, royalties, land tenure, land use, importing and exporting of mineral products, and environmental protection). Although substantial benefits may be derived from the discovery of a major deposit, it is impossible to ensure that the current exploration programmes of the Company will result in profitable commercial mining operations or that funds required for development can be obtained on a timely basis. The implementation of certain aspects of the Company's strategy in respect of the exploration and evaluation asset is subject to the completion of detailed feasibility studies. The Company is not able to predict the outcome of such studies and unfavourable results may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Country Risk

The Company could be at risk regarding any political developments in the country which it operates. At present, the Company is active only in Canada and possibly other areas outside Canada. The Company's mineral exploration may be adversely affected by political instability, legal and economic uncertainty in the countries where the Corporation operates or has plans to operate. These risks may include: political unrest; labour disputes; invalidation of governmental orders and permits; corruption; war and civil disturbances; terrorist activities; arbitrary changes in laws; regulations; policies; taxation; price controls; exchange controls; delays in or the inability to obtain necessary permits; opposition to mining from environmental activists or other non-governmental organizations; limitations on foreign ownership; limitations on the repatriation of earnings; limitation on mineral exports and increase financing costs. These risks may limit or disrupt the Company's projects, restrict the movement of funds or result in the deprivation of contractual rights.

Failure to raise capital when needed would have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Regulatory Requirements

Mining operations, development and exploration activities are subject to extensive laws and regulations governing prospecting, development, production, exports, taxes, labour standards, occupational health, waste disposal, environmental protection and remediation, protection of endangered and protected species, mine safety, toxic substances and other matters. Changes in these regulations or in their application are beyond the control of the Company and could adversely affect its operations, business and results of operations.

Government approvals and permits are currently, and may in the future be, required in connection with the exploration and evaluation assets. To the extent such approvals are required and not obtained, the Company may be restricted or prohibited from proceeding with planned exploration or development activities. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of

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the mining activities and may be liable for civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permitting requirements, or more stringent application of existing laws, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or require abandonment or delays in development of properties or reductions in levels of production at producing properties.

Reliability of Historical Information

The Company has relied upon historical data compiled by previous parties involved with the properties. To the extent that any of such historical data may be inaccurate or incomplete, the Company's exploration plans may be adversely affected.

Title Matters

The acquisition of title to exploration and evaluation assets is a very detailed and time-consuming process. Title to, and the area of, mineral concessions may be disputed. Although the Company believes it has taken reasonable measures to ensure proper title to its properties, there is no guarantee that title to the property will not be challenged or impaired. Third parties may have valid claims underlying portions of the Company's interests. Further, there can be no assurance that any pending applications for mineral rights in which the Company holds an interest (including in respect of the properties) will be granted in whole or in part. If a title defect exists, it is possible that the Company may lose all or part of its interest in the properties or any other property subsequently acquired to which such title defect exists.

Licenses and Permits

The current and proposed exploration activities of the Company require certain permits and licenses from various governmental authorities and such operations are and will be governed by laws and regulations governing exploration, development and production, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, safety, mine permitting and other matters. Companies engaged in exploration activities generally experience increased costs and delays as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that all licenses and permits which the Company may require to carry out exploration of its projects will be obtainable on reasonable terms or on a timely basis, or that such laws and regulations would not have an adverse effect on any project that the Company may undertake.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in exploration operations may be required to compensate those suffering loss or damage by reason of the exploration activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Commodity Price Fluctuations

The price of the Company's securities, its financial results and exploration activities may be significantly adversely affected by declines in the price of base metals demand and price are determined by numerous factors beyond the control of the Company including the demand for electricity, international exchange rates, political and economic conditions and production costs in mining regions, production and consumption patterns, speculative activities, increased production due to improved mining and production methods, government regulations relating to prices, taxes, royalties, land tenure, land use, environmental protection and the degree to which a dominant producer uses its market strength to bring supply into equilibrium with demand. The combined effects of any or all of these factors on metal prices or volumes are impossible for the Company to predict. If realized metal prices fall below the full cost of production of any of the Company's operations and remain at such level for any sustained period, the Company will experience losses, which may be significant, and may decide to discontinue affected operations, forcing the Company to incur closure or care and maintenance costs, as the case may be. In addition declining metal prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

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Current Global Financial Conditions

Recent events in global financial markets have had a profound impact on worldwide economies. Many industries have been impacted by the changes in market conditions to varying degrees. Some of the key impacts of the current financial market turmoil include contraction in credit markets and resulting widening of credit risk as well as enhanced volatility in commodity, equity and foreign exchange markets. A continued or worsened slowdown in financial markets or other economic conditions, including without limitation, constraints in credit or surety markets, a sustained slump in economic activity in the mining industry in general and in Canada in particular, the availability of private and public sector funding for mineral exploration projects, pressure on margins arising from an altered competitive landscape or an increased risk of corporate bankruptcy in the markets in which the Company operates, may adversely affect the Company in ways which are not possible to predict given the unprecedented nature of the current crisis.

Currency Fluctuations

Currency fluctuations may affect some of the Company's future operations, financial positions and results. The Company's financial results are reported in Canadian dollars and the majority of its funds are held in Canadian dollars at a major Canadian Bank. The majority of the Company's costs to date are in Canadian dollars. However, if the Company expands its activities outside Canada the Company will have increased exposure to fluctuations in the Canadian dollar against foreign currencies.

Uninsured Risks

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fire, flooding and earthquakes may occur. It is not always possible to fully insure against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs, have a material adverse effect on the Company's results and a decline in the value of the securities of the Company.

Environmental Regulations

The activities of the Company are subject to laws and regulations controlling not only mineral exploration and exploitation activities themselves but also possible effects of such activities upon the environment. Environmental legislation generally provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission of environmental impact assessments and approval thereof by government authorities.

Environmental legislation is evolving in a manner which means stricter standards, and enforcement, increased fines and penalties for non-compliance, and more stringent environmental assessments of proposed projects. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. Permits from a variety of regulatory authorities are required for many aspects of mineral exploration activities including closure and reclamation. Future environmental legislation could cause additional expense, capital expenditure, restrictions liabilities and delays in the development of the Company's properties, the extent of which cannot be predicted. In the context of environmental permits, including the approval of closure and reclamation plans, the Company must comply with standards and laws and regulations which may entail costs and delays depending on the nature of the activity to be permitted and how stringently the regulations are implemented by the permitting authority. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. There may be unforeseen environmental liabilities resulting from exploration and/or mining activities and these may be costly to remedy. The Company does not maintain environmental liability insurance.

Access to Transportation Infrastructure

Access to transportation infrastructure to ship mineral products economically within Nunavut and to export mineral products internationally is currently limited. Lack of access to transportation may hinder the expansion of production at the Property and the Company may be required to use more expensive transportation alternatives.

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Competition

The mining industry is competitive in all its phases. The Company will compete with many companies and individuals that have substantially greater financial and technical resources than the Company in the search for, and the acquisition of, mineral concessions as well as for the recruitment and retention of qualified employees. The Company's ability to identify and increase reserves in the future will depend not only on its ability to explore and develop the properties, but also on its ability to select, acquire and develop suitable properties or prospects. In addition, the mining industry is facing a shortage of equipment and skilled personnel and there may be intense competition for experienced geologists, field personnel and contractors. There is no assurance that the Company will be able to compete successfully with others in acquiring such prospects, equipment or personnel.

Limited Operating History and Financial Resources

The Company has a limited operating history, has little operating revenue and is unlikely to generate any revenues from operations in the foreseeable future. The Company anticipates that its existing cash resources, together with the net proceeds from private placements, will be sufficient to cover its projected funding requirements for the ensuing year. If its exploration program is successful, additional funds will be required for further exploration to determine if any deposits are economic and if economic, to bring such deposits to production. Additional funds will also be required for the Company to acquire and explore other mineral interests. The Company has limited financial resources and there is no assurance that sufficient additional funding will be available to enable it to fulfill its obligations or for further exploration on acceptable terms or at all. Failure to obtain additional funding on a timely basis could result in delay or indefinite postponement of further exploration and could cause the Company to forfeit its interests in some or all of its exploration and evaluation assets, or to reduce or terminate its operations. Sources of funds now available to the Company are limited and may include the sale of equity capital, exploration and evaluation assets, royalty interests, the entering into of future joint ventures and the exercise of outstanding options. Additional financing may not be available when needed or, if available, the terms of such financing might not be favourable to the Company and might involve substantial dilution to existing shareholders.

Dependence upon Key Management Personnel and Executives

The Company will be dependent upon the continued support and involvement of a small number of key management personnel. The loss of the services of one or more of such personnel could have a material adverse effect on the Company. The Company's ability to manage its exploration activities and, hence, its success, will depend in large part on the efforts of these individuals. The Company faces intense competition for qualified personnel and there can be no assurance that the Company will be able to attract and retain such personnel. The number of persons skilled in the acquisition of, exploration of exploration and evaluation assets is limited and competition for such persons is intense.

Possible Conflicts of Interest of Directors and Officers of the Company

Certain of the directors and officers of the Company also serve as directors, officers and/or advisors of and to other companies involved in natural resource exploration. Consequently, there exists the possibility for such directors and officers to be in a position of conflict. The Company expects that any decision made by any of such directors and officers involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders, but there can be no assurance in this regard. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest with or which are governed by the procedures set forth in the OBCA and any other applicable law.

Absence of Dividends

The Company does not expect to pay any dividends in the foreseeable future.

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Source of Future Funds

The only source of future funds for further exploration programs, or if such exploration programs are successful for the development of economic ore bodies and commencement of commercial production thereon, which are presently available to the Company are the sale of equity capital or the offering by the Company of an interest in its exploration and evaluation assets to be earned by another party carrying out further exploration. Management has been successful in accessing equity markets in the past, but there is no assurance that such sources will be available on acceptable terms in the future.

Risk of Dilution

Under applicable Canadian law, shareholder approval may not be required for the Company to issue additional Company Shares. Moreover, the Company has commitments that could require the issuance of a substantial number of additional Company Shares, in particular options to acquire Company Shares under the Company's stock option plan and property option agreements. The business of the Company will require substantial additional financing which will likely involve the sale of equity capital. The Company can also be expected to issue additional options, warrants and other financial instruments, which may include debt. Future issuances of equity capital may have a substantial dilutive effect on existing shareholders of the Company. The Company is not able at this time to predict the future amount of such issuances or dilution.

Price Volatility and Lack of Active Market

In recent years, the securities markets in Canada and elsewhere have experienced a high level of price and volume volatility, and the market prices of securities of many public companies have experienced significant fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. It may be anticipated that any quoted market for the Company's securities will be subject to such market trends and that the value of such securities may be affected accordingly. There is no assurance that an active market for the Company's securities will develop or be sustained. If an active market does not develop, the liquidity of the investment may be limited and the market price of such securities may decline.

Events after the reporting period (Year ended September 30, 2019)

On December 23, 2019 808,980 warrants expired unexercised.

Other Information

Additional information about the Company is available on SEDAR at (www.sedar.com) or the Company's website (www.anconia.ca).

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MANAGEMENT'S DISCUSSION & ANALYSIS OF THE UNAUDITED CONSOLIDATED FINANCIAL POSITION AND CONSOLIDATED RESULTS OF OPERATIONS

For the Three and nine Months Ended June 30, 2020

This MD&A is dated July 28, 2020

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Management Discussion & Analysis; for the three and nine months ended June 30, 2020

Introduction

This Management Discussion and Analysis ("MD&A"), dated July 28, 2020 provides a review of the financial position and the results of operations of Anconia Resources Corp. (the "Corporation", "Anconia" or the "Company") and constitutes management review of the factors that affected the Company's financial and operating performance for the three and nine months ended June 30, 2020. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. The review is provided to enable the reader to assess the significant changes in the financial condition of the Company as at and for the three months ended June 30, 2020. This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three and nine months ended June 30, 2020, and the audited consolidated financial statements of the Company for the years ended September 30, 2019 and 2018 together with the notes thereto. The Company's financial statements and the financial information reported in this MD&A have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). All amounts presented are stated in Canadian dollars, unless otherwise indicated. Information contained herein is presented as of July 28, 2020, unless otherwise indicated.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of Anconia's common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Cautionary Note Regarding Forward-Looking Information

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward-looking statements.

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Forward-looking statements	Assumptions	Risk factors
Potential of the Company's properties to contain economic deposits of precious and base metals.	Financing should be available for future exploration of the Company's properties; the actual results of the Company's exploration activities will be favourable; operating and exploration costs will not exceed the Company's expectations; the Company will be able to retain and attract skilled staff; all requisite regulatory and governmental approvals for exploration projects and other operations will be received on a timely basis upon terms acceptable to the Company, and applicable political and economic conditions are favourable to the Company; the price of precious and base metals and applicable interest and exchange rates will be favourable to the Company; no title disputes exist with respect to the Company's exploration and evaluation assets.	Precious and base metals price volatility; uncertainties involved in interpreting geological data and confirming title to acquired exploration and evaluation assets; the possibility that future exploration results will not be consistent with the Company's expectations; availability of financing for and actual results of the Company's exploration activities; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic and political conditions; the Company's ability to retain and attract skilled staff; availability of permits.
The Company's ability to meet its working capital needs at the current level for the twelve-month period ending June 30, 2021. The Company expects to incur further losses in the development of its business.	The operating and exploration activities of the Company for the twelve-month period ending June 30, 2021 and beyond, and the costs associated therewith, will be dependent on raising sufficient additional capital consistent with the Company's current expectations. This is also augmented by the RTO in progress.	Changes in debt and equity markets; timing and availability of external financing on acceptable terms; changes in the operations currently planned for the next twelve months; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions.
The Company's ability to carry out anticipated exploration on its exploration and evaluation assets.	The exploration activities of the Company for the next twelve months ending June 30, 2021, and the costs associated therewith, will be consistent with the Company's current expectations as it relates to the RTO being contemplated	Changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; changes in the operations currently planned for the next twelve months; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions; receipt of applicable permits.
Asset values for the three months ended June 30, 2020.	Management believes that no further write-down is required for its exploration and evaluation assets resulting from	If the Company does not obtain equity or debt financing (or a combination of both) on terms favourable to the

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	continuing efforts to raise capital (debt or equity, or a combination of both) to implement planned work programmes on the Company's projects.	Company or at all, a decline in asset values that could be determined to be other than temporary, may result in future impairment losses.
Management's outlook regarding future trends, including the future price of precious and base metals and availability of future financing.	Financing will be available for the Company's exploration and operating activities; the price of precious and base metals will be favourable to the Company.	Precious and base metals price volatility; changes in debt and equity markets; interest rate and exchange rate fluctuations; changes in economic and political conditions; availability of financing.
The Company will focus its exploration efforts on the new deal announced with Avalon and the existing Grenfell property	New targets that are not discovered will not take precedence over existing targets.	Management may change its plans based on future exploration results.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. Please also make reference to those risk factors referenced in the "Risks Factors" section below. Readers are cautioned that the above chart does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

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Background

Anconia Resources Corp. (formerly Citadel Gold Mines Inc.) was incorporated under the Ontario Business Corporation Act (“OBCA”) on March 22, 1962. The fiscal year end of the Company is September 30.

On June 15, 2011 Anconia completed a reverse takeover transaction (the “Transaction”) pursuant to which Anconia (then Citadel) acquired all of the issued and outstanding common shares (the “Purchased Shares”) in the capital of 2215107 Ontario Inc. (“221”), a private Ontario company with an interest in a mineral property in Nunavut (the “Property”), from the shareholders of 221 (the “221 Shareholders”), and completed a private placement financing for gross proceeds of approximately \$3,510,100.

221 was incorporated under the OBCA on August 18, 2009 for the purpose of acquiring the Property. The Property was 221’s sole material asset.

Concurrently with the closing of the Transaction, Anconia: changed its name from Citadel Gold Mines Inc. to Anconia Resources Corp.; consolidated its common shares on the basis of one (1) post-consolidation common share for every five (5) pre-consolidation common shares (the “Consolidation”); and completed a private placement of units and flow-through units for gross proceeds of approximately \$3,510,100 (the “Financing”).

On closing of the Transaction: the 221 Shareholders were issued 12,276,000 Anconia Shares (on a post-Consolidation basis); MO-KAR Holdings Inc. received 613,800 Anconia Shares (on a post-Consolidation basis) as a finder’s fee in connection with the acquisition of the Property, and 1,650,000 Anconia Shares (on a post-Consolidation basis) were issued to Dr. Bernard Sherman and to a company controlled by Dr. Sherman pursuant to the conversion of \$625,000 aggregate principal amount of convertible debentures previously issued to them.

Anconia is an exploration and development focused company. The Company currently has one exploration project in Canada. This project is known as the Grenfell property which is located in the Kirkland Lake area.

Exploration and Evaluation Assets

The Company completed the reverse takeover transaction to which Anconia acquired 221, a private Ontario company holding an option to acquire a 100% interest in certain mining claims – the Atlas properties (formerly known as the “ZAC property” and the “Marce property”) – located in the Territory of Nunavut. The Atlas properties are located approximately 170 kilometres south of Baker Lake.

During the last 45 months no work of a significant nature was carried out on the Marce and Zac properties.

On June 30, 2019, the Board of Directors and Management decided in light of the recent announcement with regards to the new direction that the Company is pursuing, the Company will no longer seek financing to develop the Nunavut/Atlas project in that this project is no longer considered viable. As a result, the Company has written off this project.

Sault Ste. Marie Property (“SSM 2016”)

On July 15, 2016, the Company entered into an option agreement (the “SSM 2016 Agreement”) with three individuals (the “Owners”) whereby Anconia will have the option to acquire up to a 100% interest in certain claims in the Sault Ste. Marie area (the “SSM 2016 Property”). The Agreement was approved by the TSX Venture Exchange on August 15, 2016. On October 24 the Company paid \$75,000 of the outstanding amount due by way of a share for debt exchange.

On June 30, 2019, the Board of Directors and Management decided in light of the recent announcement with regards to the new direction that the Company is pursuing, the Company will no longer pursue or develop this property. As a result, the Company has written off this project and all future option payments have been cancelled.

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Grenfell Property

On September 2, 2014, the Company entered into an option agreement (the "Grenfell Agreement") with Cadillac Ventures Inc. ("Cadillac") whereby the Company will have the option to acquire up to 100% interest in Cadillac's Grenfell Property (the "Property") in the Kirkland Lake area.

Under the terms of the agreement, Anconia can acquire a 60% interest (the "Option") upon: (i) incurring expenditures on the Property of at least \$275,000 by September 1, 2016, and (ii) issuing 2,000,000 common shares of Anconia to Cadillac. As of September 30, 2015, the Company has completed these conditions and now has a 60% interest in the Grenfell property.

Anconia has exercised its option to acquire the remaining 40% interest in the Property for \$300,000. In fiscal 2017 the Company renegotiated this part of the original agreement and acquired the additional 40% for the issuance of 5,000,000 common shares of the Company to Cadillac. This has been recorded in the books of the Company as at September 30, 2017.

Cadillac retains a 2% net smelter return royalty ("NSR") in the Property, 1% of the NSR can be purchased by Anconia for a period of up to 2 years after achieving commercial production for the sum of \$1,000,000.

The Grenfell property consists of 16 patented claims and two staked claims for a total land position of approximately 4.3 square kilometers. The two staked claims are 67% owned by Cadillac, the remaining 33% being registered to a company that no longer exists. Cadillac will use its best efforts to obtain the remaining 33%, which upon completion will become part of the earn-in option agreement at no additional cost to Anconia. The Property is located west of the Town of Kirkland Lake, Ontario, and approximately four kilometers west of the currently producing Macassa Mine.

A preliminary review of Ontario Assessment records and a technical report filed on SEDAR under the profile of Richview Resources (which was acquired by Cadillac), has led to the following initial conclusions:

- The Kirkland Lake Main Break (04) has been mapped to approximately 500m from the eastern boundary of the property.
- The Larder Lake Break is within 100 meters of the southern boundary of the property.
- The southern portion of the property is underlain by Timiskaming-Type Clastic Meta-sedimentary rocks, the same rock type which underlies many of the mines and deposits of the Kirkland Main Break.
- Previous work on the southern portion of the property included detailed mapping uncovered the contact between the Timiskaming and Huronian sediments, which is interpreted to be a fault. This is located about 150m south of and parallel to Highway 568. This feature may relate to reactivation of the Kirkland Main Break (04) to the east, with a similar strike.
- The property encompasses the historic Four Nations Shaft. The Four Nations area has undergone several exploration campaigns, which included the deepening of the shaft to 536 feet (163 m), with lateral development on several levels between 1926 and 1928, along with surface trenching.
- Since 1934, when the Four Nations Shaft closed, the property has had sporadic exploration with a total of only 34 drill holes totaling 6842m having been completed in 4 campaigns between 1934 and 2004.

The Company has completed a grab sample and a drill programme of 6 holes for a total of 663 meters drilled. The results of which are published on SEDAR.

During the year ended September 30, 2018 the Company was able to sell some of the lumber on the property. This resulted in a net generation of cash in the amount of \$40,474. Since the Company is in the exploration stage this cash was applied to reduce the exploration and evaluation asset.

During the three months ended March 31, 2020, the Board approved a settlement of Debt by assigning approximately 49.94% of the Grenfell property to be used against a settlement of debt. The amount of debt settled will be approximately \$ 586,700 for \$350,500 of the book value of the Grenfell property. This transaction will be completed as soon as possible. The Grenfell property is subject to a mortgage on this property (see note 14 in the interim financial statements for the nine months ended June 30, 2020).

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The exploration activities for the nine months ended June 30, 2019 are as follows:

All amounts in \$	Grenfell Property	SSM 2016 Property	Nunavut Atlas Properties	Total
Others	\$ 1,093	\$ -	\$ -	\$ 1,093

The exploration activities for the nine months ended June 30, 2019 are as follows:

All amounts in \$	Grenfell Property	SSM 2016 Property	Nunavut Atlas Properties	Total
Acquisition costs	-	75,000	-	75,000
Others	2,068	-	-	2,068
	2,068	75,000	-	77,068

The exploration activities from inception to June 30, 2020 are as follows:

All amounts in \$	Grenfell Property	SSM 2016 Property	Nunavut Atlas Properties	Total
Geology	279,067	66,790	2,244,837	2,590,694
Drilling	112,163	-	2,252,012	2,364,175
Planning	-	-	73,956	73,956
Drafting	-	-	24,658	24,658
Mining claims	-	2,500	278,282	280,782
Others	127,160	-	144,213	271,373
Acquisition costs	225,000	123,000	30,000	378,000
Impairment	-	(192,290)	(5,047,958)	(5,240,248)
Disposal for debt settlement	-	-	-	-
Recovery	(40,474)	-	-	(40,474)
	702,916	-	-	702,916

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Financial Statements Going Concern Assumption

The financial statements have been prepared on the basis of accounting principles applicable to a going concern under IFRS. The use of these principles under IFRS assumes that the Company will continue in operation for the foreseeable future and will be able to realize assets and discharge its liabilities in the normal course of operations.

The business of exploration involves a high degree of risk, as such there is no assurance that the Company's expected exploration programs will result in profitable mining operations. Until it is determined that the E&E assets can be economically mined, they are classified as exploration and evaluation assets using the full cost method allowed under IFRS 6. The Company's continued existence is dependent upon the discovery of economically recoverable reserves and resources, securing and maintaining title and beneficial interest in its E&E, and making the required payments pursuant to E&E purchase agreements. The Company has yet to generate income and cash flows from its operations.

There is no assurance that the Company will be able to obtain the external financing necessary to explore, develop if E&E are proven successful and bring to commercial production its E&E. The Company has no proven history of profitability, which casts doubt as to whether the Company will be able to continue as a going concern should it not be able to obtain the necessary financing to fund working capital and capital expenditures. The ability of the Company to arrange such financing in the future depends in part upon the prevailing capital market conditions as well as the business performance of the Company. If additional financing is raised by the issuance of shares from the treasury of the Company existing shareholders may have their interest diluted. If adequate financing is not available, the Company may be required to relinquish rights to certain of its interests or terminate its operations.

As at June 30, 2020, the Company had yet to generate revenues from operations and had an accumulated deficit of \$10,442,141, (September 30, 2019 - \$10,208,785). As at June 30, 2020, the Company had Cash and cash equivalents of \$3,778 (September 30, 2019 - \$3,810) and a working capital deficit of, \$1,090,510 (September 30, 2019 - \$856,061).

In March 2020, the COVID-19 was declared a pandemic by the World Health Organization. The situation is Dynamic and the ultimate duration and magnitude of the impact on the economy, capital markets and the Company's financial position cannot be reasonably estimated at this time. The Company is monitoring developments and will adapt its business plans accordingly. The actual and threatened spread of COVID-19 globally could adversely impact the Company's ability to carry out its plans and raise capital.

The Company is actively seeking additional sources of financing. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern that these uncertainties are material and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore to realize its assets and discharge its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements. These adjustments could be material.

Proposed Transaction

On October 10, 2019, Anconia Resources Corp. (TSXV: ARA) ("Anconia" or the "Company") and Avalon Investment Holdings Ltd. ("Avalon") announced the execution of a definitive amalgamation agreement dated October 9, 2019 (the "Agreement"). The proposed transaction contemplated by the Agreement (the "Transaction"), affirms Anconia's agreement to acquire all of the issued and outstanding securities of Avalon, by means of a three-cornered amalgamation between Anconia, Avalon, and a subsidiary to be incorporated under the Companies Act of Barbados which will be wholly owned by Anconia ("Anconia Subco"). The resulting entity from this completed Transaction (the "Resulting Issuer"), will continue domestic activities and precious metals exploration and development, focused primarily on the exploration of Avalon's Omai Gold Mine project in Guyana.

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The Transaction constitutes a “reverse takeover (“RTO”)” of Anconia under the policies of the TSX Venture Exchange (the “Exchange”), and its completion is subject to the approval of the Exchange and certain other conditions as described below. Anconia intends to apply to the Exchange to have the common shares of the Resulting Issuer listed and posted for trading on the Exchange. The Transaction is an arm’s length transaction. Completion of the Transaction is subject to certain conditions including the approval of shareholders of Anconia (“Anconia Shareholders”), and is expected to close in September, 2020. Matters to be approved by Anconia Shareholders will be described in further detail in a management information circular (the “Circular”) of Anconia relating to an annual and special meeting of Anconia Shareholders expected to be held in September, 2020.

Avalon is a privately held Barbados corporation, based in Christ Church, Barbados, with a wholly-owned operating subsidiary, Avalon Gold Exploration Inc. (“Avalon Exploration”), which is engaged in the acquisition, exploration and potential development of precious metal mineral properties in Guyana. Avalon was incorporated on February 22, 2018 and is currently operated by its President, Michael Smith, of Naples, Florida. There are no Control Persons of Avalon as defined in the Securities Act (Ontario). Avalon Exploration holds a 100% interest in a newly issued prospecting license in Guyana, which covers 4,590 acres of licensed area, including the site of the past producing Omai Gold Mine, and provides for an exclusive right to use certain existing infrastructure at the Omai Gold Mine for any future mining operations, subject to entering into specific lease agreements therefor. In addition, Avalon also holds an option to acquire a 100% interest in a prospecting license known as “Kaburi South”, covering approximately 5,235 acres, located adjacent to Troy Resources Limited’s Karouni mine in Guyana.

The Transaction

Pursuant to the Transaction, Anconia will issue common shares (“Anconia Shares”) to the holders of common shares in the capital of Avalon (“Avalon Shares”) on the basis of one post-Consolidation (as defined below) Anconia Share for each one Avalon Share. Anconia and Avalon anticipate that approximately 108,000,000 million post-Consolidation Anconia Shares will be issued pursuant to the Transaction, based on the current capital structure of Avalon. In addition, all securities convertible into Avalon Shares that are outstanding and unexercised immediately prior to closing are to be exchanged for economically equivalent and otherwise substantially similar securities convertible into Anconia post-Consolidation Shares. Anconia, Avalon, and Anconia Subco will amalgamate to form the Resulting Issuer. The parties anticipate that, upon completion of the Transaction, the Avalon shareholders will hold approximately 108,000,000 Anconia post-Consolidation Shares, representing 93% of the issued and outstanding Anconia post-Consolidation Shares on an undiluted basis, and 139,069,900 Anconia post Consolidation Shares, representing approximately 94% of the issued and outstanding Anconia post-Consolidation Shares on a fully diluted basis. The foregoing shareholdings contemplate the closing of Avalon’s private placement financing on October 17, 2019.

The Transaction is subject to a number of terms and conditions, including, but not limited to, the approval of Anconia Shareholders in connection with the Transaction, including the Consolidation; the completion of the Transaction in September 2020 and the approval of the Exchange and other applicable regulatory authorities.

Trading in the Anconia Shares will remain halted pending the satisfaction of all applicable requirements of Policy 5.2 of the Exchange. There can be no assurance that trading of Anconia Shares will resume prior to the completion of the Transaction. Anconia will hold a meeting of its shareholders to vote on the Transaction and will require that a majority of the votes of its shareholders vote in favour of the Transaction in order to proceed with it. Further details concerning the Transaction (including additional financial information) and other matters will be announced if and when a definitive agreement is reached.

Name Change

Upon completion of the Transaction, Anconia will change its name to “Omai Gold Mines Corp.” or such other name as Avalon and Anconia may otherwise determine, and the parties anticipate that the Exchange will assign a new trading symbol for the Resulting Issuer.

Consolidation

The completion of the Transaction is subject to the prior completion by Anconia of a consolidation of its share capital on the basis of one post-consolidation common share for each 15 pre-consolidation common share.

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Results of operations

A summary of selected financial information of the Company for recently completed periods is provided below:

Selected quarterly information

The following table sets forth selected financial information of the Company for the quarters ended as noted below:

For the quarter ended	June 30, 2020	Mar 31, 2020	Dec 31, 2019	Sept 30, 2019
Revenue	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Income from operations	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Net gain (loss) for the period	\$ (52,536)	\$ (94,889)	\$ (85,931)	\$ (43,051)
Basic & diluted gain (loss) per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Cash and cash equivalents	\$ 3,778	\$ 3,963	\$ 862	\$ 3,810
Exploration and evaluation assets	\$ 702,916	\$ 702,916	\$ 702,916	\$ 701,823
Total Assets	\$ 710,294	\$ 712,345	\$ 710,502	\$ 707,531
Shareholder's equity (deficiency)	\$ (387,594)	\$ (335,058)	\$ (240,169)	\$ (154,238)
For the quarter ended	June 30, 2019	Mar 31, 2019	Dec 31, 2018	Sept 30, 2018
Revenue	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Income from operations	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Net gain (loss) for the period	\$ (5,339,150)	\$ (95,278)	\$ 495,850	\$ (88,645)
Basic & diluted (loss) per share	\$ (0.05)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Cash and cash equivalents	\$ 6,037	\$ 4,734	\$ 29,765	\$ 5,811
Exploration and evaluation assets	\$ 701,823	\$ 5,942,052	\$ 5,940,003	\$ 5,865,003
Total Assets	\$ 711,818	\$ 5,977,899	\$ 5,991,141	\$ 5,877,477
Shareholder's equity (deficiency)	\$ (111,187)	\$ 5,227,963	\$ 5,320,691	\$ 4,710,064

The major changes in the quarterly numbers can be explained as follows:

For the quarter ended June 30, 2020: Cash and cash equivalents increased by \$185 from the previous quarter. Total assets decreased by \$2,051. The decrease in Shareholders' equity of \$52,536 is as a result of a net loss for the period.

For the quarter ended March 31, 2020: Cash and cash equivalents increased by \$3,101 from the previous quarter. Total assets increased by \$1,843. The decrease in Shareholders' equity of \$94,889 is as a result of a net loss for the period.

For the quarter ended December 31, 2019, cash and cash equivalents decreased by \$2,948 from the previous quarter. Total assets increased by \$2,971 mainly as a result of an increase in current assets of \$1,878 and an increase in exploration and evaluation assets of \$1,093. The decrease in Shareholder's equity of \$85,931 is as a result of the net loss for the period.

For the quarter ended September 30, 2019: cash and cash equivalents decreased by \$2,227 from the previous quarter. Total assets decreased by \$4,287 as a result of a decrease in current assets. The decrease in Shareholders' equity of \$43,051 is mainly due to the loss for the period.

For the quarter ended June 30, 2019: cash and cash equivalents increased by \$1,303 from the previous quarter. Total assets decreased by \$5,266,081 as a result of a decrease in current assets of \$25,852 and a decrease in exploration and evaluation assets of \$5,240,229. The major reason for the decrease in the exploration and evaluation assets is that the Board of Directors and the Management of the Company decided as at June 30, 2019, in light of the recent announcement with regards to the Company's new direction, the Company will no longer seek

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financing to develop the Nunavut/Atlas project and the SSM property in that these projects are no longer considered viable. As a result, the Company has recorded in the Company's books an impairment of 100% of these assets. The decrease in Shareholders' equity of \$5,339,150 is mainly as a result of the impairment noted above and the loss for the period.

For the quarter ended June 30, 2019: Cash and cash equivalents decreased by \$25,031 from the previous quarter. This (decrease) was as a result of a net (decrease) in cash used in operating activities of \$22,982 and net cash used in investing activities of \$2,049 primarily in exploration and evaluation assets. Total assets decreased by \$13,242 as a result of a decrease in current assets of \$15,264, and an increase in exploration and evaluation assets of \$2,049. The decrease in shareholders' equity of \$92,728 is as a result of the net loss for the period.

For the quarter ended December 31, 2018: cash and cash equivalents increased by \$23,954 from the previous quarter. This increase was mainly due to an increase from operating activities of \$63,954, cash used in investing activities of \$75,000 and proceeds from a loan from a related party of \$35,000. Total assets increased by \$113,664. This increase was due to an increase in current assets from the previous period of \$38,664, and an increase in exploration and evaluation assets of \$75,000. The shareholders equity increased from the previous period by \$610,627 which is mainly as a result of the net income and comprehensive income for the quarter ended December 30, 2018 of 493,300 and common shares issued for debt (at a market value of \$0.01 per share) in the amount of \$117,327.

For the quarter ended September 30, 2018: cash and cash equivalents decreased by \$4,463 from the previous quarter. This decrease was mainly due to a decrease from operating activities of (\$4,378). Total assets decreased by \$1,758. This decrease was due to a decrease in current assets from the previous period of \$3,258 offset by an increase of exploration and evaluation assets of \$1,503. The shareholders equity decreased from the previous period by \$88,645. This decrease is as a result of the net loss for the quarter ended September 30, 2018.

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Results of Operations for the nine months ended June 30, 2020

The operating result for the nine months ended June 30th, 2020 is compared to those for the nine months ended June 30th, 2019 as follows:

General and administrative costs

General and admin. Costs for the 9 months ended June 30,	2020	2019
Salaries and benefits	\$ 11,800	\$ 30,000
Professional fees	140,323	60,501
Consulting fees	14,400	125,600
Shareholder and investor relations	99	1,415
Reporting issuer costs	18,579	28,134
Travel	-	16,437
Administrative expense	48,155	52,220
General and administration expenses	\$ 233,356	\$ 314,307

Other significant Items

Other significant items for the Nine months ended June 30,	2020	2019
Foreign exchange gain (loss)	\$ -	\$ 313
Gain on debt settlement	-	469,309
Impairment of Exploration and evaluation assets	-	(5,240,248)
Other income	-	146,355
Net Income (loss) and comprehensive loss for the period	\$ (233,356)	\$ (4,938,578)

For the nine months ended June 30, 2020 the Company incurred a net income (loss) and comprehensive income (loss) of (\$233,356) compared with a loss of 4,938,578 for the nine months ended June 30, 2019.

The major items which resulted in the loss for the nine months ended June 30, 2020 were;

- Gain on debt settlement \$Nil (2019 - \$469,309). In the 9 months of the previous period, the Company completed a share for debt transaction. The total debt extinguished pursuant to this transaction was \$586,636 for 11,732,720 common shares of the Company at \$0.05 per share. At the date of conversion, the market value of the Company shares was \$0.01. In accordance with IFRS the difference between the market value on the Company's shares and the converted price was recorded as other comprehensive income.
- Other income \$Nil (2019 - \$146,355). During the nine months ended June 30, 2019 the Company disposed of approximately \$5,588,238 of its non-capital losses carry forward and received a net cash consideration of \$146,355. this amount was recorded as other income. The details of this transaction is explained in Note 17 of the Audited Consolidated Financial Statements for the year ended September 30, 2019.
- Impairment of exploration and evaluation assets for the nine months ended June 2020 \$Nil (2019 - \$5,240,248). As a result of the decision by management and the board of directors to pursue a RTO with Avalon Investments Holdings Ltd. (see Proposed Transaction above) a decision was made to impair the Nunavut and SSM 216 properties.
- Net gain (loss) from foreign exchange: 2020 \$Nil (2019 - \$313);
- General and administrative costs for the nine months ended June 30, 2020 was \$233,365 (2019 - \$314,307) and the major items are discussed below:
 - Professional fees of \$140,323 for 2020 (2019 - \$60,501), (these fees are comprised of mainly legal, audit, accounting and corporate secretarial services). the main reason for the increase is a substantial increase in legal work pertaining to the contemplated RTO;
 - Consulting fees of \$14,400 for 2020 (2019 - \$125,600). See related party note below;
 - Reporting issuer costs for 2020 of \$18,579 (2019- \$28,134).

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- Travel expenses for 2020 was \$Nil (2019 - \$16,437) in 2019 the Company was actively looking for a potential acquisition.
- Administrative expenses for 2020 were \$48,155 (2019 - \$52,220) and
- Salaries and benefits (director fees) \$11,800 for 2020 (2019 - \$30,000). See related party below.

Results of Operations for the three months ended June 30, 2020

The operating result for the three months ended June 30th, 2020 is compared to those for the three months ended June 30th, 2019 as follows:

General and administrative costs

Three months ended June 30,	2020	2019
Salaries and benefits	\$ 450	\$ 10,000
Professional fees	39,693	23,128
Consulting fees	-	48,800
Shareholder and investor relations	-	199
Reporting issuer costs	6,595	6,567
Administrative expense	5,798	10,480
General and administration expenses	\$ 52,536	\$ 99,174

Other significant Items

Three Months ended June 30,	2020	2019
Foreign exchange gain (loss)	\$ -	\$ 272
Impairment of exploration and evaluation asset	-	(5,240,248)
Net Income (loss) and comprehensive Income (loss) loss for the period	\$ (52,536)	\$ (5,339,150)

For the three months ended June 30, 2020 the Company had a net (loss) and comprehensive (loss) of (\$52,536) compared with a (loss) of (\$5,339,150) for the three months ended June 30, 2019.

The major items which resulted in the gain for the quarter ended June 30, 2020 were;

- Net gain from foreign exchange: 2020 \$Nil (2019 - \$272);
- Impairment of exploration and evaluation assets for the three months ended June 2020 \$Nil (2019 - \$5,240,248). As a result of the decision by management and the board of directors to pursue a RTO with Avalon Investments Holdings Ltd. (see Proposed Transaction above) a decision was made to impair the Nunavut and SSM 216 properties;
- General and administrative costs for 2020 was \$52,536 (2019 - \$99,174); the major items are:
 - Professional fees of \$39,693 for 2020 (2019 - \$23,128), (these fees are comprised of mainly legal, audit and accounting).The main reason for the increase over 2019, is the increase legal fees as a result of the work being done for the RTO;
 - Consulting fees of \$Nil for 2020 (2019 - \$48,800). See related party note below;
 - Reporting issuer costs for 2020 of \$6,595 (2019 - \$6,567).;
 - Administrative expenses for 2020 were \$5,798 (2019 - \$10,480) and
 - Salaries and benefits (director fees) \$450 for 2020 (2019 - \$10,000) see related party note below.

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Consolidated Financial position

This section should be read in conjunction with the unaudited Consolidated statement of financial position and the unaudited Consolidated Statement of Changes in Shareholder's Equity as at June 30, 2020 and the unaudited Consolidated statements of Cash Flows for the nine months ended June 30, 2020 and the audited Consolidated Statements of Financial Position and the audited Consolidated Statement of Changes in Shareholders' Equity as at September 30, 2019 and the audited Consolidated Statements of Cash Flows for the year ended September 30, 2019.

The Company's cash and cash equivalents as at June 30, 2020 were \$3,778 (September 30, 2019 - \$3,810).

Consolidated current assets of the Company as at June 30, 2020 were \$7,378 (September 30, 2019 - \$5,708), comprising of cash and cash equivalents, HST tax receivables and prepaid expenses. Total consolidated assets as at June 30, 2020 were \$710,294 (September 30, 2019 - \$707,531), which are comprised of current assets of \$ 7,378 (September 31, 2019 - \$5,708), and exploration and evaluation assets of \$702,916. (September 30, 2019 - \$701,823).

Consolidated Liabilities

Consolidated current liabilities as at June 30, 2020, were \$1,097,888 (September 30, 2019 - \$861,769) which are comprised largely of accounts payable and accrued liabilities of \$905,650 (September 30, 2019 - \$743,949), Loan from related parties of \$84,892 (September 30, 2019 - \$78,135) and Loan payable to Avalon of \$107,346 (September 30, 2019 - 39,685).

Consolidated Cash Flows

The net cash provided by (used in) operating activities during the nine months ended June 30, 2020, was (\$66,600) (2019 - \$72,390). This amount was as a result of net (loss) for the nine months ended June 30, 2020 (\$233,356) (2019 - \$4,938,578). In the period ended June 30, 2020, the total loss was attributed to General and administrative expenses of \$233,356 (2019 - \$314,307), Offset by a gain on debt settlement of \$Nil) (2019 - 469,309), other income of \$Nil for the nine months ended June 30, 2020 (2019 - \$146,355), foreign exchange gain 2020 \$Nil (2019 - \$313) and impairment of exploration and evaluation assets of 2020 \$Nil (2019 - (\$5,240,248)). This was offset by a net decrease (increase) in receivables of \$1,702 (2019 - (\$2,705) and a net decrease payable of \$161,701 (2019 - \$161,056). There was no revenue during the period.

Cash used in investing activities during the nine months ended June 30, 2020 was \$1,093 (2019 - \$2,069) which is attributable to expenditures on exploration and evaluation assets. In the nine months ended June 30, 2020 the Company's financing activity consisted of a loan payable of \$67,661 and in the comparative period in 2019 a loan payable of \$39,685 and a loan from a related party in the gross amount of \$35,000.

Liquidity

The Company's activities have been funded to date through equity financing and the Company expects that it will continue to be able to utilize this source of financing until it develops cash flows from operations. There can be no assurance, however, that the Company will be successful in its efforts. If such funds are not available or other sources of finance cannot be obtained, then the Company will be forced to curtail such proposed activities to a level for which funding is available and can be obtained.

During the quarter ended June 30, 2020, the Company did not complete any equity financing. As at June 30, 2020 the Company's current assets are comprised of Cash and cash equivalents of \$3,778 and other receivables of \$3,600 (mainly comprising of HST receivable and prepaid expenses). As at June 30, 2020, the Company had a working capital deficiency of \$1,090,510 and Shareholders' deficit of \$387,594.

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Related Party Disclosure

Related parties include the Board of Directors, officers, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions. In accordance with International Accounting Standards 24 - Related Party Disclosure, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and nonexecutive) of the Company.

The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, to similar transactions to non-key management personnel related entities on an arm's length basis.

The Company entered into the following transactions with related parties:

The President and Chief Executive Officer, Mr. Jason Brewster, ("CEO") of the Company is the President of 2181038 Ontario Inc. ("218 Inc."), and 218 Inc. (and by extension the CEO and President) has a contract with the Company. The CEO and President has volunteered to take a reduction of 20% of his contract for the 2020 fiscal year and similarly for the 2019, 2018, 2017, 2016 and 2015 fiscal year until the Company has adequate funding. Fees and outstanding amounts due to 218 Inc. relating to consulting services as expensed and capitalized as exploration and evaluation assets are detailed in the table below. During the nine months period ended June 30, 2020, Mr. Brewster spent all of his time and effort on fund raising efforts and related items for Avalon and was compensated as such by Avalon. As a result, the Company recorded no expense for Mr. Brewster in this period.

One of the directors, Denis Clement, of the Company provides business advisory services from (time to time) and as such is compensated for these services when provided. For details of the fees and outstanding amounts due relating to business advisory services provided, re Mr. Clement, see table below. From the period dated April 1, 2019 to June 30, 2020 and for the future until the completion of the RTO, Mr. Clement has decided to waive all of his director fees and his outstanding receivables from the Company.

The Chief Financial Officer, Mr. Harvey McKenzie, ("CFO") has a service contract and is entitled to fees based on this contract relating to consulting services in the normal course of business. Mr. McKenzie has volunteered to take a reduction of 20% of his contract for the fiscal years 2020, 2019, 2018, 2017, 2016 and 2015, this reduction in fees will continue until the Company has adequate funding. These fees are expensed as consulting fees in the general and administrative expenses. The table below details the fees and amounts due to Mr. McKenzie. During the three months ended March 2020, Mr. McKenzie has spent most of his time working on the Avalon deal and as such has been compensated by them. As a result, the Company recorded no expense for Mr. McKenzie in this period.

Related Party Fees	3 months ended June 30, 2020	3 months ended June 30, 2019	9 months ended June 30, 2020	9 months ended June 30, 2019
Fees for 218 Inc. (Jason Brewster)	\$ -	24,000	\$ -	\$ 72,000
CFO consulting fees - Harvey McKenzie	-	14,400	14,400	43,200
Directors fees	450	10,000	11,800	30,000
Total related party transactions	\$ 450	48,400	\$ 26,200	\$ 145,200
Related party payables by the Company			As at June 30, 2020	As at September 30, 2019
218 Inc. (Jason Brewster) all fees			\$ 289,900	\$ 289,900
CFO Harvey McKenzie			158,962	144,562
Directors			79,583	67,783
Total Related party payables			\$ 528,445	\$ 502,245

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Directors are entitled to director fees and stock options for their services and officers are entitled to stock options and cash remuneration for their services as outlined in their service contracts with the Company. The table above details the directors' fees and the amounts due to them. At a recent Board meeting the Board decided that directors will only earn fees (on a go forward basis) based on \$150.00 per meeting attended, this change came into effect on January 1, 2020. In addition, all of the director's fees payables to December 31, 2019, will be part of the debt settlement as noted above in relation to the Grenfell property. From the period dated April 1, 2019 to June 30, 2020 and for the future until the completion of the RTO, Mr. Clement has decided to waive all of his director fees and his outstanding receivables from the Company.

Similarly, all of the consulting fees payables, as at June 30, 2019, by the Company to 218 Inc (Jason Brewster); Harvey McKenzie and Denis Clement will be settled as part of the debt settlement in relation to the Grenfell property. In addition, Mr. Brewster agreed to waive all of his fees from April 30, 2019 to September 30, 2019.

To the knowledge of the directors and senior officers of the Company, as at June 30, 2020, no person or corporation beneficially owns or exercises control or direction over common shares of the Company carrying more than 10% of the voting rights to all common shares of the Company other than the Estate of Dr. Bernard C. Sherman, a major shareholder who owns 21% of all the issued and outstanding shares of the Company. The remaining 79% of the shares are widely held. These holdings can change at any time at the discretion of the owners.

On March 31, 2016, Dr. Bernard Sherman (deceased) loaned the Company \$25,000. This loan bears an annual interest rate of 15% and matures on June 30, 2017 and is subject to annual extensions. As of June 30, 2020, this loan has been extended and \$15,945 (September 30, 2019 - \$13,130) of interest expenses has been accrued on the loan.

On November 22, 2018 the Company entered into a loan arrangement with a company owned by a director of the Company, secured against the Grenfell property. The loan bears an annual interest rate of 15% and matures in April 2020. This loan has been extended by the director who owns this loan to after the completion of the RTO. As at June 30, 2020, the principal amount loaned is \$35,00 and the amount due is \$43,947 (September 30, 2019 - \$40,005), which includes interest of \$8,947 (September 30, 2019 - \$5,005).

None of the Company's major shareholders have different voting rights other than holders of the Company's common shares.

The Company is not aware of any arrangements, except for the RTO discussed above, the operation of which may at a subsequent date result in a change in control of the Company. To the knowledge of the Company, it is not directly or indirectly owned or controlled by another corporation, by any government or by any natural or legal person severally or jointly.

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Outstanding Share Data

Authorized Share capital: unlimited common shares without par value.

- Issued and outstanding: 117,589,409 common shares as of the date of this MD&A.
- The following table sets out the fully diluted share capital of the Anconia.

Total shares outstanding as at September 30, 2017	105,156,689
Shares issued for exploration and evaluation assets on April 2018	700,000
Total shares outstanding as at September 30, 2018	105,856,689
Shares issued for settlement of debt on October 24, 2018	11,732,720
Total shares outstanding as at September 30, 2019 and June 30, 2020	117,589,409
Total warrants outstanding as at September 30, 2017	26,758,980
The warrants expiring in March 2018, expired unexercised	(18,400,000)
Total warrants outstanding as at September 30, 2018	8,358,980
Warrants associated with the July 4, 2016, placement and expired unexercised on July 4, 2019	(2,000,000)
Warrants associated with the July 27, 2016, placement and expired unexercised on July 27, 2019	(4,300,000)
Warrants associated with the August 3, 2016, placement and expired unexercised on August 3, 2019	(1,250,000)
Total warrants outstanding as at September 30, 2019	808,980
Warrants associated with a December 23, 2016 private placement, expired unexercised on December 23, 2019	(808,980)
Total warrants outstanding as at June 30, 2020	NII
Total Options outstanding as at September 30, 2017 and 2018	2,300,000
Options expired unexercised	(2,300,000)
Total Number of options outstanding as at September 30, 2019 and June 30, 2020	NII
Total Number of Diluted Securities as at June 30, 2020	117,589,409

As at the date of this MD&A, July 28, 2020, 117,589,409 common shares are issued and outstanding. The increase / (decrease) in shares, warrants and options outstanding, are identified in the table above.

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Financial and Other Instruments

The Company's financial instruments and liabilities consist of cash and cash equivalents, amounts receivable, and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these instruments approximates their carrying value due to the short-term nature of their maturity.

Significant accounting judgments and estimates

The preparation of the Company's consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements of the Company include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates

Significant assumptions about the estimates that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- the recoverability of amounts receivable that are included in the statements of financial position;
- valuation and recoverability of exploration and evaluation assets. Management considers the economics of the project, including the latest resources prices and the long-term forecasts, and the overall economic viability of the project;
- management assessment of no material restoration, rehabilitation and environmental provisions, based on the facts and circumstances that existed during the period;
- the valuation of share-based payments. Black-Scholes valuation model is used for the valuation of the share-based payments granted and the assumptions used for the valuation include volatility of the share price, risk-free interest rate and the life of the stock options granted. These assumptions are highly subjective and materially affect the calculated fair value; and
- the determination of deferred income tax assets and liabilities is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes.

Critical accounting judgments

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether there are indicators of impairment. When such indicators exist, an impairment loss is recognized for the amount by which the exploration and evaluation assets carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less costs to dispose and their value in use.

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The amount of deferred tax assets to recognize and the extent of impairment allowance for the deferred tax asset also requires management to make judgments.

The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its operations and working capital requirements as discussed in note 1 of the audited consolidated financial statements for the year ended September 30, 2019.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the consolidated financial statements are:

Share-based payment transactions

The fair value of share options granted is recognized as an expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value of share-based payments to employees is measured at the grant date and recognized over the period during which the options vest. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted with consideration of forfeiture rate to reflect the actual number of share options that are expected to vest. The Company has no share-based payments capitalized in exploration and evaluation assets. For those options that expire after vesting, the recorded value is retained in the reserve.

Fair value of financial instruments

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

Taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Exploration and evaluation expenditures

Exploration and evaluation asset acquisition costs and related direct exploration costs may be deferred until the assets are placed into production, sold, abandoned, or written down, where appropriate. The Company's accounting policy is to capitalize exploration costs. The policy is consistent with other junior exploration companies which have not established mineral reserves objectively. An alternative policy would be to expense these costs until sufficient work has been done to determine that there is a probability a mineral reserve can be established; or alternatively, to expense such costs until a mineral reserve has been objectively established. Management is of the view that its current policy is appropriate for the Company at this time. Based on annual impairment reviews made by management, or earlier if circumstances warrant, in the event that the long-term expectation is that the net carrying amount of these capitalized exploration costs will not be recovered, then the carrying amount is written down accordingly and the write-down charged to operations. A write-down may be warranted in situations where an exploration and evaluation asset is to be sold or abandoned; or exploration activity ceases on an exploration and evaluation asset due to unsatisfactory results or insufficient available funding.

As the Company is in the exploration stage with respect to its investment in mineral properties. The Company capitalizes costs directly related to the acquisition, exploration and evaluation of mineral properties. Such costs include, but are not restricted to, geological, geophysical, drilling, trenching and sampling costs including the support costs and supplies required in relation thereto. These assets are recorded at cost as adjusted for impairments in

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value. Impairment is assessed when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. In assessing impairment, exploration and evaluation assets are grouped into Cash Generating Units, ("CGU's"), on the basis of areas of interest. Management groups mineral claims that are contiguous and specific to an area that encompasses the same prospective minerals, into one area of interest and assigns a name to this mineral property. Each named mineral property is considered an area of interest and a CGU.

Although not an exhaustive list, one or more of the following facts and circumstances indicate that a specific CGU should be tested for impairment:

- The period for which the entity has the right to explore in the specific area has expired during the financial statement period or will expire in the near future and is not expected to be renewed.
- Substantive expenditures on further exploration for, and evaluation of, mineral resources in the specific area is neither budgeted nor planned.
- Exploration for and evaluation of mineral resources in the specific area has not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.
- Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or sale.

An impairment loss may be reversed in a situation where there is a change in the circumstances that had initially dictated that impairment had occurred. An example of such a situation might include, but not be limited to, the recommencement of exploration activity on a mineral property due to a significant change in commodity prices.

Where the Company's exploration commitments for a CGU are performed under option agreements with a third party, the proceeds of any option payments under such agreements are applied to the CGU to the extent of costs incurred. The excess, if any, is credited to operations. Option payments made by the Company are recorded as exploration and evaluation assets. Options are exercisable entirely at the discretion of the optionee and accordingly, are recorded as exploration and evaluation assets or recoveries when the payments are made or received. The proceeds on the sale of exploration and evaluation assets are applied to the area of interest to the extent of costs incurred and the excess, if any, is credited to operations. In some circumstances option payments received by or made by the Company are made in whole or in part through the issuance of common shares. The value of these payments in shares is calculated using the fair value of the shares on the date of issue.

Impairment of nonfinancial assets

At the end of each reporting period, the Company reviews the carrying amounts of its nonfinancial assets with finite lives to determine whether there is any indication that those assets are impaired. Where such an indication exists, the recoverable amount of the asset is estimated. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels of CGU. The recoverable amount is the higher of an asset's fair value less costs to dispose and value in use (being the present value of the expected future cash flows of the relevant CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

Accounting Policies

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The significant accounting policies and method of computation followed in Anconia's consolidated financial statements are set out in detail in Note 2 of the September 30, 2019 audited consolidated financial statements. The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards 34, Interim Financial Accounting, and they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by the International Financial Reporting Committee.

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Changes in accounting policies

Certain new pronouncements were issued by the IASB and IFRIC that are mandatory for accounting periods after September 30, 2019. The following new standards have been adopted:

Effective October 1, 2019, the Company adopted IFRS 16 - Leases ("IFRS 16") was issued on January 2016 and replaces IAS 17- Leases as well as some lease interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lease recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial costs. After a lease commencement, the lease shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that the lessor classify each lease as an operating lease or a finance lease. A lease is classified as a as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. The adoption of IFRS 16 had no impact to the Company's consolidated financial statements.

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements at the date of this MD&A.

Commitment

There are no commitments at the date of this MD&A.

Management's Responsibility for Financial Statements

The information provided in this MD&A, including the consolidated financial statements, is the responsibility of management. In the preparation of these consolidated financial statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying consolidated financial statements.

Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

Risk Factors

Anconia is subject to a number of risks due to the nature of the business of mineral exploration and the early stage of its development. The following risk factors are provided from the perspective of the Company.

Mineral Exploration Risks

The successful exploration of exploration and evaluation assets is speculative. Such activities are subject to a number of uncertainties, which even a combination of careful evaluation, experience and knowledge may not eliminate. Most exploration projects do not result in the discovery of commercially mineable deposits. There is no certainty that the expenditures made or to be made by the Company in the exploration of the exploration and evaluation assets in which it may have an interest will result in the discovery of base metals or other mineralized materials in commercial quantities. While discovery of a base metal deposit may result in substantial rewards, few exploration and evaluation assets that are explored are ultimately developed into producing mines. Significant expenditures may be required to establish reserves by drilling and to construct mining and processing facilities at a site. No assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations. Whether a mineral deposit will be commercially viable depends on a number of factors, including the particular attributes of the deposit (i.e. size, grade, access and proximity to infrastructure), financing costs, the cyclical nature of commodity prices and government regulations (including those relating to prices, taxes, currency controls, royalties, land tenure, land use, importing and exporting of mineral products, and environmental protection). Although substantial benefits may be derived from the discovery of a major deposit, it is impossible to ensure that the current exploration programmes of the Company will result in profitable commercial mining operations or that funds required for development can be

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obtained on a timely basis. The implementation of certain aspects of the Company's strategy in respect of the exploration and evaluation asset is subject to the completion of detailed feasibility studies. The Company is not able to predict the outcome of such studies and unfavourable results may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Country Risk

The Company could be at risk regarding any political developments in the country which it operates. At present, the Company is active only in Canada and possibly other areas outside Canada. The Company's mineral exploration may be adversely affected by political instability, legal and economic uncertainty in the countries where the Corporation operates or has plans to operate. These risks may include: political unrest; labour disputes; invalidation of governmental orders and permits; corruption; war and civil disturbances; terrorist activities; arbitrary changes in laws; regulations; policies; taxation; price controls; exchange controls; delays in or the inability to obtain necessary permits; opposition to mining from environmental activists or other non-governmental organizations; limitations on foreign ownership; limitations on the repatriation of earnings; limitation on mineral exports and increase financing costs. These risks may limit or disrupt the Company's projects, restrict the movement of funds or result in the deprivation of contractual rights.

Failure to raise capital when needed would have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Regulatory Requirements

Mining operations, development and exploration activities are subject to extensive laws and regulations governing prospecting, development, production, exports, taxes, labour standards, occupational health, waste disposal, environmental protection and remediation, protection of endangered and protected species, mine safety, toxic substances and other matters. Changes in these regulations or in their application are beyond the control of the Company and could adversely affect its operations, business and results of operations.

Government approvals and permits are currently, and may in the future be, required in connection with the exploration and evaluation assets. To the extent such approvals are required and not obtained, the Company may be restricted or prohibited from proceeding with planned exploration or development activities. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may be liable for civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permitting requirements, or more stringent application of existing laws, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or require abandonment or delays in development of properties or reductions in levels of production at producing properties.

Reliability of Historical Information

The Company has relied upon historical data compiled by previous parties involved with the properties. To the extent that any of such historical data may be inaccurate or incomplete, the Company's exploration plans may be adversely affected.

Title Matters

The acquisition of title to exploration and evaluation assets is a very detailed and time-consuming process. Title to, and the area of, mineral concessions may be disputed. Although the Company believes it has taken reasonable measures to ensure proper title to its properties, there is no guarantee that title to the property will not be challenged or impaired. Third parties may have valid claims underlying portions of the Company's interests. Further, there can be no assurance that any pending applications for mineral rights in which the Company holds an interest (including in respect of the properties) will be granted in whole or in part. If a title defect exists, it is possible that the Company may lose all or part of its interest in the properties or any other property subsequently acquired to which such title defect exists.

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Licenses and Permits

The current and proposed exploration activities of the Company require certain permits and licenses from various governmental authorities and such operations are and will be governed by laws and regulations governing exploration, development and production, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, safety, mine permitting and other matters. Companies engaged in exploration activities generally experience increased costs and delays as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that all licenses and permits which the Company may require to carry out exploration of its projects will be obtainable on reasonable terms or on a timely basis, or that such laws and regulations would not have an adverse effect on any project that the Company may undertake.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in exploration operations may be required to compensate those suffering loss or damage by reason of the exploration activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Commodity Price Fluctuations

The price of the Company's securities, its financial results and exploration activities may be significantly adversely affected by declines in the price of base metals demand and price are determined by numerous factors beyond the control of the Company including the demand for electricity, international exchange rates, political and economic conditions and production costs in mining regions, production and consumption patterns, speculative activities, increased production due to improved mining and production methods, government regulations relating to prices, taxes, royalties, land tenure, land use, environmental protection and the degree to which a dominant producer uses its market strength to bring supply into equilibrium with demand. The combined effects of any or all of these factors on metal prices or volumes are impossible for the Company to predict. If realized metal prices fall below the full cost of production of any of the Company's operations and remain at such level for any sustained period, the Company will experience losses, which may be significant, and may decide to discontinue affected operations, forcing the Company to incur closure or care and maintenance costs, as the case may be. In addition declining metal prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

Current Global Financial Conditions

Recent events in global financial markets have had a profound impact on worldwide economies. Many industries have been impacted by the changes in market conditions to varying degrees. Some of the key impacts of the current financial market turmoil include contraction in credit markets and resulting widening of credit risk as well as enhanced volatility in commodity, equity and foreign exchange markets. A continued or worsened slowdown in financial markets or other economic conditions, including without limitation, constraints in credit or surety markets, a sustained slump in economic activity in the mining industry in general and in Canada in particular, the availability of private and public sector funding for mineral exploration projects, pressure on margins arising from an altered competitive landscape or an increased risk of corporate bankruptcy in the markets in which the Company operates, may adversely affect the Company in ways which are not possible to predict given the unprecedented nature of the current crisis.

Currency Fluctuations

Currency fluctuations may affect some of the Company's future operations, financial positions and results. The Company's financial results are reported in Canadian dollars and the majority of its funds are held in Canadian dollars at a major Canadian Bank. The majority of the Company's costs to date are in Canadian dollars. However, if the Company expands its activities outside Canada the Company will have increased exposure to fluctuations in the Canadian dollar against foreign currencies.

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Uninsured Risks

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fire, flooding and earthquakes may occur. It is not always possible to fully insure against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs, have a material adverse effect on the Company's results and a decline in the value of the securities of the Company.

Environmental Regulations

The activities of the Company are subject to laws and regulations controlling not only mineral exploration and exploitation activities themselves but also possible effects of such activities upon the environment. Environmental legislation generally provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission of environmental impact assessments and approval thereof by government authorities.

Environmental legislation is evolving in a manner which means stricter standards, and enforcement, increased fines and penalties for non-compliance, and more stringent environmental assessments of proposed projects. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. Permits from a variety of regulatory authorities are required for many aspects of mineral exploration activities including closure and reclamation. Future environmental legislation could cause additional expense, capital expenditure, restrictions liabilities and delays in the development of the Company's properties, the extent of which cannot be predicted. In the context of environmental permits, including the approval of closure and reclamation plans, the Company must comply with standards and laws and regulations which may entail costs and delays depending on the nature of the activity to be permitted and how stringently the regulations are implemented by the permitting authority. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. There may be unforeseen environmental liabilities resulting from exploration and/or mining activities and these may be costly to remedy. The Company does not maintain environmental liability insurance.

Access to Transportation Infrastructure

Access to transportation infrastructure to ship mineral products economically within Nunavut and to export mineral products internationally is currently limited. Lack of access to transportation may hinder the expansion of production at the Property and the Company may be required to use more expensive transportation alternatives.

Competition

The mining industry is competitive in all its phases. The Company will compete with many companies and individuals that have substantially greater financial and technical resources than the Company in the search for, and the acquisition of, mineral concessions as well as for the recruitment and retention of qualified employees. The Company's ability to identify and increase reserves in the future will depend not only on its ability to explore and develop the properties, but also on its ability to select, acquire and develop suitable properties or prospects. In addition, the mining industry is facing a shortage of equipment and skilled personnel and there may be intense competition for experienced geologists, field personnel and contractors. There is no assurance that the Company will be able to compete successfully with others in acquiring such prospects, equipment or personnel.

Limited Operating History and Financial Resources

The Company has a limited operating history, has little operating revenue and is unlikely to generate any revenues from operations in the foreseeable future. The Company anticipates that its existing cash resources, together with the net proceeds from private placements, will be sufficient to cover its projected funding requirements for the ensuing year. If its exploration program is successful, additional funds will be required for further exploration to determine if any deposits are economic and if economic, to bring such deposits to production. Additional funds will also be required for the Company to acquire and explore other mineral interests. The Company has limited financial resources and there is no assurance that sufficient additional funding will be available to enable it to fulfill its obligations or for further exploration on acceptable terms or at all. Failure to obtain additional funding on a timely

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basis could result in delay or indefinite postponement of further exploration and could cause the Company to forfeit its interests in some or all of its exploration and evaluation assets, or to reduce or terminate its operations. Sources of funds now available to the Company are limited and may include the sale of equity capital, exploration and evaluation assets, royalty interests, the entering into of future joint ventures and the exercise of outstanding options. Additional financing may not be available when needed or, if available, the terms of such financing might not be favourable to the Company and might involve substantial dilution to existing shareholders.

Dependence upon Key Management Personnel and Executives

The Company will be dependent upon the continued support and involvement of a small number of key management personnel. The loss of the services of one or more of such personnel could have a material adverse effect on the Company. The Company's ability to manage its exploration activities and, hence, its success, will depend in large part on the efforts of these individuals. The Company faces intense competition for qualified personnel and there can be no assurance that the Company will be able to attract and retain such personnel. The number of persons skilled in the acquisition of, exploration of exploration and evaluation assets is limited and competition for such persons is intense.

Possible Conflicts of Interest of Directors and Officers of the Company

Certain of the directors and officers of the Company also serve as directors, officers and/or advisors of and to other companies involved in natural resource exploration. Consequently, there exists the possibility for such directors and officers to be in a position of conflict. The Company expects that any decision made by any of such directors and officers involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders, but there can be no assurance in this regard. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest with or which are governed by the procedures set forth in the OBCA and any other applicable law.

Absence of Dividends

The Company does not expect to pay any dividends in the foreseeable future.

Source of Future Funds

The only source of future funds for further exploration programs, or if such exploration programs are successful for the development of economic ore bodies and commencement of commercial production thereon, which are presently available to the Company are the sale of equity capital or the offering by the Company of an interest in its exploration and evaluation assets to be earned by another party carrying out further exploration. Management has been successful in accessing equity markets in the past, but there is no assurance that such sources will be available on acceptable terms in the future.

Risk of Dilution

Under applicable Canadian law, shareholder approval may not be required for the Company to issue additional Company Shares. Moreover, the Company has commitments that could require the issuance of a substantial number of additional Company Shares, in particular options to acquire Company Shares under the Company's stock option plan and property option agreements. The business of the Company will require substantial additional financing which will likely involve the sale of equity capital. The Company can also be expected to issue additional options, warrants and other financial instruments, which may include debt. Future issuances of equity capital may have a substantial dilutive effect on existing shareholders of the Company. The Company is not able at this time to predict the future amount of such issuances or dilution.

Price Volatility and Lack of Active Market

In recent years, the securities markets in Canada and elsewhere have experienced a high level of price and volume volatility, and the market prices of securities of many public companies have experienced significant fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. It may be anticipated that any quoted market for the Company's securities will be subject to such

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market trends and that the value of such securities may be affected accordingly. There is no assurance that an active market for the Company's securities will develop or be sustained. If an active market does not develop, the liquidity of the investment may be limited and the market price of such securities may decline.

Events after the reporting period (Nine months ended June 30, 2020)

During the three months ended March 31, 2020, the Board approved a settlement of Debt by assigning approximately 49.94% of the book value of Grenfell property to be used against a settlement of debt. The amount of debt to be settled is approximately \$586,700 for \$350,500 of the book value of the Grenfell property. It is anticipated that this transaction will be completed soon after the RTO is completed. In addition, the Grenfell property is subject to a mortgage on the property, details are explained in note 14 of the Condensed Interim financial statements for the three and nine months ended June 30, 2020. This transaction will be completed concurrent with the RTO transaction noted above

Other Information

Additional information about the Company is available on SEDAR at (www.sedar.com) or the Company's website (www.anconia.ca).

